

Development is not an end. It is a multidimensional and multilayered process, sustained by partnerships and projects that complement and build on each other. In pursuing its vision of a region free of poverty, the Asian Development Bank is both an element in the process and the catalyst that brings the elements together. This synergy is depicted on the cover of this Annual Report. The infrastructure development photographs are defined and bound together by the outline of a tulip, the national flower of Turkey—where the flower was first discovered and which was to have been the venue of the 36th Annual Meeting of the Board of Governors in 2003. Much like development, the lines of the tulip fan out, branch off, and come together again to create a new pattern. And the process continues.

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

In this publication, \$ refers to US dollars.

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ASIAN DEVELOPMENT BANK PROFILE

he Asian Development Bank (ADB) was established in 1966 through a multilateral agreement ratified by 31 countries. It has 61 members, of which 44 are in Asia and the Pacific. ADB has its headquarters in the Philippines, and has offices worldwide, including resident missions in Afghanistan, Azerbaijan, Bangladesh, Cambodia, People's Republic of China, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Mongolia, Nepal, Pakistan, Papua New Guinea, Sri Lanka, Tajikistan, Uzbekistan, and Viet Nam. ADB also maintains a country office in the Philippines; a regional mission for the South Pacific in Vanuatu; a special office in the Democratic Republic of Timor-Leste; and an extended mission in Gujarat, India. It has representative offices for Europe (in Frankfurt), for Japan (in Tokyo), and for North America (in Washington, DC).

Our vision

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries (DMCs) reduce poverty and improve their living conditions and quality of life. ADB pursues a strategic agenda—sustainable economic growth, inclusive social development, and governance for effective policies and institutions—with three crosscutting themes: private sector development, regional cooperation and integration for development, and environmental sustainability.

ADB's main instruments in providing help to its DMCs are policy dialogues, loans, technical assistance, grants, guarantees, and equity investments.

ADB offers a range of modalities and terms for loans, aimed at improving development performance. About 70% of ADB's cumulative lending comes from its ordinary capital resources. These come from three distinct sources: private placements and capital markets in the form of borrowings; paid-in capital provided by shareholders; and accumulated retained income (reserves), which provide a buffer for risks arising from operations.

ADB also provides loans from its Special Funds resources. The Asian Development Fund (ADF) is a special window for loans on concessional terms to members with low per capita gross national product and weak debt-repayment capacity. The ADF is financed by periodic voluntary contributions from donors. Other Special Funds are the Technical Assistance Special Fund, Japan Special Fund, and ADB Institute Special Fund.

In addition, ADB manages and administers other funds: Japan Scholarship Program, Japan Fund for Poverty Reduction, Japan Fund for Information and Communication Technology, and channel financing of grants provided by bilateral donors to support technical assistance and soft components of loans. In recent years, thematic trust funds—focusing on governance, poverty reduction, water, energy, and environment—were established to support technical assistance operations and selected components of loan projects.

Technical assistance activities funded through grants or loans help maximize ADB's development impact. Most technical assistance grants are used for preparing projects and supporting advisory activities in areas such as law and policy reform, fiscal strengthening, good governance, capacity building, and natural resource management.

ADB has a triple-A rating and typically raises about \$4 billion-\$5 billion a year from bond issues. It actively mobilizes financial resources through its cofinancing operations, tapping official, commercial, and export credit sources.

ADB's assistance to governments creates an enabling environment for private sector development. ADB participates directly in financing private sector projects to assist commercial investors and lenders.

Our policy-making structure

ADB's highest policy-making body is its Board of Governors, which meets annually and comprises one representative from each member. The Governors elect the 12 members of the Board of Directors, with each Director appointing an Alternate. The President is elected by the Board of Governors for a 5-year term and is Chairperson of the Board of Directors. The President, assisted by three Vice-Presidents, manages the business of ADB.

² To be operational in 2003.

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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

trong partnerships are essential for achieving our goal of an Asia and Pacific region free of poverty. We forged many such partnerships in 2002—global, regional, organizational, and individual. These partnerships strengthened ADB as an organization and brought us that much closer to our goal.

ADB as a voice in the global community

The importance of many voices speaking to an agreed objective—the voices of institutions and governments alongside the voices of civil society, businesses, and stakeholders—was vividly underscored at the World Summit on Sustainable Development in Johannesburg. It was also evident at other conferences and symposiums I attended in 2002. At the International Conference on Financing for Development, for example, more than 50 heads of state or government and over 200 ministers agreed to place development finance at the forefront of the global agenda. At this meeting, ADB and other organizations reiterated a shared commitment to the Millennium Development Goals. I noted in my address the importance of working closely with development partners to complement and build on one another's strengths.

ADB as an alliance broker

Several partnerships we developed in years past reached important milestones in 2002. For example, in 1992, ADB had helped broker an alliance of six countries that shared a common resource, the Mekong

River. The six developing member countries (DMCs) have met often since then, and have formed what has become known as the Greater Mekong Subregion (GMS). They have developed shared projects and programs that are bringing benefits to the entire subregion. The GMS has become a model of regional cooperation and, in 2002, it held its first summit to celebrate a decade of partnership. This gathering set the stage for many more years of cooperation and allowed all of us to reaffirm our commitment to creating a prosperous and equitable subregion.

Another partnership ADB helped nurture in 2002—Protecting the Coastal and Marine Waters of South Asia—brought regional groups, such as the South Asia Cooperative Environment Programme, together with national agencies and international organizations such as the United Nations Environment Programme. Through a network of centers of excellence in policy, legislation, education, and communication, the partnership is expected to build capacity and encourage knowledge transfers to contribute to human security and conservation of the region's natural resources.

We also helped organize a meeting in 2002 at which a regional group of governments of small island nations of the Pacific, nongovernment organizations (NGOs), and others concerned about water came together to develop a unified approach to the problems these nations face in managing this scarce resource. The result was a regional action plan for sustainable water management.

Alliances often grew out of existing relationships and previously agreed priorities, such as working to clean the air we breathe. A partnership—the Clean Air Initiative for Asia Cities—was launched by ADB, the World Bank, and others in 2002 to address the problem of air pollution in the region. We also joined the International Labour Organization in promoting a decent work environment for all people in the region, and we collaborated with the World Trade Organization in promoting knowledge and capacity for open trade.

ADB in partnership with its members

ADB is, of course, a partnership of 61 members, and it enjoys a high level of trust and confidence among governments and civil society. Through this partnership, ADB has a tremendous opportunity to forge the broad-based strategic initiatives needed to enable the poor to achieve peace and prosperity in the decades to come.

In 2002, we continued to build on this trust. Several of our donor members have over the years provided ADB with untied grant funds to support technical assistance and the soft components of loans. In 2002, a new thematic poverty-focused multidonor financing

arrangement was established, with the first contribution coming from the United Kingdom. The Netherlands made another contribution to the cooperation fund for the water sector; Norway contributed to a fund on promoting governance; and Switzerland to a fund for consulting services. Japan maintained trust funds set up earlier with ADB for poverty reduction and for promoting information and communication technology.

We signed poverty partnership agreements in 2002 with six Asian and four Pacific island DMCs, bringing to 17 the total number we have signed. These partnership agreements are based on long-standing relationships between ADB and each DMC, and every agreement I signed reminded me of the trust and commitment that has grown over the years.

Commitment to a common goal was also evident in the reorganization we effected in 2002. We improved our own internal work environment to raise our output and enhance the management of our knowledge and information resources. Management and staff alike joined our DMC partners to ensure DMC leadership and ownership of the development agenda.

Integral to the reorganization was the need to develop better mechanisms and products for engaging NGOs and other civil society groups as partners in development. A new department was formed to work with development partners on thematic and sector issues. ADB's NGO Center, as part of this department, continued to serve as an important focal point.

ADB in partnership with the poor

The three pillars of ADB's Poverty Reduction Strategy—pro-poor sustainable economic growth, inclusive social development, and good governance—provide a solid basis for partnerships to reduce poverty in Asia and the Pacific. Our promotion of the private sector in development, our support for regional cooperation and integration, and our advocacy of environmental sustainability—add further strength to each partnership we forge.

It is our common vision, our shared strategic objective, that makes the partnerships we formed in 2002 so meaningful. Each summit I attended, each memorandum of agreement I signed, each partnership ADB renewed has, I believe, moved us closer to realizing our vision of an Asia and Pacific region free of poverty.

At a meeting in September 2002, I reiterated ADB's commitment to Afghanistan, assuring our development partners of our determination to contribute to the reconstruction of the country. My words and our commitment would have meant little, however, were it not for the commitment of our primary partners in Afghanistan—the country's people. I had seen their

involvement when I visited Kabul earlier in the year. Their enterprise and determination to begin life anew was impressive. The energy of the people was evident. Private enterprises were springing up everywhere despite a near absence of financial services.

I remember too with fondness and humility other people I met in 2002: street children in Bangladesh, small business entrepreneurs in India, farmers in the Lao People's Democratic Republic, slum dwellers in the Philippines.

It is the alliances we have formed with these individuals that bring us closer to understanding the nature and structure of poverty. And it is these alliances that strengthen our resolve to make a difference.

Partnerships at the heart of ADB

Our greatest challenge in 2002 continued to be the poverty that blights the lives of so many in the Asia and Pacific region. Our greatest strengths in the fight to overcome poverty are the partnerships we have joined to meet that challenge. Partnerships are at the heart of ADB.

ASIAN DEVELOPMENT BANK Manila

11 April 2003

Chairman of the Board of Governors Asian Development Bank

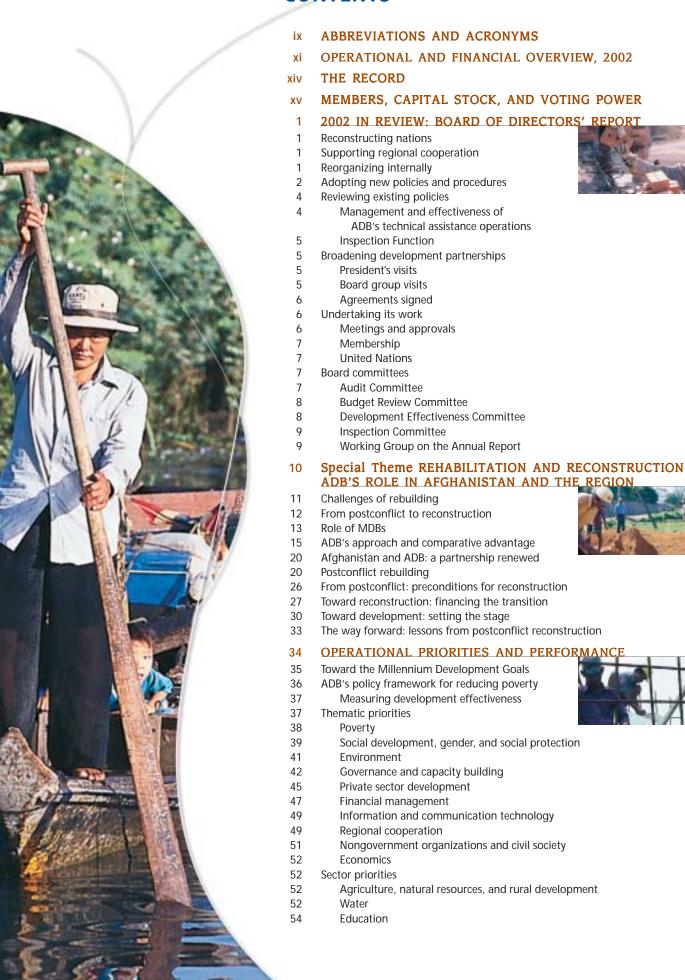
Dear Mr. Chairman,

In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the *Annual Report 2002*, including a separate report on the activities of the Special Funds, which has been prepared under the direction of the Board of Directors. The *Annual Report* also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely,

Tadas Chino
TADAO CHINO
President and Chairman
of the Board of Directors

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- 101 Bangladesh
- 102 Bhutan
- 103 India
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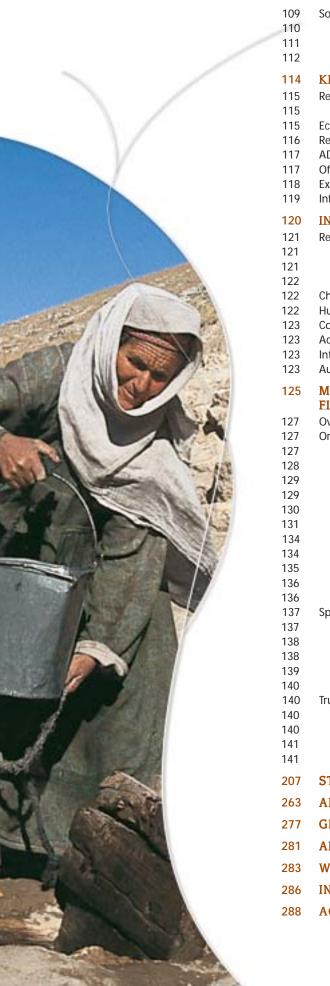












Southeast Asia Indonesia Malaysia **Philippines**

KNOWLEDGE AND SUPPORT ACTIVITIES

Regional and Sustainable Development Department

RSDD and Knowledge Management

Economics and Research Department

Regional Economic Monitoring Unit

ADB Institute

Office of External Relations

External offices

Information management

INSTITUTIONAL MATTERS

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New organizational structure

New business processes

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MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL STATEMENTS

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ACKNOWLEDGMENTS







ABBREVIATIONS AND ACRONYMS

AACA	Afghanistan Assistance Coordination Authority	FSAP FY	financial sector assessment program
ACCSF	Asian Currency Crisis Support Facility	GAD	fiscal year gender and development
ACRAA	Association of Credit Rating Agencies	GDIF	Global Debt Issuance Facility
	in Asia	GDP	gross domestic product
ADB	Asian Development Bank	GEF	Global Environment Facility
ADF	Asian Development Fund	GMS	Greater Mekong Subregion
Af/Afs	afghani/afghanis (currency)	GNP	gross national product
AfDB	African Development Bank	HIV/AIDS	human immunodeficiency virus/acquired
APEC	Asia-Pacific Economic Cooperation	THV/MDS	immunodeficiency syndrome
APF	Asian Policy Forum	HOP	heads of procurement
ARIC	Asia Recovery Information Center	IAA	Interim Administration of Afghanistan
ARSG	Afghanistan Reconstruction Steering Group	IADB	Inter-American Development Bank
ARTF	Afghanistan Reconstruction Trust Fund	IAE	internal administrative expense
ASEAN	Association of Southeast Asian Nations	ICFTU-APRO	International Confederation of Free Trade
ASG	Afghanistan Support Group		Unions–Asian and Pacific Regional
AusAID	Australian Agency for International		Organisation
	Development	ICR	interest coverage ratio
BIMP-EAGA	Brunei Darussalam-Indonesia-Malaysia- Philippines East ASEAN Growth Area	ICT	information and communication technology
BOT	build-operate-transfer	ICZM	integrated coastal zone management
CAREC	Central Asia Regional Economic Cooperation	IFO	investment fund operation
CADa	•	IG	implementation group
CARS	Central Asian republics	ILO	International Labour Organization
CDF	comprehensive development framework	IMF	International Monetary Fund
CEA	country economic review	IMT-GT	Indonesia-Malaysia-Thailand Growth
CFA	channel financing arrangement	100	Triangle
CFS	complementary financing scheme	IOS	interim operational strategy
CG	Consultative Group	IPA	interest payment assistance
CGA	country governance assessment	ISAF	International Security Assistance Force
CGAP CGIAR	Consultative Group to Assist the Poorest Consultative Group on International	ISTS	information systems and technology strategy
	Agricultural Research	IUCN	World Conservation Union
CLASS	Comprehensive Loan Administration and	JBIC	Japan Bank for International Cooperation
CLICK	Servicing System	JFICT	Japan Fund for Information and
CLICK	Center for Learning, Information,		Communication Technology
CDI	Communication, and Knowledge	JFPR	Japan Fund for Poverty Reduction
CPI	consumer price index	JSF	Japan Special Fund
CRA	credit rating agency	JSP	Japan Scholarship Program
CSP	country strategy and program	KPS	knowledge products and services
DFID	Department for International Development (of the United Kingdom)	Lao PDR LBL	Lao People's Democratic Republic LIBOR-based loan
DMC	developing member country	LDC	least-developed country
ECA	export credit agency	LIBOR	London interbank offered rate
ECG	Evaluation Cooperation Group	LTSF	Long-Term Strategic Framework
ECP	euro-commercial paper	LTTE	Liberation Tigers of Tamil Eelam
EIA	environmental impact assessment	MBL	market-based loan
EIRRP	Emergency Infrastructure Rehabilitation	MDB	multilateral development bank
	and Reconstruction Project	MDG	Millennium Development Goal
ERL	emergency reconstruction loan	MOF	Ministry of Finance
FAS	Financial Accounting Standards	MTS	Medium-Term Strategy
FDI	foreign direct investment	1711 0	mediani reini suategy

ABBREVIATIONS AND ACRONYMS (continued)



Organisation for Economic Co-operation and Developmen

PAI project administration instruction
PBA performance-based allocation
PCG partial credit guarantee
PCR project completion report

PMAP portfolio management action plan
PMCL pool-based multicurrency loan
PMU project management unit
PNG Papua New Guinea

PPA poverty partnership agreement

PPAR project/program performance audit report
PPIAF Public-Private Infrastructure Advisory Facility

PRC People's Republic of China

PREGA Promotion of Renewable Energy, Energy Efficiency, and Greenhouse

Gas Abatement

PRF Poverty Reduction Cooperation Fund

PRG political risk guarantee

PRGF Poverty Reduction and Growth Facility

PSALM Power Sector Assets and Liabilities Management Corporation

PSCL pool-based single currency loan
PSD private sector development
PSO private sector operations
QCBS quality and cost-based selection

RAMS road asset management system
REMU Regional Economic Monitoring Unit

RLR reserve to loan ratio
SABF South Asia Business Forum
SASEC South Asia Subregional Economic

Cooperation

SDR special drawing right

SME small- or medium-sized enterprise

SOE state-owned enterprise
SPC safeguard policy compliance

SWIFT Society for Worldwide Interbank Financial Telecommunications

TASF Technical Assistance Special Fund
TCR technical assistance completion report

TFET Trust Fund for East Timor

TIPWG Trade, Investment, and Private Sector Cooperation Working Group

TPAR technical assistance performance audit report

UN United Nations

UNDP United Nations Development Programme

US United States

WSSD World Summit on Sustainable Development

WTO World Trade Organization



OPERATIONAL AND FINANCIAL OVERVIEW, 2002

Loan approvals

- Lending for both public and private sector operations totaled \$5,676 million for 89 loans in 71 projects.
- Lending to the public sector amounted to \$5,531 million for 67 projects, comprising \$3,898 million from ordinary capital resources and \$1,633 million from the Asian Development Fund.
- Of the total public sector loan approvals, 15 were policy-based programs totaling \$1,685 million, representing 31% of total lending. This includes program components of sector development programs.
- Of the total program lending, \$1,300 million or 77% will be funded from the ordinary capital resources and \$385 million or 23% from the Asian Development Fund.
- Twenty-one developing member countries and three regional projects received ADB loans.
- India received the largest amount (\$1,184 million or 21% of total lending), followed by Pakistan, People's Republic of China, Indonesia, and Viet Nam.
- Operations in Afghanistan were resumed for the first time after 23 years.
- The transport and communications sector received the highest share of loans with \$1,613 million or 28% of the total lending.
- The "Others" sector received 14% of total lending. This includes projects not
 falling under ADB's economic sector classification, such as central
 government administration, operation and regulation, customs operations,
 public sector reform programs, judicial and legislative operations, public
 finance management, fiscal reforms, environment projects, gender,
 governance, and tourism.
- The average loan size was \$64 million.

Thematic classification

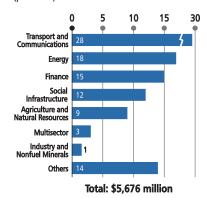
• The project mix of the 67 public sector loan projects and programs, based on a thematic classification, consisted of 18 projects (27%) supporting economic growth; 6 projects (9%) supporting human development; 3 projects (4%) supporting environmental protection; 2 projects (3%) supporting good governance; 1 project (2%) supporting gender and development as the main theme; and 37 projects (55%) classified as multithemes/others.

Multithematic projects include a combination of two or more themes such as economic growth, environmental protection, good governance, private sector development, human development, regional cooperation, and gender and development.

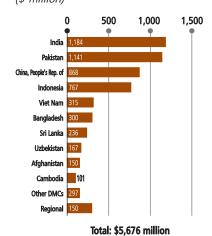
Poverty reduction

- Of the 67 public sector loan projects and programs, 7 were categorized as core poverty intervention and 31 as poverty intervention projects. These projects amounted to \$2,327 million for 38 projects or 41% of the total lending.
- Sixteen projects totaling \$49.3 million were approved for grant financing provided by the Japan Fund for Poverty Reduction.
- A new thematic poverty-focused multidonor channel financing agreement
 was established with the first contribution made by the United Kingdom
 for an amount equivalent to \$60 million. ADB acts as administrator
 of the funds.

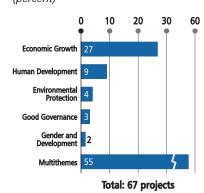
Loans by Sector, 2002 (percent)



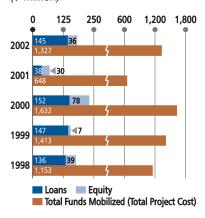
Borrowers, 2002 (\$ million)



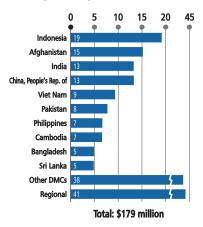
Public Sector Projects and Programs by Themes, 2002 (percent)



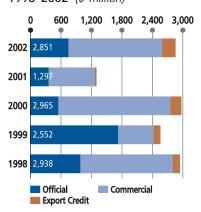
Private Sector Loans, Equity Investments, and Total Funds Mobilized, 1998–2002 (\$ million)



Recipients of Technical Assistance Grants, 2002 (\$ million)



Cofinancing Arrangements, 1998–2002 (\$ million)



• Ten poverty partnership agreements were signed between ADB and Cambodia, Cook Islands, Maldives, Marshall Islands, Federated States of Micronesia, Pakistan, Sri Lanka, Tajikistan, Tonga, and Viet Nam.

Private sector operations

- Lending to the private sector totaled \$145 million for four loans.
- Four equity investments in the private sector, totaling \$36 million, were approved.
- Two political risk guarantees for the private sector, totaling \$60 million, were approved.

Technical assistance

- A total of 324 technical assistance grants amounting to \$179 million were approved.
- Of the total amount for technical assistance, \$56 million came from ordinary capital resources current income; \$46.7 million from the Technical Assistance Special Fund resources; \$36.4 million from the Japan Special Fund; \$9.6 million from the Asian Currency Crisis Support Facility; and the remaining \$30.3 million from other multilateral and bilateral sources.
- Of the technical assistance projects, 87 were for project preparation, 160 for advisory and operational purposes, and 77 for regional activities.
- The largest share of total project-specific technical assistance went to the social infrastructure sector (\$22.1 million or 16%), followed by multisector, finance, transport and communications, agriculture and natural resources, energy, and industry and nonfuel minerals.
- Indonesia received the largest share of country-specific technical assistance grants (\$19.1 million or 11% of total). Other top recipients were Afghanistan, India, and the People's Republic of China.

Grants

- Fifteen ADB loan projects received grant cofinancing amounting to \$221.4 million from bilateral and multilateral sources.
- Eighteen projects were fully funded by grant financing: 16 from the Japan Fund for Poverty Reduction (\$49.3 million) and 2 were from the Japan Fund for Information and Communication Technology (\$0.7 million).

Cofinancing and guarantee operations

- Cofinancing for loan projects mobilized from all sources amounted to about \$2,851 million for 38 public and private sector loan projects in 15 developing member countries—equivalent to about 50% of ADB's total lending for the year.
- Cofinancing arrangements made with commercial sources, including export credits, totaled \$2,097 million, and with official sources, \$754 million.
- Of the total commercial cofinancing, \$885 million was raised using ADB guarantees. Guarantee operations comprised a partial credit guarantee of \$500 million, and four political risk guarantees in three public and private sector projects with an aggregate total of \$385 million.
- Additional commercial cofinancing was raised in the form of export credits (\$249 million) and parallel cofinancing (\$963 million), mainly from domestic financial institutions in the People's Republic of China.

Loan disbursements

 A total of \$4,202.1 million was disbursed. Of this, \$1,998.4 million or 48% was for project loans, followed by program, sector, and private sector loans.

Financial resources

- Authorized capital stock amounted to \$47,288 million. Subscribed capital stood at \$47,234 million.
- Borrowings totaled \$6,145 million, including \$5,945 million in long-term funds through 77 structured private placement transactions and 3 public offerings.
- Gross income amounted to \$2,060.1 million, of which \$1,710.0 million was generated from the loan portfolio, \$330.4 million from the investment portfolio, and \$19.7 million from other sources.
- ADB's Special Funds consisted of the concessional Asian Development Fund with committed resources amounting to \$610.2 million; Technical Assistance Special Fund, \$8.7 million; Japan Special Fund, \$188.1 million; and ADB Institute Special Fund, \$9.8 million.

Policies

 Policies on the environment, education, and liquidity were discussed and approved by the Board of Directors.

Reorganization

 The new organizational structure went into effect on 1 January. The major features include stronger country focus, more stakeholder participation, enhanced quality control and safeguard compliance, greater emphasis on knowledge management and regional cooperation, and clearer accountability.

Resident missions

- ADB approved the establishment of three new resident missions in Afghanistan, Papua New Guinea, and Tajikistan.
- The Bangladesh Resident Mission celebrated its 20th anniversary.
- The India Resident Mission moved to a new location in New Delhi in the first building constructed and owned by ADB outside its headquarters.

Members

 Portugal and the Democratic Republic of Timor-Leste joined ADB, bringing total membership to 61.

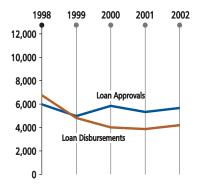
Annual meeting

 The 35th Annual Meeting of Board of Governors was held in Shanghai from 10 to 12 May.

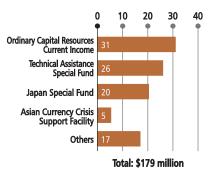
Other highlights

ADB was accredited as an Observer at the United Nations General Assembly.

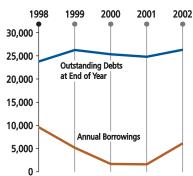
Loan Approvals and Disbursements, 1998–2002 (\$ million)



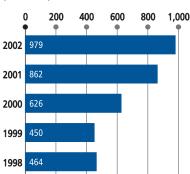
Technical Assistance Grants by Source, 2002 (percent)



Borrowings, 1998–2002 (\$ million)



Net Income, 1998–2002 (*\$ million*)



THE RECORD

(amounts in \$ million)

11	966-2002	1999	2000	2001	2002
OPERATIONAL ACTIVITIES					
TOTAL LENDING <i>(amount)</i> Number of Projects ^b	98,831 1,752	4,979 52	5,583 ^a 72	5,339 ^a 60	5, 676 71
OCR Loans (amount) Number of Loans	71,439 993	3, 908 34	4,015 37 ^c	3, 977 ^a 30	4,043 36
Disbursements (amount)	47,683°	3,710	2,884	2,850	3,067
ADF Loans (amount) Number of Loans	27,392 ^a 970	1, 071 32	1, 567 48	1, 361 46	1,633 53
Disbursements (amount)	18,688 a	1,114	1,135	1,024	1,136
A. Government and Government-Guaranteed Loans (amount) Number of Projects ^b	97,354 1,672	4,832 ^a 48	5,431 ^a 68	5,301 57	5,531 67
OCR Loans (amount) Number of Loans	69,976 914	3,762 30	3,863 33 ^c	3,940	3,898
Disbursements (amount)	46,678	3,647	2,823	26 2,799	32 3,011
ADF Loans (amount)	27,378	1,071	1,567	1,361	1,633
Number of Loans	965	32	48	46	53
Disbursements (amount)	18,673	1,114	1,135	1,024	1,136
B. Private Sector Loans ^d (amount) Number of Projects ^b	1,477 80	147 4	152 4	38 3	145 4
OCR Loans (amount)	1,463	147	152	38	145
Number of Loans Disbursements <i>(amount)</i>	79 1,004	4 63	4 61	4 51	4 55
ADF Loans (amount)	14	-	-	-	-
Number of Loans	5	_	_	_	_
Disbursements (amount)	14	-	-	-	-
EQUITY INVESTMENT ^d (amount) Number of Investments	704 ^a 114	7 1	78 6	30 3	36 4
EQUITY UNDERWRITING (amount)	40	-	-	-	-
Number of Commitments GUARANTEES	6	_	_	_	_
Political Risk Guarantee (amount)	636	_	251	_	385
Number of Projects	6	_	3	_	3
Partial Credit Guarantee (amount)	2,204	-	120	90	500
Number of Projects	12	-	1	1	1
TECHNICAL ASSISTANCE® (amount) Number of Projects	2,219 5,053	171 311	170 302	146 255	179 324
COFINANCING ^f (amount) Number of Projects	38,325 609	2,552 25	2,965 40	1, 297 24	2,851 38
RESOURCES					
Ordinary Capital Resources					
Authorized Capital (at end of period)	47,288	47,945	45,485	43,834	47,288
Subscribed Capital (at end of period) Regrowings (grees)	47,234	47,597 5.196	45,271 1,693	43,628 1,607	47,234
Borrowings (gross) Outstanding Debt (at end of period)	49,553 26,324	5,186 26,269	25,340	24,813	6,145 26,324
Ordinary Reserve (at end of period)	8,470	6,689	7,166	7,812	8,470
Special Reserve (at end of period)	184	182	182	183	184
Gross Income	29,689	2,028	2,301	2,239	2,060
Net Income after Appropriation of Commissions/ Guarantee Fees to Special Reserve	10,510	450	626	862	978
Special Funds Resources	10,510	450	020	002	770
Asian Development Fund Total Resources (at end of period)	22,853	22,094	20,999	19,887	22,853
Technical Assistance Special Fund Total Resources (at end of period) ⁹	920	809	899	911	920
Japan Special Fund	,_0		· · ·	,	, 20
Regular and Supplementary Contributions (at end of period) ^h	836	745	783	814	836
Asian Currency Crisis Support Facility ^h	241	104	241	241	241
ADB Institute Special Fund ^h Total Resources (<i>at end of period</i>)	71	35	43	61	71

Data not applicable.
Totals may not add due to rounding.
Projects with multiple loans are counted once. Cumulative number of projects excludes supplementary loans.
Amounts and numbers adjusted to exclude terminated loans.
Amounts and numbers adjusted to exclude fully cancelled approvals.
Comprising technical assistance grants funded by ADB and other sources. Regional technical assistance projects included.
Adjusted to reflect changes in cofinancing arrangements.
Figures revised to include other resources and transfers to the Asian Development Fund.
Figures represent contributions.

MEMBERS, CAPITAL STOCK, AND VOTING POWER

(as of 31 December 2002)

	YEAR OF MEMBERSHIP	SUBSCRIBED CAPITAL ^a (% of total)	VOTING POWER ^b (% of total)
REGIONAL			
Afghanistan	1966	0.034	0.355
Australia	1966	5.871	5.025
Azerbaijan	1999	0.451	0.689
Bangladesh	1973	1.036	1.157
Bhutan	1982	0.006	0.333
Cambodia	1966	0.050	0.368
China, People's			
Republic of	1986	6.539	5.559
Cook Islands	1976	0.003	0.330
Fiji Islands	1970	0.069	0.383
Hong Kong, China	1969	0.553	0.770
India	1966	6.424	5.467
Indonesia	1966	5.526	4.749
Japan	1966	15.836	12.997
Kazakhstan	1994	0.818	0.983
Kiribati	1974	0.004	0.331
Korea, Republic of	1966	5.112	4.417
Kyrgyz Republic	1994	0.303	0.571
Lao, People's			
Democratic Republic	1966	0.014	0.339
Malaysia	1966	2.763	2.538
Maldives	1978	0.004	0.331
Marshall Islands	1990	0.003	0.330
Micronesia,			
Federated States of	1990	0.004	0.331
Mongolia	1991	0.015	0.340
Myanmar	1973	0.553	0.770
Nauru	1991	0.004	0.331
Nepal	1966	0.149	0.447
New Zealand	1966	1.558	1.575
Pakistan	1966	2.210	2.096
Papua New Guinea	1971	0.095	0.404
Philippines	1966	2.418	2.262
Samoa	1966	0.003	0.331
Singapore	1966	0.345	0.604
Solomon Islands	1973	0.007	0.333
Sri Lanka	1966	0.588	0.799
Taipei,China	1966	1.105	1.212
Tajikistan	1998	0.291	0.560
Thailand	1966	1.382	1.433
Timor-Leste	2002	0.010	0.336
Tonga	1972	0.004	0.331
Turkmenistan	2000	0.257	0.533
Tuvalu	1993	0.001	0.329
Uzbekistan	1995	0.684	0.875
Vanuatu	1981	0.007	0.333
Viet Nam	1966	0.346	0.605
Subtotal Regional		63.458	65.192

	YEAR OF MEMBERSHIP	SUBSCRIBED CAPITAL ^a (% of total)	VOTING POWER ^b (% of total)
NONREGIONAL			
Austria	1966	0.345	0.604
Belgium	1966	0.345	0.604
Canada	1966	5.308	4.574
Denmark	1966	0.345	0.604
Finland	1966	0.345	0.604
France	1970	2.362	2.217
Germany	1966	4.390	3.840
Italy	1966	1.834	1.795
The Netherlands	1966	1.041	1.161
Norway	1966	0.345	0.604
Portugal	2002	0.345	0.604
Spain	1986	0.345	0.604
Sweden	1966	0.345	0.604
Switzerland	1967	0.592	0.802
Turkey	1991	0.345	0.604
United Kingdom	1966	2.072	1.986
United States	1966	15.836	12.997
Subtotal Nonregional		36.542	34.808
TOTAL		100.000	100.000

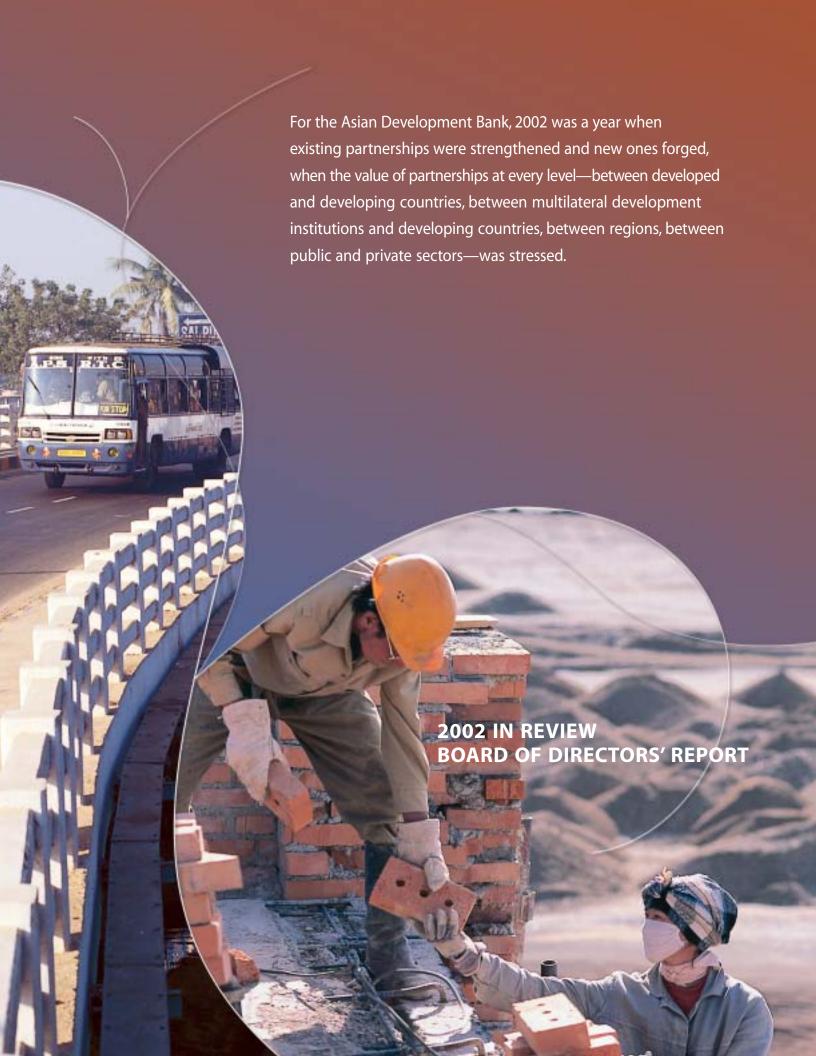
Note: Figures may not add due to rounding. For other details, see tables on pages 154 and 155.

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



In 2002, ADB's Board of Directors, representing all 61 shareholders, agreed to resume operations in Afghanistan after 23 years. ADB President Tadao Chino (*center*), who is also Chairman of the Board of Directors, met earlier in the year with officials of the Interim Administration of Afghanistan—Hamid Karzai, Chairman (*right*) and Haji Muhammad Mohaqqeq, Deputy Chairman and Minister of Planning—to assess the needs of the country (*see the Special Theme chapter for more on ADB's postconflict assistance in Afghanistan and other war-torn countries*).

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



eveloping Asia grew faster than expected in 2002, despite global security and economic uncertainties and increasing concern about the possibility of deflation. The Asia and Pacific region's developing member countries (DMCs) posted an overall economic growth of 5.7%. While development progress for most countries followed a fairly even path, some witnessed special challenges in 2002. Timor-Leste (formerly East Timor) the world's newest country-took its first steps. Afghanistan set about turning mounds of brick and roofless buildings into schools and hospitals. Sri Lanka began a peace process to end decades of civil unrest. Nepal saw strife worsen. Terrorism struck Indonesia, and the continuing threat of terrorist strikes and talk of war gave little cause for optimism.

Yet, it was also a year when the international community endorsed a shared vision for protecting the region's most vulnerable.

For the Asian Development Bank (ADB), 2002 was a year when existing partnerships were strengthened and new ones forged, when the value of partnerships at every level-between developed and developing countries, between multilateral development institutions and developing countries, between regions, between public and private sectors—was stressed. ADB joined the international community in endorsing the Millennium Development Goals (MDGs) (see Box on the MDGs on page 36). ADB participated in the United Nations International Conference on Financing for Development, at which a consensus was reached to build a new global alliance for financing development and an agreement was signed to better measure, monitor, and manage development results. Recognizing the need for a broad coalition of development partners to free the Asia and Pacific region of poverty, ADB sought to work more closely with other bilateral and multilateral development agencies. Agreements between ADB and the International Labour Organization (ILO), United Nations Development Programme (UNDP), World Bank, World Trade Organization (WTO), and others reflect this determination.

Reconstructing nations

Partnerships played an important role in nation rebuilding in 2002. Multilateral organizations joined nongovernment organizations (NGOs) in meeting the immediate humanitarian needs of Afghanistan as it faced the enormous task of reconstructing itself for the 21st century. In 2002, the Board of Directors approved ADB's first loan to the country in 23 years and opened an office (now a resident mission) in Kabul. Coordinated international efforts also proceeded in rebuilding another Asian country torn by civil strife, Timor-Leste, which joined ADB as an independent nation in 2002, and where ADB has set up a special office. Likewise, ADB and other development partners assisted Sri Lanka in 2002, helping the country rebuild its economy and work toward enduring peace. For more on postconflict reconstruction and rehabilitation, see the Special Theme chapter and http://www.adb.org/Afghanistan/.

Supporting regional cooperation

By acting jointly, countries can improve their development prospects and strengthen their ability to reduce poverty, increase private sector investment, promote peace and security, and achieve sustainable development. Together, they can mitigate the adverse effects of negative externalities and create an environment where common services and development programs can be shared.

As a regional institution, ADB has a clear comparative advantage in promoting regional cooperation in Asia and the Pacific, and has done so since opening its doors in 1966. In November 2002, ADB and the six DMC partners of the Greater Mekong Subregion (GMS) Program—Cambodia, People's Republic of China (PRC), Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam—celebrated an important milestone, which ADB had helped broker. The first GMS Summit, held in Phnom Penh, Cambodia, in November, commemorated the 10th anniversary of the GMS Program. For more on the GMS Summit, see the Operational Priorities and Performance chapter and http://www.adb.org/Documents/Events/Mekong/2002/summit.asp).

ADB also joined DMCs from other regional groups in furthering their shared development goals. ADB hosted the first ministerial meeting on economic cooperation in Central Asia for the Central Asia Regional Economic Cooperation program in March (see http://www.adb.org/Documents/Events/2002/CAREC/), and helped organize a meeting of country advisors for the South Asia Subregional Economic Cooperation initiative in October. For more on regional cooperation, see page 49 and http://www.adb.org/RegionalCooperation/.

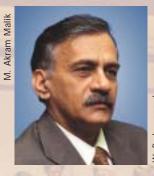
Reorganizing internally

The new organizational structure, approved by the Board of Directors in 2001, came into effect on 1 January 2002. ADB's close working relationship with its development partners, combined with the new structure and new business processes implemented throughout the year, will help ADB deliver services more quickly and efficiently. ADB's services to its DMCs are organized under regional departments, one each for a defined geographic area (see the Country Reports chapter on page 74). This move strengthened the role of the operational Vice-Presidents in delivering ADB's strategic agenda and in overseeing compliance with strategies and policies.

Overall, the major structural changes were accomplished as scheduled. However, as with any change of this magnitude, adjustments were needed in this transitional year. The implementation of the reorganization will be evaluated in 2003. This will be followed in 2004 by an independent review that will assess the development impact of the reorganization's objectives—balancing country and sector considerations, improving quality and expertise, enhancing safeguard policy compliance, providing greater accountability, and placing greater emphasis on regional cooperation and knowledge management. For more on the reorganization, see the Operational Priorities and Performance, Knowledge and Support







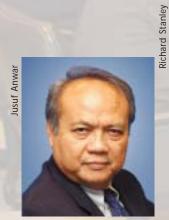






















Activities, and Institutional Matters chapters, and http://www.adb.org/Documents/Others/ Reorganization_2002/. Adopting new policies and procedures

The Board of Directors reviewed and approved several policy, financial, and administrative papers in 2002 (see Box on page 4), including ADB's lending and borrowing limitations; establishing resident missions in Afghanistan, Papua New Guinea, and Tajikistan; Afghanistan's classification under ADB's graduation policy; and the country classification for Turkmenistan (see Box on the Classification of ADB's Developing Members on page 66). Three policies, approved in 2002, propose guidelines for ensuring ADB's liquidity, providing better access to education, and assessing the environment.

ADB Management and Board of Directors





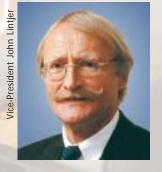


















The main objective of ADB's liquidity policy, which the Board of Directors approved in June, is to ensure ADB's capacity to meet its cash requirements even in the event of a major disruption in its cash flow. The cash flow-driven liquidity requirements addressed in the policy include a new minimum level of liquidity, ceiling on discretionary liquidity, and funding for the core liquidity portfolio. For more on ADB's liquidity policy, see the Management's Discussion and Analysis chapter.

In approving the education policy in August, the Board of Directors furthered ADB's commitment to helping DMCs achieve universal primary education and gender equity in primary, secondary, and tertiary education. The policy promotes increased equity and access, improved educational quality, better resource mobilization, and greater use of innovative technologies, such as information and communication technology (ICT), in schools in the Asia and Pacific region. The policy also encourages strengthened partnerships with civil society, including NGOs and local communities. For more on ADB's 2002 activities in the education sector, see the Operational Priorities and Performance chapter on pages 54 and 55. For more on the education policy, see http://www.adb.org/Documents/Policies/Education.





Policy, Financial, and Administrative Papers

- Accreditation of ADB as Observer at the United Nations General Assembly 5 February*
- Use of Price as a Criterion for Selection of Consultants *19 February*
- Financing Technical Assistance (2002–2004) *27 February*
- Capital Expenditure Proposal for the New Loan Accounting and Asset-Liability Management Systems *5 April*
- Review of the Asian Development Bank's Income Outlook and Allocation of 2001 Net Income 27 March
- Borrowing Program for 2002/2003 30 April
- Review of the Asian Development Bank's Liquidity Policy 11 June
- Review of Afghanistan's Classification Under ADB's Graduation Policy 28 June*
- Cooperation with the Government of the United Kingdom and Northern Ireland—Poverty Reduction Cooperation Fund 4 July*
- The Role of Vice-Presidents at the Asian Development Bank 2 August
- Establishment of a Resident Mission in Papua New Guinea *15 August**
- Policy on Education 30 August
- The Country Classification of Turkmenistan 8 October*
- Work Program and Budget Framework (2003– 2005) 15 October
- Establishment of a Resident Mission in Afghanistan 31 October*
- Environment Policy 8 November
- Pricing Local Currency Loans in Private Sector Operations 4 November*
- Review of Cost-Sharing Limits for Project Financing as an Element of ADB's 1998 Graduation Policy 28 November
- Establishment of a Resident Mission in Tajikistan 4 December
- Borrowing Program for 2003 11 December
- ADB Institute—Work Program and Budget for 2003 *13 December*
- Budget of the Asian Development Bank for 2003 13 December

Working Papers

- Review of the Management and Effectiveness of Technical Assistance Operations of the Asian Development Bank *19 July*
- Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism *13 September*
- Framework for Pacific Subregional Offices 21 October
- Review of the Asian Development Bank's Lending and Borrowing Limitations 22 October

In November, the Board of Directors approved a new Environment Policy to help ADB meet the challenges of the region's rapidly increasing environmental degradation. Consultations with stakeholders, including a Board seminar, country workshops, and several rounds of interdepartmental review, were incorporated in the policy. The policy addresses the need for environmental assessment at the time of country programming, structured consultation in the conduct of environmental assessments, and monitoring and compliance with environmental requirements during project implementation. It underscores the need to view environmental assessment as an ongoing rather than a onetime event (see http://www.adb.org/Environment/envpol/).

Reviewing existing policies

Management and effectiveness of ADB's technical assistance operations

Technical assistance is an important component of ADB's operations. It supports poverty reduction by financing project preparation and implementation, advising on policy reform, building capacity in DMCs, and helping promote regional cooperation. Unfortunately, resources for technical assistance are limited.

To meet the growing demand for technical assistance, and to ensure the most effective use of its resources, the Board of Directors reviews ADB's technical assistance operations periodically, with a view to improving technical assistance monitoring and coordination; long-term management, quality, and cost-effectiveness; and country ownership of the process and products. In 2002, the Board of Directors discussed a working paper, identifying several variables that influence the effectiveness of technical assistance. The paper proposed remedial actions and policy revisions for improving technical assistance management, including designing systematic and long-term approaches that are supported by in-depth diagnostic analysis, ensuring commitment and ownership of the recipient DMC, ensuring stakeholder participation in processing and implementing the assistance, paying attention to training requirements and change management expertise, and continued monitoring of the implementation of recommendations.

Another measure for strengthening technical assistance effectiveness is to disseminate as widely as possible the knowledge created for, and derived from, the technical assistance activities. ADB's technical assistance activities result in a range of knowledge services, including the formal knowledge products and services (KPS) that are programmed into the technical assistance and are targeted to specific clientele, and the less formal knowledge byproducts and services. Both formal and informal products and services contribute to knowledge development; with wide dissemination, their effectiveness is maximized.

ADB's role as a provider of knowledge for development is in line with the Directors' review of the management and effectiveness of technical assistance, and in keeping with the objectives of the Medium-Term Strategy and the new business processes implemented in 2002. The

^{*} Approved on a no-objection basis.

new Regional and Sustainable Development Department (RSDD) was established in the reorganization to maintain quality and technical excellence and help ensure that knowledge is horizontally integrated across ADB. A framework for knowledge management is being prepared.

Inspection Function

When ADB approved its Inspection Function in 1995 as a forum for project beneficiaries to file requests alleging ADB's noncompliance with its operational procedures and policies, the Board of Directors stipulated a review within 2 years from the approval of the members of the initial Roster of Experts. In 1999, the Board of Directors discussed a working paper on the review of the Inspection Function, in which varying views were expressed on whether ADB's private sector operations should be subject to the Inspection Function. Also, by 1999, only two requests for inspection had been filed, and both had been deemed ineligible; hence, with limited experience on the process, the review could draw few conclusions.

While the review continued, the first full inspection process relating to the Samut Prakarn Wastewater
Management Project in Thailand was conducted from April 2001 to March 2002, and it became evident that the inspection process and procedures were lengthy and confusing. This first full inspection also raised concerns about the independence, credibility, transpar-

ency, and effectiveness of the Inspection Function.

In 2002, ADB conducted extensive external and internal consultations as part of the ongoing review. ADB solicited the views of its stakeholders-member governments, civil society (including NGOs), and private sector-through external and internal consultations. Information about the review, including a consultation work plan and timetable; external comments received by ADB; and documents, including an issues paper and two drafts of the working paper, were posted on ADB's web site http://www.adb.org and sent to its partners for review and comment. In addition, the outcome and report for each of the two rounds of public consultations, covering 10 member countries, were also posted on the web site. Internal consultations included regular meetings of the steering committee and working group (the two groups merged in September as the Inspection Function Review Committee), and discussions at informal Board briefings and at an informal Board retreat.

The consultations reinforced broad support for an independent accountability mechanism that addresses the alleged grievances of adversely affected people in ADB-assisted projects, and increased problem-solving and problem-prevention measures by ADB. The new mechanism was expected to complement and enhance ADB's objectives of poverty reduction, development effectiveness, and improved project quality. The inputs and recommendations from the external and internal consultations formed the basis for the Working Paper, for circulation and consideration by the Board of Directors in 2003. The

Working Paper was posted on ADB's web site for public comments. For more information on the Inspection Function review, see http://www.adb.org/inspection/review.asp. For more on ADB's Policy on Confidentiality and Disclosure of Information, see http://www.adb.org/Documents/Policies/Confidentiality/Disclosure/.

Broadening development partnerships

Management and the Directors visited several DMCs in 2002, and met with senior government officials and high-level representatives from multilateral and bilateral organizations.

President's visits

ADB's technical assistance

activities result in a range

of knowledge products

and services; with wide

effectiveness is maximized.

dissemination, their

ADB President Tadao Chino traveled widely in 2002, visiting projects, meeting ADB stakeholders, and participating in major international events.

In meetings with senior officials, representatives of the private sector and NGOs, as well as other development partners, the President noted the need for basic physical

> and social infrastructure to achieve higher levels of sustainable, pro-poor economic growth. He also noted the need to address corruption and improve the efficiency of administrative services.

Within the region, the President visited Afghanistan, Bangladesh, Cambodia, India, Lao People's Democratic Republic, Maldives, Sri Lanka, and Timor-Leste. During his visit

to Bangladesh, the President helped set the foundation stone for ADB's new resident mission building in Dhaka, and attended the Bangladesh Resident Mission's 20th anniversary celebration. In the Maldives and Sri Lanka, the President strengthened cooperation and signed poverty partnership agreements with both.

The President joined other multilateral development bank presidents at the UN International Conference on Financing for Development, held in March in Monterrey, Mexico. Among the themes addressed were mobilizing domestic financial resources and foreign direct investment; and issues related to international trade, official development assistance, debt relief, and trading systems. The President also led the ADB delegation at the World Summit on Sustainable Development (WSSD), held in August and September in Johannesburg, South Africa (see Box on the World Summit on page 42).

Board group visits

To increase DMC awareness of ADB's work and provide the Directors and Alternate Directors with an opportunity to view the development conditions of DMCs firsthand, several Directors and Alternates took part in group visits to Pakistan and Sri Lanka in February; Indonesia in June; and Kyrgyz Republic, Turkmenistan, and Uzbekistan in August.

In each DMC, the Directors and Alternates met the leader of the country, senior government officials, ADB governors, public and private sector representatives, and members of civil society, including NGOs.

In Pakistan, the Directors and Alternates visited the Khushali Bank, Punjab Community Water Supply and Sanitation Project, Ghazi Barotha Project, barani/forestry/urban development projects, and Court Room Delay Reduction Project. In Sri Lanka, they met with representatives of the 800,000 displaced people, and looked at road networks, tea plantations, and the South Asia Gateway Terminals Limited.

In Indonesia, topics addressed with senior government officials included fiscal, monetary, and other economic issues; decentralization; privatization; and social development. Partnerships were strengthened with representatives of the private sector and of other multilateral and bilateral agencies, including the Australian Agency for International Development, Japan International Cooperation Agency, United Nations Development Programme, United States Agency for International Development, and World Bank. Project and field visits included observing firsthand ADB projects on flood control storage and street children and destitute mother care centers, as well as education facilities to view the traditional *madrasah* school system.

In the Kyrgyz Republic, the Directors and Alternates visited ADB's microcredit and school projects in the Issyk-Kul Lake area, and the Bishkek-Osh Road Project. In Turkmenistan, they visited a potential project site aimed at improving the main road from Atamurat to Imamnazar on the northern Afghanistan border, and they were briefed on other projects of interest to the Turkmenistan people. In Uzbekistan, they were taken to Samarkand, where they visited an ADB project that supports the development of small- and medium-sized enterprises.

Agreements signed

ADB joined the international community in adopting a platform for better measuring, monitoring, and managing development results in March, and in adopting the Millennium Development Goals (MDGs) in April. ADB also

forged several agreements with development partners in 2002, such as ILO and WTO, to strengthen the region's knowledge base, training capacity, and ability to monitor development objectives (*see Box below*).

Undertaking its work

Meetings and approvals

The Board of Directors met formally on 57 occasions, and held 21 informal meetings in 2002, including briefings, discussion seminars, and presentations.

The Board approved a total of \$5.7 billion for 89 loans covering 71 projects, compared with loan amounts of \$5.3 billion for 76 loans covering 60 projects in 2001. This represented an increase in lending of nearly \$337 million. Of this, \$272 million was accounted for by loans from the Asian Development Fund (ADF), and \$65 million from ordinary capital resources (OCR).

The higher level of ADF lending resulted, for the most part, from a \$150 million loan to Afghanistan. The remaining increase was mainly in loans to Bangladesh and Sri Lanka. The increase in OCR lending resulted from higher lending to Indonesia, Pakistan, and Uzbekistan.

In keeping with its mission to reduce poverty, 41% or 38 projects in 2002 were categorized as poverty interventions. The largest share of loans went to the transport and communications sector.

The Board also approved directly, or through authority delegated to the President, a total of 324 technical assistance grants amounting to \$179.0 million, of which \$56.0 million came from OCR current income, \$46.7 million from the Technical Assistance Special Fund, \$36.4 million from the Japan Special Fund, \$9.6 million from the Asian Currency Crisis Support Facility, and the remaining \$30.3 million from other multilateral and bilateral sources. This represented a 23% increase over 2001 (255 grants worth \$145.5 million). For more on loans and technical assistance, see the Operations chapter and the Statistical Annex.

International Labour Organization

ADB joined the International Labour Organization (ILO) in promoting ILO's Decent Work Agenda. Under the Memorandum of Understanding (MOU) signed with ILO in 2002, ADB encourages developing member countries (DMCs) to support employment-generating growth and observe international labor standards, including social protection and gender equity. Collaboration between ADB and ILO includes exchanging information, research, best practices, and technical assistance related to labor

market assessments and identifying social protection interventions.

In July 2002, ILO and ADB discussed mainstreaming ILO's core labor standards in ADB's country operations in 2003–2005, such as in the summary labor market assessments required in preparing new country strategies and programs (CSPs) and CSP updates. See http://www.adb.org/Documents/Events/2002/ICFTU_APRO/blenk_paper.pdf.

World Trade Organization

An MOU between ADB and the World Trade Organization (WTO),

signed in 2002, supports ADB's efforts to promote the economic and social development of DMCs through trade and integration. In its first major activity under the agreement, ADB approved a regional technical assistance to help DMCs better understand and implement the WTO trading system. A high-level meeting on the WTO trading system for negotiators and an intensive course on trade facilitation were completed in 2002 (see http://www.adb.org/ Documents/Events/2002/WTO_ Trading_System/).

In their informal meetings, the Directors examined a range of issues, including the Inspection Function review, the reorganization, and knowledge dissemination.

Membership

Portugal and Timor-Leste joined ADB in 2002, bringing the total membership to 61. For a list of regional and non-regional members, see page xv.

United Nations

GOVERNORS

OF

BOARD

ANNUAL MEETING OF THE

35TH

ADB achieved Observer Status at the United Nations General Assembly in February 2002.

The People's Republic of China (PRC) was host to over 3,000 participants, comprising government delegations, bankers, representatives from multilateral and bilateral institutions, civil society including nongovernment organizations, and media, at ADB's 35th Annual Meeting of the Board of Governors in Shanghai. Delegates attended thematic seminars and country presentations prior to the Governors' business sessions from 10 to 12 May.

The Governors reviewed ADB's 2001 activities and discussed the outlook for ADB's developing member countries. They endorsed the implementation of the Poverty Reduction Strategy, ADB's reorganization, and proposals to enhance ADB's country focus, as well as its continuing efforts to promote regional cooperation. Echoing the importance of regional cooperation, PRC President Jiang Zemin pledged his country's continued support of, and involvement in, cooperation initiatives.

The Governors agreed on the need for Asian economies to continue with structural reforms, capacity building, and improved governance if they are to attain sustainable growth. The challenge of environmental degradation and the importance of the private sector in development were also underscored.

For a list of ADB annual meeting locations, see Appendix 3.

The Office of the Secretary provides advice and counsel to the Board of Governors, Board of Directors, and Office of the President. Its other principal functions are to help organize the Annual Meeting; plan the calendar of the Board of Directors and organize and facilitate meetings of the Board and its Standing Committees; edit, classify, and circulate Board documents; administer the terms and conditions of engagement of Management and the Board; process applications for ADB membership; administer the Inspection Function; and provide protocol support and services.

Board committees

The Board of Directors had four standing committees and one working committee in 2002. For membership, see Appendix 5.

Audit Committee

The Committee continued to examine the adequacy of ADB's internal controls and its internal and external audits. Pursuing its main focus of the previous year, the Committee monitored in 2002 the implementation of the newly adopted international accounting standards (Financial Accounting Standards [FAS] 133) and their potential impact on ADB's financial management. In particular, the Committee examined ADB's practice of parallel reporting with one report following the FAS 133 and another, prepared simultaneously, following the presentation of ADB's financial statements with reference both to pre-FAS 133 reporting practices and to the new currentvalue reporting practice (see the Management's Discussion and Analysis chapter). Given the difficulties experienced in 2002 in accounting and reporting globally, the Committee emphasized the importance of monitoring the reporting practices used. The Committee also noted the need for the multilateral development banks (MDBs) to cooperate closely among themselves, and the importance of engaging the professional partnership of the independent auditors in this complex issue.

A second major focus in 2002 was the further development of an integrated and independent institutional risk management capability in ADB, made possible by an initiative of Management, the independent auditors, and the Audit Committee. The Committee continued to monitor the implementation of new initiatives to improve internal and external controls, specifically but not exclusively through the Integrated Financial Management and Human Resource Management Information System (INTEGRA), the integrated computerized control system that became operational in 2002. The Committee also reviewed and endorsed the 2002 work program of the Office of the General Auditor (OGA), noting the successful completion of a peer review by the European Bank for Reconstruction and Development; reviewed and endorsed the annual report of the Anticorruption Unit of the OGA, citing the close coordination with other MDBs; and reviewed the Audit Recommendations Implementation Report, noting the high percentage of audits directly or indirectly related to the issue of risk management either in operations or in financial management.

Budget Review Committee

The Committee met in May to review the implementation of INTEGRA and future directions of the Information Systems and Technology Strategy for ADB. In November, it reviewed Management's 2002 work accomplishments, and 2003 budget proposal and work plans of departments and offices.

At the May meeting, the Committee was informed of the removal of the "operations" module from the original scope of INTEGRA and urged careful consideration of the lessons learned from this. The Committee also provided its views on the future directions of ICT in ADB.

During budget deliberations in November, the Committee requested information on the reorganization and its effectiveness. Concerned about the transitional impact on operations and on the budget, it suggested that a progress review clarify and refine the roles of regional departments and the Regional and Sustainable Development Department. The Committee was advised that new business processes had streamlined processing of new projects and project administration.

On ADB strategies and policies, the Committee expressed the view that all new policies should include an assessment of cost implications to allow for better measurement of resource requirements and ensure that new policy mandates are adequately funded and staffed.

The Committee noted a need for prioritizing the knowledge networks and thematic/sector committees (see the Operational Priorities and Performance chapter), for being selective in forming new committees, and for minimizing disruption of the operational departments. The Committee noted the importance of knowledge management for development effectiveness. It suggested that coordination with bilateral and multilateral development partners be improved to avoid duplication of work and to ensure more effective use of ADB's limited technical assistance resources.

On the regional departments, the Committee recommended a review of the loan classification system to ensure that it accurately reflects poverty reduction impact, including that of infrastructure projects; increased cooperation with other MDBs; and the need to address the issue of work distribution between and within the regional departments. The Committee supported an expansion of ADB's regional cooperation activities.

On the Resident Mission Policy, the Committee emphasized the need for a clearer relationship between the resident and regional missions and the operations coordination division, and fuller integration of the missions into their respective regional departments; more vigorous deployment of staff and budgetary resources to the missions; more interaction among missions in the same region; increased use of national officers/local experts; and strengthened external relations and outreach programs.

The Committee expressed reservation about the expansion of the Private Sector Operations Department (PSOD) into new areas, and suggested that PSOD's 2003 work program be trimmed, considering resource constraints. It recommended that PSOD should concentrate on helping smaller DMCs, strengthening collaboration with the regional departments and DMC governments, and developing appropriate instruments for niche markets and sectors.

On portfolio management, the Committee noted that the regional departments, Central Operations Services Office (COSO), and Operations Evaluation Department (OED) have distinct functional responsibilities for managing ADB's portfolio. It noted COSO's continued efforts to build DMC capacity in portfolio management by supporting procurement legislation and project accounting and financial management.

With more poverty and purpose-specific grant funds being managed by ADB, the Committee noted the need for a structured marketing strategy to attract funding agencies.

The Committee noted the increase in cofinancing in 2002 over the previous year (see the Operations chapter). It noted the accumulation of in-house expertise on guarantees through recent credit enhancement operations and staff training. It encouraged cooperation among the Office of Cofinancing Operations (OCO), PSOD, and other departments/offices and expected better results and performance in this area.

On budget management, the Committee noted that in 2003 the Budget, Personnel and Management Systems Department (BPMSD) aims to further the link between work program and resource allocation by updating the staff time coefficient for some products and services. It recommended exercising more selectivity in work programs, eliminating low-priority work, and optimizing the use of budgetary resources in meeting urgent and unplanned requirements.

The Committee recommended approval of the budget for 2003 (see Appendix 10).

Development Effectiveness Committee

The Committee, established in December 2000, is mandated to help the Board ensure that ADB's country strategies and programs, through its lending and knowledge products and services, achieve their desired development objectives and use ADB resources efficiently and effectively.

The Committee continued its focus on ADB's operations evaluation program and results, as it reviewed a balanced selection of OED reports (see Box at right); examined the annual programs for project and technical assistance completion reports coordinated by COSO; and discussed OED's Annual Review of Evaluation Activities in 2001 (see http://www.adb.org/Documents/pers/annualrev2001.pdf) and Annual Report on Loan and Technical Assistance Portfolio Performance for the Period Ending 31 December 2001 (see http://www.adb.org/Documents/Reports/Portfolio_Performance/2001/2001_12.pdf).

In its report on loan and technical assistance portfolio performance in 2001, the Committee noted that the proportion of projects rated unsatisfactory had decreased; a more robust project performance monitoring system had been introduced; disbursement under project loans was proceeding well; and the use of technical assistance resources was being prioritized. However, it concluded that further efforts should address delays in loan effectiveness, contract awarding under project loans, submission of audited project accounts, and technical assistance implementation.

In its report on ADB's evaluation activities in 2001, the Committee highlighted the importance of measurable objectives for assessing development effectiveness. It noted

REPORTS REVIEWED IN 2002

Project/Program Performance Audit Reports

- Agriculture Sector Program (Kazakhstan)
- Fourth and Fifth Road Improvement Projects (Lao People's Democratic Republic)
- Integrated Irrigation Sector Project (Indonesia)
- Social Action Program (Sector) Project (Pakistan)
- Second Ports Project (India)

Technical Assistance Performance Audit Report

• Advisory Technical Assistance to Selected Development Finance Institutions in Pacific Developing Member Countries

Thematic Evaluation Studies

- Country Assistance Program Evaluation in Mongolia
- Impact Evaluation Study of Investment Fund Operations of the Asian Development Bank
- Special Evaluation Study on a Review of the Asian Development Fund I–V Operations
- Special Evaluation Study on Selected Economic and Sector Work

that, although evaluation improves development effectiveness, operations can be improved only if the evaluation findings and recommendations are translated into staff guidelines. The Committee thus agreed that evaluation should become a core business process of ADB.

Inspection Committee

In 2002, the Committee held 13 formal and several informal meetings. It considered six requests for inspection during the year.

At the beginning of 2002, two requests for inspection were pending—the Samut Prakarn Wastewater Management Project in Thailand and the Southern Transport Development Project in Sri Lanka. In February, the Committee received Management's response to the Inspection Panel's report on its inspection of the Samut Prakarn Project. As required under the Inspection Function, the Committee submitted its recommendation on the Panel's report and Management's response to the Board within 14 days. The Board of Directors considered the Committee's recommendations in March.

The Committee received four requests for inspection of the Southern Transport Development Project in Sri Lanka. The first was received in December 2001, and the other three in 2002. Each was submitted by a different group of requesters who would be affected by the project. The Committee decided that, prima facie, two of the requests

were neither clearly frivolous nor clearly ineligible, and requested Management to respond to them. After consulting with a member of the Roster of Experts, the Committee determined with respect to both requests that there was insufficient basis to warrant an inspection. The Board approved the Committee's recommendation. The Committee determined that the other two requests were ineligible under the Inspection Function and that a response from Management was not required.

In November, the Committee received a request for inspection of the Chashma Right Bank Irrigation Project in Pakistan. The Committee reviewed the request in December and decided that, prima facie, the request was neither clearly frivolous nor clearly ineligible, and requested Management to respond to it. For more on the Inspection Function, see http://www.adb.org/inspection/review.asp.

Working Group on the Annual Report

ADB's annual reports, including its special theme chapters, reflect broad consultations between the Working Group and staff members. The Annual Report Readers' Survey responses are also considered. The Working Group guides the structure and process. To facilitate the work of future Board working groups, the Working Group on *Annual Report 2002* recommended several changes in the process and timing of inputs for future annual reports and theme chapters.

In addition, they effected structural changes in *Annual Report 2002:*

- An expanded Operational and Financial Overview includes more data and provides a more complete summary of the year.
- The Operational Priorities and Performance chapter, organized according to ADB's operational themes and sectors, provides discussion of their role in meeting ADB's overall objective of reducing poverty.
- Presentation of DMCs by regional department in the Country Reports chapter highlights DMC partnerships.
- The Knowledge and Support Activities (which replaces the Strategic Planning and Support Activities) and the Institutional Matters chapters show how the reorganization has been institutionalized.
- The Glossary attempts to harmonize terminology across ADB.
- Cross references and links to specific pages on ADB's web site (*see http://www.adb.org*) are included throughout the report.
- Partnership Points, included in most chapters, reflect the many ways ADB and its development partners—governments and civil society including nongovernment organizations, multilateral and bilateral organizations, and the private sector—worked in 2002 to reduce poverty in the Asia and Pacific region.



ore than 5 decades ago, in July 1944, representatives of 44 countries met in New Hampshire, United States (US), for a set of meetings that led to the establishment of the Bretton Woods institutions, and a spirit of a true "international community." The first test of the new group's collective will—and its first success—came in 1948 in Europe as the world community joined under the

group's collective will—and its first success—came in 1948 in Europe as the world community joined under the Marshall Plan to help the continent reconstruct its battered economies and infrastructure in the wake of World War II. Building on this experience, the international community has since compiled an impressive, albeit depressingly long, record of postconflict rehabilitation and reconstruction in many parts of the world.¹

Asia has seen several conflicts resolved in recent decades. In 2002, Asia, and indeed the world, again focused on postconflict as Afghanistan began to rebuild after more than 20 years of fighting. As it is doing in Afghanistan, the Asian Development Bank (ADB) played an important role in postconflict rehabilitation in several countries, including Cambodia, Sri Lanka, Tajikistan, and Timor-Leste.

This chapter examines the rehabilitation and reconstruction process, drawing lessons from postconflict countries with Afghanistan as the case study.

Challenges of rebuilding

Every society that suffers conflict must rebuild on several fronts: humanitarian, human and social, security, political, rehabilitation/reconstruction, and development. For decades, the international community has struggled to devise an optimal set of strategies to deal with these challenges. Given the diverse nature of postconflict situations, a single strategy will not suffice. For every situation, there must be a unique, multipronged approach that can be flexibly applied in view of the objective realities on the ground.

Providing humanitarian and social assistance

The first task of postconflict reconstruction is often providing basic humanitarian relief such as food, medicine, nutritional supplements, shelter and repatriation, reintegration, and resettlement assistance. The scope of the challenge can be daunting, but the international community has done well in providing humanitarian relief both during and after conflicts.

The need for basic assistance reflects the devastating human cost of conflict. People pay a high price in conflict situations. Their lives are disrupted. They lose self-confidence. Many fall into despair and experience feelings of helplessness, fear, insecurity, vulnerability, and a loss of faith and confidence in others, including institutions. Fighting can leave large numbers of people ill, disabled,

widowed, orphaned, displaced, or suffering from post-traumatic stress disorder. The scars can take many years to heal and often remain for life. National governments, international donors, and nongovernment organizations (NGOs) have developed programs to help individuals deal with the harsh realities of conflict.

On a broader level, the impact of conflict is in the fragmentation of society; the loss of social persona and identity; and the breakdown of social norms, traditional values, respect for elders and authority, and the informal social safety net. Social cohesion, values, and norms are not easy to restore. The international community can facilitate the process by helping create an enabling environment. But communities must work together to regain their lost harmony. Old relationships need to be revived. New relationships need to be established to reflect changes in the environment and to take advantage of opportunities presented by the prospect of lasting peace and stability.

Ensuring security

The security challenge rests primarily in the law-and-order situation in a postconflict region. The lack of security can threaten public safety. And the situation can be aggravated by the presence of many armed men and women who lack leadership or organization. Disarming war combatants and warring factions has proven to be most difficult in postconflict reconstruction. Building trust in the ability to provide mutual safety and security takes time; and rehabilitating combatants can present a financial, logistical, and physical nightmare for governments. In many postconflict countries, this transition to real security is excruciatingly painful. A weak government structure or central authority can further complicate the process as it becomes difficult to police demobilization and violations of human rights. Hostile neighbors and the presence of large amounts of unexploded ordnance can accentuate physical insecurity. The international community can, as it has occasionally, come forward with a security assistance force to keep conflicting parties apart and to preserve peace. The international community's assistance in removing unexploded ordnance has saved many lives.

Establishing a political authority

Each postconflict situation also poses a political challenge, as various factions must agree on an acceptable political contract. The primary need is for national political reconciliation to bring all parties together to seek peace and stability, and the establishment of an acceptable political authority with representation from all groups concerned. The representative nature of the political authority must be embodied in new codes, laws, and constitutions, or constitutional provisions that facilitate the transition to democratic, efficient, transparent, and accountable governance. Without a legal, constitutional, and representative political authority, peace and stability can be very short-lived and the dream of rapid rehabilitation and reconstruction can easily be shattered.

The central challenge is to establish a nexus among security, political stability, and reconstruction. The three do

The list of transition/postconflict countries or regions is long—Afghanistan, Angola, Armenia, Azerbaijan, Bosnia-Herzegovina, Burundi, Cambodia, Central African Republic, Chad, Democratic Republic of Congo, Croatia, Djibouti, El Salvador, Eritrea, Ethiopia, Georgia, Guatemala, Haiti, Lebanon, Liberia, Mali, Mozambique, Namibia, Nicaragua, Niger, Peru, Rwanda, Solomon Islands, South Africa, Southern Philippines, Sri Lanka, Tajikistan, Timor-Leste, Uganda, West Bank and Gaza, and Yemen.

not occur in sequence. Experience in postconflict Cambodia showed that reconstruction can strengthen the political process and enhance security.

Reconstruction and the development continuum

Successful reconstruction requires a clear conceptual understanding of the nature of relief, rehabilitation, reconstruction, and the development "continuum." Although it is called a continuum, the progression of development is not necessarily linear and the transition from one stage to the next is not seamless, although this is a cherished goal. The pain of transition, in fact, can be as acute as the pain inflicted by conflict.

To ease the transition, three key elements for maintaining peace must be strengthened: physical security, political stability, and economic growth. This requires coordination and consultation among key players, an understanding of the multisectoral and multidimensional nature of reconstruction, and the establishment of political and economic linkages at all levels.

Broadening the approach

These challenges form the backdrop of each postconflict situation. They must be considered as the international community conceptualizes and operationalizes the strategies for short-term rehabilitation and reconstruction that set the foundation for medium- and long-term development.

Early success in dealing with these challenges is no guarantee of lasting peace. Tension resulting from poor governance, economic difficulties, or political struggles can quickly thrust a country back into conflict. This reality has led the international community to broaden its approach to postconflict assistance to include conflict prevention, preparedness, and mitigation (see Box below). Prevention and preparedness require an understanding of a country's social and political landscape, the presence and nature of antagonistic forces, the areas of contention, and the situations that could trigger conflict. Each aspect must be mapped to form a prevention strategy that, when coupled with well-defined actions in case of conflict and mitigation, will constitute an integral part of postconflict assistance.

From postconflict to reconstruction

Stages of transition

Postconflict countries go through stages during rehabilitation and reconstruction. In the days and months immediately following a conflict, relief efforts are spearheaded by international agencies such as the United Nations (UN) High Commissioner for Refugees, World Food Program, International Committee of the Red Cross, and various NGOs. This period may be relatively short and may include some reconstruction activities.

Reconstruction starts in earnest once the situation is stable and the environment is secure. Resource gaps are large during these phases and a country must often depend on external assistance.

Development resumes when normal economic activities are revived, internal resources are generated, and financial intermediation is dynamic and rapid.

Conflict prevention and preparedness

- · assess vulnerability and risk
- · gather, analyze, monitor, and disseminate information
- use periodic participatory assessment
- · conduct periodic surveys and publish vital indicators
- prepare an early warning system
- equip and train specialized human resources
- · develop national, regional, and subnational conflict prevention strategies
- · establish a legal, security, policing, and regulatory framework to avoid conflict
- accelerate growth, development, and poverty reduction
- introduce sensitivity to conflict with poverty assessments in country strategy and program formulation
- maintain a knowledge base, build partnerships, and position for rapid response

Mitigation

- · reinforce vulnerable social structures
- · balance development by region and population groups
- establish an appropriate power sharing and leadership rotation structure
- · strengthen democratic institutions and values
- ensure appropriate mechanisms are in place to ease tensions
- · mobilize communities against, and sensitize about, the potential for conflict
- · recognize sources of conflict early
- set national, regional, and international mechanisms to promote and assist discussion among conflicting parties
- promote institutional capacity building and good governance

Sometimes the transition is more complex. In Afghanistan, for example, a war against terrorism is ongoing. Relief operations are constantly under threat and new faces join the relief lines every day. In this situation, relief must be carried out simultaneously with resettling displaced persons, disarming people, demining, and neutralizing armed opponents of the legitimate authority.

Financing the transition

Each phase of postconflict recovery and development requires substantial external financing. The international community has usually been generous in the years immediately following a conflict. Much of the aid is directed toward relief and limited amounts toward reconstruction. This usually reflects a country's limited absorptive capacity in the initial phase, hence considerable early attention must be paid to capacity building and policy and institutional reforms. A funding problem may arise later, however, because the initial enthusiasm to provide assistance can wane before a postconflict country is ready to absorb larger amounts of aid for reconstruction and development.

Postconflict assistance and the international community

The international community has had mixed experiences in delivering postconflict assistance.

To be most effective, aid pledges must be translated promptly into accessible resources that can be flexibly used for reconstruction according to the priorities of the country concerned. Slow disbursement of funds pledged by donors only adds to the problems that the postconflict country faces. In Cambodia, Lebanon, Mozambique, Rwanda, and West Bank and Gaza, there was a considerable lag between pledges and commitment, and between commitment and disbursement.

Aid pledges must be realistic. Given the high public profile of pledging conferences, promised assistance can be overstated and then be difficult to deliver. The ad hoc nature of pledging conferences makes it difficult to bind donors to their commitments. Sometimes pledges are made according to donors' priorities rather than those of the recipient.

Pledges are often linked to policy conditionalities: macroeconomic; peace; and governance, human rights, and democratic reform. But the donors' approach and emphasis in each of these areas may differ, thereby creating confusion in the recipient country and ultimately reducing the effectiveness of postconflict aid. Sometimes, in an effort to organize assistance at the onset, donors impose conditions that a postconflict government finds impossible to achieve.

Linking or bridging relief and development efforts should be improved. The availability of resources and their allocation among relief, rehabilitation, reconstruction, and development can pose problems. Donors often fail to resolve the overlapping nature of different activities, and are usually reluctant to shift resources from relief to reconstruction or from reconstruction to relief—even if the case for the shift is well understood.

The challenges and problems discussed in this chapter manifest the difficulties of aid coordination. Considerable work is under way to improve the situation. Success has been slow, but collective efforts continue.

Role of MDBs

In the aftermath of World War II, reconstruction, initially of Europe, was facilitated by transferring resources from capital-surplus to capital-deficient countries. The World Bank was founded to facilitate this transfer. With restrictive capital flows and associated high risks, many postconflict countries were unable to attract the capital needed to finance their social and economic development. The four regional development banks were founded on the same principles, given the congruity of needs of postwar Europe and the newly independent countries of Africa, Asia, and later Eastern Europe.

Throughout much of the postwar period, the operations of multilateral development banks² (MDBs) were guided by their founding principle: provide finance for government-led investments in development projects. Over time, their operations evolved to include responding to emerging world challenges such as oil price shocks, natural disasters, and civil conflict.³

MDBs are usually not involved in relief efforts. Their operations are designed to take a longer-term perspective and provide much-needed assistance for capacity building, rehabilitation, reconstruction, and eventually, development.

MDBs play a primarily catalytic role, helping the country rebuild its institutions, formulate policies, and train people needed to maintain peace and establish a sustainable system of government that will enable the economy and the people to prosper.

MDBs as financiers

Initially, MDBs handled postconflict assistance within their general assistance framework for developing member countries (DMCs). Some special funds were available for lending at concessional rates, but none were targeted specifically for war-torn countries. Most funding available specifically for postconflict assistance was provided in grants and each institution allowed only limited amounts to be disbursed for such uses. The practice in four MDBs is shown below; ADB's role in providing postconflict assistance is included in the discussion on Afghanistan.

African Development Bank: AfDB's emergency assistance operations are geared primarily toward

The term "multilateral development banks" is used collectively for the following institutions: African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank.

At their June 1995 Summit in Halifax, Nova Scotia, the leaders of the G-7 nations (Canada, France, Germany, Italy, Japan, United Kingdom, and United States) called on the World Bank and the International Monetary Fund "to establish a new coordination procedure to facilitate a smooth transition from the emergency to the rehabilitation phase, and to cooperate more effectively with donor countries in assisting postconflict reconstruction." Patrick, Stewart. 1998. "The Check is in the Mail: Improving the Delivery and Coordination of Postconflict Assistance." New York: New York University.

protecting or rehabilitating AfDB-funded projects, helping resuscitate development activities, and creating the conditions necessary for other donors to intervene in a country. AfDB's approach to peace building and conflict prevention is to design and finance, in collaboration with other donors, projects that contribute to economic growth and poverty reduction. In postconflict situations, it assists in institutional reforms and capacity building to change systems and structures, which may have contributed to creating economic and social inequities.

Relief and some preparedness operations are financed by grants from the \$5 million annual budget for AfDB's Special Relief Fund. Rehabilitation and reconstruction operations are financed mainly through regular loans, and are subject to normal processing and implementation procedures. Such assistance may not exceed \$500,000 for any one operation in a given country.

Inter-American Development Bank: IADB established its special financing mechanism, the Emergency Reconstruction Facility (ERF), to respond to natural and unexpected disasters. The ERF complements IADB's Operational Policy for Emergencies arising from natural and human-made disasters. The President of IADB is authorized to expedite, with board consent, up to \$100 million for loans that meet emergency eligibility criteria. The maximum amount of an individual ERF loan approved under this delegation may not exceed \$20 million for ordinary capital and \$10 million for concessionary financing for preestablished eligible activities. These include help in hastening the restoration of services, financing temporary repairs, and cleaning up in the aftermath of a disaster.

International Monetary Fund: The primary role of IMF in postconflict situations is to help countries restore macroeconomic stability and the basis for sustainable growth. IMF provides technical assistance and policy advice, with financial assistance given once a situation is sufficiently stable for it to be used effectively. In 1995, IMF expanded its policy on emergency assistance to cover postconflict situations.⁶ Its emergency postconflict assistance is provided from its General Resources Account and is thus on nonconcessional terms. Since 1995, eight countries have received this assistance from IMF.⁷

Through its Emergency Postconflict Facility, IMF can provide 25–50% of quota with limited conditionality and front-loading of disbursements in a lump sum.

⁴ IADB. 1999. PR-806 The Emergency Reconstruction Facility.

Albania (\$12.0 million), Bosnia-Herzegovina (\$45.0 million), Democratic Republic of Congo (\$23.2 million), Guinea-Bissau (\$4.8 million), Rwanda (\$20.3 million), Sierra Leone (\$50.7 million), Tajikistan (\$20.1 million), and Yugoslavia (\$151.0 million). World Bank: The World Bank also has emergency reconstruction loans (ERLs) for assisting countries experiencing natural or human-made emergencies.⁸ The ERLs typically have no ceiling, use standard International Bank for Reconstruction and Development/International Development Association rates, and, where possible, use blend funding or mobilize bilateral money to subsidize the loan interest rate.

In postconflict situations, the World Bank—in partnership with UN agencies, bilateral donors, and NGOs—contributes to the establishment of a peace process; economic revival and resumption of trade, savings, and domestic and foreign investment; macroeconomic stabilization, and appropriate legal and regulatory frameworks; social safety net building; improvement of governance and civil society activities; rebuilding of physical and social infrastructure and human capital; development of food security; reintegration of displaced populations, and demobilization and reintegration of ex-combatants; demining; community development; and aid coordination.

The World Bank lent more than \$6.2 billion to 18 postconflict countries between 1980 and 1998.9 To develop policy, cross-country learning, and expertise in specific postconflict skills, it created a Postconflict Unit in July 1997. In August 1997, the World Bank established a new grant facility—the Postconflict Fund—as part of a larger Development Grant Facility to help it respond rapidly to early postconflict reconstruction.

MDBs as long-term partners

From a conceptual and practical point of view, rebuilding social and physical infrastructure requires a long-term perspective. Most postconflict societies, including Afghanistan, are forced to deal with profound change. Principal players have changed; new alliances have been and are being established; people's attitudes are being altered; prospects for foreign assistance may be improving; and new opportunities may not be far off. Expectations may be high.

MDBs know that a knee-jerk solution has little chance of producing a lasting solution to problems associated with these changes. Postconflict reconstruction must be based on a detailed needs assessment and adequate contextual analysis, and must take into account the policy and institutional framework, regional context, global dimension, environmental and social impact assessments, and psychosocial impact of the conflict.

There is a need for a comprehensive medium- to longterm strategic framework into which rehabilitation and

These criteria include (i) an official state of emergency has been declared; (ii) the scope is within the emergency as set forth in the operational policy paper; and (iii) government assurances are provided to strengthen capacity for emergency preparedness, prevention, and management.

⁶ Emergency postconflict assistance is designed for countries (i) that have an urgent balance-of-payments need to rebuild external reserves and meet external payments; (ii) where IMF support is part of a concerted international effort to assist the country comprehensively, and (iii) where administrative capacity has been so disrupted by conflict that the country is not yet ready to develop and implement a comprehensive program that could be supported by an IMF arrangement, but where the authorities nevertheless have sufficient capacity for policy planning and implementation.

The World Bank Articles of Agreement call for special consideration for war-torn societies. In determining the conditions and terms of loans made to such members, the World Bank pays special regard to lessening the country's financial burden, and to expediting restoration and reconstruction.

This flow included large amounts to Angola (\$197 million), Bosnia-Herzegovina (\$150 million), Cambodia (\$237 million), Croatia (\$265 million), Eritrea (\$25 million), Lebanon (\$175 million), and Rwanda (\$120 million). In addition, the World Bank has committed \$550 million to Afghanistan.

reconstruction activities can fit. But again, creating a successful framework depends on the quality and viability of the economic, financial, social, and environment investments during and after the rehabilitation and reconstruction phases. Some rehabilitation projects—such as those with immediate impacts—can be undertaken provided they will not negatively impinge on the long-term strategy. Other investments should proceed only when all options have been evaluated and the advantage of a particular proposal has been established.

MDBs as catalysts

Postconflict reconstruction is much more than just new roads, bridges, and schools. It is primarily about capacity building, which suffers most during a conflict. It is also about identifying and implementing the right set of policies and institutions to develop free markets, enable individual initiatives to thrive, encourage women to participate equitably in all aspects of society and economy, allow civil society including NGOs to operate freely, enhance trade

and commerce, restore internal and external financial linkages, reopen and strengthen regional links, and increase factor mobility. Postconflict reconstruction is largely about building capacity for market-based recovery and sustainable growth. This is where MDBs can and do play a critical catalytic and supportive role.

ADB's approach and comparative advantage

Postconflict reconstruction is closely linked to ADB's overarching goal of reducing poverty in Asia and the Pacific, which aims to improve living standards in the region. This objective assumes even greater urgency in postconflict situations because the human cost of civil conflict is felt most acutely by the poor who are most vulnerable to external shocks.

ADB follows a three-pronged approach for postconflict reconstruction, which is designed to support government efforts at overcoming the challenges of establishing and maintaining security and a stable political environment. ADB focuses on building capital; rehabilitating production and income, especially for the poor; and building capacity to improve aid absorption. This focus and the corresponding outputs are designed to contribute both directly and indirectly to the central objective of poverty reduction.

ADB does not have a separate mechanism for providing postconflict assistance; like other MDBs, ADB deals with these situations through its existing mechanisms.¹⁰

The sequence of actions in developing a postconflict strategy closely follows ADB's programming cycle (see Figure on page 19). Each conflict situation in a DMC is monitored and reports are prepared for, and reviewed by, Management. During a conflict, staff members develop a detailed knowledge base on the changing situation and create an analytical framework for postconflict response. When possible, missions are fielded to conduct needs assessments and an interim country strategy and program

> (CSP) is prepared for providing emergency assistance. Assistance is extended for both natural and humanmade disasters, with the natural claiming over 90% of the total disbursed to date. In the past, emergency loans were concentrated on

In postconflict situations, multilateral development helping the country rebuild its institutions, formulate infrastructure rehabilitation. policies, train people needed

Comparative advantage

ADB's database of knowledge about DMCs in the Asia and Pacific region positions it to act quickly and efficiently in postconflict situations. Its regularly updated in-house database on

each DMC is supplemented by its worldwide network of resident missions and offices (see the Knowledge and Support Activities chapter). Through its country economic reviews (CERs) and CSPs, ADB learns lessons that can be internalized and disseminated to its development partners. These instruments, along with annual CSP updates, provide a picture of each DMC and enable the rapid articulation of an emergency response should it be required.

Ways MDBs could respond to emergencies in DMCs include streamlining the production of knowledge instruments and emergency preparedness programs; monitoring reports; and conducting needs assessments and environmental and social assessments prior to formulating transitional assistance strategies (see Box on page 16).

Operational flexibility

banks are the catalyst,

to maintain peace, and

establish a sustainable

system of government.

Speed is crucial to a successful postconflict response. ADB's knowledge base allows it to respond rapidly and effectively when opportunities for providing aid arise. A rapid response requires flexibility over a range of areas, including mobilizing staff and budgetary resources and interpreting administrative procedures. The existing emergency policies provide for some latitude in decreasing the time involved in project and program processing cycles. This flexibility is extended to fund flow and payment systems to enable rapid disbursements of committed capital.

Operational and administrative flexibility, combined with the ability to undertake rapid assessments prior to formulating an intervention strategy, has enabled ADB to effectively address diverse conflict situations in Cambodia, Sri Lanka, Tajikistan, and Timor-Leste, among others. Further streamlining procedures and softening loan terms could be elements of an emergency policy.

¹⁰ For more on ADB's assistance, see http://www.adb.org/Documents/ Manuals/Operations/om25.asp. ADB. 1987 and 1989. Rehabilitation Assistance After Disasters. Manila: ADB. 1997. Change in the Loan Ceiling for Loans Processed under the Bank's Emergency Rehabilitation Assistance Loan Facility for Small DMCs. For more on this loan facility, see http:// www.adb.org/Documents/Manuals/Operations/om24.asp.

Long-term commitment

The reconstruction process is long and complex. The difficult decisions made by the government in the early stages will impact on the future of the nation and its ability to remain peaceful. ADB and other funding agencies provide the government in this situation with financial and technical support, which, in turn, signifies the international community's confidence and commitment to rebuilding the country, its institutions, and infrastructure.

Political stability is central to postconflict reconstruction and must be assured by the ruling authorities. As ADB learned in Cambodia (see Box on Cambodia on page 17), early reconstruction assistance is as much about building partnerships with the government as it is about providing aid. The relationships formed early on will facilitate implementation in the long term.

Economic growth can be expected to be rapid in the initial years of peace, before returning to levels that more accurately reflect the country's situation. To capitalize on this growth, assistance should peak in the first postconflict year, and should focus on strengthening the government's absorptive capacity. Further allocations would depend on the availability of concessional funds and aid effectiveness.

Countries emerging from conflict in recent years have been able to take advantage of the ongoing revolution in transport and information and communication technology, allowing them to regain more quickly the economic strengths and capabilities lost or destroyed by conflict. This may allow them to extend the initial period of high growth. In this case, the approach used by the funding agencies to implement postconflict assistance would differ. It requires a commitment to maintain assistance at a relatively high

level for a longer period and to focus such support toward creating the capacity necessary to take advantage of new technologies. This pattern of aid and expected growth would imply a much greater impact on ADB's central objective of poverty reduction.

Financing reconstruction

As a premier regional financial institution, ADB has committed relatively large sums to the reconstruction of postconflict DMCs as of 2002:

- Cambodia, \$122.7 million;
- Philippines, \$192 million;
- Solomon Islands, \$10.5 million;
- Sri Lanka, \$84 million;
- Tajikistan, \$28.6 million; and
- Timor-Leste, \$8.7 million.

In addition, ADB has committed \$500 million in assistance to Afghanistan over a 30-month period from January 2002. This represents 11% of total donor commitments to the country.

Macroeconomic and sectoral involvement

ADB's assistance to postconflict DMCs emphasizes its catalytic role in both macroeconomic and sector development issues. To achieve macroeconomic stability, it is important to implement both sector policies and institutional reforms, and follow these with capital investments. ADB has followed this pattern.

In Cambodia, for example, early assistance was geared toward macroeconomic management, followed by assistance for multisector rehabilitation. In Sri Lanka, ADB's postconflict program largely supported rehabilitation of roads, schools, petroleum storage facilities, and community infrastructure (see Box on Sri Lanka at right).

Dealing with emergencies is part of dealing with development. In the past decade, natural and human-made emergencies increased by over 60%, reaching 784 such emergencies by 2000. The events left almost 3 million people dead, another 2.4 billion affected, and trillions of dollars in financial investments and physical assets foregone or destroyed.

Of the 15 poorest countries in Asia and the Pacific, nearly two thirds have experienced a conflict or natural disaster. In each event, the poorest members of society were hardest hit. Poverty and increased vulnerability are both a result and source of civil strife.

Efforts toward reducing poverty depend on preventing, mitigating,

and addressing the risk, vulnerability, and impact of emergencies. This, in turn, requires a greater focus on issues such as providing sustainable livelihood, improving weak governance, providing a transitional safety net, building institutional capacity, and dealing with depleted human and social capital. Effective and efficient emergency assistance requires resources and a strategic organizational response to events.

Interventions in emergency preparedness and response should include prevention, transition, and emergency recovery phases.

• Prevention phase: Strengthen analysis of countries at risk and design a portfolio of interventions to address and mitigate risks.

- Transition phase: Emphasize partnering with humanitarian relief agencies during the critical transition period from relief to development.
- Emergency recovery phase: Prepare a damage and needs assessment jointly with partners to identify priorities, provide emergency response, and initiate design of medium- to long-term comprehensive reconstruction program.

Ensuring fast and effective rehabilitation and other emergency assistance requires flexible policies and lending instruments that enable approval of urgently needed short-term and small loans.

RECONSTRUCTING CAMBODIA

In Tajikistan, ADB helped the Government formulate a poverty reduction strategy, entered into a poverty partner-ship agreement with the Government, and followed these steps with reforms in transport and power, and rehabilitation

loans in the agriculture and social sectors. All were combined with emergency assistance for natural disasters (see Box on Tajikistan on page 18). In Timor-Leste, ADB provided technical assistance grants in support of capacity

Cambodia is one of Asia's poorest countries. The agenda for economic and governance reform is large, and the challenge of poverty reduction is huge. But Cambodia is making progress as it works to rebuild, and to heal the deep scars left by decades of war and civil strife.

Cambodia joined ADB in 1966. After nearly 2 decades without operations, ADB reentered Cambodia in 1992, before the United Nations sponsored elections the following May. This early start led to a strong working relationship with the Government.

ADB's first technical assistance was provided in 1992 and included four components: development planning, economic statistics, fiscal management, and monetary policy. The project—implemented in cooperation with the International Monetary Fund and United Nations Development Programme—helped

formulate the country's first comprehensive economic strategy.

In November 1992, ADB approved its first loan to Cambodia in about 2 decades. The \$70 million multisector emergency loan funded the reconstruction of basic physical infrastructure, such as the primary road network, schools, institutes, universities, and irrigation schemes. Electricity was restored in the major cities of Phnom Penh, Siem Reap, and Sihanoukville.

ADB prepared its first full country operational strategy for Cambodia in 1995, with capacity building as the main pillar of support. At the same time, ADB helped the Government formulate its Socioeconomic Development Plan, 1996–2000.

ADB operations were soon expanded to rural Cambodia, home to 90% of the population and the worst poverty. ADB targeted more

than 70% of its assistance to the countryside.

In 2000, ADB's focus turned to governance and the lack of basic laws and accountability institutions. ADB helped formulate a legislative framework and helped strengthen accountability institutions such as the National Audit Authority.

A comprehensive governance assessment studied public administration reform, fiscal reform, decentralization, legal and judicial reform, and regional integration. The Government used the assessment in preparing its Governance Action Plan, the recently formulated second Socioeconomic Development Plan, and the National Poverty Reduction Strategy. A key theme in each is the need for good governance and the rule of law. For more on Cambodia, see page 84 and http://www.adb.org/Cambodia/.

Since 1983, armed conflict between the Sri Lankan Government and the Liberation Tigers of Tamil Eelam (LTTE) has claimed more than 60,000 lives and displaced a further 700,000–800,000 people. The conflict is estimated to have cost the equivalent of the country's 1996 gross domestic product, and to have lowered economic growth by 2–3% per year for the past 20 years.

In February 2002, the Government and the LTTE signed cease-fire agreements that essentially ended daily conflict. The Government lifted restrictions on the movement of essential commodities into and out of LTTE-controlled areas. The cease-fire has held.

However, the physical and social infrastructure in the northeast of the country is in ruins. The area's economy is improving, but recovery is slowed by the extent of the

devastation and the presence of land mines and unexploded ordnance.

For much of the conflict, ADB's strategies and programs acknowledged the existence of the fighting and its impacts but did not specifically address them. This changed in 2001, when ADB approved a \$25 million loan to help finance the Northeast Community Restoration and Development Project. The Project aimed at improving small-scale social and economic infrastructure and income generation.

The project design was defined by the need for balance among communities, between Government and LTTE-controlled areas, and between rural and urban needs; the need for flexibility to permit a rapid response to changing security and humanitarian requirements; and the need to involve communities in determining the nature of assistance.

The flexibility built into the Project in its design and during implementation made it effective in the post cease-fire period.

ADB's support facilitated the mobilization of loan resources for other projects to undertake essential and symbolic operations in the conflict areas once the cease-fire was in place. These included reconstructing the highway linking the northern city of Jaffna with the rest of the country and restoring Jaffna's power distribution system.

As the peace process moves forward, the international community will find itself working in an environment of temporary institutions and fluid structures. Flexibility in program design will be key. For more on Sri Lanka, see page 108 and http://www.adb.org/Srilanka/.

building in the transport, power, telecommunications, microfinance, and other sectors (see Box on Timor-Leste below).

Capacity building

ADB's technical assistance facility helps build essential security, technical/administrative, and political capacity in postconflict countries, without which the ability to effectively absorb aid would remain low. ADB is able to flexibly reallocate its technical assistance resources to meet the requirements of postconflict countries.

Between 1987 and 2001, ADB provided 11 capacity-building technical assistance projects to postconflict countries. Cambodia's projects were in the transport and

agriculture sectors. In Sri Lanka, the emphasis was on environment, with technical assistance provided for integrating cleaner production techniques into industrial development. In Tajikistan, ADB supported institutional strengthening of the transport and energy sectors and provided capacity building for flood disaster management. All assistance to Timor-Leste was grant-financed for capacity building to manage key sectors of the economy.

Experiences and lessons

ADB has accumulated rich experiences in postconflict reconstruction through its activities in Cambodia, Sri Lanka, Tajikistan, and Timor-Leste

Tajikistan gained independence following the breakup of the Soviet Union in 1991. The sudden demands of nationhood and the 1992–1997 civil war left the economy in ruins. By 1996, gross domestic product had contracted more than 60%. Unemployment exceeded 30%, and it was estimated that over 80% of the population lived in poverty.

A reconciliation process that began in 1997 culminated in parliamentary elections in 2000, and the ensuing strong economic growth has supported social stability.

Building on the work of its development partners and in consultation with the Government and nongovernment organizations, ADB prepared an interim operational strategy for Tajikistan in October 1998. ADB focused on supporting the transition to a market economy, assisting in postconflict rehabilitation, and supporting natural disaster rehabilitation. Efforts to rebuild agriculture, infrastructure—particularly roads and power—and social sectors were given priority.

ADB and Tajikistan concluded a poverty partnership agreement (PPA) in 2002 based on the national poverty reduction strategy, marking ADB's first PPA with a Central Asian republic. Growth and exports have improved, but poverty is still widespread. ADB is supporting the Government in ensuring that economic

opportunities are broad-based, addressing the narrow base of economic growth, and achieving fair distribution of the benefits of growth.

ADB has approved 10 loans to Tajikistan totaling \$173 million. The loans cover postconflict rehabilitation, road and power sector reform, agriculture sector support, emergency assistance efforts, and regional cooperation.

Support to strengthen human and institutional capacity is key to development, and ADB has approved 29 technical assistance projects worth \$15 million to aid this work. For more on Tajikistan, see page 82 and http://www.adb.org/Tajikistan/.

The people of East Timor, now Timor-Leste, voted overwhelmingly for independence in 1999. Within weeks, an estimated 70% of the country's physical infrastructure had been destroyed and close to 80% of the population displaced.

Three months later, in December 1999, the Trust Fund for East Timor (TFET) was created at a donors' meeting in Tokyo. Priorities for use of the fund were set with support from ADB and the World Bank.

ADB took on the task of rehabilitating infrastructure: initial efforts focused on the urgent need for roads, ports, water, and power supply. Comprehensive support for capacity building was needed in all areas. Road rehabilitation and maintenance

work linked previously isolated communities and created an estimated 300,000 person-days of employment. Two water supply projects brought safe water to 240,000 people in rural areas and 15,000 in Dili, the capital city. These labor-intensive projects created an estimated 90,000 persondays of employment.

A focus shift from emergency, humanitarian, and security needs to development activities is reflected in ADB's port and microfinance projects. They focus on poverty reduction and economic and social development.

Since operations began in Timor-Leste, ADB has approved 20 technical assistance projects worth \$8.6 million. Many support TFET-funded projects with project preparation and capacity building.

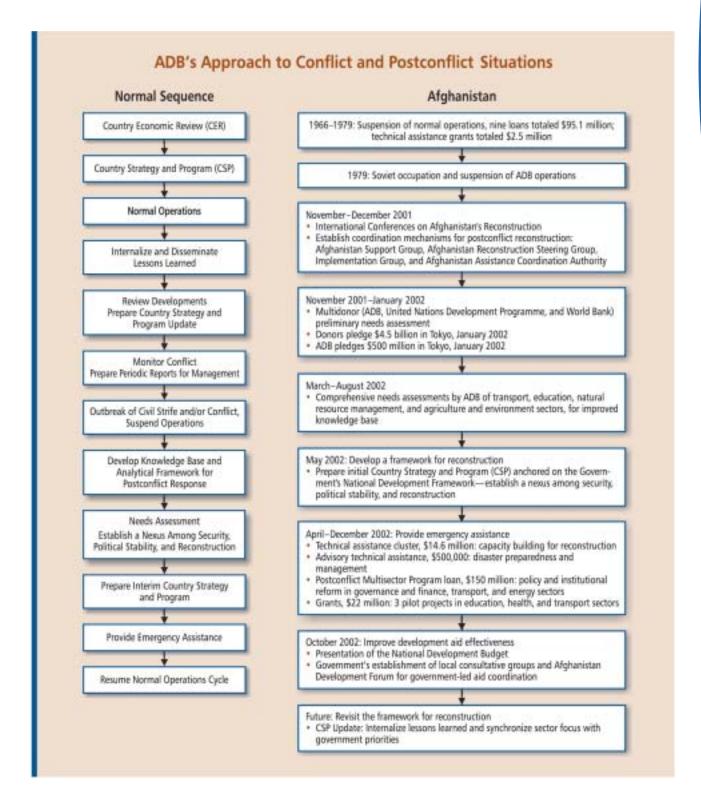
A poverty assessment—undertaken by the Government, ADB, Japan International Cooperation Agency, United Nations Development Programme, and World Bank—helped prepare the country's first National Development Plan, released in May 2002. The Plan includes a national poverty reduction strategy based on four elements: promoting opportunities for the poor; improving access to basic social services; enhancing security, including reducing vulnerability to shocks and improving food security; and empowering the poor. For more on Timor-Leste, see page 97 and http://www.adb.org/Timor-Leste/.

(see http://www.adb.org/Countries/). As ADB prepared to resume operations in Afghanistan in 2002, it was able to draw on these experiences and the following lessons.

Allocate significant resources for developing institutions: Poorly performing projects are often associated with an inappropriate policy or institutional framework. Cambodia's policy-formulation capability could not maximize the potential of international assistance and external support was needed to formulate and implement the additional policy changes required.

Sequence policy and institutional reforms appropriately: In Tajikistan, ADB learned the importance of sequencing policy and institutional reforms, especially when the situation remained volatile. Early efforts were followed by successful infrastructure rehabilitation in the road and power sectors.

Prepare emergency loans: Lessons from Cambodia suggest that emergency loans should exclude components requiring long-term preparation; should adopt a process approach to allow flexible adjustment during



implementation; should include flexible financing provisions, particularly for operation and maintenance; and should be complemented by follow-on projects that address policy and institutional issues.

Coordinate activities among agencies at central and local levels: Experience in all postconflict countries highlighted the importance of efficient coordination among agencies to ensure rapid and effective implementation of emergency projects.

Factor in postconstruction maintenance of project facilities: In all cases, it was evident that quality control in project preparation and adherence to safeguard provisions must be maintained in emergency assistance.

Develop a strategy: Effective assistance for reconstruction requires a strategy for the country and for agency operations. The process of restoring and establishing human dignity, building an identity for the country, and restoring confidence of the people in their government cannot be left to chance.

Afghanistan and ADB: a partnership renewed

ADB's return to Afghanistan after an absence of 23 years started one cold, misty morning in February 2002. An ADB team arrived at Kabul airport for meetings that would mark ADB's first formal contact in the country with the ruling Interim Administration of Afghanistan (IAA). It was a quiet beginning to a new era of partnership.

The revival of the relationship between ADB and Afghanistan was achieved through well-defined steps (see Figure on page 19).

Afghanistan was a founding member of ADB, joining in 1966. Operations began in 1969, and in 1970, the first loan was approved. Nine loans to the country, totaling \$95.1 million from the Asian Development Fund (ADF), were approved by 1979.11 ADB focused on small- and medium-sized agriculture and irrigation projects, and did some work in transportation, hydropower, and vocational education. In 1979, following the Soviet occupation of the country, ADB suspended its operations in Afghanistan. 12

In the more than 2 decades that passed before ADB returned to Afghanistan, the country was devastated by external aggression and civil war. Its economy and physical infrastructure were in ruins; its social, political, and ethnic fabric destroyed. The destructive impact of Soviet aggression, civil war, and the brutally repressive Taliban regime was aggravated in the late 1990s by 4 years of drought, which seriously affected agricultural, horticultural, and livestock production. For all practical purposes, the economy came to a standstill. Production, consumption, trade, savings, investment, and capital accumulation either collapsed or fell to very low levels. Between 1998 and 2002, per capita gross national product declined an estimated 35% to about \$205.

 11 ADB also provided technical assistance grants totaling \$2.5 million. 12 All outstanding loans were canceled and disbursements stopped.

In December 2001, with the signing of the Bonn Agreement, power in the country was vested in the IAA, which quickly proclaimed its desire to revive the nation's economy and restore peace and stability. The Afghan people have shown a strong commitment to take control of their destiny and transform their land into a well-governed country focused on reconstruction and spreading prosperity to all Afghans.

They face three formidable challenges: They must answer the human costs of decades of fighting; they must establish a viable peace; and they must develop the administrative and political capacity needed to run a modern state. The reconstruction of Afghanistan will test its people and the will of the international community. It will also be a testing ground for the latest thinking and theory on the best way to establish a close and continuous connection between humanitarian assistance and reconstruction.

Postconflict rebuilding

Ensuring country leadership

A broad-based political authority, the IAA was established in December 2001 following the Bonn Agreement. It was agreed that Afghan men and women at the national, provincial, local, and grassroots levels should be involved in and lead the reconstruction process in all stages, from planning to implementation. Afghan ownership is crucial to the success of rehabilitation and reconstruction efforts.

ADB, as a partner in the international coalition for the reconstruction of Afghanistan, worked closely with the Government in developing an approach to postconflict assistance that is largely driven by the country itself. The Government is deeply committed to promoting a lasting peace-building process, which will be the bedrock for all future work. Without government support, rehabilitation and reconstruction efforts will yield little in improving the well-being of the Afghan people.

At the International Conference on Reconstruction Assistance to Afghanistan in Tokyo on 21–22 January 2002, the IAA presented its vision of a prosperous and secure Afghanistan that would contribute to the prosperity of its trading partners and increase regional stability. The IAA intends to build a credible state with an efficient and transparent government accountable to Afghan citizens and the international community. The IAA stressed the importance of building a vibrant and competitive private sector and a well-developed civil society with democratic institutions. The IAA identified key outcomes for the reconstruction program, including political stability and security, access to basic services, an adequate standard of living for the people, economic growth-and, in the longer term-independence from foreign aid.

Building a new identity

Postconflict reconstruction is predicated on building institutions and infrastructure to bind people together and infuse country leadership with meaning. What does this mean for Afghanistan?

CHANGING ATTITUDES: GENDER IN AFGHANISTAN

Women are returning to work outside the home and girls are back in school. These are symbols of a new beginning—a new era of opportunity for women in Afghanistan.

During the Taliban rule, women could not work outside the home and girls could not attend school.

During the Taliban rule, women could not work outside the home and girls could not attend school. Now they actively participate in government and civil society. But equality remains a far way off. In the Government, women head 2 of the 29 ministries. There are four women deputy ministers, five female generals, and two commissioners on the nine-member panel drafting the constitution.

Despite this progress, the number of women employees in government offices has not reached pre-Taliban levels. Indeed, most Afghan women remain bound by traditional practices, limited rights, and economic hardship.

The Government and nongovernment organizations (NGOs) are working to change attitudes and promote women's status. The new Ministry of Women's Affairs seeks

to advance women's status and improve their welfare on a longterm sustainable basis.

During the Taliban rule, NGOs helped women in various areas, including health and livelihood. Many of these efforts are being carried out now in cooperation with the Government. There are over 30 NGOs in Kabul alone working to create opportunities for women to gain or improve vocational skills and commence or restart their education. Although many are underfunded, NGO projects are helping. The number of health facilities for women is increasing, and small-scale job creation programs have begun.

ADB recognizes that women are vital to the rehabilitation, reconstruction, and reconciliation of societies. The Government's National Development Framework (NDF) recognizes that national development could not be achieved without the input of women in policies and resource allocation and without specific programs for

women. "All programs must pay special attention to gender, and not include it as an afterthought. We have to engage in a societal dialogue to enhance the opportunities of women and improve cooperation between men and women on the basis of our culture, the experience of other Islamic countries, and the global norms of human rights." 1

Women's empowerment is an integral part of ADB efforts in Afghanistan. The Kandahar-Spin Boldak road rehabilitation project, for example, includes livelihood training and credit facilities to create income-generating activities for home-based returning women refugees. Nutrition and child care will also be offered. Support to community-based basic education will promote the education of girls. The challenge of improving the status of Afghan women is enormous and success will require the continued support of development partners.

Nongovernment organizations (NGOs) have worked in Afghanistan and in support of Afghan refugees abroad for more than 20 years. As of mid-2002, more than 400 groups were active in the country, including some 280 local organizations. Together, they administered an estimated \$125 million in relief aid in 2001. That figure may exceed \$200 million in 2002.

NGOs support projects in a wide range of sectors, including agriculture, construction, education, immunization, health, income generation, mining, relief and repatriation, community and social work, veterinary services, and water and sanitation.

NGOs provide crucial assistance to refugees and populations in remote areas, and successfully filled the gap when political circumstances prevented multilateral and bilateral activities inside the country. Many have long experience in Afghanistan and their deep understanding of local needs and culture enables them to provide fast and effective aid.

In March 2002, ADB contributed to the design of the World Bank's Community Block Grants Project. This community-based, grant-funding mechanism aims to provide a framework for local governance and institutional development to support local action, to

promote ways for boosting participatory planning and strengthening village development capacities, and bring resources to communities in support of local priorities. NGOs are helping implement the Project throughout much of Afghanistan.

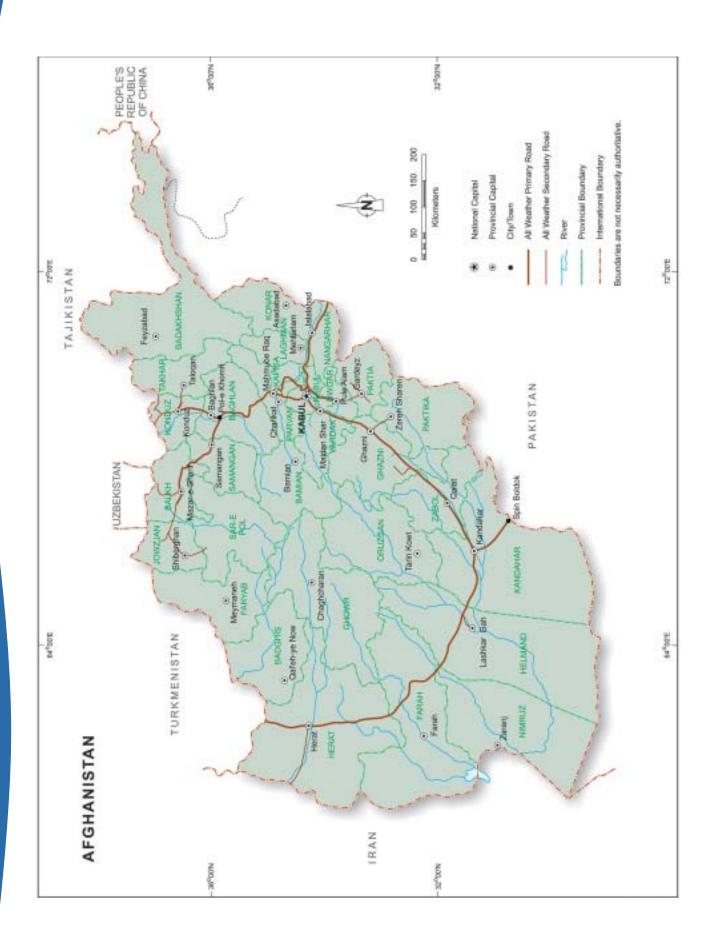
Also, NGOs are involved in ADB technical assistance activities that provide advisors, equipment and supplies, repair and maintenance of offices, as well as training to ADB counterpart agencies in the transport, energy, education, health, agriculture, and financial sectors. ADB is committed to developing effective partnerships with NGOs to help rebuild Afghanistan.

The strategic thrusts guiding reconstruction can be found in the Bonn Agreement, government statements, and the National Development Framework (NDF). Each calls for Afghans to lead the process; for social order to be built from within the country and its people; for potentially disruptive forces to be transformed into productive partners;

and for an approach geared toward stimulating the processes of economic stabilization, recovery, and growth primarily through private sector development. The IAA leadership seeks

• a national identity based on respect for the revitalized administrative authority at all levels, law and order, and the judicial process;

¹ National Development Framework, p. 12.



Many Afghans' lives were destroyed by war. Depletion of family assets such as land, livestock, and literacy has resulted in malnutrition, displacement, and social disintegration. The pain of war was deepened by persistent drought that left millions of people displaced. As the country struggles to maintain political stability and start reconstruction, poor families are still fighting to stay alive.

The Government's National Development Framework focuses on ensuring security and human development to support poverty reduction, rebuild physical infrastructure,

and create a viable private sector for sustainable, pro-poor growth.

Afghanistan's 25 million people have the worst health status of any population in Asia: malnutrition is high and increasing; the infant mortality rate is about 165 per 1,000 live births, among the highest in the world; average child mortality is about 257 per 1,000 live births, and may reach twice that among the displaced; and maternal mortality has remained among the highest in the world.

Women and girls are particularly vulnerable due to their low social status and limited access to services.

Children, too, face higher risks due to malnutrition, lack of safe drinking water, poor hygiene, and exposure to common infections. Other vulnerable groups include displaced families lacking income, persons traumatized by war, and war widows and orphans. These people require basic services and emergency relief.

The Government aims to provide all citizens with a package of basic health services, costing about \$3 per person per year, and wants to explore a more coordinated role for nongovernment organizations in expanding primary health care.

- national ownership of all reconstruction and development initiatives;
- conflict resolution through dialogue, reasoning, logic, and peaceful negotiation rather than armed conflict;
- a balanced society through protection of human rights, social inclusion, promotion of gender balance and sensitivity, and strengthening of democratic values and institutions and participation;
- transformation of warlords and provincial leadership into partners of the central leadership in Kabul, leading to social, political, and economic changes in the interest of all Afghans;
- reintegration of war combatants into the society as productive agents through training and exchange of arms for production inputs;
- an efficient but lean institutional/administrative framework to formulate, coordinate, and implement policies, strategies, programs, and projects;
- good governance and sound economic management;
 - harmonized regional cooperation; and
- eradication of illicit drug production, marketing, and consumption.

Establishing priorities

Rehabilitation and reconstruction activities were carried out sporadically at first, with NGOs, bilateral donors, and UN agencies undertaking small-scale rehabilitation work mostly outside the national budget process. Funds pledged at the Tokyo conference were used primarily for relief operations. Following the presentation of its ordinary budget in April 2002, the Afghan Government had to regroup and augment its capacity to prepare a development budget that could capture all rehabilitation activities and their financing. Much of the Government's time was spent seeking funds for relief and reconstruction: the budget deficit of \$244 million was met without resorting to deficit financing.

ADB and other development partners welcomed the IAA's initiative to consolidate its leadership role in reconstruction and development, and more specifically in

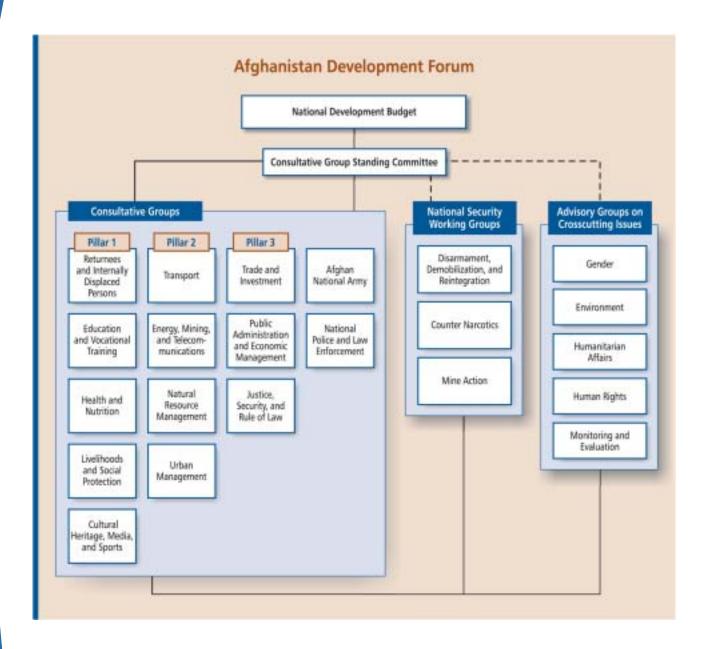
aid coordination. To streamline both areas and claim full Afghan ownership of the nation's destiny, the IAA established, through a decree issued by its Chairman, the Afghanistan Assistance Coordination Authority (AACA). A point of reference for dialogue, discussion, debate, and path finding was thus established.

The Government also recognized the importance of creating a development framework to lay out the direction for policy and institutional changes, and underlying national objectives, goals, and priorities. In preparing the NDF, the Government drew on the information contained in the preliminary needs assessment prepared by ADB, UNDP, and World Bank; and the comprehensive needs assessments for the agriculture, transport, education, and environment sectors prepared by ADB, as the lead agency, and other development partners. The Government presented the NDF at the First Meeting of the Implementation Group in Kabul in April 2002.

NDF: The goal of the NDF is to provide a strategic plan for the development of Afghanistan, around which all players can unite to address poverty and provide economic opportunities through a series of concrete programs and projects. The NDF is based on five principles.

- The development strategy must be domestically owned, with the Government in the driver's seat.
- Markets and the private sector are more effective instruments than the state in delivering sustained growth.
- Aid cannot be effective without the state investing in human capital and without an institutional framework that allows the rule of law to prevail.
- Sustainable economic growth requires the active participation of the population.
- Externally funded investments must be anchored in the Government's development program to be successful over the longer term.

¹³ According to the decree, the primary activities of the AACA include (i) coordinating funds, agencies, and technical assistance; (ii) developing an information system for monitoring and evaluating programs; (iii) establishing financial control and procurement systems; and (iv) directly managing a limited portfolio of national programs.



The NDF focuses on three pillars of development: promoting security and human development, rebuilding physical infrastructure, and enabling the creation of a viable private sector as the engine for sustainable and inclusive economic growth (see Box on page 25). Restoring security and reestablishing law and order, administrative and financial reform, and gender equity are crosscutting priorities. The key short-term challenges and priorities are to quickly establish basic security for the population, revitalize agriculture, facilitate private economic activity, and rebuild infrastructure and social services.

CSP: These elements were at the foundation of the initial country strategy and program (CSP) for Afghanistan, endorsed by ADB's Board of Directors on 28 May 2002, paving the way for the approval of a \$187 million emergency assistance package (including \$15.1 million in technical assistance and \$22 million in grants) to Afghanistan in 2002. For more on these grants, see Box on page 141 in the Management's Discussion and Analysis chapter.

ADB's initial CSP is designed to assist the Government in rehabilitation and reconstruction to ensure a seamless transition from humanitarian relief to reconstruction and development assistance. In a daylong visit to Kabul in early April 2002, ADB President Tadao Chino discussed elements of ADB's assistance strategy with the authorities, including the IAA Chairman.

The initial CSP identified transport as a key sector for ADB assistance, along with education, agriculture, and environment. ADB has taken the lead in these sectors; however, it will also provide major assistance for rehabilitation and reconstruction efforts in health, energy, rural development, and finance. The transitional Government's priorities are fully reflected in ADB's 2003 proposed assistance program, consisting of capacity-building technical assistance and a program loan.

Monitoring early achievements

Early indicators show improvements in the macroeconomic picture, although it remains far from normal or

optimal. Production is increasing and agricultural production, especially wheat, is projected to be well above levels in 2002. Small-scale industrial, trade, and commercial activities have gained momentum. In secure areas like Kabul and other major cities, a miniconstruction boom is under way. Transport and services including hotels, restaurants, and others are expanding. Healthy markets have developed in Kabul, Kandahar, and other areas for used or reconditioned cars imported from the Gulf area and Pakistan. Small private sector activities are thriving while large private initiatives, both domestic and foreign, seem to be lagging behind, primarily due to inadequate financial resources and lingering concerns about security.

The Government drafted a new "Law on Domestic and Foreign Private Investment in Afghanistan," addressing tax waivers, land leasing, transfer of capital and profits, share transactions, banking, seizure and confiscation, and dispute resolution. The Government has successfully floated a new Afghan currency, the new afghani, which has had a stabilizing influence on prices and exchange rates. Kabul's consumer price index declined about 3% in December 2002, reversing increases in previous months. The exchange rate appreciated from 59.8 new afghanis per US dollar in November 2002, to 50.8 in December 2002, and 46.0 in January 2003. For more on Afghanistan's economy, see page 101 of the Country Reports chapter and the Asian Development Outlook 2003 at http://www. adb.org/publications/.

The Government is maintaining and strengthening this momentum by developing a coherent budgetary process and improving government-led aid coordination. The National Development Budget (NDB) of about \$3.2 billion for 2002–2004, presented by the Ministry of Finance (MOF) on 12-13 October 2002, has five objectives.

- Develop the capacities of the public administration for good governance.
- Accelerate reconstruction of basic infrastructure and services.
- Accelerate economic growth as the precursor to any policy for poverty reduction.
- Improve economic competitiveness and reduce national and household vulnerability to economic shocks.
- Extend access to basic services such as education and health.

The NDB translates the priorities of the NDF into programs and projects¹⁴ while simultaneously providing a vehicle for policy development. It provides an outline of ongoing and proposed investments for 2002–2004¹⁵ and consolidates investments under national development programs.

The Ministry of Finance presented a new National Development Budget for 2003-2005 at a donors' meeting in Kabul in March 2003.

The Interim Administration of Afghanistan (IAA) recognizes the importance of the private sector as the engine of economic growth. However, during rehabilitation and reconstruction, and while an enabling environment is being created for the private sector, the Government expects to play a lead role. Agricultural markets are largely managed by private operators and this should continue, with the Government providing policy, institutional, and infrastructure support.

The private sector and nongovernment organizations (NGOs) can play an important role in rural finance. Improved land titling will help develop land, labor, and capital markets in rural areas.

In the nonfarm industry and informal sectors, private small- and medium-scale enterprises can create employment opportunities that are beyond the capacity of the Government. Gas production and distribution as well as exploitation of other minerals need to be opened up to private investments on a competitive basis. The same is true of fuel and electricity supply. The private sector could participate in the development of hydroelectric resources; distribution of electricity to towns, cities, and rural communities; and repair and creation of fuel storage facilities, bottling facilities, and distribution outlets. The Government plans to open up the energy and infrastructure sectors to private investment and to establish an appropriate policy and regulatory framework. NGOs are involved in urban water supply

and sanitation. Private companies could provide urban services, with the public sector providing investment support.

Private provision of health care services, including private clinics and pharmacies, will be more efficient in serving the public. Market-based health care delivery may have to be supplemented by affordable basic health care delivery by the public sector and NGOs. Nationwide, a community-based approach to the delivery of infrastructure services in rural areas would be welcome. Finally, the private sector is likely to take the lead in investment and service expansion in the telecommunications sector, assuming that a policy and regulatory framework is developed quickly.

 $^{^{14}}$ The national development programs under pillar 1 include (i) returnees and internally displaced persons, (ii) education and vocational training, (iii) health and nutrition, (iv) livelihoods and social protection, and (v) cultural heritage, media, and sports; under pillar 2 include (i) transport, (ii) energy, mining, and telecommunications, (iii) natural resource management, and (iv) urban management; and under pillar 3 include (i) trade and investment, (ii) public administration and economic management, and (iii) justice, security, and rule of law. The national priority subprograms are (i) education infrastructure, (ii) solidarity program and emergency public works, (iii) transport, (iv) water resource investment, (v) urban infrastructure, and (vi) governance infrastructure.

From postconflict: preconditions for reconstruction

Ensuring security

Security in Afghanistan is essential not only for efficient humanitarian action, but also for rebuilding the country: without assured security and stability, further progress will be seriously compromised. Security in both Kabul and outside the city remains tenuous, and the Government's grip on the country as a whole is not as strong as had been hoped for at this stage. Warlords continue to exercise power in their areas of influence and indulge in factional fighting. In Kabul, the 4,800-strong International Security Assistance Force (ISAF), first under British, then Turkish, and now German and Dutch leadership, has been a power for peace and stability.

Security and stability will, however, continue to be a problem as long as warlords retain their own armed forces. This point was highlighted by the Government in October 2002 and was an important theme of the Wilton Park Conference in London in the same month. On its first anniversary, the Government issued an appeal to the international community for assistance in disarming the warlords.¹⁶

The process of disarming the population has also been painfully slow. Although the Government comprises ethnic factions and is holding together, there is ample evidence of widespread serious factional tensions. Efforts are under way to establish rule of law, bring provincial and local authorities under central control, build a national army and a police force, and extend the tenure and expand the role of the ISAF.

Another issue closely linked to security is the illegal production, trade, and consumption of opium. In January 2002, the Government issued a decree banning poppy cultivation. Two other decrees have been issued since then—one in April 2002 outlining an eradication program and another in September 2002 for enforcing the ban on cultivating, producing, abusing, and trafficking drugs. But, according to the UN Office on Drugs and Crime, 3,400 tons of opium were produced in Afghanistan in 2002.¹⁷

Facing the political challenges: constitution and elections

Stability in Afghanistan is contingent upon the establishment of secure political processes. The country has not held an election since the 1970s, neither has a national census been undertaken. The current Government has been charged with two key tasks that will shape the nation's future: writing a new constitution and preparing for national elections in 2004. A Constitution Commission has started work on the new constitution but progress has

been slow. Concern has been raised over whether a draft document and election preparations will be completed by the end of the 24-month term of the Government, which began following the Emergency Loya Jirga, a grand council of Afghan political and tribal leaders, in June 2002.

As it works toward these goals, the Government must also proceed with a third crucial task—that of extending civilian authority over the entire country.

Three political parameters are essential to the rehabilitation and reconstruction process:

- · accepting the supremacy of the central Government;
- creating conditions for political plurality and democracy without external interference; and
- improving the capacity and efficiency of the Government to provide political leadership.

Establishing a durable political balance will require further progress in developing democratic institutions, creation of a framework for equitable power sharing among ethnic groups, and agreement on an acceptable relationship between the central Government and the provinces. These issues will shape the fundamental character of the new constitution.

Preparations for Afghanistan's first elections in over 20 years are progressing slowly. A census is being planned with assistance from the UN Population Fund. A key element in election planning is the development of a smooth succession plan. For the donor community's contributions to be used effectively beyond humanitarian aid, a workable balance must be struck among all conflicting parties in the country. Without that balance, time and resources will be wasted and the suffering of the Afghan people will continue.

Cooperating regionally

Afghanistan's reconstruction must be viewed in a regional context. Peace, stability, and prosperity in Afghanistan could be a catalyst for rapprochement or closer bonds between its neighbors such as Iran and Pakistan, or India and Pakistan, and between any one of these countries and the Central Asian republics.

Pakistan is a main trading partner of Afghanistan, and reexports to Pakistan through unofficial channels form an important component of total trade. It is clear that an open trading regime and deeper subregional integration would have many advantages for Afghanistan and its partners (see Box on regional cooperation at right). Afghanistan may consider entering into mutual trade agreements with neighboring countries such as Iran, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan, and to allow the free movement of goods and services and implementation of a common external tariff system. In exploring the option of greater subregional cooperation in trade, the complementary and competitive nature of production among participant countries should be considered. A process of harmonization and convergence of policies and strategies would help remove constraints to growth and development, allowing each participating economy to reach its production potential. The aim would be to improve the competitive efficiency of each country. Regional trade will be

¹⁶ At a conference in Tokyo in February 2003, donor nations pledged an additional \$50.7 million toward a UN-backed program to disarm, demobilize, and reintegrate Afghanistan's fighters.

¹⁷ The 2002 opium production was on 74,000 hectares in five provinces (Badakshan, Helmand, Kandahar, Nangarhar, and Uruzgan). Although less than the peak production of 4,600 tons in 1999, the 2002 production level was well above that in 2001, when production plunged to 185 tons following a strict ban on poppy cultivation by the Taliban regime.

fostered by regional cooperation in transport initiatives and resource management and development.

ADB has identified projects in the transport, power, and energy sectors for possible assistance, including a 1,600-kilometer natural gas pipeline project from Turkmenistan to Pakistan through Afghanistan. A technical assistance project in support of the pipeline is now under way.

Setting the policy and institutional framework

ADB is working to see that an appropriate policy and institutional framework is in place in Afghanistan to support investments in rehabilitation and reconstruction.

The governance, policy, and institutional frameworks necessary for a well-functioning economy must be established urgently. This is imperative for significant investment in Afghanistan's reconstruction, and for stimulating confidence among private investors, both domestic and foreign, to participate in development opportunities. Transparency, accountability, community participation, and the rule of law are the basis for good governance, which must be established at all levels of government. Policy reforms are needed to help mobilize resources and ensure their productive use. Substantial institutional capacity building is necessary to ensure effective reconstruction and development of the economy and social systems.

Toward reconstruction: financing the transition

Coordinating the response

Aid coordination on the rehabilitation and reconstruction of Afghanistan has been intense. In late 2001, several

People's Republic of China (PRC) and

the Far East. With the advent of

commercial shipping, which proved

safer and cheaper than trade over

land, the region lost its geographic

ened in the 19th century with the

industrialization of Europe and the

partial de-industrialization of Asia.

In the mid-20th century, the country

acted as a buffer between Cold War

groups. Isolation and occupation of

Afghanistan's isolation deep-

importance and turned inward.

international conferences were held to ensure that donor activities would avoid duplication and waste.

During these meetings, the Afghanistan Support Group (ASG),18 founded in 1996 by the 15 largest donor countries and the European Union, emerged as an important Afghan advocacy group. The ASG contributes to reconciliation, social and economic development, and sustainable peace and progress in Afghanistan. It is focused on improving coordination between donors and promoting human rights in aid initiatives, thereby laying a foundation for urgently needed reconstruction.

The Afghanistan Reconstruction Steering Group (ARSG, also known as SG) was established¹⁹ to provide policy guidance for Afghanistan's reconstruction. It created an Implementation Group (IG), which served as the primary umbrella for coordination among funding agencies until the Consultative Group (CG) mechanism took charge.²⁰

A Senior Officials' Meeting in Washington, DC, in November 2001 requested ADB, UNDP, and World Bank to

the country in 1979 prevented Afghanistan is central to the promotion of regional trade and comimplementation of the planned merce. For several thousand years Asian-Eurasian East-West highways up to the 16th century, Afghanistan envisaged to connect Europe and was a meeting ground: a route for Turkey with Southeast Asia and the trade and the communication of PRC through Central Asia. ideas, religions, and skills between Europe and the Middle East, and the

The collapse of the Soviet Union, the emergence of Central Asian republics, the defeat of the Taliban, and the subsequent assumption of power of the present Afghan administration, should allow the country to resume its central role in regional economic cooperation.

Afghanistan could potentially engage in regional cooperation in trade, energy, power, transportation, agriculture, mining and industry, and water resources.

Essential to realizing greater benefits from regional cooperation is rehabilitation of Afghanistan's road infrastructure, harmonization of customs systems, and rationalization of existing transit trade agreements.

The Government has demonstrated interest in reactivating Afghanistan's role in regional cooperation. With help from ADB, it is reviving road links with Turkmenistan and Uzbekistan in the north, and Pakistan in the southeast. Ongoing rehabilitation of damaged transmission lines in the northern power grid will enable imports of power from Turkmenistan and Uzbekistan. Transit rights are being negotiated for the proposed Turkmenistan-Afghanistan-Pakistan natural gas pipeline. Cross-border trade facilitation initiatives are also under way.

¹⁸ The members are Australia, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Russia, Sweden, Switzerland, United Kingdom, and United States.

¹⁹ It was established at the Senior Officials' Meeting on Reconstruction Assistance to Afghanistan on 20 November 2001. The European Union, Japan, Saudi Arabia, and United States are the cochairs of the SG.

The IAA chairs the IG. ADB, the Islamic Development Bank, UNDP, World Bank, and the ASG Chair (currently Norway) act as vice-chairs. The IG was mandated to prioritize requirements identified by the ongoing needs assessments; monitor the coherence of aid activities within an integrated reconstruction framework, and seek to prevent overlaps or gaps; identify logistical and policy shortcomings in program execution; suggest potential solutions and seek political guidance from the SG as necessary; and inform the SG of the progress and issues related to the program. The IG participants include all bilateral and multilateral assistance agencies directly involved in Afghanistan, including neighboring states; Afghan official representatives as determined by the IAA and its successors; representation from the international and domestic NGO community; and a UN representative nominated by the UN Secretary-General's Special Representative to Afghanistan.

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1966	Afghanistan joins ADB as one of 31 founding members
1979	ADB suspends operations to Afghanistan following Soviet occupation
11 September 2001	Terrorists attack World Trade Center
22 November 2001	Japan and United States co-host first meeting of the Afghanistan Reconstruction Steering Group in Washington, DC. ADB President attends
20 December 2001	Afghanistan Administration led by Chairman Hamid Karzai assumes office
21–22 January 2002	Afghanistan Reconstruction Steering Group Ministerial Pledging Conference takes place in Tokyo
21–22 January 2002	International Conference on Reconstruction Assistance to Afghanistan is held
4 April 2002	ADB President Tadao Chino visits Kabul; holds discussions with Chairman Hamid Karzai and Cabinet on ADB's prospective program of assistance
13 June 2002	Loya Jirga elects Hamid Karzai as President, Islamic Transitional Government of Afghanistan
12-13 October 2002	Implementation Group Meeting in Kabul meets to present the Government's National Development Budget and development financing modalities
31 October 2002	ADB Board of Directors approves establishment of an ADB Resident Mission in Kabul
14 November 2002	Access to ADF VIII resources by Afghanistan is secured
3 December 2002	The Department for International Development of the United Kingdom helps clear Afghanistan's arrears to ADB of \$17.9 million
4 December 2002	ADB resumes lending to Afghanistan after 23 years

conduct a needs assessment for the Afghanistan Reconstruction Steering Group Ministerial Pledging Conference held in Tokyo on 21–22 January 2002.

ADB stated in late 2001 that its assistance program to Afghanistan would evolve in full partnership with the Afghan people and in full collaboration with other international financial institutions and international agencies. In preparing the preliminary needs assessment, ADB worked closely with UNDP and the World Bank, and participated in extensive consultations with Afghans, NGOs, and UN agency staff experienced in and familiar with Afghanistan. Staff of the three institutions also traveled to Kabul to consult with the Government.

Assessing preliminary needs

The preliminary needs assessment presented at the Ministerial Pledging Conference provided the basis for the international community's pledge of \$4.5 billion in development assistance around agreed sector priorities and policy and institutional frameworks. ADB pledged \$500 million in highly concessional loans and grants over a 30-month period ending 30 June 2004. It was agreed at the conference that comprehensive needs assessments of all key sectors would follow to put sector development plans on a firmer footing. ADB acted as the lead agency for the assessments of the agriculture, transport, education, and environment sectors.

In-depth consultations were held with the IAA in preparing the comprehensive needs assessments. The Government expressed concern that the process and the outcome were largely supply-driven and that government involvement was not optimized. The Government also perceived that work on the assessments had pulled scarce human resources away from formulating projects and programs for immediate implementation. The contribution made by the assessments in providing for sector development frameworks—including policy and institutional frameworks—was, according to ADB, important for immediate implementation and long-term sector plans and should be valued.

Establishing the mechanism

The Afghanistan Reconstruction Trust Fund (ARTF) was conceived in December 2001 to provide a coordinated financing mechanism for the Government's operating and development budget, including investment projects and programs in priority sectors. The ARTF is an important multidonor initiative designed to

- promote transparency and accountability of reconstruction assistance;
- help reinforce the national budget as the vehicle to align the reconstruction program with national objectives;
- reduce the burden on limited government capacity while promoting capacity building over time; and

• help fund the recurrent budgetary expenditures required for the Government to function effectively.

The ARTF covers salaries, nonproject technical assistance, operation and maintenance, and other recurrent costs, including interest payments in the IAA's budget; relatively small unfunded investment activities and programs, including quick-impact recovery projects; contributions to reconstruction by Afghan experts residing abroad; and in-country training programs for Afghans. The fund is administered by the World Bank, which carries overall fiduciary responsibility. ADB, together with the Islamic Development Bank, UNDP, and World Bank are members of the management committee, which is responsible for determining resource allocations in consultation with the Government. The key principle guiding ARTF financing is its response to country requirements as articulated by the Government. A monitoring agent has been appointed by the World Bank to ensure proper fiduciary management.

The ARTF has grown rapidly, with pledges topping \$376 million by 22 countries. This has exceeded expectations, but remains short of Afghanistan's needs. Of these pledges, paid-in contributions totaled \$184 million as of 7 March 2003. Disbursements have picked up in recent months, with cumulative disbursements reaching over \$114 million or 63% of total paid-in contributions as of 7 March 2003. Disbursements are expected to reach \$147 million by the end of the Afghan fiscal year on 21 March 2003. Seven ARTF investment projects have been approved, for a total commitment of \$48.6 million.²¹

Despite a slow start, commitments for the Government's operating budget have increased significantly and, to a large extent, closed the government deficit, with the ARTF serving as the main instrument for funding recurrent costs.

During its first 10 months, the ARTF has shown its capacity to disburse funds throughout the country in support of the national operating budget and to account for these expenditures, with progressive improvements in documentation and timeliness. Early indications suggest that the same is likely to be true for the development budget. Based on these encouraging early results, the Government has requested a major increase in donor contributions to the ARTF.

The Government intends to use the ARTF as the primary funding mechanism for moving forward.²² This reflects its view that the National Development Budget should be the central instrument for policy and resource allocation, implying a high premium on coordinated financing instruments that provide resources to and through the budget. The Government sees the ARTF as a source of funds for providing services, and it is deemed effective by Afghan citizens in helping build a legitimate and sustainable state. The Government also sees the

ARTF as a capacity-building instrument. In line with this, the Government proposes to sharply increase donor contributions to the ARTF to about \$600 million for the fiscal year ending 21 March 2004, including about \$200 million to cover recurrent costs and an estimated \$400 million for investment projects, expatriate Afghans, and training. (Preliminary estimates suggest that the operating budget will be about \$500 million, with domestic revenues around \$200 million, and external financing of security expenditure at \$100 million, leaving a deficit of \$200 million to be covered by the ARTF.) Compared with the current level of pledges for the year to 31 March 2004 (approximately \$156 million as of 7 March 2003), the ARTF has a funding gap in relation to the Government's request of about \$450 million.

In addition to the ARTF, the Government intends to use the National Development Budget as a planning tool for mobilizing both domestic and external resources. This budget will remain the central instrument for policy and institutional reform, and for coordinating aid resources. The Government has expressed strong views on assistance modalities, and wants each donor to focus on three sectors to achieve greater effectiveness. The Government also perceives the sector focus as necessary to avoid stretching the capacity of the funding agencies.

ADB appreciates the Government's desire for ADB to focus on the transport, energy, and agriculture and natural resource management sectors. How this policy might affect ongoing and planned ADB support for Afghanistan's social sectors is not known. ADB was the lead agency in preparing the comprehensive needs assessment for education, and several grant-financed activities are planned and under implementation. In addition, the interim CSP envisaged several loan-financed operations during 2003 and 2004. The Government is apparently favorably disposed to ADB continuing its existing grant programs in health and education, despite strong reservations on borrowing for social sector investments. Dialogue with the Government will continue.

Limiting donor activities to three sectors is intended to maximize the benefits of assistance while achieving better coordination. The Government created a new consultative group as an institutional counterpart for aid coordination that is linked closely to the budget process. The national budget will be planned, financed, and implemented within the CGs. This CG structure (see page 24) will be led by the Government. The Government has established local level donor-government CGs, covering national development programs with one designated donor acting as the focal point for each group. An annual forum will review the progress of the previous year, discuss the budget for the coming year, and outline national priority areas and policy objectives.²³

In addition, the Government has established crosscutting donor-government advisory groups for gender,

²¹ The seven projects include salaries of police officers (two projects totaling \$4.9 million), Feasibility Study Fund (\$8.0 million), National Emergency Employment Program (\$25.4 million), Microfinance Project (\$1.0 million), Chief Financial Officers Project (\$9.0 million), and Telecommunications Microwave Link to Pakistan (\$0.3 million).

²² Letter to donors dated 25 February 2003 from the Government.

²³ The first meeting of the CG, the Afghan Development Forum, was held in Kabul in March 2003.

Resources for education are limited in Afghanistan. And with the lifting of Taliban restrictions on girls attending school, demand for learning opportunities is rising fast.

About 900,000 students attended school under the Taliban regime, and donors expected that number to rise to 1.5 million in 2002 under the new Government. Instead, 3 million students enrolled. Donors now expect 4 million children to be in school by the end of 2002.

Their needs span the full range of formal education, nonformal education, and skills training. Classes are now made up of students of varying levels of skills and ages. During the conflict, some children attended nongovernment organization (NGO)-run schools in Pakistan, others went to government schools in Iran. And many, especially girls, had no opportunity to study.

As these children return to classes, their desire to learn is hindered by the limitations of devastated infrastructure. Afghanistan has about 5,000 schools, two thirds of which require reconstruction or major repairs. Many schools lack a water source or toilets. To teach at least 3 million students, more than 7,500 schools are needed.

The needs go beyond physical infrastructure. Teachers have not been trained for some time, particularly women who were prevented from working during the Taliban regime. Qualified new teachers will remain scarce in coming years as most teacher training institutions have been damaged or destroyed. Schools are seriously underresourced in terms of facilities, equipment, teaching-learning materials, and supplies. The cost

of education reconstruction has been estimated at more than \$1 billion over 10 years, excluding annual recurrent costs.

To support the rehabilitation of the system, ADB, in coordination with its development partners, is helping build professional capacity at the Ministry of Education and the Ministry of Higher Education to improve training, planning, and management activities. ADB is also implementing a community-based basic education project.

Afghanistan's expectations for an improved school system are high. Classrooms crowded with eager boys and girls represent early success in the drive for better education. Now the Government and donors must work to keep these children in school by providing accessible, secure, and quality education.

environment, humanitarian affairs, and human rights, with one donor acting as the focal point for each group. ADB has been designated as the focal point for two national programs (transport and natural resource management), and one crosscutting area (environment). ADB is also a donor member of two other CGs—energy, mining, and telecommunications; and public administration and economic management—and is actively engaged in the proceedings of the CGs.

Borrowing

The Government favors obtaining flexible financing to undertake complex reforms in key economic sectors. Accordingly, ADB approved in December 2002 a \$150 million Postconflict Multisector Program loan. By accepting the loan, the Government demonstrated its determination to carry forward policy and institutional reforms vital for long-term sustainable growth. Rapid economic recovery depends on the rehabilitation and reconstruction of infrastructure and its efficient and environmentally sound management. With this in view, the program loan focuses on three sectors—governance and finance, transport, and energy.

The program loan is a milestone in cooperation among the Government, ADB, IMF, and World Bank; and the governments of Italy, Japan, Norway, United Kingdom, and others in arranging clearance of Afghanistan's arrears with ADB prior to loan approval.

The Government of Afghanistan has been reluctant to borrow funds for financing the budget gap or reconstruction, maintaining that these should be financed through grants. Also, the Government believes that social sector activities should be funded from bilateral and multilateral grant resources. The Government and ADB have agreed, however, that while ADB will do its part to increase grant financing in its total assistance to Afghanistan, the bulk of aid will be provided through highly concessional loans. ADB's Postconflict Multisector Program loan carries an extended repayment period of 40 years, including a 10-year grace period. The interest rate is 1% per annum and the interest charge during the grace period will be capitalized, implying that no payment on the loan to ADB will be required until 2011.²⁴ Efforts to convince the Government of the benefits of borrowing, taking into account the full range of debt sustainability issues, are ongoing.

Toward development: setting the stage

Building capacity

Afghanistan suffers from a serious capacity gap that hinders governance and economic management. ADB responded to the Government's request for rapid provision of grant assistance for capacity-building and quick-impact projects by extending \$15.1 million in technical assistance and mobilizing \$22 million in bilateral grants to finance three innovative pilot projects in transport, education, and health in 2002.

ADF loans usually have a repayment period of 24 years, including a grace period of 8 years, and carry an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter.

ADB's operations in postconflict situations resulted in several lessons.

General

.ESSONS LEARNED FROM POSTCONFLICT SITUATIONS

- All players should have a clear mandate.
- Rehabilitation and reconstruction after a long conflict provides an opportunity to introduce new methods of development, but all interventions should be sensitive to a country's culture and traditions.

Country leadership

- Client orientation must be strongly embedded in postconflict operations. People should be at the center of all operations, and the Government should be a genuine partner in reconstruction.
- The strategic focus of donor operations should be closely linked to the Government's own strategies and priorities, allowing synchronization of sector and government priorities.

Security and stability

- Security and stability are preconditions for reconstruction and development.
- Implicit in the above is a new paradigm establishing a nexus among security, political stability, and reconstruction. Reconstruction supports and strengthens the political process and security. Government stability should be enhanced through capacity building.
- Central government authority must be established on all fronts within a framework of equitable power and resource sharing.

Regional cooperation and development

 Regional economic cooperation should be fostered. The international community should assist the Government in realizing its potential for regional cooperation in trade, energy, power, transportation, agriculture, mining and industry, and water resources.

Aid coordination

• Aid coordination is crucial to avoid duplication and delays. The responsibility for managing external

- resources rests with the recipient government, and cannot be abdicated to donors.
- The aid management entity should be located in a core organ of government, normally the ministry of finance. External resources should be integrated with domestic resources into a single overall budget and financing program. The central aid management entity should collate project selection decisions and maintain a central database.
- ADB should continue to coordinate its activities closely with its partners. The essence of cooperation is working together in accordance with the division of labor and comparative advantage of donors.

Policy and institutional framework

- An appropriate policy and institutional framework is required. The Government's commitment to the reform process must be strong.
- Sound macroeconomic management is essential for non-inflationary growth and strength-ened investor confidence.
- The Government should be assisted in formulating a comprehensive and realistic budget. Current attempts to present ordinary and development budgets in Afghanistan, for example, are moves in the right direction. Work should start on a medium-term expenditure framework. To the extent feasible, donor funds should be channeled through the budget for accountability.
- Broad-based participation in market and democratic processes should be fostered.
- A balance between the private and public sectors should be agreed.

Capacity building

- Emphasis must be given to capacity building to improve administration, financial management, planning, and project design and implementation.
- Sector ministries should be provided additional technical assistance to enable them to contribute to project and program formulation and implementation.

- Funding communities must work closely with the ministry of finance and the central bank to develop a viable and working payment system to facilitate funds flow. The establishment of banks, other financial intermediations, and credit is essential.
- Contracts for consulting services should engage local staff for working with experts to build local capacity.

Reducing risks of renewed conflict

• Risk and vulnerability analysis should be undertaken to design mitigation measures. The structure of risks should be identified to establish priorities for risk reduction. Risks associated with dominance, deprivation, lack of participation, and traditional enmity and misunderstanding must be addressed. Constitutional safeguards and international guarantees may have to be considered. Military, financial, and technical assistance are required to sustain peace.

Communications strategy

• A proactive communications strategy should be developed to manage expectations and prevent misunderstandings.

Operational flexibility

- Particular emphasis should be placed on providing management support during project implementation.
- Donors' guidelines for procurement should be flexibly applied to expedite procurement of equipment and services.

NGO partnership

• NGOs can play a vital role in rehabilitation, reconstruction, and development. The donor-government-NGO relationship should be close, trusting, and complementary.

Other considerations

- Long-term productive rehabilitation of displaced populations should be factored into all assistance programs.
- Postconflict countries can benefit greatly from recent advances in information and other technologies.

A technical assistance cluster of \$14.6 million will provide long- and short-term advisors, equipment and supplies, repair and maintenance of offices, and training opportunities to ADB counterpart agencies in the transport, energy, education, health, agriculture, and financial sectors. Substantial progress is evident in strengthening the capacity of key government and civil society institutions to support the country's rehabilitation and reconstruction. Sector reviews are under way and sector plans are being prepared. Training programs are being implemented and visits abroad are being organized. Policy, institutional, and investment options are also being analyzed and evaluated. A supervisory and regulatory framework is being developed and options for privatization of public services and private sector development are being explored and promoted. The technical assistance also supports basic steps toward creating a foundation for transparent, well-functioning

public administration and finance. A second technical assistance of \$500,000 is helping the Office of Disaster Preparedness improve readiness and management efforts during calamities.

Two thirds of the Postconflict Multisector Program loan was disbursed rapidly, but implementation of pilot projects and technical assistance grants has been slowed by procedural delays, security issues, and administrative and implementation capacity. ADB is working with the Government to

overcome these hurdles. To build local capacity, for example, consulting services contracts should include provisions for engaging local staff to work with experts. Emphasis should be on providing management support during project implementation. Guidelines for procurement should be flexibly applied to expedite procurement of equipment and services.

Recent advances in information and other technologies provide Afghanistan with an opportunity to advance in these areas. The relative proliferation of information technology, Internet cafes, computerization, and mobile phones in Kabul and other parts of the country testifies to the usefulness of these new technologies. ADB supports computerization in Afghanistan under its technical assistance grants.

Conflict prevention

The transition from reconstruction to development can be undone by renewed conflict. The risks of renewed conflict can be minimized through growth and poverty reduction. Poverty is endemic in Afghanistan. A large proportion of the population lived below any acceptable poverty line prior to the outbreak of civil conflict. The conflict has left them poorer and has forced even more people into poverty. A preliminary ADB estimate suggests about 53% of the population live below the poverty line of \$102 in annual per capita income. Clearly, a much higher percentage live below the \$1-a-day poverty line. All donor projects, including those financed by ADB, are aimed at addressing

the specific problems of these vulnerable groups through rehabilitation, production, employment, and incomegeneration support.

It is important to address social issues as well. ADB worked with its development partners to conduct an analysis of social sectors and identify areas where assistance would be most helpful. Basic health, nutrition, and reproductive health of the rural poor have improved through an innovative partnership of the Government, NGOs, and communities in developing sustainable community-based health care (see Box on page 23). In the education sector, ADB supports a sustainable and comprehensive approach to community-based, gendersensitive basic education (see Box on page 30). The long-term goal is to reduce poverty by equipping the young people of Afghanistan, particularly girls, with education that stimulates their self-help capacities for overcoming

poverty (see Box on page 21).

To reduce the risks of renewed conflict, the Government must address the situation of displaced populations and former combatants. Both settled and displaced populations have been provided relief. The rehabilitation of refugees is moving slowly, but significant progress has been made. All programs and projects supported by development partners must, on a priority basis, provide for full integration of the displaced population into the

rehabilitation process, preferably in their places of origin. It is not enough to create temporary employment for the unemployed or destitute. Conditions need to be created to generate longer-term employment and income generation in productive pursuits.

Looking ahead

It is not enough to create

destitute. Conditions need

to be created to generate

longer-term employment

and income generation in

productive pursuits.

temporary employment

for the unemployed or

ADB completed its country strategy and program update for Afghanistan in April 2002. In 2003–2005, an appropriate mix of modalities of assistance could be developed, taking into account the evolving situation in Afghanistan and the Government's desire to achieve a balance between project and program assistance. Drawing from the NDF and NDB, ADB assumes it will need to meet requirements of \$600 million in concessional assistance and \$58 million in grant assistance over the period. Detailed programming is being worked out in consultation with the Government.

In 2003, if approved, ADB could build on the progress made in policy and institutional reforms under the Postconflict Multisector Program loan to support an Emergency Infrastructure Rehabilitation and Reconstruction Project (EIRRP). The validity of this sequence of actions was proven in ADB's operations in postconflict Tajikistan. The main objective of the EIRRP would be to help the Government rehabilitate and reconstruct key infrastructure in the transport and energy sectors. The Project would contribute to reviving economic activities across the country, thereby providing employment and reducing poverty, and would maximize the use of local labor and

provide equal opportunity to women. Other EIRRP objectives would include the promotion of peace and security, social integration and stability, regional cooperation and integration, natural resource development and conservation, and private sector development.

The way forward: lessons from postconflict reconstruction

Reviews of ADB emergency policies and lending over the past decade have identified key gaps and limitations, including the failure to fully address critical issues such as sustainable livelihoods, weak governance, institutional capacity, and human and social capital depletion; the need to place greater emphasis on early warning, prevention, mitigation, and preparedness; inadequate financing; and the dispersed and ad hoc organizational response to emergency assistance. ADB is drafting a comprehensive

emergency policy to address these concerns and strengthen the link between postconflict operations and ADB's overarching goal of poverty reduction.

Postconflict reconstruction is about growth and poverty reduction to accelerate the transition from reconstruction to development, and to minimize the risk of resumed conflict. Achieving these goals requires developing income-generating activities, providing safety nets, and improving governance and institutional capacity as well as human and social capital. Actions should be designed for all phases of reconstruction: conflict prevention, transition, and emergency recovery.

Throughout these phases, ADB must continue to act as catalyst in helping its members in postconflict situations to address the human costs of conflict, to establish and maintain security, and to develop a political process that enables the country to move forward with confidence as it builds a brighter future for its people.



hen the Asian Development Bank (ADB) rededicated itself to reducing poverty in the Asia and Pacific region, it adopted a strategy for reaching this objective.

Fighting Poverty in Asia and the Pacific:
The Poverty Reduction Strategy provided

the direction for all new operations and activities (see http: //www.adb.org/Documents/Policies/Poverty_Reduction/). That was 3 years ago. Between then and end-2002, ADB adopted the framework for implementing the strategy in the medium and long term, and supported detailed poverty analyses and intensive stakeholder consultations to provide the database from which to target changes. Poverty reduction issues and targets were agreed upon and integrated into new country strategies and programs and project-level interventions. ADB reclassified its lending, strengthened its operations, and reorganized itself. As part of the reorganization, ADB created a new department-Regional and Sustainable Development Department (RSDD)—to maintain quality and technical excellence across ADB, and to ensure ADB's policies and guidelines are applied consistently in all its developing member countries (DMCs).

In 2002, the Poverty Reduction Strategy continued to guide ADB's work as detailed poverty analyses were completed and several poverty partnership agreements (PPAs) between DMC governments and ADB were signed (see boxes below and at right). Also in 2002, ADB joined the international community in adopting a framework for measuring development progress (see Box on page 36), assessed the implementation process outlined in the strategy, and reviewed the initial results. These developments, as well as ADB's priorities and implementation performance, are examined in this chapter.

The poverty partnership agreement (PPA)—the mechanism by which ADB and its developing member countries (DMCs) measure and address poverty—describes a DMC's macroeconomic, structural, and social conditions, and outlines a long-term set of goals, policies, and programs for reducing poverty.

Ten DMCs—Cambodia, Cook Islands, Maldives, Marshall Islands, Federated States of Micronesia, Pakistan, Sri Lanka, Tajikistan, Tonga, and Viet Nam—signed PPAs with ADB in 2002. Each PPA concluded to date summarizes the respective government's main vision and strategy for poverty reduction, the role of ADB in assisting that process, the modalities that such assistance will take, and the medium- and long-term goals and targets for poverty reduction that ADB and the government will jointly monitor and assess. For more on PPAs, see http://www.adb.org/Poverty/pdf/partnership.pdf.

The commitment to review and update a PPA comes from DMCs, which take ownership of the process and program.

Toward the Millennium Development Goals

As part of its 2000 Millennium Declaration, the United Nations (UN) proposed a set of Millennium Development Goals (MDGs), which in 2002 were endorsed by the

REVIEWING THE FIRST PPA

Mongolia was the first ADB developing member country (DMC) to formalize a partnership to reduce poverty. Since March 2000, ADB has conducted two reviews of how the agreement has been implemented. For more on Mongolia's strategy, see http://www.adb.org/Documents/CSPs/MON/2002/. The reviews helped in updating and refining ADB's strategy and operational program for Mongolia and provided data for the Government's poverty reduction strategy paper (PRSP), finalized in 2002.

The first review, conducted in April 2001, highlighted the coexistence of the income and nonincome aspects of poverty and emphasized the importance of providing essential services to the poor. It also recognized the need for countryadapted targets for achieving the Millennium Development Goals (MDGs). The review pointed out that the MDGs used 1990 as the base year, the year when Mongolia began its transition and when poverty was not considered a phenomenon. The review recommended adjusting the targets used for Mongolia to take this into account. ADB provided technical assistance to help the Government develop more realistic measures of progress against the MDGs. The Government followed recommendations to maintain and increase its commitment to basic physical and social infrastructure by targeting investments in social services and social protection programs.

Monitoring progress

The second review, conducted in March 2002, indicated that Mongolia had made progress in achieving the MDGs: infant and child mortality had been reduced, health care had improved, and school enrollment had increased.

The second review also highlighted the importance of economic growth and employment in reducing poverty. Consistent with the conclusions in the Government's draft PRSP and with concerns expressed at the Consultative Group meeting held in Mongolia in July 2002, the second review noted that although access of the poor to essential services had improved, income poverty had remained almost unchanged. The poverty incidence of 36% was almost the same level as in 1995. Concluding that social sector investment alone could not provide a long-term solution to the problem of unemployment-related poverty, the review emphasized the importance of private sector participation in economic growth and employment.

MILLENNIUM DEVELOPMENT GOALS AND TARGETS

Goal 1: Era	adicate (extreme	poverty	and	hunger
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- Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.
- Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
- Goal 2: Achieve universal primary education
- Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
- Goal 3: Promote gender equality and empower women
- Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.
- Goal 4: Reduce child mortality
- Target 5: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.
- Goal 5: Improve maternal health
- Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.
- Goal 6: Combat HIV/AIDS, malaria, and other diseases
- Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.
- Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.
- Goal 7: Ensure environmental sustainability
- Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
- *Target 10*: Halve by 2015, the proportion of people without sustainable access to safe drinking water.
- Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8: Develop a global partnership for development

- Target 12: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system. Includes a commitment to good governance, development, and poverty reduction—both nationally and internationally.
- Target 13: Address the special needs of the least-developed countries (LDC)
 Includes: tariff and quota-free access for LDC exports; enhanced program of debt relief for high-income poverty countries and cancellation of official bilateral debt; and more generous overseas development assistance for countries committed to poverty reduction.
- Target 14: Address the special needs of landlocked countries and small island developing states (through Barbados Programme and 22nd General Assembly provisions).
- Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.
- Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.
- Target 17: In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries.
- Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Source: United Nations. 2001. Reporting on the Millennium Development Goals at the Country Level: Guidance Note. October.

international community—ADB included—as a framework for measuring development progress. The MDGs (see Box above) are aimed at 8 goals, 18 targets, and 48 indicators for eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; reducing child mortality; improving maternal health; combating HIV/AIDS, malaria, and other diseases; ensuring environmental sustainability; and developing a global partnership for development. The MDGs emphasize a common and comprehensive development agenda, partnership among stakeholders, country ownership, and a focus on time-bound targets and quantifiable indicators.

Broadly endorsing the MDGs at the UN International Conference on Financing for Development in March 2002 in Monterrey, Mexico, ADB and other multilateral development banks (MDBs) also agreed on the need for better measuring, monitoring, and managing development results. In April 2002, ADB formally adopted the MDGs in its operations.

ADB's policy framework for reducing poverty

The strategies and policies that guide ADB's efforts at reducing poverty in the Asia and Pacific region were in place in 2002. The Long-Term Strategic Framework (LTSF) 2001-2015 focuses on achieving sustainable economic growth, inclusive social development, and good governance, providing a 15-year plan for ADB's all-out assault on poverty. The LTSF presents several fundamental operating principles for reducing poverty: ensuring DMC ownership of their poverty reduction programs, enhancing strategic partnerships, and measuring development impact (see http://www.adb.org/Documents/Policies/LTSF). The Medium-Term Strategy (MTS) 2001-2005 guides ADB's activities in its DMCs. Designed to enhance the development impact of ADB assistance, the MTS advocates ADB's strong commitment to addressing the institutional and policy issues that support its priorities (see http:// www.adb.org/Documents/Policies/MTS/2001/).

ADB's programming and planning processes reflect the MDGs. The MDGs, along with country-specific poverty indicators, have been reflected in national poverty strategies and have been incorporated into the PPAs and country strategies and programs (CSPs) and CSP updates. ADB is working with its development partners to achieve the MDGs, and is establishing mechanisms for monitoring progress. In 2002, ADB joined the UN ESCAP (Economic and Social Commission for Asia and the Pacific) in developing MDG indicators for Asia and the Pacific.

Measuring development effectiveness

Both the LTSF and the MTS also highlighted the importance of measuring the impact of development, noting that the ability to identify, measure, and report impact in a timely manner is fundamental to the process of reducing poverty. Participation and accountability are promoted when development goals and benchmarks are articulated and when results are regularly monitored. In 2002, ADB continued to harmonize its relevant practices and procedures with those of other multilateral development banks (see http://www.adb.org/Documents/News/2002/ nr2002102.asp and the Institutional Matters chapter). ADB also conducted two studies on implementing and monitoring the development impact of the Poverty Reduction Strategy (see Box below). And, ADB implemented a performance-based system for allocating its concessional resources.

The success of ADB's operations is not gauged solely by its projects and programs, but rather on the outcomes achieved in terms of development effectiveness and sustainability. To ensure that ADB's scarce resources effectively contribute to sustainable development and poverty reduction in its DMCs, ADB adopted in 2001, and began implementing in 2002, its performance-based allocation (PBA) policy for Asian Development Fund (ADF) resources.

The PBA system is premised on the understanding that efficient and equitable resource allocation requires an assessment of performance, needs, and absorptive capacity of the recipient DMC. Country performance is evaluated in terms of policy adoption and implementation, not merely outcomes. Needs are measured by per capita gross national product and population size.

The PBA system evaluates the effectiveness of the policies and institutional frameworks in place (divided into policies and framework on sustainable economic growth, socially inclusive development, and governance and public sector management), and the quality of portfolio performance.

Annual performance assessments were reflected in the allocations in the CSPs in 2002. However, performance criteria, indicators, and guidelines for performance assessment will continue to be refined and improved. For more on the PBA system, see http://www.adb.org/Documents/Policies/ADF/Performance_Based_Allocation/performance0900.asp.

Thematic priorities

ADB worked in 2002 toward integrating into its operations several strategic areas and themes it had adopted in the LTSF: inclusive social development (including gender and development, social protection, participatory development, indigenous peoples, and involuntary resettlement); environmental sustainability; governance and capacity building; regional cooperation; and private sector development. Several other crosscutting themes, also featured in the MDGs, received attention: financial management, information and communication technology, and civil society, including nongovernment organizations (NGOs).

Ten thematic commitees were formed in 2002 for developing best practices for project operations and formulating guidelines for staff. Each committee and its

Measuring development impact is fundamental to the process of reducing poverty. In 2002, ADB conducted two studies to assess how the development impact of the Poverty Reduction Strategy was being monitored.

In the first study, ADB examined the efficacy of its loan classification system in tracking whether the typology of loans approved in 2001 had addressed ADB's target of channeling at least 40% of lending resources to poverty interventions. Concluding that the system did not accurately reflect the range of support for poverty interventions, the study highlighted the need for

a more refined methodology for linking assessment to probable results, and provided the groundwork for further improving the monitoring system.

The second study reviewed how the Poverty Reduction Strategy had been implemented in developing member countries (DMCs) receiving Asian Development Fund assistance. Preliminary results indicate that although process-outputs are discernible, time and sustained effort are needed for greater development impacts. National poverty reduction strategies need to be integrated into the respective DMCs' broader macroeconomic framework

and development program. Poverty definitions, measurements, and monitoring systems are being included in target-driven development planning, but the institutions collecting and evaluating the data need to be strengthened if performance indicators are to be meaningful. Although links are evident among poverty reduction targets, the Millennium Development Goals, and ADB's assistance pipeline, these could be improved. Ongoing efforts are being directed at incorporating better baseline data with indicators that can monitor objectives. For more on ADB's studies, see http:// www.adb.org.

THEMATIC COMMITTEES

- Poverty (http://www.adb.org/about/poverty.asp)
- Social Development, Gender, and Social Protection

(http://www.adb.org/about/social.asp)

- Environment
 - (http://www.adb.org/about/environment.asp)
- Governance and Capacity Building (http://www.adb.org/about/governance.asp)
- Private Sector Development (http://www.adb.org/about/private.asp)
- Financial Management (http://www.adb.org/about/financial.asp)
- Information and Communication Technology (http://www.adb.org/about/information.asp)
- Regional Cooperation
 (http://www.adb.org/about/regional.asp)
- Nongovernment Organizations and Civil Society (http://www.adb.org/about/nongov.asp)
- Economics
 (http://www.adb.org/about/economics.asp)

interdisciplinary network of staff are tasked to encourage professional development and ensure quality output; and consolidate, monitor, and report on the knowledge products and services in the thematic area. The thematic committees and links to their web sites are shown in the box above. Nine sector committees were also formed in 2002 (see discussion on page 52).

Poverty

Poverty continues to plague the Asia and Pacific region, affecting close to 900 million people, or two thirds of the poor in the world. Although much more needs to be done to make the region free of poverty, several DMCs made significant progress in 2002 in reducing poverty and improving the lives of their citizens. Several South Asian DMCs-Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka—completed their poverty analyses in 2002; in the Pacific and Central Asia DMCs, the process is ongoing. Several DMCs also formulated national strategies for reducing poverty after conducting extensive country consultations involving representatives from government, civil society, private sector, and the development community. The consultation process ensured that the voices of the poor were heard, and participation encouraged ownership of the process.

Consultations played a role in helping the Government of Papua New Guinea (PNG) formulate its PPA. The Government's In-House Committee of the Department of National Planning and Rural Development, the Special Committee, and the Poverty Task Force held community-level consultations, workshops, and interviews in 18 communities. The process revealed common perceptions and identified community priorities for poverty reduction, and the participatory approach encouraged PNG ownership of the process and the outputs.

REDUCING POVERTY IN DMCS

In the 2002 project pipelines, several developing member countries featured initiatives that will promote increased expenditure on the social sectors within the context of broader economic investment programs. Bangladesh invested in a new social protection program for disadvantaged women and children. India introduced participatory and pro-poor fiscal and administrative reforms to improve provincial-level governance in delivering basic services to the poor and marginalized in Kerala State. Nepal supported six new project proposals over 3 years to increase food security for the poor in the insurgency-challenged rural sector. Pakistan deepened governance reform through the Decentralization Support Program to build the capacity of provincial and local governments in delivering efficient, equitable, and accountable use of public resources to the poor. Sri Lanka helped poor refugees return to their home communities in the aftermath of civil conflict in the northern and eastern parts of the country.

Elsewhere in the region, the 2002 initiatives focused on aligning new loan and technical assistance project proposals to country-specific poverty reduction targets as articulated in the poverty partnership agreements (PPAs) (see page 35).

In the Mekong countries (Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam), new road infrastructure and agricultural development investments are designed to link poor communities in the border and remote areas to the mainstream economies.

In Southeast Asia, both Indonesia and the Philippines have PPAs that support site-specific poverty reduction initiatives by devolving resources to the local governments. In 2002, implementation of these strategies focused on strengthening the fiscal and institutional capacity of local governments to service loan resources for such projects.

Indonesia will strengthen the governance capacity of district governments, while a technical assistance project will develop a modality for onlending concessional and nonconcessional resources to regional governments. A second technical assistance project is setting up a monitoring and evaluation system for assessing the implementation performance of regional governments.

In the Philippines, technical assistance was approved for setting up a system for performance-based public resource allocation for local government poverty reduction programs and to test revenue-generating approaches that would allow local governments to sustain projects delivering social services.

In the People's Republic of China (PRC), ADBsponsored workshops and training aimed to broaden the skills of government officials and villagers in participatory planning approaches. The PRC Government began testing a participatory strategy involving the poor at the village level to define poverty as they perceive it, and thus combine nonincome with income measures to hone the targeting strategy. Progress was evident in the PRC's efforts to reduce poverty. Although the number of poor was still large in absolute numbers, in relative terms, the proportion of the poor below the poverty threshold—whether the Government's poverty line or the international standard of \$1 a day earning per person was used—had declined in relative terms.

ADB worked closely with its DMCs in 2002 to better understand the causes of poverty and to set goals that can be achieved together (*see Box at left*). ADB also worked closely with its development partners, investing in human and physical capacities that will promote equitable growth, build the skills of people, and help governments function efficiently and prudently.

Social development, gender, and social protection

Poverty can be reduced only when programs promote socially inclusive development. This means supporting the disadvantaged and vulnerable members of society by providing them with access to basic services such as education and health care, creating opportunities for their economic empowerment, and giving them a voice in decisions affecting their lives. In the Asia and Pacific region, supporting the poor and most vulnerable groups means removing gender disparities; improving the lives of indigenous peoples in remote communities; and providing social protection to marginalized and disadvantaged groups against illnesses, natural disasters, and civil conflicts.

Within the reorganized ADB, four networks—gender and development, social protection, participatory development, and involuntary resettlement—promote inclusive social development. The Social Development, Gender, and Social Protection Committee serves as an anchor to the networks.

Gender and development: ADB's commitment to the internationally endorsed MDGs underscored its objective of addressing gender issues and reducing the gender gap. The commitment also placed renewed emphasis on the need for ADB to promote gender equity if ADB is to realize its vision of a region free of poverty.

Several activities in 2002 bolstered ADB's efforts to promote gender equity, and others provided evidence of ADB's commitment (*see Box below*). An interim progress report on the implementation of the 1998 Gender and Development Policy, submitted to the Board of Directors in 2002, noted the progress achieved in addressing gender

ENHANCING GENDER AND DEVELOPMENT

The number of loans classified in the gender category doubled in 2002 to 12 loans, from six loans in 2001. The loans covered a range of sectors such as governance, infrastructure, health, education, water supply, and rural development.

ADB approved the second phase of a regional technical assistance—Enhancing Gender and Development in DMCs—in 2002, following the success of the first project. In the first project, locally recruited gender specialists were placed in six resident missions—Bangladesh, Indonesia, Nepal, Pakistan, Uzbekistan, and Viet Nam—to assist with gender capacity building of executing agencies and increase the portfolio of ADB activities that focused on gender. Under this new phase, three additional resident missions—Afghanistan, Cambodia, and Sri Lanka—will be allocated gender specialists (see http://www.adb.org/gender/regional/gisr001.asp).

Also in 2002, ADB approved advisory technical assistance in support of national gender policies and strategies for Indonesia, Pakistan, and Viet Nam.

The face of poverty in Bangladesh is the face of rural women. It is in the rural areas where gender inequalities are most pronounced, where the head of the household is most often a woman who has limited access to the mainstream of rural economy, and where basic services are lacking and access to education, health, and economic activities is low. ADB—committed to improving

ADB—committed to improving the status of women—is addressing the needs of these rural women in its Rural Infrastructure Improvement Project (see http://www.adb. org/Documents/Profiles/LOAN/ 31304013.ASP). Although not classified as a gender project per se,

the project objectives are to reduce rural poverty through sustainable economic growth, rural development, and improved infrastructure, which will benefit women.

The project addresses the need for increased participation of women in community-based activities and decision making. Nongovernment organizations will help mobilize local women for active participation in local governance. Women will also be trained in business management, infrastructure management and maintenance, and other income-generating activities. Linkages with microfinance institutions will be explored to enable shop owners to avail of capital.

Gender-specific interventions to empower women and increase their participation in development include the construction of separate toilets with water and sanitation facilities, women's private corners in the market for use in emergencies, and separate seating arrangements for women ward members in the Union Council complex. In addition, about 30% of the estimated 100,000 person-years of employment opportunities created for unskilled laborers will be for women construction and road maintenance workers, which will lead to an added benefit—gender-based wage disparity in the construction industry will be reduced.

equity in ADB's portfolio of activities (see http://www.adb.org/Documents/Reports/Gender/in317_02.pdf). The reports also identified further improvements and actions, particularly the need to increase the number of loans directed toward gender equity objectives (see Box on page 39).

ADB's External Forum on Gender (EFG), established in 2001, held two sessions in 2002 and conducted two in-house seminars for staff on Gender and Postconflict Reconstruction and Gender, Macroeconomics, and Trade (see http://www.adb.org/Gender/forum.asp). The EFG consists of experts on gender and development and women's rights from several ADB members, representing various disciplines and perspectives. As an external group, the EFG provides ADB with opportunities to tap into current thinking on gender issues and to dialogue on emerging gender concerns in the region.

For more on gender and development, see http://www.adb.org/Gender/.

Social protection: A progress report on the implementation of the Social Protection Strategy (see http://www.adb.org/SocialProtection/strat.asp)—submitted to the Board of Directors in 2002—indicated that a significant number of ADB loans have been designed to address social protection concerns. Several loans have aimed to help eliminate labor standard violations, and have focused on improving living conditions of former bonded laborers, reducing child labor by retaining children in school, and promoting occupational health and safety in the workplace (see Box below).

In addition, ADB held several social protection workshops and training seminars in 2002. A regional

In 2002, ADB completed a year-long regional technical assistance study on Combating Trafficking of Women and Children in South Asia, involving Bangladesh, India, and Nepal (see http://www.adb.org/Documents/Guidelines/Combating_Trafficking/). The study identified the key entry points for ADB to integrate antitrafficking concerns into its poverty-reducing operations at the regional, country, and project levels, and recommended that ADB sharpen its operational focus on vulnerable women and children through social protection; sustainable livelihood development; and improved access to health, education, and legal assistance.

For example, ADB loans that are likely to accelerate movement of people, such as large-scale infrastructure construction projects, can include measures to prevent human trafficking and HIV/AIDS. Likewise, regional economic cooperation programs involving trade, tourism, and transport can address the potential impact on cross-border regional human mobility and trafficking. In Cambodia, the magnitude of trafficking women and children was included as one of the indicators to be monitored in its poverty partnership agreement.

workshop focused on the role of labor standards—particularly those related to child labor, occupational health and safety, and gender discrimination in the workplace—in broad-based development. The Regional Workshop on Disability and Development looked at rehabilitation strategies to maximize the functional capabilities of physically challenged persons, inclusion and empowerment strategies to facilitate their active participation in communities and economies, architectural and design strategies to remove and prevent physical barriers, supporting and engaging in constructive arrangements with physically challenged persons' organizations, and formulating strategies that provide cost-effective technologies to assist the physically challenged (see http://www.adb.org/Documents/Events/2002/Disability_Development/).

ADB's policy framework on good governance, gender and development, and social protection, and its practice of encouraging public consultation and community participation provide the mandate and the instruments to engage more effectively in combating trafficking. ADB's partnerships with various organizations, including the International Organization for Migration, the International Labour Organization, and many bilateral agencies and nongovernment organizations, are also helping address key elements of the challenge (see boxes on page 6 and at right).

Also in 2002, ADB's social protection network was established and a social protection web site (*see http://www.adb.org/SocialProtection/*) was launched.

Participatory development: ADB saw progress in 2002 in its efforts to engage stakeholders in participatory decision-making processes, by enhancing the degree of horizontal communication, learning, and team-based problem solving. ADB emphasized participatory development in the reorganization and new business processes and in several workshops and functions involving staff members from the resident missions and headquarters. Staff members benefited from "just-in-time" training on projects being prepared by project and country teams (see Glossary). Awareness of the participatory process was enhanced with a special edition of ADB's newsmagazine, ADB Review, which featured case studies and essays on social capital and participation in governance (see http://www.adb.org/Documents/Periodicals/ ADB_Review/2002/vol34_2/), and an essay on the various modalities of participation.

ADB completed its evaluation of the second regional technical assistance on Capacity Building and Participatory Activities in 2002, which showed the importance of employing participatory approaches not only during project planning but also throughout project implementation, monitoring, and evaluation.

Indigenous peoples: ADB continued to strengthen the implementation of its 1998 Policy on Indigenous Peoples (see http://www.adb.org/Documents/Policies/Indigenous_Peoples/) by monitoring ADB's project compliance with this safeguard policy (see page 43). Twenty-seven of the 82 projects (33%) reviewed involved indigenous peoples, of which 3 projects required indigenous peoples development plans, 7 required indigenous

To promote internal and external networks and partnerships, and further strengthen staff capabilities, ADB held a seminar in 2002 on social protection for the poor in Asia and Latin America in collaboration with the Inter-American Development Bank (IADB) and the ADB Institute. The seminar brought together social protection experts and practitioners from IADB, International Food Policy Research Institute, International Labour Organization, International Social Security Association, United Nations Research Institute for Social Development, World Bank, and nongovernment organizations such as the Save the Children Fund and Self-Employed Women's Association (see http://www.adb.org/Documents/Events/2002/ SocialProtection/).

Also in 2002, ADB hosted the second regional International Confederation of Free Trade Unions—Asian and Pacific Regional Organization (ICFTU–APRO), which focused on potential partnerships between labor unions and international financial institutions. Discussion at this event centered on efforts to combat poverty; promote employment; and involve stakeholders in policy design, monitoring, and implementation (see http://www.adb.org/Documents/Events/2002/ICFTU_APRO).

POVERTY FUND

The Poverty Reduction Cooperation Fund, established in July 2002 by the United Kingdom's Department for International Development, assists ADB's learning in reducing poverty in its developing member countries by supporting policy dialogue and strategy formulation on poverty reduction; developing new poverty-reducing programs and projects; monitoring and assessing the impact of poverty reduction efforts; supporting pilot poverty reduction project design; and promoting broad stakeholder consultation at all stages of project design and implementation.

peoples development frameworks, and 17 required specific actions. ADB also provided training for project implementers in DMCs to strengthen their capacity to address indigenous peoples issues.

In 2002, ADB participated in local and global discussions on safeguarding the interests of indigenous peoples and published several monographs and books dealing with issues related to indigenous peoples/ethnic minorities and poverty reduction (see http://www.adb.org/Documents/Reports/Indigenous_Peoples/). ADB also took part in an international conference to review the European Union's Policy on Indigenous Peoples and in the International Policy Dialogue organized by the German Foundation for International Development. In Cambodia, ADB was involved in a discussion of the Government's draft general policy guidelines for development of highland peoples.

Involuntary resettlement: ADB reviewed the compliance (see page 43) of loans processed in 2002 with its 1995 Policy on Involuntary Resettlement (see http://www.adb.org/Documents/Policies/Involuntary_Resettlement). The review encouraged early screening of projects to assess trade-offs, manage risks, and set standards for resettlement planning and implementation. Thirty-three of the 82 projects (40%) reviewed were found to have involuntary resettlement (IR) impacts that required resettlement plans, resettlement frameworks, or both. Of the 33 projects, 21 had significant IR impacts, 9 had insignificant impacts, and 3 projects required resettlement frameworks.

In 2002, ADB assisted DMCs in developing national resettlement policies and helped build the capacity of executing agencies in implementing social safeguards and resettlement management. ADB held a Regional Workshop on National Resettlement Policy Enhancement and Capacity Building in February 2002 to discuss national resettlement standards and issues on resettlement planning and implementations (see http://www.adb.org/Documents/ Events/2002/RETA5935). Government agencies, civil society including NGOs, funding agencies, and multilateral financial institutions from 11 countries attended the workshop. ADB also implemented country-specific technical assistance to enhance national resettlement policy standards in Lao People's Democratic Republic, Sri Lanka, and Viet Nam (see http://www.adb.org/resettlement/activities.asp) and expanded its web site on resettlement (see http:// www.adb.org/resettlement).

Environment

In 2002, ADB's Environment Policy (see http://www.adb.org/Environment/envpol/) was approved by the Board of Directors; ADB was given direct access to Global Environment Facility (GEF) resources (see Box on GEF resources on page 44); the environmental assessment guidelines were updated in line with the new Policy; and SPC requirements for the environment were institutionalized. Also, ADB continued to promote environmentally sustainable development by mainstreaming environment in poverty analyses, country programming, and lending and technical assistance operations.

Thirteen loans with major environmental objectives totaling about \$700 million were approved in 2002. Several loans aim to improve the natural resource base on which many of the poor depend for livelihood and sustenance. Other loans ensure that the poor will have better access to improved water sources and sanitary facilities, and clean air. Such amenities will help protect health, which the poor often consider to be their most precious asset. Other loans protect the poor from the risk of natural disasters, such as landslides and floods, which could adversely affect their health, livelihood, and shelter.

All loans approved in 2002 were reviewed for environmental impacts: 51 environmental assessment reports outlining safeguard measures for environment category A (projects with the potential to have significant adverse environmental impacts) and category B (projects with some adverse impacts) were reviewed by environment

The global commitment to sustainable development was strengthened by the World Summit on Sustainable Development (WSSD), held from 26 August to 4 September 2002 in Johannesburg, South Africa. More than 20,000 participants from 191 governments attended. ADB's delegation was led by President Tadao Chino.

The WSSD identified poverty reduction as the highest priority for sustainable development, and

recognized the need to tackle environment and natural resource degradation as prerequisites for reducing poverty. The Summit also reaffirmed political commitment to the Millennium Development Goals on poverty reduction, water supply, and health, and extended the targets to include sanitation. The WSSD provided a clear focus on the need for regional implementation, coordination, and delivery mechanisms; and placed

special emphasis on partnership initiatives with the private sector and civil society, including nongovernment organizations.

The themes addressed by the WSSD are contained in ADB's Medium-Term Strategy, and in ADB's country strategies and programs. It is expected that the outcome of the WSSD will be reflected in the national development planning priorities defined by ADB's developing member countries.

In 2002, several projects were designed with the dual objectives of environmental protection and poverty reduction.

In Bangladesh, a clean fuel project was approved to increase the sustainable use and supply of domestic natural gas resources in place of imported liquid fuels for the transport sector. The project will improve ambient air quality in Dhaka and reduce respiratory diseases, especially among the urban poor who are the most vulnerable.

An ADB/Global Environment Facility (GEF) project in the Tonle Sap basin in Cambodia will develop natural resource management coordination and planning, as well as community-based natural resource management and biodiversity conservation.

A project in the People's Republic of China (PRC) will improve the environment and promote economic growth in the rural areas of Henan, Hubei, Jiangxi, and Shanxi provinces. Funds will be provided to small household farms to develop an integrated farm production system; expand livestock, vegetable, fruit, and other crop production systems; and establish on-farm biogas digesters and biomass gasification plants.

A project in Indonesia will enhance the national and local capacity to manage the country's coral reef resources and rehabilitate and effectively manage priority coral reef ecosystems, thereby raising income levels and improving the living standards of the poorer coastal communities. Another project in Indonesia will expand renewable energy use by about 82 megawatts. This will displace energy generated by fossil fuels (about 480 gigawatts annually) and limit the emission of greenhouse gases.

A project in the Lao People's Democratic Republic will help the Government develop the potential of the Nam Ngum River basin, one of the country's most vital river basins, by adopting integrated water resource management in the Government's mainstream process. Investment activities in relatively degraded watersheds of the basin will provide sustainable livelihood opportunities for the poor.

Also in 2002, ADB funded projects that would protect the vulnerable poor from the onslaught of natural disasters. A project in Bangladesh will establish costeffective and sustainable riverbank erosion mitigation measures for the Jamuna and Meghna rivers, as well as support institutions to protect the livelihood of 2 million people living in the vicinity of two flood protection and irrigation schemes. A project in the PRC will help reduce flood damage through integrated river basin management and is expected to improve flood protection in the PRC's third largest river basin, the Songhua River basin.

specialists deployed in the regional departments. In addition, to ensure that the safeguard measures designed for these projects complied with ADB's SPC requirements, environment specialists in the Environment and Social Safeguard Division reviewed project-specific SPC measures and provided additional recommendations. After loan approval, projects were monitored to ensure proper implementation of safeguard measures.

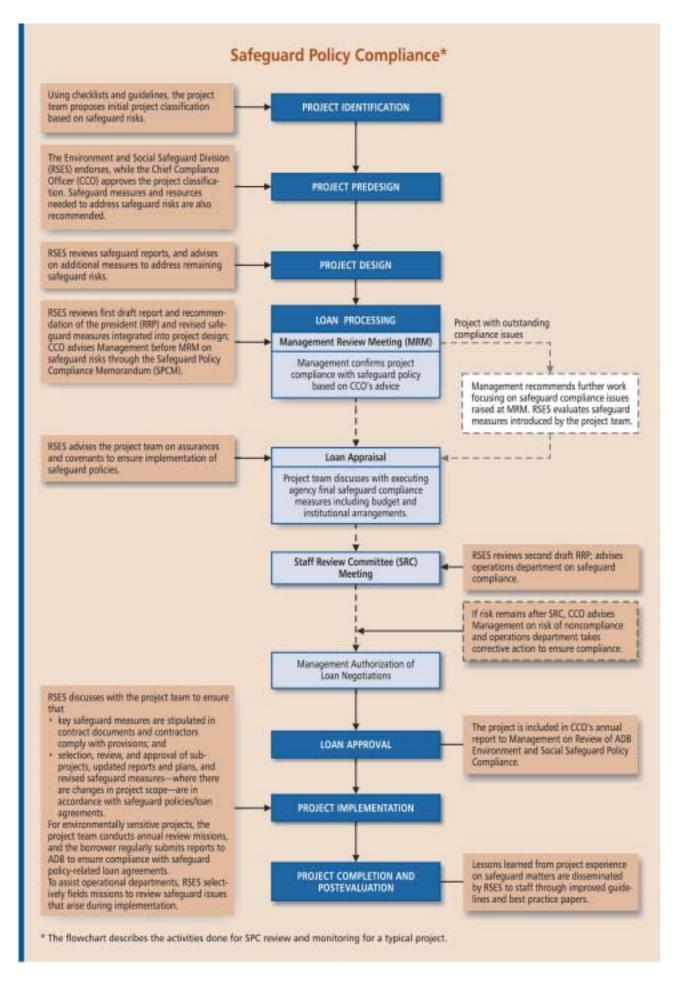
Technical assistance grants were provided for DMC capacity building and establishing improved environment policy and regulatory and institutional frameworks. These technical assistance grants, totaling nearly \$27.5 million, also covered a range of environmental objectives—from

natural resource conservation to environmental quality management.

Governance and capacity building

ADB recognizes that good governance—one of the three pillars of its Poverty Reduction Strategy—continues to be a sensitive issue for many DMCs, and appreciates that governance issues must ultimately be addressed at the country level. Nevertheless, ADB made progress in 2002 in promoting and supporting good governance in the Asia and Pacific region.

Initially, ADB focused on economic and financial management, particularly on strengthening budgetary



In October 2002, the Council and Assembly of the Global Environment Facility (GEF) approved ADB's direct access to GEF project resources, which enables ADB to

- identify, prepare, appraise, and implement GEF projects on behalf of GEF;
- submit project proposals for financing to GEF rather than indirectly through an implementing agency; and
- receive project grants directly from the GEF trustee and be accountable for their use.

Recently replenished at a level of \$2.9 billion, the GEF provides grants and concessional resources for projects that address global environmental issues related to climate change, biodiversity, international waters, ozone depletion, land degradation, and persistent organic pollutants.

South Asia's coastal seas have some of the richest, most diverse marine and coastal habitats and species in Asia. These seas also provide an important resource for coastal communities, especially where a substantial proportion of the population is either vulnerable or living in poverty. Coastal zones and watersheds in the region are increasingly being converted for agricultural and urban development, which has led to elevated nutrient levels, sediment loads, and changes in coastal configurations. Many marine species are now threatened.

ADB; the World Conservation Union (IUCN); and the governments of India, Maldives, Pakistan, and Sri Lanka have taken initiatives to address these problems through an 18-month regional technical assistance project. The Coastal and Marine Resources and Poverty Reduction program in South Asia will promote regional cooperation to strengthen the management of environmentally sensitive coastal and marine resources through assistance in policy, regulation, institutions, methodologies, and information management. IUCN is implementing the project.

Participating countries are using integrated coastal zone management (ICZM) as a planning and development tool. By systematically categorizing issues and threats in each country, and developing a compendium of high-priority areas, ICZM plans are being targeted to coastal areas with a concentration of poorer communities. This work will lead to an analysis of institutional and policy barriers and constraints to effective ICZM, study of the interrelationships between poverty and the environment, and, ultimately, a South Asian Regional Strategic Plan of Action.

systems, enhancing public sector management, building capacity in key central ministries, and upgrading technical expertise for lawmaking. More recently, ADB's focus has been on improving governance in its DMCs by encouraging decentralization and devolution of administration to the regional, provincial, and village levels—a strategy that is consistent with ADB's commitment to adopt consultative processes and to help DMC governments be more responsive to civil society. Strengthening local government capacity frequently involves improving the balance between national accountability and local choice in services delivery; helping governments overcome the problems of fragmentation that exist in some big cities; building relationships between public administrations and the private sector; and increasing the representation of the poor in the forums where policies are developed.

Recent world events have increased the spotlight on improving corporate governance and regulatory frameworks in public and private entities. Key constraints to building good corporate governance in the private sector include establishing independent legal entities and selecting the appropriate agents to represent the government. Sound corporate governance and corporate regulatory frameworks are central to reforming public enterprise, but reforms are often resisted. Key constraints include the process of corporatizing and establishing the independent legal entity, and selecting the appropriate agent to represent the government. In many transitional economies, the solution has been to establish a semiautonomous agency and improve its management. The capability and performance of public enterprise boards must also be improved. ADB involves the private sector in drafting good governance laws; works closely with DMCs to establish consistent and predictable commercial laws and regulations; and improves the availability of information, including relevant laws, to ensure that companies are accountable to their shareholders.

ADB's Governance Action Plan (see http://www.adb.org/Documents/Policies/Good_Governance/), approved in 2000, addresses these concerns.

- Enhancing the quality of governance: Country governance assessments (CGAs) are incorporated into the country strategies and programs (see Glossary) and are used to develop measurable objectives for inclusion in the poverty partnership agreements (see Box on page 35). ADB also measures governance activities in the performance-based allocation exercise (see page 37).
- Elevating good governance: ADB, the ADB Institute, and other regional partners are working to build DMC capacity in key governance areas, including public expenditure management; results-based management; and accounting, auditing, and procurement practices.
- Prioritizing anticorruption: Country-specific and regional technical assistance projects address corruption in general and, at the same time, tackle specific problems such as money laundering.

A PARTNERSHIP FOR FIGHTING CORRUPTION

By pooling their intellectual resources and facilitating opportunities for exchanging information, ADB, the Organisation for Economic Co-operation and Development (OECD), and Asia and Pacific governments are helping build effective anticorruption mechanisms and lay the foundation for a sustained fight against corruption.

The initiative—an Anticorruption Action Plan for Asia and the Pacific—endorsed by 17 regional countries¹ in 2001, adopts an integrated approach to policy making while respecting country differences and without interfering in internal corruption cases.

Activities under the initiative initially focused on capacity and knowledge building, regional cooperation, and action framework development. Since 2001, the focus has been on implementing concrete regional and country-specific anticorruption reforms.

The endorsing countries, which make up the Initiative's Steering Group, met in the Philippines in

2002 to adopt a medium-term strategy and review projects and progress reports submitted by each country.

Four principles guide the initiative's policy work: cementing country ownership, fostering regional cooperation, involving citizens and the business sector, and enlarging the participating group of countries.

Cementing country ownership: The endorsing countries have the primary responsibility for addressing corruption. For each implementation cycle of 12–18 months, the countries prioritize a set of national anticorruption reforms.

Fostering regional cooperation: Regional steering group meetings provide the venue for the countries to share their self-assessments, discuss progress and lessons learned, and identify additional policy reforms and capacity-building needs. These lessons are disseminated to other countries and key stakeholders in print (see http://www.adb.

org/Documents/Conference/Combating_Corruption/; or see the OECD web site at http://www1.oecd.org/daf/ASIAcom/), and at biannual regional anticorruption meetings.

Involving the public: Countries are encouraged to develop proactive strategies for promoting citizens' participation in anticorruption efforts. To encourage their support and input into national reforms, regional nongovernment organizations and business associations are members of the Steering Group and attend the regional anticorruption meetings.

Enlarging the participating group of countries: ADB, OECD, and the Steering Group encourage more regional countries to endorse the Action Plan.

In 2001–2002, a total of 25 loans (about 12 loans per year, or 16% of all public sector loans approved during the period) had governance as a primary or secondary thematic priority. During the same period, 65 technical assistance projects (about 32 per year, or 14% of all technical assistance approved during the period) had governance as a primary or secondary thematic priority.

- Supporting good governance partnerships: The Multilateral Development Banks Working Group on Anticorruption, Governance, and Capacity Building meets twice a year by videoconference to coordinate and harmonize work and share best practices. Links with bilateral development agencies are also being strengthened in the governance area (see Box above). The governments of Canada and Norway have signed agreements with ADB to contribute to the Governance Cooperation Fund. The United Kingdom's Department for International Development (DFID) and ADB are establishing a similar collaborative arrangement for mutually supportive objectives in the Pacific.
- Improving ADB's governance ability: The 2002 reorganization and new business processes are aimed at improving ADB's ability to support governance initiatives.

Organizational improvements, including the formation of the Governance Committee and Network, provide the internal mechanisms for sharing information about governance concepts, projects, and strategic oversight.

In addition, ADB monitors its Governance Action Plan and provides feedback to stakeholders. The external web site (see http://www.adb.org/Anticorruption/other.asp) has been expanded, and a database is being set up to facilitate rapid dissemination of nonpublished performance data, and to encourage quick follow-up and corrective action.

Private sector development

DMCs received \$15.6 billion in official flows and \$89.4 billion in private flows in 2000. These figures underline the importance of the private sector in development and the resulting economic growth in Asia.

Support for private sector development is an integral component of ADB's Poverty Reduction Strategy, and private sector development as an engine of growth is a pillar of ADB's LTSF for poverty reduction. Mobilizing the resources required to achieve economic growth necessary for poverty reduction—including providing infrastructure, social services, and employment—needs the active participation of the private sector.

Continued budgetary pressures increasingly lead DMCs to look for private sector investments to stimulate growth and create jobs. Public involvement in the productive

The 17 original members are Bangladesh, Cook Islands, Fiji Islands, India, Indonesia, Japan, Republic of Korea, Kyrgyz Republic, Malaysia, Mongolia, Nepal, Pakistan, Papua New Guinea, Philippines, Samoa, Singapore, and Vanuatu. Cambodia and Kazakhstan have since endorsed the Action Plan.

sectors is often not the most effective use of scarce funds, particularly if done at the expense of the social sectors where these funds are truly needed. Private investment and management in properly regulated infrastructure and sustainable social services projects can relieve pressure on public budgets and enable the government to redirect more resources to social spending. Consequently, governments need to shift from playing the role of an owner/producer to becoming a facilitator/regulator to ensure markets work and protect the public interests.

ADB is committed to expanding and facilitating the role of the private sector in its DMCs. With its capacity for both public and private sector operations, ADB is uniquely positioned to effectively promote and foster private sectorled growth. ADB assistance, combined through the public and private sector windows to address private sector development, can deliver synergistic solutions to problems that impede private sector-led growth in DMCs.

ADB has developed two complementary strategies in support of private sector development: the Private Sector Development (PSD) Strategy, approved in March 2000, and the Private Sector Operations: Strategic Directions and Review (PSO Strategy), approved in September 2001 (see boxes at right).

The PSD Strategy represents a systematic and coherent framework within which ADB seeks to promote the private sector to support growth and reduce poverty. This framework provides broad strategic direction for both public and private sector operations in terms of major strategic thrusts and priority areas for private sector development. The PSO Strategy is an operational framework for providing direct financial assistance to the private sector in the context of the broader ADB strategy for private sector development.

The PSD Strategy guides ADB's private sector development activities across a region where the stage and status of private sector development differ widely among DMCs. The actions proposed in the Strategy have to be tailored at the country level to meet the diverse conditions and changing needs of individual DMCs and to maximize their contribution to growth and poverty reduction. In pursuing the goals of the PSD Strategy, ADB conducts private sector assessments to identify constraints to, and opportunities for, private sector development in each DMC and addresses these through strategically planned private sector development operations. The assessments and priority operations identified therein serve as inputs to ADB's country-specific strategies and programs, which are being formulated within the framework of the PSD Strategy. Through these programs, ADB assists DMCs in building and reinforcing the confidence of investors and commercial lenders.

ADB's operations in support of the PSD Strategy range from public to private sector operations and comprise trade and investment facilitation, including customs harmonization to foster cross-border trade; strengthening of the financial sector through financial sector reforms and capital market development programs; state-owned enterprise reforms, including governance and privatization programs; small- and

Private Sector Development Strategy

Development of a strong and dynamic private sector is essential to long-term economic growth, a necessary condition for sustainable poverty reduction. ADB's Private Sector Development (PSD) Strategy (approved March 2000) aims at strengthening the role of the private sector in Asia and the Pacific by addressing the complex challenge of how ADB's public and private sector operations can better promote private sector-led growth. Such a combination requires public sector assistance to pay more systematic attention to private sector interests and concerns, and private sector assistance to promote development impacts in their activities.

The PSD Strategy has three mutually reinforcing strategic thrusts: creating enabling conditions, generating business opportunities, and catalyzing private investment.

Creating enabling conditions: The right policy environment is critical for the long-term viability of the private sector. One of ADB's strengths lies in conducting policy dialogue with governments on needed reforms. Under the PSD Strategy, the reform agenda seeks to achieve a stable macroeconomic environment; investment, trade, and price liberalization; reduced barriers to competition; well-functioning financial and capital markets; flexible labor and land markets; appropriate physical, social, and technological infrastructure; equitable tax systems; and legal and judicial systems that protect property rights, enforce contracts, and provide for dispute resolution.

Generating business opportunities: Under the PSD Strategy, ADB takes deliberate steps to ensure that, where appropriate in its public sector projects, business opportunities are generated for the private sector, particularly for the domestic private sector. ADB's public sector operations can be formulated to provide specific opportunities in which the private sector can participate. Such opportunities may include model private sector projects designed to include poverty reduction impacts.

Catalyzing private investments: ADB provides direct financial assistance to private sector projects. While ADB's participation is usually limited, it leverages a large amount of funds from commercial sources to finance these projects. As a multilateral development organization, ADB does not finance private sector projects based solely on their financial viability. Projects must also have clear development impacts and/or demonstration effects that go beyond the benefits captured in the financial rate of return.

The three strategic thrusts of the PSD Strategy are pursued in four priority operational areas: governance, financial intermediation, public-private partnerships, and regional cooperation.

Private Sector Operations: Strategic Directions and Review

The third thrust of ADB's Private Sector Development (PSD) Strategy (see Box at left) is to catalyze private investments through direct financing, credit enhancements, and risk mitigation instruments. ADB performs this function through its Private Sector Operations Department. ADB approved the Private Sector Operations: Strategic Directions and Review (PSO Strategy) in September 2001 to enhance the impact of such operations.

ADB's strategic objective for private sector operations is to increase the flow of capital into and within its developing member countries (DMCs) and, more importantly, to broaden the flow into more countries and sectors. The PSO strategic framework demands a sharper focus on development impact, and emphasizes private sector participation in infrastructure and capital market development, gradual broadening of the country and sector reach, wider use of credit enhancement and other instruments, and strategic alliances with other development agencies.

In its PSO, ADB builds on its existing strengths in infrastructure and capital market development and seeks to assist private sector projects in these two areas in more DMCs. Priorities include infrastructure projects in the energy, water, telecommunications, and transport sectors. In capital markets, ADB emphasizes investments in key market institutions and investment funds that can serve as vehicles for mobilizing resources to finance small-scale infrastructure and small- and medium-sized enterprises. ADB also intends to gradually extend its reach to new sectors, such as education and health care. This is being done selectively on a pilot basis.

ADB provides direct funding assistance through loans and equity investments. In addition, it uses its political risk guarantee and partial credit guarantee instruments to enhance transactions, thus attracting foreign commercial lenders to projects in the DMCs or domestic banks and institutions to stretch the maturities of their local currency loans.

ADB has long enjoyed constructive partnerships with other international financial institutions and development agencies. Such strategic alliances are being intensified to facilitate the knowledge and risk sharing needed to make challenging projects bankable. Joint support by multiple agencies for a given project also gives a strong signal of confidence in the overall country environment and paves the way for further private capital.

Investment officers in the resident missions enhance ADB's private sector activities in-country and help facilitate processing of new projects. More importantly, in-country presence allows closer project administration and risk management, which are critical for sustained operations.

PRIVATE SOLUTIONS FOR THE POOR

The ADB and Public-Private Infrastructure Advisory Facility (PPIAF) conference on infrastructure development—Private Solutions for the Poor: The Asian Perspective—in October 2002, facilitated discussions on methods for identifying, disseminating, and promoting best practices in pro-poor infrastructure projects; increasing private sector participation in financing, owning, constructing, operating, rehabilitating, maintaining, and managing pro-poor infrastructure activities; and strengthening pro-poor public-private infrastructure partnerships.

The conference was attended by over 160 senior developing member country (DMC) decision makers, including representatives from government ministries and agencies involved in formulating and implementing policy on infrastructure reform; representatives of civil society, including nongovernment organizations working with low-income households and communities to improve infrastructure services delivery; multinational and regional private sector providers and financiers of infrastructure services; and funding agency representatives. For more on the conference, go to http://www. adb.org/Documents/Events/2002/Infrastructure_ Poor/. The conference supported ADB's efforts to develop the private sector, and strengthened ADB's cooperation with the PPIAF, which helps DMCs eliminate poverty and achieve sustainable development through private sector involvement in infrastructure.

medium-sized enterprise support; and public-private partnerships in infrastructure, particularly in the power, transport, water, and social sectors.

ADB operates under the principle that DMCs must exercise leadership and ownership of their own development agenda and priorities by demonstrating initiative, commitment, and accountability. Country ownership and leadership in the PSD process require capacity building, as well as continued dialogue and consultation between ADB and key stakeholders. ADB facilitates such exchanges through policy dialogue, workshops, conferences, and training. The highly successful conference on infrastructure development—Private Solutions for the Poor: The Asian Perspective, held at ADB headquarters in Manila in October 2002—is an example (see Box above). In addition, ADB's resident missions interact closely with governments, chambers of commerce, and the private sector to facilitate exchanges on PSD.

Financial management

ADB strives to be an effective partner for its DMCs in responding to the challenges of achieving sustained and equitable development, improving the quality of life, and eradicating poverty (see Box on page 48).

Development interventions are more effective when implemented within administrative systems that have

An effective partnership between the public and private sectors can increase private sector participation. ADB seeks to harness the partnership between the public and private sectors to promote development, and minimize costs and enhance efficiency in meeting its strategic objectives, particularly in reducing poverty. More private sector investment can be expected in a country if the government creates an effective macroeconomic, regulatory, contractual and institutional environment.

ADB has a comparative advantage among development banks in creating public-private partnerships. It provides both public sector policy and private sector finance. It can discuss policy and regulatory issues with governments and, at the same time, catalyze resources for specific private sector projects.

ADB's Private Sector Development Strategy articulates the importance of public-private partnerships, allowing scrutiny of public sector activities to identify potential areas of private sector operations. ADB

assists governments in moving from owner-producer to facilitator-regulator of certain industries. It also provides help in various government initiatives—upgrading public sector accounting and reporting systems, encouraging corporatization, introducing structural sector reforms, establishing independent regulatory bodies, privatizating public sector bodies, designing concessions for developing new infrastructure, and establishing agencies that help promote smalland medium-sized enterprises.

good public sector management, fully accountable government institutions, and transparent policy-making and implementation procedures. Improving accountability and tracking audit trails will promote such transparency as well as ensure the proper use of funds, minimize corruption, and make a difference in delivering services to the poor. Strengthening public financial management of expenditure and revenue collection is one of the most vital concerns ADB can address to help its DMCs meet the challenges of improving their fiscal discipline, bringing resource allocations in line with development priorities, and creating an enabling environment for public financial managers.

To improve DMC understanding of financial management processes, ADB completed a regional technical assistance for the second phase of a diagnostic study of accounting and auditing practices in five DMCs. An international workshop was conducted and action plans were published and distributed to the respective DMCs for implementation (see http://www.adb.org/Documents/Books/Diagnostic_Study_Accounting_Auditing/). Also, in 2002, ADB disseminated its new Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB (see http://www.adb.org/Documents/Guidelines/Financial/) and conducted two in-house training workshops—one for financial analysts and the other for mission leaders.

Although ADB is not directly involved in the joint International Monetary Fund and World Bank Financial Sector Assessment Program (FSAP) and Reports on

MDB HARMONIZATION

As a member of the working group on harmonization of financial management practices among the multilateral development banks (MDBs), which was endorsed by the presidents of the MDBs in 2001, ADB joined the Inter-American Development Bank, European Bank for Reconstruction and Development, World Bank, and others in developing good practice papers on financial reporting. The three areas studied for possible harmonization were affordability, tariffs, and subsidies; financial management assessment, reporting, and auditing; and financial covenants and ratios. Based on the summary reports prepared in 2002 for each area, the MDBs are expected to determine the policy and procedural changes necessary to implement these recommendations. Also, in 2002 there was positive progress in the ongoing pilot-testing of the Viet Nam country harmonization activities involving ADB, World Bank, the Japan Bank for International Cooperation, and the Government.

ADB undertook several initiatives in 2002 to support improved financial management and governance arrangements both internally and externally.

In 2002, ADB carried out 34 technical assistance projects totaling nearly \$19.5 million, involving financial management activities. The significant outputs of these projects include the development of the accounting profession, training

in accounting and auditing, development of accounting regulations/ procedures/policies, establishment of common accounting and auditing standards, and support for the implementation of antimoney laundering legislation. Nine technical assistance projects totaling \$2.8 million were for regional activities. The rest were country-focused on 11 developing member countries.

For example, a project in Cambodia will strengthen public financial management, and another in the People's Republic of China aimed to strengthen the government auditing system. In the Lao People's Democratic Republic, a project enhanced government accounting regulations and procedures; and in the Philippines, a project strengthened regulatory and market governance.

Observance and Codes, ADB's financial sector and corporate governance work in its DMCs provides input for the FSAP. In 2002, the FSAP for the Kyrgyz Republic benefited from the technical assistance program launched by ADB as part of the Financial Intermediation and Resource Mobilization loan, the ongoing Corporate Governance and Enterprise Restructuring loan, and technical assistance supporting these loans. ADB helped review several laws, including the central bank law, the commercial banking law, insolvency law, and joint stock company law. ADB's assessment of issues in banking regulation and supervision, problems with the nonbank sector, and the judicial system in debt and corporate resolution have all contributed to furthering the understanding in the Kyrgyz Republic of financial sector assessment.

Information and communication technology

Information and communication technology (ICT) is a growing addition to ADB's lending and technical assistance portfolio. In June 2001, ADB adopted a strategic approach for promoting the use of ICT to bridge the digital divide the gap between those with ready access to information and those without-for its DMCs. The strategy-Toward E-Development in Asia and the Pacific: A Strategic Approach for Information and Communication Technology-calls for greater access by DMCs to information and knowledge, allowing them to compete in global markets and move out of poverty (see http://www.adb.org/Documents/ Policies/ICT/). ADB advocates applying ICT to improving human welfare, expanding economic growth, and extending good governance practices. All stakeholders—governments, private sector, civil society including nongovernment organizations, and international organizations-must work together to leverage their collective resources to ensure that the benefits of ICT improve the lives of the poor.

As ICT is a crosscutting field, its application in ADB's lending and technical assistance is wide-ranging. In 2002, ADB focused its ICT activities on creating an enabling environment in ICT infrastructure and the regulatory framework, building human capacity, and helping DMCs develop ICT applications and information content.

DMC interest in ICT is keen, as was highlighted in the seminar "Unlocking the ICT Potential in Asia and the Pacific," at ADB's 35th Annual Meeting in May 2002. The seminar examined the diverse and innovative ICT applications in the region, emphasizing those being used to improve education, health, public welfare, and employment opportunities, and to provide disaster-alert information. The seminar concluded that, for Asian countries to remain competitive, governments must provide a solid leadership and a strategic vision in developing national ICT plans and in establishing partnerships with the private sector.

Regional cooperation

By acting jointly, countries can improve their development prospects and strengthen their ability to reduce poverty, increase private sector investment, promote peace and security, and achieve sustainable development. Joint action enables countries to mitigate the adverse effects of negative externalities, such as cross-border pollution and the spread of infectious diseases, and creates an environment where common services and development programs can be shared.

Mandated by its Charter to promote regional cooperation, ADB has supported regional economic cooperation activities in its DMCs since 1966 (see http://www.adb.org/RegionalCooperation/). The mandate was reaffirmed in the LTSF in 2001 and in the reorganization in 2002. As a regional institution, ADB has a clear comparative advantage in promoting regional cooperation, and is preparing a regional cooperation strategy to respond more effectively to this mandate.

ADB's support for regional cooperation revolves around three related dimensions: facilitating the economic development of participating countries through cooperation and integration; providing key regional public goods that address shared constraints and opportunities; and encouraging regional stability through processes associated with broader and deeper cooperation.

ADB supports several subregional cooperation initiatives: Greater Mekong Subregion (GMS) program (see Box on page 50); Central Asia Regional Economic

Several information and communication technology (ICT) loans were approved in 2002. In the Maldives, the Information Technology Development Project provides a networking mechanism for government agencies delivering public services electronically, including public health services. Vehicle registration will be facilitated by community Internet kiosks in the capital, Malé, and in 20 atolls.

Reforms in the telecommunications sector provided the public with low-cost Internet access. In Viet Nam, a program loan will reform the public administration sector by establishing the legal framework to support the computerization of the state administrative management system and by building a network of E-government services. The Government's capacity in ICT management, planning, and support will be strengthened.

Several technical assistance activities were approved in 2002. Technical assistance to the People's Republic of China is helping assess the viability of distance education

and ICT in the western region, which would greatly improve access to quality primary and secondary education. In the Greater Mekong Subregion, ICT was used to develop trade networks for small- and mediumsized enterprises, providing them with information on trade regulations and cross-border trade flows. In the Pacific DMCs and Timor-Leste, ADB conducted a comprehensive review of E-readiness—a country's capacity to take advantage of ICT networks.

Cooperation (CAREC); South Asia Subregional Economic Cooperation (SASEC) (see Box below); Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); Brunei Darussalam, Indonesia, Malaysia, Philippines East ASEAN Growth Area (BIMP-EAGA) and cooperation among the Pacific DMCs. ADB also supports regional monetary and financial cooperation initiatives through its focal point, the Regional Economic Monitoring Unit (REMU) (see http://www.adb.org/REMU/ and the Knowledge and Support Activities chapter).

ADB also supports cooperation initiatives in several thematic and sector areas. ADB's technical assistance

supports the East and Central Asia Regional Trade
Facilitation and Customs Cooperation Program. ADB loans
to the Kyrgyz Republic and Tajikistan aim to strengthen
governance and transparency and develop an effective
mechanism for regional cooperation among customs
organizations in Central Asia, and the PRC and Mongolia.
The Regional Power Transmission and Modernization
Project aims to improve the present power trading relations
and establish the foundations for a wholesale regional
power market among Kazakhstan, Kyrgyz Republic,
Tajikistan, and Uzbekistan.

"Our most important achievement has been the growing trust and confidence among our countries, which has provided a favorable environment for trade, investment, economic growth, and social wellbeing."

This joint declaration was made at the first-ever GMS Summit, held in Phnom Penh, Cambodia, in November 2002. The summit, which marked 10 years of successful regional cooperation (see http://www.adb.org/GMS/), was attended by leaders of the six Greater Mekong Subregion (GMS) countries—Cambodia, People's Republic of China, Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam.

Pledging to work more closely to reduce poverty and promote

greater subregional integration, the GMS leaders adopted a fivepronged strategy to realize their shared vision. The strategy aims to

- strengthen infrastructure linkages through a multisectoral approach;
- facilitate cross-border trade and investment;
- enhance private sector participation in development and improve its competitiveness;
- develop human resources and skills competencies; and
- protect the environment and promote sustainable use of shared natural resources.

The leaders agreed to flagship programs in 11 key areas to support the strategy: transportation/economic corridors, telecommunications

and energy interchanges, crossborder trade and investment, greater private sector participation in development, human resource development, joint initiatives for managing the subregion's shared environment and natural resources, and tourism development.

ADB President Tadao Chino expressed ADB's continued support and commitment to regional cooperation and the shared development aspirations of the GMS leaders. He also announced ADB's approval of technical assistance for developing the subregion's human resource potential (see http://www.adb.org/Media/Articles/2002/733_Cambodia_Phnom_Penh_Scholarship_Program/).

A strong and dynamic private sector is crucial to long-term and rapid economic development. For many years, ADB has provided support to private sector initiatives in South Asia, a subregion that has the economic potential to become an important highgrowth area. The South Asia Subregional Economic Cooperation (SASEC) initiative (see http:// www.adb.org/SASEC/)—comprised of Bangladesh, Bhutan, India, and Nepal—is home to the highest concentration of the world's poor. Cross-border trade and investment promotion can be instrumental in promoting employment and increasing incomes, and private sector initiatives can play a significant role in driving trade and investment.

The importance of the private sector to SASEC was highlighted in 2002 at the Second Meeting of the SASEC Trade, Investment, and **Private Sector Cooperation Working** Group (TIPWG) and at the First Annual Meeting of the South Asia Business Forum (SABF). Considered a milestone in developing subregional business-to-business cooperation, the annual meeting provided the venue for the secretaries of commerce of the four countries to express their support for the establishment of the SABF, and to urge the SABF to develop measures that would accelerate the growth of trade and investment in the region.

Other SABF activities in 2002 included establishing business facilitation cells in the four countries; and launching the SABF web site.

At the request of the participating countries, ADB approved in December 2002 a small-scale regional technical assistance to undertake a comprehensive study of trade facilitation in the subregion. The study is expected to identify measures to encourage intraregional trade and identify and remove nontrade barriers. Sector studies will support private sector cooperation in human resource development, information and communication technology, tourism, audiovisual industry, and agribusiness.

In addition to the TIPWG, ADB has also supported SASEC cooperation initiatives in several sectors, including energy, transport, tourism, and environment.

In 2002, ADB supported education reform in countries in transition (Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan) to exchange experiences among education policymakers in curriculum development, teacher education, textbook production, budgeting, management decentralization, and public-private partnerships. ADB is promoting effective water management policies and practices in the Asia and Pacific region. Activities at the regional, subregional, and country levels, including a pilot demonstration of innovative approaches in the water sector, include a public awareness campaign, development of a water information system, comparative analysis of water sector reforms in the region, regional water partnerships, and participation at regional events.

ADB also promotes regional research and knowledge sharing. In 2002, ADB supported regional research in developing energy indicators, assessing issues of trafficking women and children in South Asia, and promoting transport control and air quality standards. Conferences, forums, workshops, publications, and a new regional cooperation web site were also supported (see http:// www.adb.org/RegionalCooperation/). In 2002, ADB hosted the regional cooperation session at the Bo'ao Forum, which promotes high-level dialogue among the region's government and business leaders and focuses on trade, investment, and regional cooperation in the Asia and Pacific region (see http://www.adb.org/Documents/ Conference/Moving_Regional_Cooperation_Forward/ proceedings.pdf). A cosponsored workshop on citizen participation and fiscal decentralization, and a conference on Regional Public Goods and Regional Development Assistance looked at regional public goods as a development tool and at the interrelationship between participation and financial administration.

Nongovernment organizations and civil society

ADB's policy on NGO cooperation (see http://www.adb.org/Documents/Policies/Cooperation_with_NGOs/) seeks to integrate NGO and civil society experience, knowledge, and expertise into its operations so that development services are more effective, sustainable, and of higher quality. ADB's dedication to poverty reduction as its overarching objective requires increasingly more attention to the benefits that can be gained by strengthening ADB-Government-NGO cooperation.

Cooperation between ADB and NGOs continued to expand. In 2002, a total of 42 projects, or 52% of all approved projects, involved some level of NGO collaboration, with most focusing on the agriculture and natural resource sector. The majority of NGOs partnering with ADB are local and community-based groups, who help improve project quality by identifying the specific needs of their communities, and encouraging greater participation of intended project beneficiaries. In addition to project consultations, NGOs also continued to be involved in project implementation, monitoring, and other activities.

ADB's NGO Center (see http://www.adb.org/NGOs/ngocenter.asp) gave further impetus to ADB-Government-NGO collaboration through a 2002 regional technical assistance project, entitled Technical Assistance for a Framework for ADB-Government-NGO Cooperation (see Box below). The project was cofinanced by the governments of Australia and the United Kingdom.

In 2002, NGOs were involved in consultations on ADB's new environment and water policies, as well as in the review of ADB's Inspection Function. In addition, some 80 participants attended the NGO Open Forum at ADB's 35th Annual Meeting in Shanghai, PRC.

The objective was to bring people together where they could find common ground and shared goals. The result was the development of a guide for enhanced cooperation: ADB-Government-NGO (nongovernment organizations) Cooperation: A Framework for Action 2003–2005.

ADB's NGO Center began the consultation process by widely disseminating an "Issues Note" that addressed key elements of the current tripartite relationship, and served as the background document for country workshops in Bangladesh, Cambodia, India, Indonesia, Kazakhstan, Mongolia, Nepal, Pakistan, Philippines, and Thailand, and for subregional workshops held in Sydney (for Australia

and the Pacific), Almaty (for East and Central Asia), Phnom Penh (for the Mekong), and Kathmandu (for South Asia). Nearly 500 government, NGO, and private sector representatives attended the workshops. A Manila workshop solicited input from ADB staff.

The country and subregional workshops were organized and facilitated by local NGOs or consulting firms, with the country-level workshops largely conducted in local languages. Workshop participants proposed activities to increase tripartite cooperation. These suggestions and activities were debated in plenary sessions.

The proceedings of each workshop were posted on ADB's NGO web site. Synthesis documents were

produced so that each workshop built on the recommendations of earlier workshops.

From the syntheses and other background materials, the NGO Center prepared a preliminary or "zero draft" framework document. In mid-November, selected participants from the earlier workshops met in small groups in Manila to draft or refine sections of the framework. To provide maximum public feedback, the document was posted on ADB's web site at the same time it was circulated to ADB's Board of Directors and staff.

The Framework reflects the shared vision and understanding of government and NGO stakeholders.

Economics

Two knowledge departments of ADB—the Economics and Research Department (ERD) and the Regional Economic Monitoring Unit (REMU)—in collaboration with the regional departments, continued in 2002 to provide the analyses and understanding of economic issues necessary for developing quality projects and programs. For more information on the products of ERD and REMU, see the Knowledge and Support Activities chapter.

To further support ADB's economics work, the Economics Committee and Network formed in early 2002 addressed issues relating to interdepartmental coordination in developing economics knowledge products, provision of economics services and collaboration, and maintenance of ADB-wide consistency in economic products and services.

In 2002, the Committee mainly provided independent assessment of, and feedback on, interregional knowledge products from ADB's knowledge departments; checked for overlap and duplication of products; facilitated collaboration among regions addressing similar functions; and promoted consistent analytical approaches. The Committee evaluated the macroeconomic reporting being done against expected macroeconomic reporting needs. The role of the Committee is to be expanded to provide oversight of the ADB-wide 3-year rolling plan for economics knowledge products, ensuring consistency between the plan and economics knowledge product development, and to identify issues for interdepartmental discussion. Although most of the 2002 seminars on economics issues were arranged by ERD, the Economics Network also hosted seminars, including the Doha Development Round (see http:// www.adb.org/Economics/pdf/doha/).

Sector priorities

The nine sector committees (see Box above right) formed in 2002 have the same mandate as their thematic counterparts. Each sector committee and its interdisciplinary network encourage professional development and quality output. The committees aim to ensure that projects are relevant to ADB policies, and that country strategies and programs are designed to a high standard, have appropriate institutional arrangements, and address sustainability and risks. The committees provide inputs and advice at the project concept, design, and feasibility study stages.

Agriculture, natural resources, and rural development

Ensuring environmental sustainability and better natural resource management continued to challenge resource managers in 2002. Accelerated growth has contributed to the degradation of the region's natural resources. Forest depletion has increased the vulnerability of soil erosion that, in turn, has affected catchment areas. Overfishing threatens fish stock regeneration. Drier regions face the threat of reduced water availability and competition for scarce water resources as urban and industrial demand continues to rise. Protectionism re-emerged with the

SECTOR COMMITTEES

- Agriculture, Natural Resources, and Rural Development
 - (http://www.adb.org/about/agriculture.asp)
- water (http://www.adb.org/about/water.asp)
- Education
 (http://www.adb.org/about/education.asp)
- Health, Nutrition, Population, and Early Childhood Development (http://www.adb.org/about/health.asp)
- Urban Development, Municipal Services, and Housing (http://www.adb.org/about/urban.asp)
- Energy (http://www.adb.org/about/energy.asp)
- Transport (http://www.adb.org/about/transport.asp)
- Finance, Industry, and Trade (http://www.adb.org/about/finance.asp)
- Rural and Microfinance (http://www.adb.org/about/rural.asp)

adoption of the Farm Bill in the United States, and farm subsidies among OECD countries.

ADB addressed these issues in 2002 with assistance focused on agricultural productivity, natural resource management, and rural development. Loans and technical assistance addressed poverty reduction; improved food security and diversification; aimed at alleviating natural resource depletion, particularly in the forest and fisheries subsectors; provided better access to basic public goods and services; assisted governments in formulating policies and undertaking policy reforms; enhanced economic growth in the rural areas by investing in social services, rural infrastructure, and rural support services; and strengthened institutions for better resource management.

ADB joined the Asia Forest Partnership (AFP), an initiative of the governments of Indonesia and Japan that promotes sustainable forest management in Asia by addressing good governance and forest law enforcement, developing capacity for effective forest law enforcement, countering illegal logging, preventing and fighting forest fires, and rehabilitating and reforesting degraded lands. The AFP was launched during the World Summit on Sustainable Development in Johannesburg (see Box on the World Summit on page 42).

ADB's Agriculture, Natural Resources, and Development Committee was formed in 2002. Also in 2002, ADB prepared a strategic framework for agriculture and rural development and drafted an update of the 1995 forestry policy. More than 500 stakeholders participated in the review of the old policy, providing valuable input for new policy development (see http://www.adb.org/Projects/ForestPolicy/abt_flow.pdf).

Water

One in three Asians does not have safe drinking water and one in two Asians lacks access to adequate sanitation facilities. Water for food security remains a problem in SUSTAINING AGRICULTURE

In 2002, ADB provided wide-ranging assistance to the agriculture, natural resources, and rural development sector, including mobilizing resources for forestry and poverty reduction; tackling Asia's brown cloud; addressing land degradation particularly in fragile environments; promoting sustainable development in mountain ecosystems; reversing coral reef degradation; and promoting regional cooperation.

Agricultural research to enhance productivity continued to be a high priority. In 2002, ADB approved the seventh regional technical assistance on agriculture and natural resource research to develop and disseminate technologies for environmentally sustainable farming systems. The technical assistance proposes to improve nutrition; develop more efficient livestock systems; manage agriculture and natural resources through improved watershed management; and reduce poverty through an advisory network, policy research, and capacity strengthening.

In 2002, ADB approved 17 loans in the agriculture, natural resources, and rural development sector totaling \$492.9 million, and 24 technical assistance grants amounting to \$15.8 million.

some countries, especially for the poor. Water resources are severely threatened by decades of unsustainable use and pollution. Flood damage is increasing dramatically.

The importance of this crosscutting sector in ADB's operations is evident. More than a quarter of ADB's ongoing projects have a significant water component aimed at increasing awareness of water resource issues; improving water resource management, including flood and environmental management in river basins; increasing access to safe water supplies and basic sanitation; or improving irrigation services.

In 2002, ADB organized several regional consultations in preparation for the 3rd World Water Forum in Japan in 2003. Case studies and lessons learned in the areas of water in relation to poverty, cities, small island countries, shared resource management in Central Asia, and flood management, were compiled to incorporate lessons into ADB's operations for further catalyzing investments in the region. ADB also hosted the second World Panel on Water Infrastructure Financing in 2002, jointly with the World Water Council, Global Water Partnership, and other organizations.

NATER FOR ALL

In 2002, ADB assistance in the water sector was directed toward improved water services, integrated water resource management, and better water governance—areas considered central to ADB's poverty reduction mandate.

Twelve new loans were approved totaling \$667.5 million, consisting of four projects in water supply and sanitation; five in water resource management; and one project each in wastewater management, irrigation, and hydropower. Water sector loans represented about 12% of total ADB lending. Twenty new water sector technical assistance grants were approved for about \$23 million, representing 13% of all ADB technical assistance approvals.

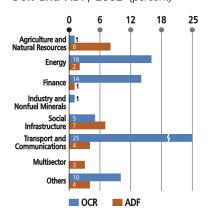
ADB activities in 2002 included the organization of an ADB Water Week in December, to stimulate knowledge development in the water sector and promote dialogue with development partners for addressing the water sector challenges in the Asia and Pacific region. Water Week themes included promoting national water policies and sector reforms; fostering integrated management of water resources in river basins; encouraging stakeholder

participation; developing partnerships; improving water services in irrigation and drainage; improving water supply and sanitation services with private sector participation; and promoting regional cooperation.

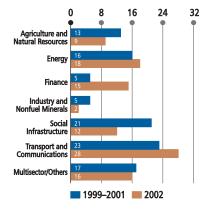
Water Week (see http://www.adb.org/documents/events/2002/water_week/) also featured the first presentation of ADB's Water Prize (see http://www.adb.org/Documents/Periodicals/ADB_Review/2003/vol35_1/women_water.asp) in recognition of sound practices by a project agency in implementing ADB's water policy. On the recommendation of the Water Sector Committee, ADB President Tadao Chino awarded prizes to the executing agency and a community-based organization in the Punjab Rural Water Supply and Sanitation Sector Project in Pakistan.

ADB's Water Sector Committee and Network catalyzed the implementation of the water policy "Water for All" in the region (see http://www.adb.org/water/) with the support of the Cooperation Fund for the Water Sector. This multidonor fund, to which the Government of the Netherlands made the first contribution, promotes effective water management policies and practices. To better advise regional departments, the Water Sector Committee prioritized the

Sector Distribution of Loan Approvals from OCR and ADF, 2002 (percent)



Sector Distribution of Loan Approvals: 1999–2001 (average) and 2002—By Value (percent)



preparation of water sector road maps. The road maps are based on sector assessments with additional inputs coming from the results of an impact evaluation study of water supply and sanitation projects.

Education

ADB approved a new Policy on Education in 2002, aimed at providing all children and adults in the Asia and Pacific region with equitable access to an education that will empower them to break out of the poverty cycle and participate effectively in national development (see http://www.adb.org/Documents/Policies/Education/). ADB's 1988 education policy had emphasized the importance of investing in primary and secondary education in the context of broader human and social development. The new policy underpins ADB's support for the MDGs, which

include enrolling all children in primary school, promoting gender equality, and empowering women. The policy focuses on increasing equity and access, improving quality, strengthening management and partnerships, mobilizing resources, and applying innovative technologies, especially in information and communication technology.

In literacy and nonformal education, innovative and responsive programs, particularly in collaboration with NGOs, are receiving more support. Early childhood development programs are being expanded, particularly those that are low-cost and community-based. Basic education includes ensuring equitable access and resource allocation, improving quality, and strengthening community development. Secondary education investments emphasize cost sharing, private sector provision, and special programs to increase access by the poor and women. Higher education projects enhance the role

ADB's resources are increasingly being used to support capacity building, enhance efficiency, analyze policy, and improve quality. Two books published by ADB in 2002 support these objectives.

To ensure that its lending to education reflects the needs of the region and its own strategic priorities, ADB financed a major study of education trends, issues, and policies in the region. The output of these efforts—Education and National Development in Asia—examines the trends and potential problems in education in the region, in the context of the rapid social, demographic, economic, and educational changes taking place. The

main book in the series analyzes the relationship between education and economic and social development and examines policies and strategies that might be used to address the challenges facing education.

An environmental law resource for students, government officials, and others throughout the region is also helping build capacity in the region. Published in 2002, the two-volume Capacity Building for Environmental Law in the Asian and Pacific Region: Approaches and Resources addresses environmental problems and examines laws to support sustainable development. Produced primarily from materials from the region first used in two

training courses for 63 regional law professors from 15 regional countries, the two volumes cull regional expertise in environmental law, particularly from universities, governments, the private sector, and nongovernment organizations. The book was produced through a partnership of ADB, International Union for the Conservation of Nature, Asia-Pacific Centre for Environmental Law at the National University of Singapore, United Nations Environment Programme, and others in response to the need for better training materials in environmental and developmental law, identified at the 1992 Earth Summit.

Children in Mongolia's poorer rural and urban communities, including physically challenged children, will have improved access to quality preschool and basic education because of an ADB loan approved in 2002. Mongolia's Second Education Development Project will also strengthen educational services. Access will be improved for children in Nepal, particularly girls and disadvantaged children. Nepal's Secondary Education Support Project will also improve the quality of public (including lower) secondary education.

Access is also a focus of Pakistan's Decentralized Elementary Education Project, which aims to increase admissions to a pro-poor decentralized public elementary school system.

System-wide policy initiatives in personnel deployment, system rationalization, and pro-poor budget reallocations will be supported by Uzbekistan's Education Sector Development Program.

Other activities in 2002 in the education sector included a comprehensive needs assessment in Afghanistan, preparation of a draft education sector development plan for primary education in Bangladesh, and a performance review in Cambodia, which found that primary school enrollment of the poor had increased. A network

of model *madrasahs* at primary and junior secondary levels was established in six provinces in Indonesia, where enrollment of girls increased considerably. The midterm review of a basic education (girls) project in the Lao People's Democratic Republic also showed increased enrollment of ethnic girls, by 20% in project areas. The first comprehensive education sector report, which will lay the foundation for a basic education project in Tajikistan, was produced.

in 2002, ADB approved 6 loans totaling \$284.4 million and provided 15 technical assistance grants amounting to \$7.0 million for the education sector.

HEALTH SERVICES IN CAMBODIA

of the private sector and strengthen government capacity to monitor standards and support NGO-led skills training on income-generating activities for poor women.

In 2002, ADB's Education Committee shared project experiences on the management of education reforms and decentralization with the regional departments.

Health, nutrition, population, and early childhood development

Most of the premature and preventable deaths of children and women of reproductive age occur in Asia, due to a combination of poor resistance to communicable diseases, undernutrition, early marriage, and short spacing between births. The poor frequently do not have access to health and family planning services, adequate quantities of safe and nutritious food, and child care that

ensures early stimulation and readiness to learn in school (see Box below).

The magnitude of the problem and the importance of partnerships in addressing health, nutrition, population, and early childhood development were reinforced in 2002 by the focus of the MDGs on improving health and alleviating hunger. Donors, governments, and civil societies pledged to reverse by 2015 the prevalence of major communicable diseases (HIV/AIDS, tuberculosis, and malaria) that kill poor women and children. The UN General Assembly Special Session on HIV/AIDS Prevention and Control provided further incentive to act as development partners.

ADB also emphasizes regional solutions to nutrition problems, and health partnerships to upgrade the quality of fortified food products and raise the nutrition content of staple rice seeds (*see Box below*). A new poverty reduction

The feasibility and effectiveness of having nongovernment organizations (NGOs) deliver health services, as an alternative to the Government providing such services, was studied under an ADB-financed project by the Cambodia Government's Ministry of Health. The research conducted in 2001 and 2002 tested two models: contracting out, where contractors had complete responsibility for services delivery, and contracting in, where the contractors worked within the government system (see http://www.adb.org/ Documents/Periodicals/ADB Review/ 2001/vol33_2/cam.asp).

An independent evaluation, including repeat household and

health facility surveys, showed that coverage of health services in contracted districts resulted in significant improvements in a short time. Contracted districts consistently outperformed the control districts with respect to the predefined coverage indicators. The contract-out model outperformed the contract-in model.

Contracted districts experienced an impressive increase in the use of reproductive health services, child health services, and curative health services. NGO-contracted services were generally more effective in reaching the poor, both in absolute and relative terms. Also, there was a significant decline in the per capita private out-of-pocket

expenditure in the contracted districts, especially for the poor.

The Cambodia case study suggests that it is feasible and beneficial for government to contract NGOs to provide health services. Contractors delivered interventions to reduce infant, child, and maternal mortality to more people more quickly than had conventional government service delivery mechanisms. The pilot study suggests, moreover, that efficiency gains in providing health services do not come at the expense of equity. Rather, improved efficiency appears to have also led to better access to health services by the poor, easing the burden of health care expenditures.

Plant breeding offers the opportunity to create an international public good that has public health significance and will provide comprehensive benefits to producers and consumers.

Based on encouraging prospects for enriching rice germ plasm with trace minerals, ADB approved a project and organized a donor consortium to support biofortification, which is research for breeding iron- and zinc-dense rice as a low-cost, sustainable approach to reducing iron-deficiency anemia and zinc deficiencies in Asia.

The broad objectives of ADB's Rice Breeding to Reduce Anemia in Asia project are to develop high-yield,

high-profit, iron-dense rice germ plasm adapted to growing environments in Bangladesh, Indonesia, Philippines, and Viet Nam; demonstrate bioavailability of the extra iron in poor adult women and young children; support economic research to demonstrate feasibility and costeffectiveness of the plant-breeding strategy; and organize the institutions and financing necessary for generating a flow of nutrient-improved rice technologies to Asian farmers.

The project targets the poor and will reduce poverty in several ways. Women and children from the poorest households suffer most from inadequate dietary quality. Treating anemia in women and

children in poor households through enriched cereal diets will lower the risk of maternal mortality during pregnancy and childbirth, increase their capacity to perform chores, and improve the cognitive abilities and health of children.

Encouraged by ADB's project, the Consultative Group on International Agricultural Research (CGIAR) approved the Biofortification Challenge Program for its centers. The collaborating institutions in ADB's and CGIAR's projects are International Food Policy Research Institute; International Rice Research Institute; the University of Adelaide, Australia; and the national agricultural research systems of the four countries.

URBAN SECTOR REFORM

grant from the Department for International Development of the United Kingdom broadens support for rice and wheat biofortification in seven national agricultural research systems in Asia to increase the micronutrient content of rice and wheat germ plasm. ADB is sponsoring the first efficacy trials in Asia for women of reproductive age and for children under 3, testing the impact of biofortified rice on iron-deficiency anemia in those vulnerable groups.

ADB is also discussing proposed interagency agreements with the International Atomic Energy Agency to develop DMCs' capacity to monitor nutrition and health in the home and environment, and with the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria to strengthen the commitment to the MDGs.

ADB's Health Committee provides guidance to the regional departments in addressing health, nutrition, population, and early childhood development as interdependent issues in country programs that could be integrated into projects. In 2002, the Health Committee launched the six-volume ADB Nutrition and Development Series; assessed the impact of the health policy on ADB and DMC operations; and attended regional and global health, nutrition, and agriculture strategy meetings.

In 2002, two health loans were approved totaling \$40 million.

Urban development, municipal services, and housing

Most of the world's urban growth is occurring in Asia. The region's urban population grew from about 320 million people in 1965, to over 1 billion people in 2002 and is forecast to reach 2.2 billion people by 2020. Urban centers are also increasing in size and number. A review of the world's 25 largest cities shows that 13 are located in Asia, including 11 megacities, each with a population in excess of 10 million. In addition, hundreds of millions of people live in thousands of small, medium, and large towns and cities throughout the region.

Urban areas are important to national economies. They are the focal points for trade, commerce, industry, and government administration. Cities and towns are centers of excellence for education, health care, culture, technological innovation, entrepreneurship, social services, and governance. In addition, cities generate opportunities for jobs, employment, and livelihood.

Most Asian towns face significant problems, particularly high incidence of urban poverty; inadequate and dilapidated water supplies, sanitation, and drainage infrastructure; poor standards of public health and hygiene; degraded urban environment; slum housing; traffic congestion; ineffective land management; and inadequate development control. These problems have a disproportionate adverse impact on the lives of the urban poor, compounding their misery. ADB's vision for the urban sector is to promote safe, liveable, well-managed urban centers, free of poverty, that fulfill the promise of development. This vision is in line with the MDGs.

In 2002, ADB joined the Cities Alliance (see http://www.adb.org/Documents/TARs/REG/r73_02.pdf), an

In 2002, ADB focused on improving urban services, providing basic urban infrastructure, improving the urban environment, developing housing finance mechanisms, and strengthening urban governance. Loans included the Urban Governance and Infrastructure Improvement Project for Bangladesh; the Mekong Tourism Development Project for Cambodia, Lao People's Democratic Republic, and Viet Nam; the project for Integrated Development of Basic Urban Services in Provincial Towns for Mongolia; the Urban and Environmental Improvement Project for Nepal; and the Housing Finance Project for Viet Nam.

Technical assistance totaling \$2.7 million for the urban sector was approved for Bangladesh, Indonesia, Maldives, and Viet Nam to prepare projects for secondary towns' flood protection, shelter, housing finance, and regional development. Advisory technical assistance amounting to \$3 million was approved for Bhutan, Cambodia, India, Mongolia, Philippines, and Samoa for preparing urban sector profiles, housing reform, integrated regional development planning, solid waste management, and urban sector management and strategy studies.

ADB approved four loans totaling \$140.1 million in 2002 and provided 10 technical assistance grants amounting to \$4.5 million for the urban development and housing sector.

international coalition of towns and cities, and their development partners in working with urban centers to strengthen their ability to prepare city development strategies and initiatives to create cities-without-slums.

Energy

The energy sector continued to occupy a prominent position in ADB's lending and technical assistance operations in its DMCs. The nature of ADB's assistance for this sector has changed substantially over the years, with increasing emphasis on sector reform, restructuring, poverty reduction, climate change, and governance.

A seminar on electricity sector reforms in Asia at ADB's 35th Annual Meeting in 2002 identified challenges facing DMCs in ensuring access to stable and affordable electricity supplies. The participants—senior DMC government officials and private sector representatives—agreed that deregulation and privatization are essential elements of a power sector development strategy for the region. The private sector participants proposed that DMC governments divest themselves of their shareholdings in the industry and focus instead on regulatory functions.

The impact of energy and transport infrastructure on poverty reduction is being assessed by ADB, in collaboration with World Bank, Japan Bank for International Cooperation, and the Department for International Development of the United Kingdom. The study is aimed at establishing benchmarks, identifying lessons, and

SUPPORTING PRIVATE SECTOR POWER PROJECTS IN VIET

Viet Nam is rich in natural resources, including natural gas, yet its energy production is among the lowest in Asia. To meet expected growth in power demand and reduce dependence on seasonal hydropower generation, Viet Nam must develop its natural gas reserves for power generation.

Gas reserves at the offshore Nam Con Son Basin will be tapped to fuel a least-cost power development plan. Five gas-fired combined-cycle power plants are planned for the Phu My Power Generation Complex, about 75 kilometers from Ho Chi Minh City in southern Viet Nam. ADB is providing financial support for two of these plants (Phu My 2.2 and Phu My 3) on a build-operate-transfer (BOT) basis.

The projects are expected to improve governance in the energy sector by promoting best practices and effective management of public-private partnerships. The projects will establish performance benchmarks and promote the sector's financial sustainability. Private sector participation in the

projects will also positively influence other sectors.

The Phu My projects represent an environment-friendly solution to the power supply problem in Viet Nam and will make competitively priced power available within a short period. They will feed the national power grid, as well as the industrial and residential areas of southern Viet Nam. Areas covered by the projects will increasingly attract investments that can spur economic growth and help reduce poverty. The projects will also contribute to government efforts to electrify 85% of Vietnamese households by 2005.

The Phu My 2.2 Power Project, a 715-megawatt plant, is ADB's first private sector power project in Viet Nam. It is also Viet Nam's first privately sponsored BOT power project awarded through internationally competitive bidding. The Project also marked the first use of ADB's guarantor-of-record political risk guarantee (PRG). The Project has been cited as the project finance deal of the

year 2002 by several international publications.

The Project will be developed and operated by Mekong Energy Company Limited, a joint venture among Electricité de France International, Sumitomo Corporation of Japan, and Tokyo Electric Power Company, Incorporated.

For the Phu My 2.2 Project, ADB provided a \$50 million loan without government guarantee and a \$25 million PRG. Through the PRG, ADB is catalyzing for Viet Nam up to \$25 million of long-term debt from commercial banks. As guarantor-of-record, ADB does not retain any portion of the risks covered.

The Phu My 3 Power Project—with a capacity of 716.8 megawatts—is being undertaken by the Phu My 3 BOT Power Company Ltd., jointly owned by BP Holdings BV, SembCorp Utilities Pte Ltd., and the consortium of Kyuden International Corporation and Nissho Iwai Corporation. ADB is providing a \$40 million Ioan and a \$35 million PRG (see box on page 65 in the Operations chapter).

ADB assistance to the energy sector in 2002 focused on sector reform and restructuring, private sector initiatives, energy conservation, renewable energy development, environmental protection, and energy efficiency. Loans were approved for Indonesia and the Philippines to create the information and communication technology-based market facilities required for bulk electricity trading, following the enactment of laws for restructuring the power sector in these two countries. In Sri Lanka, a Power Sector Development Program aims to establish an independent regulatory and tariff-setting mechanism, and to encourage private sector participation by developing an enabling and transparent business environment.

Private sector initiatives were also encouraged in energy sector loans. With ADB's assistance, a strategic investor was selected for the newly established natural gas transportation company in Indonesia, which will facilitate the export of natural gas to Singapore.

Environment and poverty concerns are being addressed in a loan approved for Indonesia in 2002, which will enable the establishment of 12 renewable energy-based power plants in remote areas of the country.

Consistent with ADB's objective of promoting regional cooperation, the 2002 lending program included a regional project aimed at strengthening and improving power transmission facilities in the Central Asian republics.

Advisory technical assistance focused on developing an energy sector strategy, sector reform and restructuring, regulatory framework, energy conservation, renewable energy development, environmental protection, and energy efficiency in East and Central Asia and South Asia. Assistance to Bangladesh in 2002 included a project to substitute liquid fuel for the transport sector in Dhaka with domestic natural gas. ADB approved a technical assistance for a similar project in Indonesia. ADB has a key role in formulating a project aimed at exporting natural gas from Turkmenistan to Afghanistan and Pakistan and, possibly, India.

In 2002, ADB approved 13 loans, totaling \$1.0 billion and 21 technical assistance, totaling \$11.5 million for the energy sector. formulating the infrastructure elements of national and regional poverty reduction strategies.

ADB continued in 2002 to ensure that its assistance to the energy sector is consistent with its objective of protecting the environment. A project ADB is administering—Promotion of Renewable Energy, Energy Efficiency, and Greenhouse Gas Abatement (PREGA)—is stimulating interest on ways to control greenhouse gas emissions other than carbon dioxide, such as methane and nitrous oxide, emissions from sanitary landfills, solid waste dump sites, wastewater treatment plants, rice paddy cultivation, coal mines, and livestock. The PREGA will generate a pipeline of renewable energy, energy efficiency, and greenhouse gas abatement investment projects for possible financing through commercial, multilateral, and bilateral sources, including specialized treaty-linked mechanisms such as the Global Environment Facility and clean development mechanism. The PREGA will also identify policy and institutional barriers to disseminating renewable energy, energy efficiency, and greenhouse gas abatement investment projects of technologies, and study and develop financing models.

Transport

Mobility and accessibility are important factors contributing to and resulting from economic and social development. As domestic economies in most DMCs expand, the need for national transport infrastructure increases, which in turn increases the demand for assistance to the transport sector.

In 2002, ADB emphasized sustainable transport development by implementing sector reforms on improving

governance, establishing more efficient and effective sector agencies, introducing regulatory reforms for increased participation by the private sector, and improving sector financing and cost recovery. In the railway sector, support was provided to Indian Railways to implement institutional and policy reforms designed to strengthen the commercial orientation of railway, increase private sector participation in its activities, and finance strategic investments in high-density traffic corridors. In several countries—including Cambodia, India, Pakistan, and Sri Lanka—ADB supported the restructuring of sector institutions responsible for road sector management. ADB provided assistance to improve provincial roads that serve rural communities, study options to improve public transport operations, and prioritize future national road investment requirements.

In addition to country-specific assistance, ADB implemented regionally focused projects in 2002, which examined the serious environmental problem of deteriorating air quality. As vehicles are the primary cause of air pollution, a regional technical assistance examined how vehicle emissions could be reduced. Policy guidelines were prepared on fuels and alternative fuels, vehicle inspection and maintenance, the special problems associated with two- and three-wheeled vehicles, and improved transport planning and traffic management. ADB also initiated, with the World Bank group and others, the Clean Air Initiative for Asian Cities (see http://www.adb.org/Vehicle-Emissions/), designed to promote awareness and improve air quality through partnerships and shared experiences.

A second regional project is examining the linkage between transport and poverty; field investigations and analyses are ongoing.

Regional considerations featured prominently in ADB's transport operations in 2002. In Cambodia, support for road development will benefit the Greater Mekong Subregion and reduce poverty in remote rural areas of the country. While improvements in road asset management and effective road maintenance are key concerns, improving links with neighboring countries will facilitate subregional trade and tourism. ADB assistance to the Lao People's Democratic Republic (Lao PDR) also supported regional cooperation and national road development. Resources were provided to help improve the northern economic corridor and, together with financial assistance from the governments of the People's Republic of China (PRC) and Thailand, road travel will be possible from Yunnan Province in southwest PRC

to northeast Thailand. In addition to facilitating subregional trade, the corridor will enable the northern portion of the Lao PDR to participate in the region's growing market economy.

Rehabilitating and repairing the road network in Afghanistan was accorded priority by ADB as part of a postconflict multisector program. Grant assistance was also provided to restore effective institutions and establish transparent processes for sector operations. In Bangladesh, assistance was approved for improving feeder roads that would provide all-weather access to rural growth center markets. In Cambodia, large rural areas in the north will be made accessible upon completion of the primary road network around Tonle Sap. Assistance was also provided to Pakistan to support the reform of road sector institutions, and

rehabilitate and maintain provincial roads in Punjab Province.

In the Pacific, ADB aimed to develop ports in the Fiji Islands and improve outer island transport infrastructure in the Marshall Islands.

In India, a sector development program to the state of Madhya Pradesh supported road sector institutional reforms and rehabilitation of the state road network. A loan to the National Highway Authority of India also supported institutional development, as well as provided resources to extend the interurban expressway network. Following extensive policy dialogue, Sri Lanka initiated a program to reform the national and provincial road administration departments.

In 2002, ADB approved 13 loans for \$1.6 billion and provided 35 technical assistance grants amounting to \$15.8 million for the transport sector.

Transport conreduction by en tive activities the economic grow ing poor peop living in rural a economic opposervices, and n ing fully in soo The extent is affected by the social, and gove country or regi by the framew sector policies

Transport contributes to poverty reduction by enabling the productive activities that create pro-poor economic growth, and by providing poor people, especially those living in rural areas, with access to economic opportunities and social services, and means of participating fully in society.

The extent of this contribution is affected by the overall economic, social, and governance setting in the country or region in question; and by the framework of transport sector policies, institutions, and governance arrangements.

Since the utility of transport requires the complementary roles of infrastructure and services, ADB assistance increasingly involves support for both infrastructure and services improvement to ensure the whole transport package works effectively.

In some countries, ADB is promoting the development of link roads alongside investment in primary roads, for ensuring that the poverty reduction gains from both efficiency and accessibility are realized. A further dimension is the need to incorporate mitigation of possible adverse impacts of transport, including road safety and social and environmental hazards.

Recent studies have tried to quantify the poverty reduction impact of transport, but without great success, because most of the contributions of transport to poverty reduction are indirect, often widely dispersed among the population, and take place through multiple rounds of effects.

In principle, general equilibrium econometric modeling may be a tool for sifting out these impacts. However, it is far from clear

whether such a complex relationship can be reliably modeled.

Another approach to improving our understanding of this subject is through micro- and meso-level studies to examine how past transport interventions contributed to poverty reduction at the community level. While this approach does not quantify the impacts outside of the selected communities, it may identify the mechanisms through which transport contributes, and the complementary and inhibiting factors; and may quantify impacts at the community level. Studies of this kind are being undertaken in the People's Republic of China, India, and Thailand as part of an ADB project that is assessing the impact of transport and energy infrastructure on poverty reduction. The results of this work are expected in the second half of 2003.

ADB also continued to find ways of improving road sector management. Work focused on improved road financing mechanisms and support for the highway development and management model planning tool, which was designed in conjunction with other funding agencies. Several DMCs now use this tool for highway planning and sector resource programming. With an increasing number of people killed and injured on the region's road networks, a regional study (see http://www.adb.org/Documents/TARs/REG/tar_stu_36046.pdf) was formulated to address road safety issues in the Association of Southeast Asian Nations (ASEAN) region.

Finance, industry, and trade

Financial sector issues continued to impact on the region's development in 2002. Many countries affected by the Asian financial crisis and transitional economies continued efforts to restructure their banking systems to achieve financial stability and ensure that new lending is based on sound commercial principles. Banking supervision is being improved in several DMCs in line with the Basel Core Principles to prevent future systemic crises. The Basel Capital Accord was discussed at a seminar in the 35th Annual Meeting in May 2002 (see http://www.adb.org/AnnualMeeting/2002/Seminars/presentations/elmekkawy_presentation.pdf). The legal and institutional framework for debt recovery is being strengthened to deal with unresolved problems of nonperforming loans that impede new lending.

To reduce dependence on short-term bank financing for long-term investments and enhance allocation efficiency, several DMCs also sought to further develop their capital markets. ADB supported efforts to strengthen the regulation and supervision of securities markets in accordance with international standards and practices. ADB also supported efforts to improve market infrastructure, introduce more stringent corporate governance requirements, establish a policy environment that ensures efficient allocation of domestic savings, and develop an institutional investor base. Financial governance regimes in several DMCs are being strengthened by introducing international accounting standards and more stringent financial disclosure requirements.

Also, in 2002, ADB increased its trade-related technical assistance to help its DMCs participate in the new trade round and address various difficulties arising from the implementation of the World Trade Organization (WTO) agreements. Several regional technical assistance projects focused on capacity building for WTO agreements, trade facilitation, trade promotion, and cooperation.

Rural and microfinance

Asia's rural financial markets need to be improved to meet the challenges of the 21st century, according to an ADB-funded study published in 2000 (see http://www.adb.org/Documents/Books/Rural_Asia/Rural_Financial_Markets/). Given this, and the fact that two thirds of the world's poor live in Asia and the Pacific and about 60% of the region's total population live in rural areas, ADB continued in 2002 to emphasize the development of rural financial services.

ADB's goal in the sector is to ensure that rural households have permanent access to a broad range of sustainable financial services. Recognizing the correlation

ADB addressed financial sector issues in several of its developing member countries (DMCs). The Financial Sector Program (Subprogram II) Ioan in Cambodia resulted in the adoption of a system and supported policy sector reform efforts in several transition economies for the early identification of problem banks, and improved surveillance and inspection procedures for banking supervision. Accounting and auditing standards and an enforcement system are also expected. In the Lao People's Democratic Republic (Lao PDR), policy dialogue, in conjunction with the Banking Sector Reform Program loan, led to the adoption of a performance-based operational and financial restructuring program for state-owned banks.

Amendments to the capital markets, pension, and insurance laws to strengthen supervision and regulation and provide for international best practices and standards are being promoted in Indonesia's 2002 Financial Governance and Social Security Reform Program (Phase 1). Pakistan's Financial (Nonbank) Markets and Governance Program seeks to strengthen investor confidence through improved governance, transparency, and investor protection.

ADB supported policy dialogue for a legal framework for antimoney

laundering in Indonesia, and assisted Fiji Islands, Indonesia, and Philippines in establishing financial intelligence units in line with the reporting and monitoring requirements under their respective antimoney laundering legislation.

In the People's Republic of China (PRC) and Thailand, ADB provided assistance to facilitate the transformation of pension systems from unfunded pay-as-you-go systems toward fully funded defined contribution systems. In Indonesia, social protection is being strengthened through measures that seek to improve governance, supervision, and regulation of pension funds and mandatory social insurance programs.

ADB is promoting the development of real sectors in Bangladesh, Indonesia, Pakistan, Samoa, and Viet Nam, through assistance for creating more conducive policy, legal, regulatory, and institutional frameworks for small- and mediumsized enterprises (SMEs). Productivity enhancements, greater market access, and skills improvements need to be in line with financial sector development to achieve real sector growth. Technical assistance to Indonesia, Philippines, and Samoa supported the provision of SME finance by developing sustainable credit enhancement and information mechanisms. ADB also

expanded its support for subregional project development facilities. In 2002, regional technical assistance was approved to promote SME growth in the subregion of Bangladesh, Bhutan, (northeast) India, and Nepal.

In the Greater Mekong Subregion (GMS), Cambodia, Lao PDR, Thailand, and Viet Nam agreed on the mechanisms needed to harmonize customs declaration documents, and on the inspection procedures and the evaluation criteria for use along the GMS economic corridors. Technical assistance projects were initiated for enforcing World Trade Organization rules by the judicial system in the PRC, regional customs cooperation in the Kyrgyz Republic, and a trade policy review in Mongolia. In addition, two loans were approved for the Kyrgyz Republic and Tajikistan to strengthen the governance and operations of customs organizations, improve the customs legal and regulatory framework in line with international standards, and develop a mechanism for regional cooperation.

In 2002, ADB approved 9 financial sector, 2 trade sector, and 1 SME-related loans totaling \$735 million; and 22 financial sector, 9 trade sector, and 11 SME-related technical assistance projects totaling \$26.3 million.

between rural finance and broad-based, inclusive rural development in reducing poverty, ADB placed integration of rural and microfinance with the broader financial system at the core of its strategic thrusts and adopted the financial system development approach in its rural and microfinance operations.

ADB focuses on three broad strategic areas in its rural and microfinance operations: creating an enabling policy environment; building the financial infrastructure necessary for improving rural and microfinance services; and strengthening rural and microfinance institutions.

ADB held workshops in 2002 in Bangladesh and the Philippines to improve DMC understanding of the commercialization of microfinance, and began publishing the study results (see http://www.adb.org/Documents/Reports/Commercialization_Microfinance/BAN/).

In partnership with other funding agencies to support the development of microfinance services, ADB continued to assist the Consultative Group to Assist the Poorest (CGAP) (see http://www.adb.org/Documents/TARs/REG/tar_oth35011.pdf).

A highlight of ADB's rural and microfinance sector operations in 2002 was its participation in the voluntary donor peer review of microfinance operations, a program initiated by the CGAP and the Government of the United Kingdom to help funding agencies improve the effectiveness of their microfinance assistance. ADB was among the first six funding agencies to volunteer for the review. An international multi-donor team of microfinance experts reviewed ADB's microfinance operations in July. Recommendations were made available to the public shortly after. ADB also participated in the review process with the United Nations Development Programme and the United Nations Capital Development Fund in October.

Following its policy to support aid coordination, ADB assisted in formulating CGAP's new strategy and charter. The new strategy encompasses a vision in which the poor will have permanent access to a wide range of financial

ADB AND ACRAA: PARTNERS IN BOND MARKET DEVELOPMENT IN ASIA

Since the 1997 Asian financial crisis, policymakers have attached considerable importance to the development of bond markets in Asia to reduce the vulnerability of overdependence on bank financing and provide alternative investment options to investors. Essential to bond market development is credit rating; it provides a risk pricing mechanism and assists investors and financial intermediaries to differentiate among debt issues and arrive at informed investment decisions. Quality credit rating also has an important role to play in promoting sound corporate governance and financial market supervision.

The development of domestic credit rating agencies (CRAs) has been slow and uneven across the region, limiting investors' access to affordable quality rating services. To strengthen the capacity of domestic CRAs, the Association of Credit Rating Agencies in Asia (ACRAA) was established in September 2001 by members from Bangladesh; India; Indonesia; Japan; Republic of Korea; Malaysia; Pakistan; Philippines; Taipei, China; and Thailand to harmonize rating standards and adopt best practices. ACRAA encourages its members to share sound practices and policies, and to attain high performance standards. Establishing greater credibility is the bedrock of credit rating services.

ADB was a sponsoring partner of ACRAA. Through its Regional Economic Monitoring Unit, ADB provides technical assistance to ACRAA and its members in capacity building. The technical assistance on Capacity Building of Selected Credit Rating Agencies in Asia, approved in April 2002, supported a conference on rating standards; three training workshops on securitization, project finance rating, and financial analysis of banks; and a meeting on rating best practices.

services, including savings, payment services, and insurance. ADB, together with CGAP, cosponsored a staff training program in microfinance in Manila in December

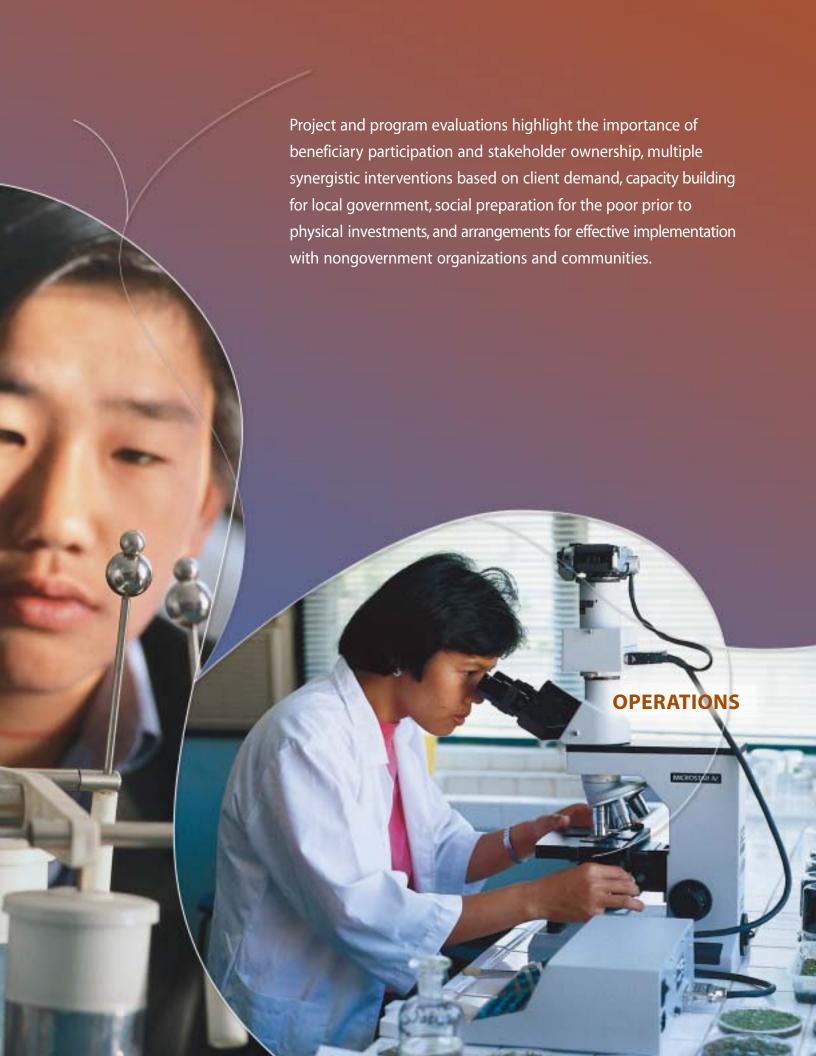
FRANSLATING RURAL PRIORITIES

To translate its operational priorities in rural and microfinance into concrete actions in Pakistan, ADB approved a Rural Finance Sector Development Program in 2002 to assist the Government in addressing key constraints in rural and microfinance and to strengthen the reform program. A loan for Uzbekistan for Small and Microfinance Development will create a viable and sustainable institutional framework and mechanism for effective delivery of financial services, particularly to poor, low-income households, and small and microenterprises.

A technical assistance grant is aimed at strengthening the Central Bank of Uzbekistan's institutional capacity for prudential regulation and supervision of savings and credit unions. In addition, ADB approved a microfinance component project to test interventions on a limited scale in urban sectors in the Lao People's Democratic Republic (Lao PDR), and one rural finance component project for plantation development in Sri Lanka. ADB continued its technical assistance to improve rural finance operations in the Lao PDR, initiating a diagnostic study on the Agriculture Promotion Bank, which is expected to assist policymakers in reforming this bank to provide rural financial services more efficiently and sustainably.

2002. In addition, ADB participated in several international events on microfinance organized by Inter-American Development Bank, International Finance Corporation, and United States Agency for International Development.

Recognizing the importance of disseminating good practices and improving knowledge to develop a sustainable microfinance industry, ADB continued to publish its quarterly newsletter on microfinance—Finance for the Poor—both in print and on its web site (see http://www.adb.org/Documents/Periodicals/Microfinance/).



n pursuing its objectives, the Asian Development
Bank (ADB) provides various forms of financial
assistance to its developing member countries
(DMCs). The main instruments are loans, technical
assistance, grants, equity investments, and
guarantees, which are met through funding sources
such as ADB's ordinary capital resources (OCR); its Special
Funds—resources for funding operations that are solely
under ADB's administration; or trust funds—external monies
that ADB administers on behalf of donors. ADB's resources
and operations in 2002 are summarized in this chapter. Also
included in this chapter is a summary of the evaluations
conducted in 2002 of ADB's projects and programs. For more
on the OCR and the Asian Development Fund (ADF), see the
Management's Discussion and Analysis chapter.

Loans

Lending for both public and private sector operations in 2002 amounted to \$5,676 million for 89 loans in 71 projects, compared with \$5,339 million for 76 loans in 60 projects in 2001. The \$337 million increase in total lending from 2001 to 2002 was largely due to a \$272 million rise in ADF lending—of which \$150 million went to Afghanistan as ADB resumed operations in the country after 23 years. The average loan size in 2002 was \$64 million.

Of the total lending, loans with government guarantee were over \$5,531 million for 67 projects, comprising \$3,898 million for 32 loans from the OCR and \$1,633 million for 53 loans from the concessional ADF. Of the public sector loan approvals, 15 were policy-based programs amounting to \$1,685 million, representing 30.5% of total public sector lending. Of the program lending, \$1,300 million or 77.2% will be funded by the OCR and \$385 million or 22.8% by the ADF. Policy-based programs include program loans and program loan components of sector development program loans, provided to support DMCs' effort to improve the policy, institutional, and investment environment, and help meet short-term adjustments costs. Lending to the private sector without government guarantee amounted to \$145 million for four loans in four projects.

The largest borrowing DMC was India (\$1,184 million, or 21% of total), followed by Pakistan, People's Republic of China (PRC), Indonesia, and Viet Nam. The transport and communications sector received the largest share of loans, \$1,613 million or 28.4% of total lending in 2002, followed by energy, finance, social infrastructure, agriculture and natural resources, multisector, and industry and nonfuel minerals. The "Others" sector received 14% of total lending. This includes projects not falling under the economic sector classification that ADB uses, such as central government administration, operation and regulation, customs operations, public sector reform programs, judicial and legislative operations, public finance management, fiscal reforms, environment projects, gender and governance, and tourism. For details, see tables 1–6 in the Statistical Annex.

The project mix of the 67 public sector loan projects and programs, based on a thematic classification, consisted of 18 projects (26.8%) supporting economic growth;

6 projects (9%) supporting human development; 3 projects (4.5%) supporting environmental protection; 2 projects (3%) supporting good governance; 1 project (1.5%) supporting gender and development as the main theme; and 37 projects (55.2%) classified as multithemes/others. Multithematic projects include a combination of two or more themes such as economic growth, environmental protection, good governance, private sector development, human development, regional cooperation, and gender and development. For more on lending, see http://www.adb.org/Finance/.

Technical assistance

A total of 324 technical assistance grants for \$179.0 million were approved in 2002. This represents a 23% increase, compared with \$145.5 million in 2001. The increase is primarily attributed to funds made available by multilateral and bilateral sources. Of the technical assistance grants approved, 87 were for project preparation; 160 for advisory and operational purposes; and 77 for regional activities such as conferences, research, studies, and training. Of the total, \$56 million will be financed from the OCR current income, \$46.7 million from the Technical Assistance Special Fund (TASF), \$36.4 million from the Japan Special Fund (JSF), \$9.6 million from the Asian Currency Crisis Support Facility (ACCSF), and the remaining \$30.3 million from other multilateral and bilateral sources.

The largest recipient of country-specific technical assistance grants (excluding regional technical assistance) was Indonesia (\$19.1 million or 14%), followed by Afghanistan (\$15.1 million or 11%), India (\$13.2 million or 10%), and PRC (\$13.2 million or 10%).

By sector (excluding regional technical assistance), social infrastructure (\$22.1 million or 16%) received the largest share, followed by multisector (\$20.3 million or 14.6%), finance (\$17.5 million or 12.6%), transport and communications (\$16.2 million or 11.7%), agriculture and natural resources (\$15.8 million or 11.4%), energy (\$11.5 million or 8.3%), and industry and nonfuel minerals (\$6.3 million or 4.6%). Other technical assistance received \$28.8 million or 20.8% of the total. For more on technical assistance activities, see http://www.adb.org/ta/ and tables 24–28 in the Statistical Annex.

ADB Operations

	\$ N	\$ Million	
	2001	2002	Change
Lending			
OCR	3,977.4	4,042.8	1.6
ADF	1,361.3 ^a	1,633.0	20.0
Total Lending	5,338.7	5,675.8	6.3
Equity Investments	30.4	35.5	16.8
Technical Assistance Grants ^a	145.5	179.0	23.0
TOTAL ^b	5,514.6	5,890.3	6.8

a Includes regional activities.

b Figures may not add due to rounding

Grants

Fifteen ADB projects received grant cofinancing amounting to \$221.4 million from bilateral and multilateral sources in 2002. Components of ADB projects were cofinanced by the Netherlands (\$71.8 million), Japan (\$50.0 million), United Kingdom (\$34.2 million), Denmark (\$30.3 million), Germany (\$16.9 million), and the Global Environment Facility (\$10.3 million). Other donors contributed a further \$7.9 million.

Sixteen projects were fully funded by grant financing provided by the Japan Fund for Poverty Reduction (JFPR) (\$49.3 million), and two by the Japan Fund for Information and Communication Technology (\$0.68 million). For details, see the Management's Discussion and Analysis chapter, and tables 7, 35, and 36 in the Statistical Annex.

Equity investments

ADB approved equity investments in four private sector projects in 2002 amounting to \$35.5 million, which are expected to mobilize \$175.1 million in additional capital flows. The approvals were made in a central depository facility in Bangladesh, two investment funds in the PRC and India, and a mortgage credit guarantee in India. For details, see Table 10 in the Statistical Annex.

Cofinancing and guarantee operations

Cofinancing from both official and commercial sources enhances the benefits and impact of ADB projects. ADB's intensified efforts in 2002 to mobilize additional resources led to a significant increase in cofinancing, both in the number of cofinanced loan projects and in the volume of

commercial cofinancing and guarantee operations. Cofinancing mobilized from all sources amounted to \$2,851 million for 38 public and private sector loan projects. Total cofinancing mobilized in 2002 was more than double the amount mobilized in 2001, and equivalent to half of ADB's total lending of \$5,676 million during the year. This was the sixth consecutive year in which cofinancing was arranged for more than 40% of ADB loan projects. For details, see Table 7 in the Statistical Annex.

Fifteen DMCs received cofinanc-

ing in 2002. The PRC received the largest amount of about \$767 million, primarily from its domestic financial institutions, followed by Viet Nam with \$609.5 million and the Philippines with \$545.5 million.

Since 1970, cofinancing and guarantee operations have mobilized a cumulative total of \$38.3 billion, providing additional resources for 609 ADB-assisted loan projects and programs. The cumulative total comprises \$22.3 billion from official sources, and \$16 billion from commercial sources and export credit agencies. The

a total of \$754.5 million in official cofinancing was provided by ADB's development partners in grant funds (\$221.4 million) and loans (\$533.1 million) for 29 loan projects. Japan provided cofinancing of \$275.5 million for six loan projects, followed by France with \$80.3 million for four loan projects, and the Netherlands with \$71.8 million for four loan projects. The European Bank for Reconstruction and Development provided \$49 million for the Regional Power Transmission Modernization Project in the Central Asian republics. Other major

energy sector accounted for \$16.8 billion or 44%, followed by transport and communications (\$8.2 billion

sectors (\$5.8 billion or 15%).

or 21%), agriculture and natural resources (\$4.2 billion or

11%), social infrastructure (\$3.3 billion or 9%), and other

Official cofinancing: ADB maintained proactive

through regular consultations and discussions. In 2002,

and close interaction with its development partners

International Development (\$30.9 million), International Development Association (\$27.0 million), International Finance Corporation (\$20.0 million), and Nordic Development Fund (\$14.1 million).

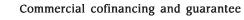
In 2002, 64 technical assistance projects were

multilateral cofinanciers include the OPEC Fund for

cofinanced by 71 grants for a total of \$30.3 million from the governments of Australia, Canada, Denmark, Finland, France, Italy, Japan, New Zealand, the Netherlands, Norway, Spain, Sweden, and United Kingdom; the ADB-administered multidonor cooperation funds; the World Bank; and the Global Environment Facility. Fifteen loan projects received grant cofinancing amounting to \$221.4 million from bilateral and multilateral sources in 2002.

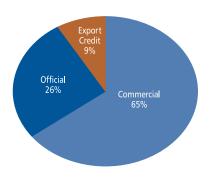
During the year, the United Kingdom made an initial contribution of \$60 million toward the establishment of the Poverty Reduction Cooperation Fund, a multidonor fund administered by ADB (see http:// www.adb.org/Documents/Policies/ PRF/). Norway committed \$2 million for the existing Governance Cooperation Fund. The Netherlands made an additional contribution of \$4 million to its existing Cooperation Fund for the Water Sector (see http:// www.adb.org/Documents/Others/ Cofinancing/IN30_03.pdf). The Swiss Cooperation Fund for Consulting Services was also replenished in the

amount of \$600,000 (see http://www.adb.org/Documents/Others/Cofinancing/IN70_02.pdf).



operations: Commercial cofinancing in 2002 amounted to \$2,097 million for 12 projects, compared with \$933 million for 8 projects in 2001. Of the 2002 total, \$885 million was raised using ADB guarantees, \$249 million was export credit, and \$963 million was parallel cofinancing, mainly from domestic financial institutions in the PRC.





Total: \$2,851 million

ADB guarantees played a key role in resource mobilization efforts in 2002; this is illustrated by the transactions described below.

Philippines: Power Sector Restructuring Program
In 1998, ADB approved this pro-

MOBILIZING PRIVATE CAPITAL FOR DEVELOPMENT

gram in the amount of \$300 million to support the power sector restructuring process in the Philippines. ADB's financial support was further augmented by \$300 million cofinancing from the Japan Bank for International Cooperation (JBIC). In late 2002, ADB further extended its support for the program by guaranteeing a 61.8 billion Japanese yen Eurobond issued by the project executing agency, the Philippines' Power Sector Assets and Liabilities Management Corporation (PSALM). The bond proceeds will help in the initial stages of power sector privatization. This increased the total financial assistance to the vital power sector reforms to more than \$1 billion. The bond issue was lead managed by Nomura International. ADB supported the issue by means of a partial credit guarantee, covering the repayment of principal at final maturity and the payment of interest coupons for the

last 10 years of the bond. The ADB guarantee was backstopped by a counterguarantee provided by the Government, and ensured PSALM's access to competitive and long-term (18- and 20-year) funds. This led to reduced financing costs and enabled PSALM to pass savings on to consumers at an earlier stage than would otherwise have been possible.

In the words of ADB President Tadao Chino, ADB's support of the bond issue helped the Philippines "maintain the momentum of essential reforms in the power sector. These will provide clear benefits to the poor through lower electricity prices, better service, and stronger growth, as well as send an important positive message to private investors." For more on this program and the President's comments, see http://www.adb.org/Documents/News/2002/nr2002234.asp.

Viet Nam: Phu My 2.2 Power Project

Phu My 2.2 is a 715-megawatt gas-fired power project located in Ba Ria-Vung Tau Province in southern Viet Nam. It is Viet Nam's first privately sponsored build-operatetransfer (BOT) power project awarded through international

competitive bidding. The project's sponsors are Electricité de France International, Sumitomo Corporation of Japan, and Tokyo Electric Power Company Incorporated.

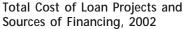
ADB support for this pioneering BOT power project consisted of a \$50 million direct loan and a \$25 million political risk guarantee (PRG). The PRG supported borrowing from a syndicate of commercial lenders. ANZ Investment Bank, Société Générale, and Sumitomo Mitsui Bank acted as co-lead arrangers for the PRG facility. Other lenders to the project include JBIC, Proparco of France, and World Bank.

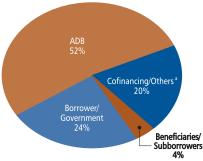
This transaction marks the first PRG in which ADB acted as guarantor-of-record, supported by Sovereign Risk Insurance Ltd., a private political risk insurer. ADB's guarantee was provided without a government counterguarantee.

The Phu My 2.2 Power Project was recently awarded "Project Finance Deal of the Year" by Finance Asia and AsiaMoney, and "Asian Power Deal of the Year" by Project Finance, among others. For more on this project, see page 57 and http://www.adb.org/Documents/Environment/phu_my.pdf.

Of the 12 projects funded by commercial cofinancing in 2002, four projects were supported by ADB guarantees. Guarantee operations comprised a partial credit guarantee (PCG) of \$500 million in support of a bond issue for the Power Sector Restructuring Program (see box above) in the Philippines, and four political risk guarantees (PRGs) in three projects with an aggregate total of \$385 million.1 From 1988 to end-2002, ADB issued a total of 12 PCGs and 6 PRGs to mobilize about \$2.4 billion in commercial cofinancing through syndicated loans and capital market instruments. For more on ADB's

cofinancing and guarantee operations, see http://www.adb.org/cofinancing.





Total: \$10.8 billion

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

Portfolio management

In 2002, ADB continued to strengthen its ability to monitor and manage its loan and technical assistance portfolio. Improvements were made to ADB's project performance reporting system—an automated, in-house reporting tool for monitoring ongoing loan projects—based on operational experiences gained in 2001. Work commenced on developing a similar performance reporting system for technical assistance projects. Revised Project Administration Instructions (PAIs) were issued to staff. These incorporate improvements in business processes

and changes in the delegation of authority. To complement the revisions, an electronic question-and-answer facility was launched to assist staff with the PAIs.

ADB's portfolio reviews with governments were expanded in 2002, bringing to 17 the number of countries covered by this exercise. Portfolio reviews in several

Consisting of two PRGs for Pakistan's Financial (Nonbank) Markets and Governance Program, and one PRG each for Viet Nam's Phu My 2.2 Power and Phu My 3 Power projects.

A revised classification system for ADB's developing member countries (DMCs), approved by the Board of Directors in December 1998, took effect on 1 January 1999. Two criteria—per capita gross national product and debt repayment capacity—are used to determine the classification of borrowing DMCs¹ into Groups A, B1, B2, and C. The classification determines the eligibility of DMCs to borrow from the Asian Development Fund (ADF).

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

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

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

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

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

The country classification also impacts on operations with regard to cost-sharing limits and domestic preferences. The normal cost-sharing limits for project loans by ADB change for the borrowing DMCs as follows: 80% for Group A, 70% for Group B1, 60% for Group B2, and 40% for Group C. On 28 November 2002, the Board of Directors approved a paper "Review of Cost-Sharing Limits for Project Financing as an Element of ADB's 1998 Graduation Policy." Effective

1 January 2003, ADB will apply new cost-sharing limits for project loans as follows: 80% for Group A,⁴ 75% for Group B1, 70% for Group B2, and 65% for Group C. The government contribution to technical assistance should be at least 15% of the total technical assistance costs for Group A, 20% for Groups B1 and B2, and 30% for Group C. The contribution will be subject to the limit of total technical assistance costs minus foreign exchange costs and costs of domestic consultants.

For details on ADB's graduation policy for DMCs, see http://www.adb.org/documents/policies/graduation.

Timor-Leste has not been classified.

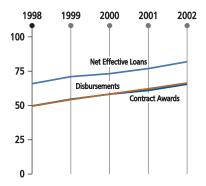
- ² Limited eligibility for the OCR will be applied only after the external debt position improves.
- ³ On a watch list for graduation from the ADF.
- As per the Board of Directors paper "Review of Afghanistan's Classification Under ADB's Graduation Policy," 28 June 2002, the cost-sharing limit for loans and technical assistance operations for Afghanistan has been waived for 2002–2004.

countries now include the participation of other major funding agencies, and are combined with the annual programming exercise. In association with the World Bank, country procurement assessment reviews were undertaken in nine countries to promote sound public procurement policies and practices.

Harmonizing procurement: ADB worked toward harmonizing procurement policies and practices by hosting in October a meeting of the heads of procurement (HOP) of the multilateral development banks and public international financial institutions. This meeting confirmed the convergence of

procurement policies and practices even as the group broadened its scope to cover anticorruption measures, antiterrorism, and electronic and environmentally responsible procurement. The HOP approved the master prequalification documents for the procurement of works, from which ADB drafted a standard prequalification document for discussion prior to final issuance in early 2003. The working group on the standardization of bidding documents sent to the HOP a first draft of master bidding documents for the procurement of works. Upon approval of the master documents, ADB will prepare its standard bidding document for the procurement of works.

Contract Awards and Disbursements, 1998–2002 (cumulative, end of year) (\$ billion)



Project administration: A total of 89 new loans (85 public and 4 private sector) were approved in 2002. This brought the number of loans under administration to 555, comprising 476 loans in the public sector and 79 in the private sector. Of the 505 ongoing public sector loans, 434 were rated satisfactory (including 5 highly satisfactory) in terms of implementation progress and achievement of development objectives, while 57 loans were rated partly satisfactory and 14 loans were rated unsatisfactory. In 2002, 699 project administration missions, excluding private sector loan reviews,

were fielded to assess project progress and discuss problems; improve portfolio performance; and strengthen the linkages between country and sector performance, including joint project reviews with the World Bank and other MDBs. Approximately 10,400 person-days (or an average of 25.5 person-days per project) were spent reviewing projects.

ADB's regional and resident missions continued to play an important role in project implementation, in accordance with ADB's Resident Mission Policy. Major operational functions such as country programming, project processing, and portfolio management continued to be

delegated to the missions. By the end of 2002, the administration of a total of 21 loans for 19 projects had been delegated to the resident missions in Bangladesh, Cambodia, India, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam; and the regional mission for the South Pacific in Vanuatu. For more on the Resident Mission Policy, see http://www.adb.org/Documents/Policies/Resident_Mission/.

Ninety-seven projects were completed during the year. Sixty-eight project completion reports were circulated in 2002, bringing to 1,057 the total number of reports prepared as of end-2002. *For details, see Table 14 in the Statistical Annex*.

Contract awards: Contracts totaling \$4.3 billion (excluding contracts for technical assistance projects) were awarded in 2002 by executing agencies in DMCs for engaging consulting services and procuring goods, related services, and civil works. Contract awards increased 69% over 2001, but this was still less than the annual projection due to contract awards slippages in a few borrowing countries. Consultancy contracts under loan projects totaled \$125.2 million. For details, see tables 15–23 in the Statistical Annex.

Loan disbursements: In 2002, loan disbursements of \$4.2 billion achieved the projection for the year, and were higher than disbursements of \$3.8 billion in 2001, mainly due to an increase in program loan disbursements. Of the total disbursements, \$2.0 billion or 48% was for project loans, followed by program, sector, and private sector loans. For 2001 and 2002 disbursements by lending modality, see tables 8 and 15 in the Statistical Annex.

Project implementation and administration seminars: ADB continued to conduct seminars in 2002 to help DMCs adapt to ADB's current project implementation and administration policies, practices, and procedures. Eight seminars highlighted key aspects and specific features, including new developments, the use of consultants, and procurement and disbursement procedures. Each session lasted 2 weeks. Seven of the eight were in-country seminars held in Bangladesh, Cambodia, PRC, India, Indonesia, Mongolia, and Sri Lanka, attracting a total of 258 participants. A regional seminar for the Kyrgyz Republic and Tajikistan, attended by 40 participants, was held in Bishkek, Kyrgyz Republic. Another regional seminar was held at ADB headquarters where 47 DMC representatives and 4 observers participated. In addition, two project implementation seminars were held at ADB headquarters for ADB staff.

ADB conducted five seminars for government and executing agency officials in 2002 to explain ADB's procedures for recruiting consultants under loan projects. These seminars, attended by 156 participants, were held in Bangladesh, India, Lao PDR, Nepal, and Papua New Guinea. Five seminars for DMC consultants explained business opportunities with ADB and the procedures for consultants to register and express interest in assignments. These seminars were conducted in Bhutan, PRC, Nepal, Sri Lanka, and Viet Nam, with a total of 262 participants. Feedback received from participants indicated a high level of satisfaction and noted the relevance of the seminars.

Business opportunities seminars: Twenty-seven seminars on business opportunities were conducted in 2002 in 15 countries: Australia; Canada; Denmark; Finland; Germany; Indonesia; Japan; Malaysia; New Zealand; Norway; Portugal; Sweden; Taipei,China; United Kingdom; and United States. The 1,625 participants received an overview of business opportunities under ADB-financed loans and technical assistance, and were given advice on procurement policies and procedures, including evaluation and comparison of bids and consulting proposals.

Based on participant feedback, the seminars helped create an awareness of business opportunities from ADB-financed projects. The seminars also helped increase competition among prospective suppliers and consultants in offering ADB DMCs the most appropriate goods and services at the lowest price.

Introduction of quality and cost-based selection

In line with the prevailing practices of other multilateral development banks, the Board of Directors approved in 2002 the introduction of quality and cost-based selection (QCBS) as a method for selecting consulting firms under ADB-funded technical assistance and loan projects. As of 1 April 2002, the QCBS is ADB's preferred method. While the QCBS requires ADB and borrowers to consider the competing firms' proposed prices, quality of services remains the most important consideration. The evaluation of a firm's proposal is weighted at 80% for technical quality and 20% for cost.

To support the introduction of the QCBS, ADB conducted five briefings at its headquarters and 14 briefings in resident missions to explain the procedures for using the new method to staff and executing agency officials concerned. Relevant documents were revised, including the handbook for users of consulting services, the PAIs, and the request for proposals. A new guide for preparing terms of reference was developed for staff and executing agencies.

The introduction of the QCBS is expected to help ADB use its limited funds for engaging consultants more efficiently. The QCBS also increases the transparency of selections because the shortlisted firms' financial proposals are opened in public and the firms' technical scores are read out loud to those attending. The Board of Directors will review the implementation of the QCBS in 2004. For more on the QCBS, see http://www.adb.org/Documents/Guidelines/Consulting/con_selection.asp.

Private sector operations portfolio

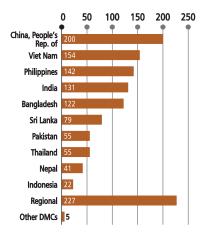
ADB's private sector portfolio continued in 2002 to leverage and catalyze other funding sources. Cumulative approval since ADB's first private sector investment in 1983 amounted to \$2.2 billion in the form of direct loans and equity investments, financing 155 projects, mobilizing \$18.4 billion in total resources, and leveraging ADB investments by a ratio of 7.4 times. Of these approvals, cumulative disbursements amounted to \$1.5 billion.

Private Sector Portfolio Distribution, a 2002

	Investments Held		
	No. of Companies	\$ Million	%
Infrastructure	21	619.8	50.2
Investment Funds and Financial Institutions	57	464.9	37.7
Others	13	148.8	12.1
TOTAL	91	1,233.5	100.0

^a At exchange rates as of 31 December 2002.

Private Sector Operations Portfolio Distribution by Country, 2002 (\$ million)



In 2002, the portfolio amounted to \$1.2 billion, consisting of \$759.4 million in loans and \$474.1 million in equity (62% and 38%, respectively, of the portfolio). Infrastructure projects continued to hold the largest composition of the portfolio at \$619.8 million (50.2%), followed by investment funds and financial

institutions at \$464.9 million (37.7%), with the balance accounted for by other sectors at \$148.8 million (12.1%).

To free up capital resources for new investments, ADB actively sought the full and partial divestments of equity shareholdings in 14 project companies, resulting in net returns of 68% over investment cost. Five loans totaling \$65.5 million in approvals were fully repaid during the year.

At the end of 2002, 91 private sector projects were under administration, net of repayments, cancellations, and divestments. Of the total number of projects, 16 were in regional financial entities and funds. Operationally, 65 companies demonstrated strong financial performance, 6 performed marginally, and 20 underperformed. Risk management continued to be directed toward resolving underperforming accounts. Two projects were liquidated and foreclosed, two projects were restructured, and one project was repaid in full.

Interest, net realized capital gains, and other income earned on the private sector portfolio decreased to \$29.8 million in 2002, relative to the \$32.7 million level of 2001. Dividend income decreased from \$13.2 million (4.9% yield) in 2001 to \$8.6 million in 2002.

Allowance for possible losses on the portfolio decreased from \$144.5 million in 2001 to \$137.3 million in 2002. The loss reserve ratio was at 20.1% of the outstanding portfolio as at end-2002, compared with 21.1% in 2001.

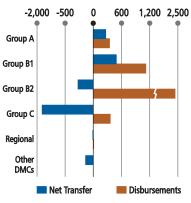
In its private sector operations, ADB continues to strengthen risk management by implementing an independent credit review process at every stage of project processing prior to approval. Project administration is enhanced by more rigorous reviews. Investments that exhibit early signs of vulnerability are given special attention to arrest further deterioration of project quality. Intensive recovery efforts on impaired and nonperforming investments, mostly of earlier discontinued investments in manufacturing and industry, have achieved substantial results with the closure of two such projects in 2002. ADB's experience from these impaired investments provides crucial lessons for future investment activities. For details, see tables 10–13 in the Statistical Annex.

Resource transfers

Compared with the net transfer of resources from ADB to its DMCs of \$464.3 million in 2001, there was net inflow of \$1.4 billion to ADB from its DMCs in 2002. During the year, net transfers from ADB to ADF borrowers increased from \$658.4 million in 2001 to \$717.8 million in 2002. However,

there was a net inflow of \$2.1 billion (\$194.1 million in 2001) to ADB from OCR borrowers/ investees in 2002, mainly resulting from higher prepayments of \$2.0 billion (\$52.5 million in 2001) of OCR poolbased loans. For details, see tables 29 and 30 in the Statistical Annex.

Disbursements and Net Transfer of ADB Resources to DMCs, 2002 (\$ million)



See page 66 for classification of countries.

Resource Transfers to Developing Member Countries (\$ million)

	2001	2002
OCR		
Loan Disbursements Principal Repayments ^a Payments of Interest/Charges Net Equity Investment Net	2,850 (1,196) (1,843) (5) (194)	3,067 (3,334) (1,814) (17) (2,098)
ADF		
Loan Disbursements Principal Repayments Payments of Interest/Charges Net	1,024 (219) (147) 658	1,136 (262) (156) 718
TOTAL	464	(1,380)

⁽⁾ Represents resource inflow from developing member countries.

^a Includes prepayments of \$1,977.1 million (\$52.5 million in 2001).

Loan disbursements in 2002 totaled \$4.2 billion, comprising 100% of the target for the year. Of the total, OCR disbursements were \$3.1 billion or 73% and ADF disbursements were \$1.1 billion or 27%. For details, see tables 8 and 15 in the Statistical Annex.

Loan service payments reached \$5.6 billion in 2002, compared with \$3.4 billion in 2001. The increase was mainly because of higher prepayments (\$2.0 billion in 2002, \$52.5 million in 2001).

In 2002, the four largest net resource transfers from ADB were to Viet Nam, Sri Lanka, Indonesia, and Afghanistan (by magnitude) (see tables 29 and 30 in the Statistical Annex).

Performance evaluation and development impact

The Operations Evaluation Department (OED) independently evaluates ADB's operations, including the performance of selected projects, programs, and technical assistance about 3 years after completion. It also undertakes thematic evaluation studies in the form of impact, special, and country assistance program evaluations. In 2002, OED completed 48 evaluation reports. This included 31 project or program performance audit, 6 technical assistance, 3 country assistance program, 6 special and impact evaluation, and 2 annual reports. OED prepared for the first time a report evaluating the performance of ADB's portfolio of ongoing projects and programs. OED was further strengthened in 2002 with an advisor post for identifying appropriate indicators for measuring development effectiveness.

Project and program performance audit reports

In 2002, 27 public sector projects and 6 programs that were completed in or around 1998 were assessed in 30 reports. Based on five evaluation criteria—relevance, efficacy, efficiency, sustainability, and institutional/other development impacts—4 projects/programs (12%) were rated highly successful, 23 successful (70%), and 6 partly successful (18%). None was rated unsuccessful. These results continue a trend toward higher success rates for projects and programs. There is little difference in success rates among country groups. Partly successful and successful projects/programs appeared in all four country groups (A, B1, B2, and C; see box on country classification on page 66), and highly successful projects in three of them. Of 15 infrastructure projects and programs—6 in energy and 9 in transport and communications—3 were highly successful, 11 successful, and 1 program partly successful. Of 10 agriculture and 5 social sector projects, 10 were successful and 5 partly successful. The other 3 projects/programs were successful or highly successful. In addition, one private sector project was evaluated and rated successful. To view evaluation reports, go to http:// www.adb.org/evaluation/.

Of the six programs, four (67%) were rated successful and two (33%) were partly successful. All four successful

programs, including agriculture sector programs for the Kyrgyz Republic and Viet Nam, achieved their program purpose with impacts likely to be sustained. On the other hand, the partly successful Agriculture Sector Program in Mongolia accomplished only three fourths of policy reform measures and experienced some key policy reversals. Of the 27 public sector projects, 4 (15%) were rated highly successful, 19 (70%) successful, and 4 (15%) partly successful. The sector lending approach resulted in the highly successful Third and Fourth Power Transmission (Sector) projects in Thailand and the successful Tenth and Eleventh Road (Sector) projects in Indonesia.

The highly successful National Air Navigation
Development Project in Mongolia generates significant
foreign exchange earnings from overflights, and has
improved safety and efficiency at Ulaanbaatar Airport. The
highly successful Laiwu Steel Modernization Project in the
PRC has been a model for modernization in the steel
industry and the reform of state-owned enterprises. On the
other hand, the four partly successful agriculture projects
showed some weaknesses in their design and implementation. The Employment Generation Project in Mongolia and
Second Barani Area Development Project in Pakistan were
not effective in reaching out to the majority of their
intended poor beneficiaries. For some successful projects,
outcomes were constrained by the lack of beneficiary
participation and limited impact on poverty.

The performance audit reports confirmed project completion report ratings for 27 public sector projects/ programs, and reclassified 6. The Bangladesh Railway Recovery Program was reclassified from generally successful to partly successful owing to a relapse in both program components and progress toward financial sustainability. Exceptionally, another five projects/programs were reclassified from partly successful to successful in recognition of sustainable achievements, and associated institutional and socioeconomic development impacts.

Lessons: The evaluations provided several lessons. For poverty reduction, the evaluations highlight the importance of beneficiary participation and stakeholder ownership, multiple synergistic interventions based on client demand, capacity building for local government, social preparation for the poor prior to physical investments, and arrangements for effective implementation with nongovernment organizations and communities. For program lending, the success of a reform process depends on the sustained commitment of all stakeholders to policy reforms, stemming from ownership built before reforms, a sharply focused program design that recognizes implementation capacity and the sensitivity of reforms, and flexible program implementation.

Special and impact evaluation studies

Beneficiary perceptions of the impact on poverty reduction of agriculture and social infrastructure projects: A special evaluation study using surveys examined beneficiary perceptions of the impact on poverty reduction of selected agriculture and social infrastructure projects in six DMCs. Depending on the type of impact,

24-50% of the beneficiaries felt they gained substantially from ADB-financed operations. The proportion was higher for income and general well-being benefits than for more specific benefits to women and the environment. Projects approved in the 1990s were more effective than those approved in the 1980s. A significant survey finding was that among the poor, only a small improvement in income was needed for them to perceive themselves as no longer poor. Major lessons included the need for a balanced program of poverty intervention projects at the macro level; consultation with beneficiaries during project preparation and implementation; more time and resources in promoting

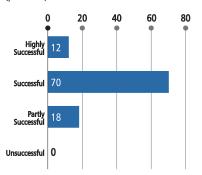
social capital for every poverty intervention project; beneficiaries' trust in development partners; and timing in the projects' turnover to beneficiaries prepared to handle the responsibilities.

Impact of rural road improvements on poverty reduction: A case study-based impact evaluation examined the impact on poverty reduction of ADB-financed rural road improvements in road project investments and rural development projects. Better rural roads are a necessary but not sufficient condition for graduating from poverty. The poor first need to accumulate a surplus, for example by reducing time for collecting water, allowing them time to seize new opportunities from motorized transport. The study recommends designing interventions that concentrate on removing access and mobility constraints of the poor in their existing livelihoods, through improved transport modalities and carrying capacity; providing transport services by the government as a public service obligation and later developing sustainable private transport services; establishing transparent criteria for selecting a particular road; and encouraging labor-based technology for income generation.

Investment fund operations (IFOs): An evaluation study examined the development impacts of 29 IFOs relating to infrastructure, venture capital, portfolio investment, and special purposes, representing about 19% of cumulative private sector and about 59% of cumulative equity investment operations of ADB. The IFOs had significant impact on mobilizing resources particularly for infrastructure, supporting small- and medium-sized enterprises, developing capital markets, and generating employment opportunities. However, financial performance was generally modest, affected by the Asian financial crisis; changes in regulations such as in the telecommunications sector; and the ability of fund managers to identify, appraise, and supervise projects. The study recommended follow-up actions for ADB in the selection and remuneration of fund managers, administration of IFOs, monitoring and evaluation of projects financed by IFOs, and an exit policy for ADB.

Water supply and sanitation projects: An impact evaluation study of water supply and sanitation activities

Project and Program
Performance Ratings, 2002^a
(percent)



Performance audit ratings based on five evaluation criteria: relevance, efficacy, efficiency, sustainability, and institutional/other development impacts. reviewed 50 loans and technical assistance and undertook 6 in-depth assessments in selected DMCs. All projects substantially increased water consumption by households, with more than half the beneficiaries living below the poverty line, although satisfaction with improved water services from piped connections varied among domestic and nondomestic consumers. Sanitation received less attention than water supply systems; its impact has been limited and mixed. None of the water utilities concerned had achieved full cost recovery. Important lessons were the need to include sanitation, hygiene, and health promotion in more projects; apply further measures to manage demand

and reduce nonrevenue water; assess alternative means of distributing water, such as bottled water for drinking; involve beneficiaries at all stages of rural water supply projects; and aim utility pricing at full cost recovery to ensure continued and expanded water supply and sanitation services. The recommended actions are consistent with the Water for Asian Cities Program, announced by ADB President Tadao Chino at the World Summit on Sustainable Development in Johannesburg.

Primary education projects: A special evaluation study examined government and nongovernment provision of primary education in three DMCS, to assess whether the private sector provided higher quality, better school management, and greater access to primary education. Using interviews with primary education stakeholder groups and secondary data, the evaluation concluded that private provision reduces the financial burden on government and improves access; and that while for-profit private schools also improve quality and efficiency, they may do so at a cost to poor families. The quality of education continued to be a problem: teachers lacked qualifications and the number of classroom hours was inadequate.

The study showed that a long-term sector framework should be developed on interaction between government and nongovernment, religious, and general agencies, and formal and nonformal schooling systems; more resources are required for reaching and retaining in school the children from the remote areas; school management and committees need legal powers, budget, and training; local governments, communities, and parents should be included in capacity-strengthening efforts; and financial norms should be established to maintain a minimum acceptable level of per student and nonsalary proportion of recurrent expenditure.

Country assistance program evaluations

Three country assistance program evaluations were undertaken for Bangladesh, Mongolia, and Philippines.

Bangladesh: From 1973 to 2001, Bangladesh received 141 public sector and 8 private sector loans and equity investments, and 272 technical assistance grants. Of 52 postevaluated projects, 38% were classified as generally

Asian Development Fund (ADF) resources, a key instrument for poverty reduction through concessional lending to low-income developing member countries (DMCs), have funded about 28% of ADB's total lending activities. The 2002 evaluation of ADF operations during 1992-2000 (ADF VI-VII) assessed projects, processes, and policies. Sources included ADB databases, such as the loan financial information system, project performance monitoring system, and project completion and evaluation reports. Project case studies were undertaken in five DMCs covering five sectors and three thematic areas. Governments, project stakeholders, representatives from the private sector, and other bilateral and multilateral agencies were consulted.

Ten areas were targeted by donors for ADF VI-VII: (i) stimulating growth, (ii) assisting in family planning and human development activities, (iii) reducing poverty, (iv) addressing gender concerns, (v) improving environmental mitigation and management, (vi) strengthening policy adjustments that contribute to growth, (vii) implementing a more strategic planning process, (viii) improving project quality, (ix) adopting a policy on country graduation, and (x) introducing a more formal process for ADF allocation.

There were 318 concessional projects approved during ADF VI–VII with loans totaling \$12 billion, about 24% of ADB's total approval,

and about 4% of the total net resources to ADF borrowing countries.

ADF VI coincided with the introduction of five strategic development objectives for project classification: economic growth, human development, poverty reduction, gender and development, and environmental and natural resource management. Several new policies were successively introduced, such as governance, resettlement, inspection, indigenous peoples, nongovernment organizations, and gender.

While almost 60% of projects financed under ADF VI–VII are still under implementation, there is evidence of satisfactory progress, although uneven, in meeting the ADF VI–VII objectives. The evaluation reached the following conclusions.

- Highly satisfactory. A strategic planning process was adopted and has become an integral part of the institutional culture. Country-based programming has improved each year and project selection and design have followed the strategic directions.
- Satisfactory. Project investments directed toward stimulating balanced economic growth have continued and show a solid rate of return. Practices on project-related issues that affect the poor, such as resettlement and environmental damage mitigation, have improved. While family planning activities have not been sustained, investments in human development have

continued to expand. Poverty reduction investments have improved with experience, a greater institutional understanding of the issues, and more defined targets and goals. ADF project quality and performance have improved. More work is needed, however, in project monitoring and management. ADF allocations have been generally consistent with the formal performance-based measures adopted for the ADF VIII.

- · Partly satisfactory. Improving environmental management has proceeded unevenly within ADB. The number of projects specifically addressing environmental issues is low. ADB's lending for policy adjustments—program lending—has had mixed success. Reform programs sometimes have been overambitious and governments have lacked the capacity, or the will, to implement difficult reforms. Some countries have graduated formally from the ADF under the Graduation Policy. However, changes in access criteria have had little effect on country borrowing patterns.
- Unsatisfactory. Incorporating gender concerns continues to be difficult for ADB. Project selection and design have not effectively supported this development objective. Mainstreaming gender concerns under the Gender and Development Policy has had limited impact.

Overall, ADB has adapted to the change agenda for ADF VI–VII, in a way that has affected all operations, not just those financed by the ADF.

successful, 52% partly successful, and 10% unsuccessful, showing a much higher proportion of partly successful projects than ADB's average. ADB's country strategies and operations recognized the need for mainstreaming governance issues, took a long-term approach to structural reform, and provided a significant impact on economic growth and poverty reduction through infrastructure projects.

Weaknesses included failure to achieve sufficient structural reform in some sectors, inability to implement governance reforms affecting local communities, inadequate support for health and education, and failure to mainstream the environment in the country program.

There is a need for

• a more proactive approach to governance, both at central and local government levels;

- more lending for small enterprise development for employment generation;
- $\bullet\,$ support for increasing the recurrent budget for health and education; and
- focus on fewer sectors to enhance poverty reduction and development effectiveness. The last of these implies reduced support in sectors where sector performance is poor, the potential for catalyzing is limited, and ADB has no comparative advantage. Commitment to reforms to improve sector efficiency should be a key criterion.

Mongolia: An assessment of all operations in Mongolia since 1991 focused on four themes: policy reform, economic diversification, capacity building, and financial system reform. Policy reform assistance was

all-encompassing in the context of transition and development, and led to a major change in ownership patterns. However, policy matrixes were overloaded, and policy-based lending to agriculture and industry was only partly successful. Changes in price and trade policies with investment in infrastructure sectors laid the foundation for unbundling industries and increasing private sector involvement. Capacity building was supported in all operations, but mostly focused on inputs and was equated with training and the provision of consulting services. The fragmented approach did not promote overall public sector resource management. The sector strategy became clearer in the mid-1990s partly through assistance to the financial sector, which was starting to have a positive impact in the late 1990s. All three country operational strategies recognized key transition issues, but did not convert them sufficiently into sector strategies and projects. Overall, ADB's country assistance program made significant contributions to transition, with an acceptable portfolio performance. Its impact on poverty is difficult to assess because of external and natural influences.

The evaluation underscored the importance of

- providing strategic guidance to operations;
- undertaking necessary background work to, and using a logical framework approach in, formulating country strategies and programs (CSPs); and
- setting specific monitorable targets for country operations.

Philippines: ADB's operational strategy for the Philippines tracked the national strategy and lent support to the country's overall development objectives of macroeconomic stabilization, poverty reduction, and social development. The outcome of investment projects was disappointing: 33% of all completed projects from 1986 to 2001 were rated unsuccessful, although there was some improvement through the 1990s. Issues of sustainability arose in all lending and nonlending interventions, stemming from lack of institutional capacity, inadequate budget allocations, and lack of political will.

There were four main lessons.

- Political and macroeconomic stability is a critical factor in the success of development assistance.
- Project success requires careful project preparation and relatively simple project design.
- Sustaining development impact requires careful monitoring during implementation and beyond.
- The success of the assistance program depends on the degree of institutional development.

Technical assistance performance audit reports

Six technical assistance performance audits were undertaken in 2002. Thirty-three technical assistance activities were evaluated: 6 were rated highly successful, 18 successful, 8 partly successful, and 1 unsuccessful.

Capital market development: Six technical assistance supported reforms and institutions for capital market development in Pakistan. Expected results were largely realized with a stronger regulatory framework in

the capital market; effective functioning of the Securities and Exchange Commission; updating of regulations on mutual funds; privatization of public sector mutual funds; and enactment of a new insurance law and issuance of rules. Two public sector insurance entities were restructured and interest rates on the national savings were rationalized and are being adjusted periodically based on market signals.

The main lessons are that strong government ownership is critical to the success of policy and institutional reform, and sharply focused technical assistance projects have a better chance of success.

One technical assistance was rated highly successful, three successful, and two partly successful.

Road sector institutional development: Five technical assistance projects for institutional development and policy support in the road sector were attached to projects in Kazakhstan, Kyrgyz Republic, and Mongolia; and a regional technical assistance for road design and construction standards in Kazakhstan, Kyrgyz Republic, Mongolia, and Uzbekistan. Initial assistance supported organizational change. Progress was made in developing road departments to manage the road network and become the client for maintenance and construction contractors. Follow-on technical assistance had less impact; the governments failed to implement some politically sensitive recommendations such as establishing a road board in Mongolia, and giving control of the road fund to the road department in the Kyrgyz Republic. The revised design and construction standards from the regional technical assistance are not in use in Kazakhstan and the Kyrgyz Republic; in Mongolia, some are in use.

The main lessons are that workshops and training on procurement processes may be less appropriate than clarifying job classifications and descriptions; a road fund by itself is not a guarantee that sufficient funds will be provided to meet sector needs; greater clarity is required on the issue of road funds among development partners; and regional activities should take note of government priorities and relevant ongoing activities.

The three initial technical assistance were rated successful, the two follow-on technical assistance partly successful, and the regional technical assistance unsuccessful.

Education sector reform: Six technical assistance for reform of the education sector in Central Asian countries were evaluated. For Kazakhstan, a comprehensive sector review led to planning and establishing the rationalization process, developing curriculum reforms, strengthening textbook development capabilities, and training teachers. One technical assistance for the Kyrgyz Republic produced a blueprint of policy reforms; a second suffered from uncooperative consultant team members and frequent changes of senior counterpart staff. In Uzbekistan, a functional reform monitoring system was developed, as were strategies for improving the cost-effectiveness of the education system.

Lessons included the following: inception missions should familiarize consultants with the goals and objectives

of the technical assistance, and establish the critical achievement factors; technical assistance designs should allow for flexibility; continuous dialogue on education policies is needed to respond to changing needs and aspirations of the beneficiaries; and evaluation capacity development should include training in data management.

The two technical assistance in Kazakhstan were rated successful, one each in the Kyrgyz Republic successful and partly successful, and the two in Uzbekistan highly successful.

Pacific audit capability: Six technical assistance for strengthening audit capability in 12 Pacific DMCs included four regional technical assistance cofinanced by supreme audit institutions. The design and purpose were appropriate. The expected benefits were improved audit knowledge and skills of the Office of the Auditor General staff, improved internal audit work and work processes, increased number of trained audit staff, and enhanced sharing of audit experiences and solutions. Weaknesses still need to be overcome in legislation, reporting processes, accounts preparation, and management of financial accounts and computer systems.

Lessons for the 12 Pacific DMCs include the need to ensure that legislation and government preparation of accounts and computer systems are consistent with the purpose of the technical assistance; amend legislation to expand the scope of auditing; and ensure follow-up after auditing to increase the overall effectiveness of the process.

Three technical assistance were assessed highly successful and three successful.

Road sector management: Four technical assistance for improving road sector management included two technical assistance attached to road improvement projects in the Lao PDR and the Philippines for promoting privatization and management of road sector institutions, respectively; and two stand-alone technical assistance to Papua New Guinea (PNG) for supporting the establishment of a road asset management system (RAMS) for the central and provincial governments. The privatization of some transport sector functions in the Lao PDR, and restructuring in the Philippines, were carried out. The first PNG technical assistance established the RAMS in the central Government; the second has not yet installed the RAMS in the provinces.

The lessons were that a politically sensitive technical assistance attached to a loan may be a more effective mechanism than a stand-alone technical assistance; long-term involvement of external funding agencies is necessary to maintain momentum; where staff retrenchment is considerable, transition arrangements need to be designed to minimize social and political costs; and management buyouts may be considered an appropriate form of privatization for transition economies like the Lao PDR.

Three technical assistance were rated successful and the technical assistance aimed at the provinces in PNG, partly successful.

Agricultural planning in Nepal: Five technical assistance supporting agricultural planning, statistics, and institutional strengthening in Nepal were designed to assist

the Government in setting a new direction for the agriculture sector through a 20-year Agriculture Perspective Plan. The policy directions of the first technical assistance were relevant. Two subsequent technical assistance, in the context of an agriculture program loan, assisted in shifting the strategy toward less reliance on public investment and subsidies, and more on deregulation and market forces.

The lessons were as follows: difficulties can arise with a change in ADB staff; participation needs to be properly managed to create the opportunity to introduce innovative approaches; and without extensive local participation the plan produced was overambitious.

Discontinuing the institutional structure established for plan implementation, and the Government's reluctance to publish the updated agricultural statistics, limited the impact of the other two technical assistance. Overall, three were rated successful, and two partly successful.

Portfolio performance

An annual evaluation report on portfolio performance showed a reduction in the percentage of problem projects, from 31% in 2000 to 25% in 2001; a substantial gap between projected and actual contract awards with only 69% achievement; and declining compliance on the submission of audited project accounts.

The report concluded that to improve portfolio performance and reduce the number of projects at risk, high-level support is needed for ADB's project performance management system by highlighting the results of project performance report assessments in management decision making; assigning adequate resources for project performance report preparation and validation; and providing adequate resources for internal skills development. For more on annual evaluation reports, see http://www.adb.org/Evaluation/annualreports.asp.

Other activities

OED provides direct support to operations through its review of new projects and project completion reports. In 2002, it also assessed the new loan classification system, and took the lead in reviewing the process for performance-based allocation of ADF resources.

The ADB Board of Directors' Development Effectiveness Committee's discussion of the annual report of evaluation activities for 2001 resulted in a study in 2003 on project cost estimation, recognizing the high number and extent of cost underruns in recent years. For more on the Development Effectiveness Committee, see the 2002 in Review: Board of Directors' Report chapter.

The Evaluation Cooperation Group of the multilateral development banks (MDBs), having completed good practice papers for individual public and private sector operations, turned its attention to higher-level evaluations, including country assistance programs and evaluation of policy-based lending, a study for which OED has prepared a framework and terms of reference. OED and the other evaluation departments are responding to the MDB presidents' statements in 2002 on the need for results-based monitoring and management.



key objective of the 2002 reorganization of the Asian Development Bank (ADB) was to strengthen its country¹ focus, in part by unifying accountability for operations in a particular developing member country (DMC) within one department. ADB's policy on

resident missions in its DMCs, adopted in 2000 and reviewed in 2002 (see http://www.adb.org/Documents/Policies/Resident_Mission/), reinforced this objective, as did ADB's key planning tool for DMCs—the country strategy and program (CSP) (see Glossary and http://www.adb.org/Documents/CSPs/).

The reorganization took the process further. As of 1 January 2003, each regional department—East and Central Asia Department, Mekong Department, Pacific Department, South Asia Department, and Southeast Asia Department—covers a group of geographically contiguous countries with similarities in culture, economic systems, and social organization. Other considerations for the groupings were operational convenience, and scope for subregional cooperation and linkages with subregional groups. Each department aims to promote integrated development suited to the needs of the individual DMC. Subregional cooperation is supported wherever appropriate. For more on regional departments, see http://www.adb.org/ ECRD/ for the East and Central Asia Department, http:// www.adb.org/MKRD/ for the Mekong Department, http:// www.adb.org/PARD/ for the Pacific Department, http:// www.adb.org/SARD/ for the South Asia Department, and http: //www.adb.org/SERD/ for the Southeast Asia Department.

The regional departments replaced the programs and projects departments, which had reported to the vice-presidents East and West. With the reorganization, the roles of the operational vice-presidents were strengthened: Vice-President (Operations 1) oversees the South Asia and Mekong departments; and Vice-President (Operations 2) the operations of the East and Central Asia, Southeast Asia, and Pacific departments. The duties of Vice-President (Finance and Administration) were relatively unchanged by the reorganization.

The regional departments ensure implementation of ADB's strategic agenda. Their tasks cover a range of ADB activities, including developing the CSP and its regular updates, and designing and implementing programs and projects.

Each country has a team, which includes staff members from headquarters and, if applicable, the resident mission, to maintain a country perspective in all operations. In this chapter, DMCs with ongoing operations² are presented alphabetically by regional department (*see Box below for page numbers*). For each of the five departments, a brief regional overview is followed by a discussion of the individual DMC within that region, including economic performance and highlights of ADB's activities in the DMC in 2002.

A more complete picture of the economic performance of each DMC appears in the Asian Development Outlook 2003 at http://www.adb.org/publications and in tables 37–43 in the Statistical Annex. For more information on ADB operations, see individual CSPs, available in print and at http://www.adb.org/Documents/CSPs.

REGIONAL DEPARTMENTS

East and Central Asia

- 76 Azerbaijan
- 77 China, People's Republic of
- 78 Kazakhstan
- 79 Korea, Republic of
- 80 Kyrgyz Republic
- 81 Mongolia
- 82 Tajikistan
- 83 Turkmenistan
- 83 Uzbekistan

Mekong

- 84 Cambodia
- 85 Lao People's Democratic Republic
- 87 Myanmar
- 87 Thailand
- 88 Viet Nam

Pacific

- 90 Cook Islands
- 91 Fiji Islands
- 91 Kiribati
- 92 Marshall Islands
- 93 Micronesia, Federated States of

- 94 Nauru
- 94 Papua New Guinea
- 95 Samoa
- 96 Solomon Islands
- 97 Timor-Leste
- 98 Tonga
- 99 Tuvalu
- 99 Vanuatu

South Asia

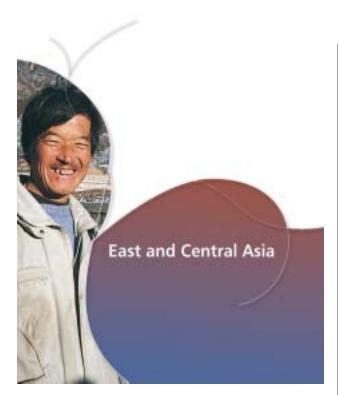
- 101 Afghanistan
- 101 Bangladesh
- 102 Bhutan
- 103 India
- 105 Maldives
- 106 Nepal
- 107 Pakistan
- 108 Sri Lanka

Southeast Asia

- 110 Indonesia
- 111 Malaysia
- 112 Philippines

¹ The term "country," as used in the context of ADB, refers to a member of ADB and does not imply any view on the part of ADB as to the member's sovereignty or independent status.

Of the four members that have graduated from regular ADB assistance—Hong Kong, China; Republic of Korea; Singapore; and Taipei, China—only the Republic of Korea is included in the discussion because of ongoing operations as a result of the 1997 Asian financial crisis. In ADB's regional groupings, Hong Kong, China; Republic of Korea; and Taipei, China are part of the East and Central Asia Department. Singapore is part of the Southeast Asia Department.



DB's new East and Central Asia Department covers a large and diverse region. Because economic performance across the region is not uniform, in this short regional overview, the three East Asia DMCs with ongoing operations—People's Republic of China (PRC), Republic of Korea, and Mongolia—are discussed individually, after the six DMCs with ongoing operations in what ADB groups as Central Asia.

Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan had overall positive growth in 2002. Inflation was low overall, fiscal balances improved, and current account balances were manageable, despite the persistent slowdown of major world economies and further uncertainty shrouding recovery prospects. For the six DMCs, gross domestic product (GDP) growth averaged 7.7% in 2002, which was lower than rates in 2001 and 2000. The average inflation rate was about 12.3%, the second consecutive year of decline. The fiscal balance remained the same, exports improved, and imports declined for some countries, resulting in current account deficits of close to 2.1% of GDP, compared with about 3.3% in 2001.

With the opening of the trade sector after accession to the World Trade Organization (WTO) and the strong growth of private consumption and investment, the PRC continued its rapid economic growth in 2002. GDP growth rose to 8.0% in 2002 slightly higher than the recent 5-year average of 7.8%. Industry was the key engine of economic growth. Despite a spring drought, agriculture sector performance in 2002 improved slightly. A shift in exports toward high-tech products was noticeable, and exports and imports rose significantly.

The Republic of Korea continued its economic recovery in 2002, with real GDP growth of 6.3%. The services sector made the strongest contribution, followed by the manufacturing sector.

Mongolia's GDP grew at 3.9% in 2002, breaking 2 years of stagnation. Inflation slowed from 8% in 2001 to

1.6% in 2002. Imports outpaced exports, leading to a trade balance of about 20% of GDP. The fiscal balance was contained at 5.7% of GDP, below the Government's target.

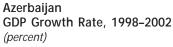
Azerbaijan

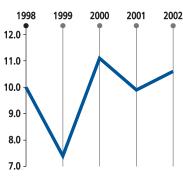
Economic performance

Real GDP growth in Azerbaijan was 10.6% in 2002, up from 9.9% in 2001. While oil sector-related construction accounted for much GDP growth, output growth was buoyant in all sectors, reaching 4.2% in industry and 6.4% in agriculture.

The average nominal wage rose by 20.3%. Inflation, as measured by the consumer price index (CPI), was 2.8%. The average annual exchange rate depreciated by 4.2%.

The FDI inflow increased from \$900 million in 2001 to \$1,567 million in 2002, reflecting the





launch of several major investment projects in the oil sector. This fully financed the external current account deficit, which widened from 1.3% of GDP in 2001 to 12.5% in 2002 due to a sharp increase in imports related to oil development.

Macroeconomic policies remained fairly tight. Although the general government deficit increased slightly from 2.1% of GDP in 2001 to 2.2% in 2002, it was less than the target deficit of 4.0%. The refinance rate of the National Bank of Azerbaijan was lowered from 10% to 7% per annum, but remained positive in real terms. Broad money increased by 16%.

ADB operations

Operational strategy: ADB's interim operational strategy, approved in 2000, continued to guide ADB's activities in 2002 and was the basis for the CSP Update approved in 2002. Given the high level of poverty incidence, ADB proposes to improve the delivery of essential public goods and services to those in greatest need, and strengthen the environment for private investment and job creation. The

AZERBAIJAN

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/AZE/2002/

- Regional Cooperation
 Central Asia Regional Economic Cooperation Program http://www.adb.org/CAREC/
- Web Site http://www.adb.org/Azerbaijan/

goal to reduce poverty and raise living standards will be addressed through human development, good governance and institutional strengthening, and broad-based growth.

Policy dialogue: In 2002, ADB's policy dialogue focused on helping formulate a national program for poverty reduction. In particular, ADB's advice helped improve the quality of the outputs of five sector working groups for refugees and internally displaced persons, rural development, poverty monitoring, regional development, and fiscal policy. Discussions were also held with the Government, nongovernment organizations (NGOs), and other funding agencies to find ways to assist refugees and internally displaced persons in Azerbaijan.

Loans, technical assistance, and grants: No loans were approved in 2002. A grant of \$2.5 million and a technical assistance of \$700,000 were approved in 2002 (see tables 24, 25, and 35 in the Statistical Annex).

Project implementation: Since joining ADB in 1999, Azerbaijan has not borrowed from ADB. There have been delays in the implementation of the technical assistance due to a lack of familiarity with ADB procedures. ADB is addressing this issue by inviting government officials to seminars and workshops on ADB procedures, and supporting capacity building at key government agencies.

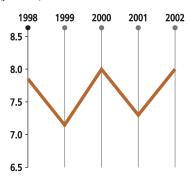
People's Republic of China

Economic performance

Real GDP growth in the PRC accelerated from 7.3% in 2001 to 8.0% in 2002, mainly from the industry sector. The industry's value added increased by 9.9%, compared with 8.7% in 2001. Investments grew by 16.1% in 2002, compared with a 13.0% increase in 2001, because of fiscal policy stimulus. Retail sales rose by 8.8% in 2002. Inflation turned into deflation due mainly to excess domestic supply of many agricultural and manufactured goods and tariff reductions related to the country's accession to the WTO. The CPI fell by 0.8% in 2002, following a 0.7% increase in 2001.

Merchandise exports increased to 22.3% in 2002 from 6.8% in 2001. Imports rose by 21.0%, compared with 8.1% in 2001. The trade surplus expanded to \$44.6 billion. With foreign investor confidence strengthening after WTO accession, FDI inflow continued to rise. Actual FDI increased

People's Republic of China GDP Growth Rate, 1998-2002 (percent)



by 12.5% in 2002 and reached \$52.7 billion. Foreign exchange reserves were \$286.4 billion by the end of 2002. The fiscal deficit was 3.0% of GDP in 2002, widening from 2.6% in 2001, owing to moderate revenue growth. Official urban unemployment in 2002 was 4.0%.

ADB operations

Operational strategy: Work on a CSP was begun in 2002. Reflecting recent economic and social developments, the CSP will focus on providing policy support for the PRC's evolving market economy and business environment, reducing regional disparities and inequalities, and ensuring socially and environmentally sustainable growth. The CSP will emphasize increased assistance to the central and western regions and will strengthen the economic, thematic, and sector work.

The thrust of the proposed CSP and future poverty reduction activities was endorsed at a meeting of 14 poverty and ethnic affairs offices mainly from the west and northeast provinces. Consultations with more than 350 villagers in 10 provinces, and local and international NGOs also provided input into the CSP.

Policy dialogue: As an active member of the international advisory board of the China Council for International Cooperation on Environment and Development, a high-level advisory body to the Government, ADB emphasized the importance of evaluating the income distribution impact of environmental policies, and adopting

CHINA Country Strategy and Program Update 2003-2005

http://www.adb.org/Documents/CSPs/PRC/2002/

Regional Cooperation

Central Asia Regional Economic Cooperation Program http://www.adb.org/CAREC/ Greater Mekong Subregion Program http://www.adb/org/GMS/

Resident Mission

REPUBLIC OF

PEOPLE'S

established in Beijing in 2000; liaised with the PRC Government for the 35th Annual Meeting of the ADB Board of Governors in Shanghai in 2002

Web Site http://www.adb.org/PRC/

People's Republic of China Cumulative ADB Lending

(as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Transport and Communications	40	5,992.0	49.3
Energy	19	2,110.3	17.3
Social Infrastructure	9	963.9	7.9
Multisector	6	730.0	6.0
Industry and Nonfuel Minerals	5	686.8	5.6
Others	4	603.0	5.0
Agriculture and Natural Resources	9	547.0	4.5
Finance	6	530.0	4.4
TOTAL	98	12,163.0	100.0

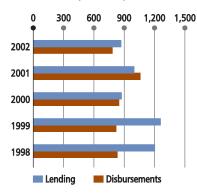
pricing policies for natural resources to reflect underlying environmental costs. Policy discussions also focused on developing mechanisms to address transjurisdiction and nonpoint pollution sources, and to promote market-based instruments such as emissions trading and clean development mechanisms. Previous policy support resulted in two major outputs in 2002—passage of the Clean Production Law, and forging of the PRC-Global Environment Facility (GEF) partnership.

A study completed in 2002 on governance issues (see http://www.adb.org/Documents/Reports/Devt_Mgt_PRC/) was the basis of a policy dialogue on improving the institutional and legislative infrastructure for building a market economy. Support continued for private sector development, focusing on small- and medium-sized enterprise development.

At the sector level, ADB assisted the Government in restructuring the power sector and discussed enhancing the poverty orientation of road projects.

Loans, technical assistance, equity investments, and grants: Seven loans—six public sector and one private sector, totaling \$868.5 million—were approved in 2002 to help improve water facilities (private sector), develop the Southern Sichuan roads, mitigate floods at the Songhua River, build the Hebei Zhanghewan pumped storage, promote the efficient use of agricultural waste, construct and upgrade the Shanxi Road, and improve

People's Republic of China Lending and Disbursements, 1998–2002 (\$ million)



wastewater management in Hebei Province. Twenty-six technical assistance totaling \$13.2 million were approved. ADB also approved an equity investment of \$10 million in the China **Environment Fund** 2002, LP. This is the first private sector fund dedicated to addressing

environmental issues in the PRC. The PRC also received in 2002 a \$6.4 million grant for the efficient use of agricultural wastes (see tables 1, 6, 7, 10, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1986, the PRC has received 98 loans totaling \$12,163 million, of which 50 were active at the end of 2002. Contract awards totaled \$672.7 million, bringing the cumulative figure to \$7,563.2 million. The contract awards ratio for 2002 was 26.0%—higher than ADB's average of 22.6%. Disbursements in 2002 totaled \$781.6 million, bringing cumulative disbursements to \$7,687.3 million. The disbursement ratio was 25.9%—higher than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Kazakhstan

Economic performance

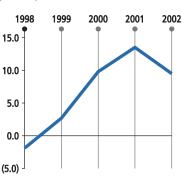
Kazakhstan's GDP continued to grow in 2002 at 9.5%, with the oil and metal subsectors boosting industry sector output by 9.8%. Agriculture sector output rose by 2.7%, while construction activities increased, mainly in infrastructure development for the new capital, Astana.

Living standards improved as per capita income in constant prices rose by 7.4%. Average real monthly wages increased by 10% over the 2001 level. The actual unemployment rate fell

from 10.4% in 2001 to 9.4% in 2002.

Overall annual inflation, measured by CPI, fell from 8.4% in 2001 to 5.9% in 2002. A stable exchange rate—with the tenge depreciating by 3.2% against the United States (US) dollar in nominal terms—helped moderate inflation.

Kazakhstan GDP Growth Rate, 1998–2002 (percent)



Total government revenues fell to 21.9% of GDP in 2002, compared with 23.0% in 2001. The general government budget recorded a surplus equivalent to 0.02% in 2002, compared with a deficit of 0.40% of GDP in 2001.

ADB operations

Operational strategy: ADB's strategy for Kazakhstan supports the Government's reform agenda, institutional change, and social protection; promotes natural resource management; strengthens long-term growth potential; and encourages private sector development. The strategy focuses on management reform at the central and local government levels; infrastructure development, particularly rehabilitation projects; education and training; industry, reforming medium-sized enterprises; agriculture and rural development; and private sector development. In 2002, ADB began preparing a new CSP that will include the assistance program for 2004–2006.

KAZAKHSTAN

 Country Strategy and Program Update 2003–2004

http://www.adb.org/Documents/CSPs/KAZ/2002/

Regional Cooperation

Central Asia Regional Economic Cooperation Program; http://www.adb.org/CAREC/

- Resident Mission
 established in Almaty in 1998 and transferred to
 the new capital Astana in 1999
- Web Site http://www.adb.org/Kazakhstan/

Kazakhstan Cumulative ADB Lending

(as of 31 December 2002)

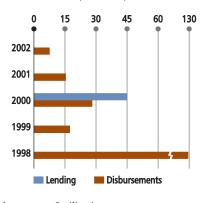
Sector	No. of Loans	\$ Million	% ^a
Agriculture and Natural Resources	3	140.0 ^b	30.0
Transport and Communications ^c	2	102.0	21.8
Finance	1	100.0	21.4
Social Infrastructure	3	65.0	13.9
Multisector	2	60.0	12.8
TOTAL	11	467.0	100.0

- Figures may not add due to rounding.
- b Adjusted after the termination of the two loans for the Farm Restructuring Sector Development Program.
- ^c Includes a Kazakhstan loan component of a regional project.

Policy dialogue: ADB helped the Government develop a sector poverty reduction program, identify potential growth

areas in rural development, and facilitate the development of efficient investment programs. ADB prepared an analysis of fiscal strategies and engaged the Government in policy dialogue on available fiscal options. In addition, the Government addressed regional cooperation issues,

Kazakhstan Lending and Disbursements, 1998–2002 *(\$ million)*



especially on trade and customs facilitation.

Loans and technical assistance: No loans were approved in 2002. Eight technical assistance totaling \$2.1 million were approved (*see tables 24 and 25 in the Statistical Annex*).

Project implementation: Since joining ADB in 1994, Kazakhstan has received 11 loans totaling \$467 million, of which 6 were active at the end of 2002. Contract awards totaled \$24.8 million, bringing the cumulative figure to \$382.9 million. The contract awards ratio for 2002 was 27.9%—higher than ADB's average of 22.6%. Disbursements during the year totaled \$7.5 million, bringing cumulative disbursements to \$363.0 million. The disbursement ratio was 8.1%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Republic of Korea

Economic performance

The Republic of Korea continued its economic recovery in 2002, with real GDP expanding by an estimated 6.3% due to robust private consumption and a rebound in exports. The

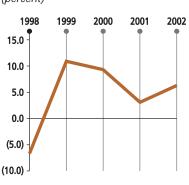
Republic of Korea Cumulative ADB Lending

(as of 31 December 2002)

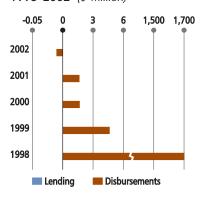
Sector	No. of Loans	\$ Million	%
Finance	22	4,710.0	74.3
Social Infrastructure	22	635.1	10.0
Transport and Communications	11	459.5	7.3
Energy	10	234.4	3.7
Agriculture and Natural Resources	8	163.8	2.6
Industry and Nonfuel Minerals	8	135.5	2.1
TOTAL	81	6,338.3	100.0

services sector made the strongest contribution to growth, followed by the manufacturing sector, particularly in the export of semiconductors, telecommunications devices, and machinery. The average unemployment rate declined to 3% in 2002 as employment in the services sector expanded. Despite an appreciation of the won against the US dollar, exports increased by 8.2%, outpacing import growth of 7.7%. Export expansion contributed to the increase in foreign exchange reserves during the year, reaching \$121.3 billion by end-2002, an 18.0% rise from 2001.

Republic of Korea GDP Growth Rate, 1998–2002 (percent)



Republic of Korea Lending and Disbursements, 1998–2002 (\$ million)



ADB operations

Loans and technical assistance: No loans or technical assistance were approved in 2002.

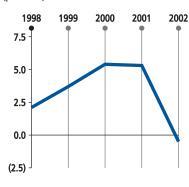
Project implementation: Since joining ADB in 1966, the Republic of Korea has received 81 loans totaling \$6,338.3 million. Contract awards totaled \$240,000, bringing the cumulative figure to \$5,572.6 million. Cumulative disbursements totaled \$5,560.3 million. The one active loan, for institutional strengthening of the financial sector, was closed on 31 October 2002 (see tables 14–23 in the Statistical Annex).

Kyrgyz Republic

Economic performance

Real GDP fell by 0.5% in 2002, compared with an initial growth target of 4.5%, due to an 11.2% decline in industry sector output. Industrial production decreased following a steep fall in production at the Kumtor gold mine and a slump in the energy sector, which together accounted for over 50.0% of industry sector output. The agriculture sector

Kyrgyz Republic GDP Growth Rate, 1998–2002 (percent)



grew at 3.3%—less than the 7.3% growth in 2001 due to late sowing and harvest as a result of adverse weather conditions.

A cut in the Government's capital expenditure reduced gross domestic investment from 20% of GDP in 2000 to 18% in 2001. Foreign trade is estimated to have

grown by 14.0% in 2002, aided by a 25.4% increase in merchandise imports. Broad money expanded by 34.1% in 2002, but this did not affect the exchange rate and general price level, denoting increased demand for domestic currency spurred by low inflation, weakening US dollar, and increasing monetization of the economy.

The Government continued its fiscal adjustment; however, the fiscal deficit at 5.9% of GDP was slightly higher than the revised target of 5.6%. The fiscal targets were reset to reflect the revenue setback caused by low growth. The Paris Club members agreed in March 2002 to reschedule debt repayments due between December 2001 and December 2004.

ADB operations

Operational strategy: ADB's operational strategy for the Kyrgyz Republic, prepared in 1996, is being updated. The new strategy will reflect the Government's long-term development vision, the Comprehensive Development Framework approved in 2001, and the medium-term activities in the National Poverty Reduction Strategy, which

KYRGYZ REPUBLIC

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/KGZ/2002/
- Regional Cooperation

Central Asia Regional Economic Cooperation Program; http://www.adb.org/CAREC/

- Resident Mission

 established in Bishkek in 2000
- Web Site http://www.adb.org/KyrgyzRepublic/

Kyrgyz Republic Cumulative ADB Lending

(as of 31 December 2002)

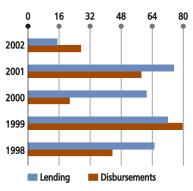
Sector	No. of Loans	\$ Million	% ^a
Transport and Communications ^b	4	145.0	28.0
Finance	5	115.0	22.2
Social Infrastructure ^c	3	68.7	13.3
Agriculture and Natural Resources	3	88.5	17.1
Multisector	3	55.0	10.6
Energy	1	30.0	5.8
Others ^d	1	15.0	2.9
TOTAL	20	517.2	100.0

- ^a Figures may not add due to rounding.
- b Includes Kyrgyz loan component of a regional project.
- c Adjusted after the termination of a loan for the Skills and Entrepreneurship Development Project
- $^{\rm d}$ Includes a component of the Regional Trade Facilitation and Customs Cooperation Program.

was finalized in December 2002.

Policy dialogue: Policy dialogue with the Government focused on public investment projects, financial sector reforms, a conducive private sector environment, public sector governance, and customs administration. Under the second phase of the

Kyrgyz Republic Lending^a and Disbursements, 1998–2002 (\$ million)



Includes a component of the Regional Trade Facilitation and Customs Cooperation Program in 2002.

Corporate Governance and Enterprise Reform Program, approved in 2001, ADB initiated policy dialogue to enhance corporate governance and accountability, improve adjudication processes to redress business disputes and enforce contracts, and accelerate public sector reforms. Discussions were also held on developing the regulatory capacity to improve operations of rural credit unions, and on improving road maintenance practices and safety.

Loans and technical assistance: One loan for \$15 million was approved in 2002 to develop a regional trade facilitation and customs cooperation program between the Kyrgyz Republic and Tajikistan. Five technical assistance totaling \$2.7 million were approved (see tables 1, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1994, the Kyrgyz Republic has received 20 loans totaling \$517.2 million, of which 12 were active at the end of 2002. Contract awards totaled \$21.0 million, bringing the cumulative figure to \$348.6 million. The contract awards ratio for 2002 was 13.3%—lower than the ADB-wide average

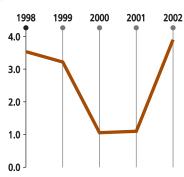
of 22.6%. Disbursements in 2002 totaled \$27.2 million, bringing cumulative disbursements to \$341.9 million. The disbursement ratio was 15.2%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Mongolia

Economic performance

The Mongolian economy improved in 2002. Owing to the performance of industry and services, and recovery in the livestock subsector, the GDP growth rate reached 3.9% in 2002. Macroeconomic stability was restored,

Mongolia GDP Growth Rate, 1998–2002 (percent)



inflation fell from 8.0% in 2001 to 1.6% in 2002, and the fiscal deficit was contained at 5.6% of GDP despite the pressures triggered by a 20.0% rise in public sector wages and pensions.

External trade improved as exports and imports grew strongly. The volume of exported

copper concentrate, a key source of revenue, rose, but the value fell as international copper prices declined. Cashmere followed the same pattern. An increase in gold production and a higher international price contributed to the nonagriculture economic growth.

According to official sources, registered unemployment rate dropped to 3.6%, although there was double-digit national unemployment, as measured by international standards.

ADB operations

Operational strategy: ADB's strategy for Mongolia, in line with the poverty partnership agreement (PPA) (see page 35), focused on poverty reduction through pro-poor interventions that foster private sector-led economic growth and good governance. ADB's operations covered initiatives to

MONGOLIA

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/MON/2002/

- Poverty Partnership Agreement signed in 2000, the first PPA ever signed
- Regional Cooperation
 Central Asia Regional Economic Cooperation Program http://www.adb.org/CAREC/
- Resident Mission
 established in Ulaanbaatar in 2001
- Web Site http://www.adb.org/Mongolia/

Mongolia Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	% ^a
Transport and Communications	5	134.5	24.9
Energy	4	93.8	17.4
Social Infrastructure	8	87.3	16.2
Agriculture and Natural Resources	6	73.6	13.6
Industry and Nonfuel Minerals	2	60.0	11.1
Finance	3	53.0	9.8
Others	1	25.0	4.6
Multisector	2	12.0	2.2
TOTAL	31	539.2	100.0

^a Figures may not add due to rounding.

further develop the financial, agricultural, road, public, social, and urban development sectors. The Government's privatization program was furthered by technical assistance for banking sector privatization and policy development in the civil aviation sector.

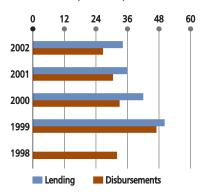
Policy dialogue: The second annual review of the PPA, in March 2002, confirmed that Mongolia was making progress toward achieving the Millennium Development Goals, with the notable exception of reducing poverty incidence. On accelerating economic growth to address persistent income poverty, ADB emphasized the need to maintain macroeconomic stability in providing an environment conducive to private sector-led growth. Dialogue on public sector reform continued, particularly in implementing the Public Sector Management and Finance Law.

Loans, technical assistance, and grants: Two loans totaling \$34.1 million were approved in 2002, to provide basic urban services in provincial towns and to improve the education sector. Nine technical assistance totaling \$3.5 million and two grants totaling \$3.2 million were approved (see tables 1, 6, 24, 25, and 35 in the Statistical Annex).

Project implementation: Since joining ADB in 1991, Mongolia has received 31 loans totaling \$539.2 million, of which 16 were active at the end of 2002. Contract awards totaled \$24.7

million, bringing the cumulative figure to about \$395.0 million. The contract award ratio was 18.4%—lower than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$26.6 million, bringing cumulative disbursements to \$378.9 million. The disbursement ratio

Mongolia Lending and Disbursements, 1998–2002 (\$ million)



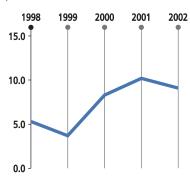
was 16.0%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Tajikistan

Economic performance

In 2002, Tajikistan experienced its fifth year of growth, driven by the aluminum production industry and the agriculture sector. The economy grew by 9.1%. Consumer spending also increased, fueled by foreign remittances estimated at \$10 million per month, or 1% of GDP. Almost 800,000 Tajiks are believed to be working abroad, either

Tajikistan GDP Growth Rate, 1998–2002 (percent)



permanently or intermittently, regularly transferring funds to their home country.

Progress made on restructuring the banking sector resulted in a rise in bank deposits for the first time since 1997. The Government made progress in its efforts to privatize and restructure the

agriculture sector by moving to eliminate local government interference and addressing the high debt burden of state-owned farms. But financing the cotton subsector, the mainstay of agriculture sector growth, continued to be a problem that required occasional intervention by the central bank to make up for the shortfall of working capital. Monetary policy was relatively tight and as a result, annual inflation fell to 14.5% in 2002. External debt accounted for over 100% of GDP at the end of 2001.

ADB operations

Operational strategy: Based on the interim operational strategy prepared in 1998, ADB supports Tajikistan's transition to a market economy, postconflict rehabilitation and reconstruction, and natural disaster rehabilitation (*see*

AJIKISTAN

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/TAJ/2002/
- Poverty Partnership Agreement signed in 2002
- Regional Cooperation
 Central Asia Regional Economic Cooperation
 Program; http://www.adb.org/CAREC/
- Resident Mission established in February 2003
- Web Site http://www.adb.org/Tajikistan/

Tajikistan Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Energy ^a	2	54.0	31.2
Multisector	4	50.3	29.1
Agriculture and Natural Resources	2	38.6	22.3
Transport and Communications	1	20.0	11.6
Others ^b	1	10.0	5.8
TOTAL	10	172.9	100.0

Includes a component of the Regional Power Transmission Modernization Project.
 Includes a component of the Regional Trade Facilitation and Customs Cooperation Program.

the Special Theme chapter). The strategy focuses on agriculture; infrastructure rehabilitation, particularly roads and power; and the social sector. Based on the National Poverty Reduction Strategy, endorsed by the Parliament in June 2002, ADB prepared and concluded with the Government a PPA in December 2002. A CSP will be prepared to reflect Tajikistan's stabilized political and social situation.

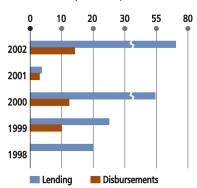
Policy dialogue: Dialogue with the Government focused on governance, private sector development, and cross-border trade and transportation, in addition to the power, transportation, social, and agriculture sectors. The Government confirmed that ADB's operational strategy adequately supports its development priorities.

Loans and technical assistance: Four loans totaling \$70.3 million were approved in 2002 for the emergency Baipaza landslide stabilization and agriculture rehabilitation project; a loan component for facilitating regional trade and customs cooperation between the Kyrgyz Republic and Tajikistan; and a component for a regional power transmission modernization project. Five technical assistance totaling \$2.7 million were approved (see tables 1, 6, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1998, Tajikistan has received 10 loans totaling \$172.9 million, of

which 9 were active at the end of 2002. Contract awards totaled \$32.6 million, bringing the cumulative figure to \$59.1 million. The contract award ratio was 25.1%—higher than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$14.1 million, bringing cumulative disbursements to \$39.2 million. The disbursement ratio





Includes components of two regional projects: the Regional Trade Facilitation and Customs Cooperation Program, and the Regional Power Transmission Modernization Project in 2002. was 15.9%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Turkmenistan

Economic performance

Turkmenistan's GDP growth rate slowed in 2002 to about 8.6%, from more than 20% during the previous year, as a result of weak agriculture sector performance, particularly in cotton output. The 2002 cotton harvest was around 484,000 tons, compared with output of 1.2 million tons in 2001 and a government target of 2.0 million tons for 2002. Despite this, agriculture sector output rose by nearly 10% as a result of increased grain production. The production and export of natural gas remained the mainstay of the economy, and a further increase of 8.9% in exports contributed to GDP growth in 2002. The industry and services sectors also improved their performance. Private sector activity did not increase, except in some joint ventures in textile processing. Inflation was 8.8% due to continued subsidies on basic goods and services. The official exchange rate was pegged at 5,200 manats to one US dollar. The trade balance was positive for the third consecutive year.

ADB operations

Operational strategy: An economic report and ADB's interim operational strategy (IOS) were approved in June 2002. The Turkmenistan Economic Report and IOS focus on three strategic objectives as follows: (i) enhancing human and social development, (ii) supporting sustainable and stable economic growth, and (iii) promoting regional economic cooperation.

ADB was initially approached by the Turkmenistan Government and subsequently also by the governments of Afghanistan and Pakistan for a technical assistance grant to undertake a feasibility study for a natural gas pipeline for transporting nearly 30 billion cubic meters of Turkmen gas to Pakistan and other markets in Asia. The regional technical assistance for the study was approved in December 2002.

Policy dialogue: In 2002, policy dialogue focused on finalizing the IOS. This was followed up by ADB Board members and senior staff who visited Turkmenistan during the year and held initial policy discussions with the authorities, impressing upon them the need to improve data availability and to implement policies for encouraging foreign investment and private sector growth.

Loans and technical assistance: No loans were approved in 2002. Two technical assistance totaling \$415,000 were approved (see tables 24 and 25 in the Statistical Annex).

Project implementation: No loans have been made to Turkmenistan.

TURKMENISTAN

Regional Cooperation

Central Asia Regional Economic Cooperation Program; http://www.adb.org/CAREC/

 Web Site http://www.adb.org/Turkmenistan/

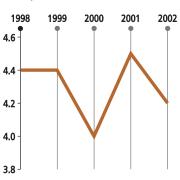
Uzbekistan

Economic performance

Uzbekistan's GDP growth rate slowed from 4.5% in 2001 to 4.2% in 2002 according to official estimates. Agriculture and industry were strong performers, while services sector growth weakened during the year as the Government clamped down on retail trade. The reported official annual average inflation rate declined to 27.6%. The current account balance went from a deficit of 0.5% of GDP in 2001 to a surplus of around 0.6% in 2002 because import compression

outpaced contraction in exports. The debt:GDP ratio rose to 48% at the official exchange rate, while the debt service ratio remained at 29%. The official unemployment rate fell to 0.4%.

The Government tightened its fiscal stance, keeping the Uzbekistan GDP Growth Rate, 1998–2002 (percent)



consolidated budget deficit for 2002 under 3%. Monetary policy was also tightened by scaling back central bank credits and raising refinance rates.

ADB operations

Operational strategy: ADB's CSP for Uzbekistan aims to manage the transition from a centrally planned to a market economy by supporting basic reforms and minimizing the social costs of transition; and enhance growth potential through regional cooperation, investment in the rural sector, and direct support for the private sector. The strategy also addresses the Government's emerging priorities, including assisting the drought-affected areas of western Uzbekistan, improving the health sector, and mitigating the social costs of macroeconomic and structural reforms.

Policy dialogue: Dialogue with the Government on the education sector focused on modernizing the structure

UZBEKISTAN

Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/UZB/2002/

Regional Cooperation

Central Asia Regional Economic Cooperation Program; http://www.adb.org/CAREC/

Resident Mission

established in Tashkent in 1998

Web Site

http://www.adb.org/Uzbekistan/

Uzbekistan Cumulative ADB Lending

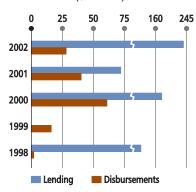
(as of 31 December 2002)

Sector	No. of Loans	\$ Million	% ^a
Social Infrastructure	7	279.5	40.2
Transport and Communications	3	190.0	27.3
Agriculture and Natural Resources	2	86.0	12.4
Energy ^b	1	70.0	10.1
Finance	2	70.0	10.1
TOTAL	15	695.5	100.0

- a Figures may not add due to rounding.
- b Includes a component of the Regional Power Transmission Modernization Project.

and content of the sector, improving its sustainability and efficiency, reforming educational governance, and targeting resources to the poor. In agriculture, dialogue focused on

Uzbekistan Lending^a and Disbursements, 1998–2002 (\$ million)



^a Includes a component of the Regional Power Transmission Modernization Project in 2002. reforming the state procurement system for cotton and grain. In the smalland medium-sized enterprises sector, dialogue contributed to strengthening the regulatory and institutional framework for savings and credit unions. Discussions on corporate governance focused on industrial policy and regulatory assessment,

enterprise restructuring, social safety net mechanism development, and legal assessment to support enterprise restructuring and private sector development.

Loans and technical assistance: Five loans totaling \$236.5 million were approved in 2002 to improve the rural water supply of western Uzbekistan, develop the education sector, develop small-scale and microfinance enterprises, and modernize regional power transmission between Tajikistan and Uzbekistan. Seven technical assistance totaling about \$4 million were approved (see tables 1, 6, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1995, Uzbekistan has received 15 loans totaling \$695.5 million, 13 of which were active at the end of 2002. Contract awards totaled \$26.1 million, bringing the cumulative figure to \$160.5 million. The contract award ratio was 11.4%—lower than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$28 million, bringing cumulative disbursements to \$147 million. The disbursement ratio was 9.9%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).



n 2002, GDP growth in the Mekong DMCs—Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam-was robust, ranging from 4.5% in Cambodia to 6.4% in Viet Nam. Compared with 2001, growth accelerated in all except Cambodia where weatherrelated conditions affected agriculture sector output. A common factor in the region was the strong performance of exports. Compared with 2001, export growth increased in all except Cambodia, and moved from negative to a positive in the Lao PDR and Thailand. Strong domestic demand in private consumption also helped growth, particularly in Thailand and Viet Nam, and was also reflected in increased imports across the Mekong DMCs. Inflation remained low in all except Myanmar. The budget deficits remained manageable, ranging from 2% of GDP in Thailand to about 8% in the Lao PDR. All, except Thailand, are running current account deficits, but these do not present external financing difficulties, and are sustainable. External debt was about 50% of GDP in Thailand and Viet Nam. Cambodia and the Lao PDR have significant debts to the former Union of Soviet Socialist Republics, the status of which is currently under negotiation.

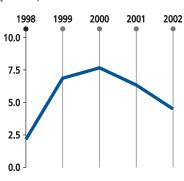
Cambodia

Economic performance

Cambodia's GDP growth rate slipped from 6.3% in 2001 to 4.5% in 2002. The growth of agriculture sector output, which accounted for nearly 40% of GDP, was hampered by structural factors and compounded by drought and floods. Industry sector growth, led by garments, slowed relative to 2001, while growth of the services sector, led by tourism, increased. Inflation was low and the nominal exchange rate stable.

The fiscal deficit was 5.9% of GDP, fully financed by grants and external borrowing. The share of government

Cambodia GDP Growth Rate, 1998–2002 (percent)



current expenditures for its priority sectors (health, education, agriculture, and rural development) was 32.9%, up from 30.3% in 2001. The current account deficit of 8.1% of GDP was financed through official transfers and capital inflows in concessional loans

and foreign direct investment. Export growth, led by garments, was overtaken by import growth.

ADB operations

Operational strategy: ADB's strategy focuses on economic growth and poverty reduction. For broad-based rural development, the strategy promotes water resource management, decentralization, natural resource management, and agriculture sector reform. The social development focus is on sectorwide initiatives in education and health, and complementary support in water supply. To promote private sector development, the nation's road network is being developed. Governance is promoted in economic planning, public finance, and legal reform; and gender issues are a focus in all interventions.

Policy dialogue: Policy dialogue focused on public financial management; decentralization; agriculture and natural resource management; education; and civil service, financial sector, and governance reforms including anticorruption initiatives. Policy dialogue between the consultative group of funding agencies and the Government emphasized forestry management, public administration reform, and legal and judicial reform (see the Special Theme Chapter). ADB helped prepare the National Poverty Reduction Strategy. Further support was provided to the country's increasing involvement in the Greater Mekong Subregion (GMS) Program, culminating in a Summit of GMS Leaders in November in Phnom Penh (see Box on page 50).

CAMBODIA

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/CAM/2002/
- Poverty Partnership Agreement signed in 2002
- Regional Cooperation
 Greater Mekong Subregion (GMS) Program; hosted the First GMS Summit in November 2002 http://www.adb.org/GMS/
- Resident Mission
 established in Phnom Penh in 1996
- Web Site http://www.adb.org/Cambodia/

Cambodia Cumulative ADB Lending (as of 31 December 2002)

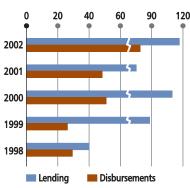
Sector	No. of Loans	\$ Million	%
Transport and Communications	4	173.0	25.6
Social Infrastructure	8	158.0	23.3
Agriculture and			
Natural Resources	6	129.2	19.1
Multisector	2	122.7	18.1
Energy	3	48.5	7.2
Others ^a	2	25.6	3.8
Finance	2	20.0	2.9
TOTAL	27	677.0	100.0

^a Includes a component of the Greater Mekong Subregion: Mekong Tourism Development Project.

Loans, technical assistance, and grants: Six loans totaling \$116.5 million were approved in 2002, including Cambodia's

component of the regional GMS project for developing tourism, environmental management of Tonle Sap, health sector support, financial sector program, commune council development, and road improvement under the GMS. Seventeen technical assistance totaling \$6.5 million and seven grants





^a Includes a component of the Greater Mekong Subregion: Mekong Tourism Development Project in 2002.

totaling \$23.4 million were approved (see tables 1, 6, 7, 24, 25, and 35 in the Statistical Annex).

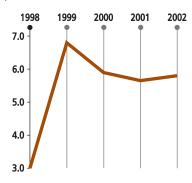
Project implementation: Since joining ADB in 1966, Cambodia has received 27 loans totaling \$677 million, of which 23 were active at the end of 2002. Contract awards totaled \$64.4 million, bringing the cumulative figure to \$395.3 million. The contract awards ratio for 2002 was 23.7%—slightly higher than ADB's average of 22.6%. Disbursements in 2002 totaled \$78.9 million, bringing cumulative disbursements to \$330.3 million. The disbursement ratio was 30.3%—higher than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Lao People's Democratic Republic

Economic performance

The Lao PDR's GDP growth rate was 5.8% in 2002, slightly above the 2001 level. The agriculture sector, which employs an estimated 80% of the workforce, grew at 4% in

Lao People's Democratic Republic GDP Growth Rate, 1998–2002 (percent)



2002. The industry sector grew by 9.8% and the services sector by 5.8%. The inflation rate increased to 10.6% and the kip depreciated by 13.5% against the US dollar.

The overall budget deficit was 8.3% of GDP, mostly financed by grants and external

concessional loans. Total expenditure in FY2002 (ending September) was 21.6% of GDP and total revenue was 13.3% of GDP. From preliminary estimates, capital expenditure accounted for about 57.5% of total expenditure. Spending on education and health increased from 11.4% in FY2001 to 19.1% in FY2002. The current account deficit declined from 6.9% of GDP in 2001 to 5.6% of GDP in 2002, while the trade deficit went from \$217 million in 2001 to \$199 million in 2002. Garments, wood products, and electricity from hydropower plants led exports. The value of new foreign investment projects approved in FY2002 increased.

ADB operations

Operational strategy: ADB's strategy focuses on reducing poverty by broadening community participation and opportunities through rural development and market linkages, human resource development, sustainable environmental management, and private sector development. The strategy also aims to maximize benefits from subregional cooperation with interventions focusing on poor northern provinces and along the East-West road corridor.

Policy dialogue: Policy dialogue in 2002 focused on fiscal management, financial sector reform, private sector development, environmental management, and poverty monitoring. ADB, in close coordination with the

AO PDR

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/LAO/2002/
- Poverty Partnership Agreement signed in 2001
- Regional Cooperation
 Greater Mekong Subregion Program http://www.adb.org/GMS/
- Resident Mission
 established in Vientiane in 2000; transferred to a
 new location in 2002
- Web Site http://www.adb.org/LaoPDR/

Lao People's Democratic Republic Cumulative ADB Lending

(as of 31 December 2002)

Sector	No. of Loans	\$ Million	% ^a
Transport and Communications	12	334.0	32.1
Social Infrastructure	14	228.4	22.0
Energy	13	223.3	21.5
Agriculture and Natural Resources	13	153.8	14.8
Finance	4	69.0	6.6
Multisector	1	20.0	1.9
Others ^b	1	10.9	1.0
TOTAL	58	1,039.4	100.0

- a Figures may not add due to rounding.
- b Includes a component of the Greater Mekong Subregion: Mekong Tourism Development Project.

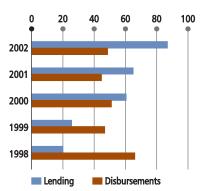
International Monetary Fund (IMF) and the World Bank, helped the Government develop a policy framework for banking sector reform and conducted a joint public expenditure review. ADB also assisted the Government in preparing official decrees on public investment, official development assistance, and environmental impact assessment.

Loans and technical assistance: Six loans totaling \$86.9 million were approved in 2002, including the Lao PDR component of the GMS regional project for developing tourism. Other projects aim to develop the Nam Ngum River basin, reform the banking sector, assist smallholders, and develop the GMS northern economic corridor. Seven technical assistance totaling \$3.7 million were approved (see tables 1, 6, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1966, the Lao PDR has received 58 loans totaling

1,039.4 million, of which 24 were active at the end of 2002. Contract awards totaled \$43.2 million, bringing the cumulative figure to \$766.8 million. The contract awards ratio for 2002 was 17.7%lower than ADB's average of 22.6%. Disbursements during the year totaled \$48.6 million, bringing cumulative

Lao People's Democratic Republic Lending^a and Disbursements, 1998–2002 (\$ million)



^a Includes a component of the Greater Mekong Subregion: Mekong Tourism Development Project in 2002.

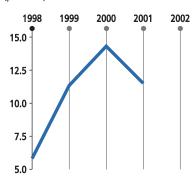
disbursements to \$708.9 million. The disbursement ratio was 19.5%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Myanmar

Economic performance

Official data indicate that GDP in Myanmar grew by 11.1% in fiscal year (FY)2001 (ending 31 March 2002) in part because of rapid growth in agriculture, livestock and fisheries, and the processing and manufacturing sectors. Inflation

Myanmar GDP Growth Rate, 1998-2002 (percent)



accelerated to 56.8% by the end of 2002. The fiscal deficit narrowed from 8.4% in FY2000 to 6.6% of GDP in FY2001. The deficit was financed largely through central bank credit. The kyat depreciated in FY2001 by about 70% relative to its value at the start of the year. The overall balance-of-payments position was in

surplus by kyat 1,733.2 million; the current account was at a deficit by kyat 844.8 million in FY2001. Capital inflows in FY2001 were low, and international reserves covered about 2.3 months of imports.

ADB operations

Operational strategy: ADB continues to monitor economic developments in Myanmar. An operational strategy will be formulated when appropriate.

MYANMAR

- Country Assistance Plan 2001–2003 http://www.adb.org/Documents/CAPs/MYA/
- Regional Cooperation
 Greater Mekong Subregion Program
 http://www.adb.org/GMS/
- Web Site http://www.adb.org/Myanmar/

Myanmar Cumulative ADB Lending

(as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	15	316.1	59.5
Social Infrastructure	6	99.1	18.7
Transport and Communications	2	42.5	8.0
Energy	5	31.8	6.0
Industry and Nonfuel Minerals	2	21.4	4.0
Finance	2	20.0	3.8
TOTAL	32	530.9	100.0

Loans and technical assistance: No loans have been provided to Myanmar since 1986 and no technical assistance since 1987.

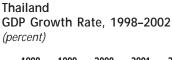
Project implementation: Since joining ADB in 1973, Myanmar has received 32 loans totaling \$530.9 million. There are no ongoing loans in Myanmar.

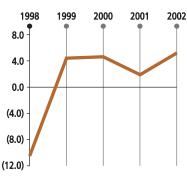
Thailand

Economic performance

In 2002, Thailand's GDP growth was 5.2%, the highest rate since the 1997 Asian financial crisis. The growth was driven by both domestic demand and volume of exports. The private consumption grew by 4.7% (especially consumption of durable goods), while private investment grew 13.3% (particularly construction). Although the growth of private investment was much higher, the share of

private investment to GDP was much less than the share of private consumption to GDP. The increased contribution of private consumption on national output is the reflection of the Government's policy to rely on the country's own resources. The volume of exports also helped boost





the 2002 growth. Inflation remained low at 0.7% in 2002, while the balance-of-payments surplus increased to over \$4 billion. The international reserves reached \$38.9 billion, and external debt declined to less than \$60.0 billion.

Social indicators also improved. The unemployment rate fell to around 2.4%, and the proportion of the population living below \$1 per day dropped from a peak of 5.2% in 2000 to 3.9% in 2002.

ADB operations

Operational strategy: Thailand continued to participate in ADB's subregional cooperation activities, particularly the Greater Mekong Subregion; and cofinanced a GMS road project with the PRC and ADB.

THAILAND

- Country Strategy and Program Update 2002–2004
 - http://www.adb.org/Documents/CSPs/THA/2001/
- Regional Cooperation
 Greater Mekong Subregion Program http://www.adb.org/GMS/
- Web Site http://www.adb.org/Thailand/

Thailand Cumulative ADB Lending

(as of 31 December 2002)

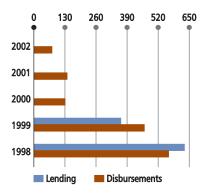
Sector	No. of Loans	\$ Million	%
Energy	27	1,632.3	30.5
Transport and Communications Social Infrastructure	17 15	1,214.5 758.7	22.7 14.2
Agriculture and Natural Resources	13	709.1	13.3
Multisector	1	500.0	9.4
Finance	9	494.5	9.2
Industry and Nonfuel Minerals	1	39.0	0.7
TOTAL	83	5,348.1	100.0

Policy dialogue: Dialogue in 2002 focused on pension system design, fiscal management, and transparency. Capacity-building support continued for the newly created "accountability institutions," such as the National Counter-Corruption Commission.

Loans and technical assistance: No loans were approved in 2002. Three technical assistance totaling \$900,000 were approved (see tables 24 and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1966, Thailand has received 83 loans totaling \$5,348.1 million, of

Thailand Lending and Disbursements, 1998–2002 (\$ million)



which 8 were active at the end of 2002. Contract awards totaled about \$57.0 million, bringing the cumulative figure to \$4,125.6 million. The contract awards ratio for 2002 was 42.4%—higher than ADB's average of 22.6%. Disbursements in 2002 totaled \$75.8 million, bringing cumulative

disbursements to \$4,096.4 million. The disbursement ratio was 35.6%—higher than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Viet Nam

Economic performance

Viet Nam's real GDP growth accelerated in 2002 to about 6.4% from 5.8% in 2001, partly due to a recovery in exports. The share of the industry and construction sectors in GDP was 8.9%, followed by the services (6.0%) and agriculture (3.0%) sectors. Domestic demand, led by consumption and

investment, continued to be the main source of economic growth. The relatively high import growth of 19.5% turned the current account balance into a deficit of about 2.8% of GDP for the first time since 1999. The fiscal deficit, including onlending, was 3.5% of GDP.

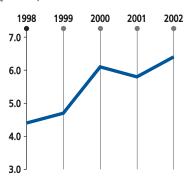
ADB operations

Operational strategy: ADB's strategy reflects the Government's commitment to poverty reduction through growth, which has led to reduced poverty incidence from 58% in 1993 to 32% in 2000. ADB's strategy focuses on sustainable growth through rural and private sector development; inclusive social development by mainstreaming poverty, gender, and ethnic dimensions into relevant areas of assistance, particularly secondary education and health; and good governance, especially through public administration reform and selected support for public financial management. A focus on the poor provinces in central Viet Nam will promote more balanced regional development through community-level livelihood projects and infrastructure expansion.

Policy dialogue: Policy dialogue supported the preparation of the Government's Comprehensive Poverty Reduction and Growth Strategy, approved in 2002, including back-

ground papers on health and governance, and regional consultations on poverty strategies. ADB supported measures to improve the administration of official development assistance and other development projects. Three program loans provided a forum

Viet Nam GDP Growth Rate, 1998–2002 (percent)



for policy dialogue on agriculture research and extension, money and capital markets, insurance and leasing, and modernization and human resource development in public

VIET NAM

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/VIE/2002/
- Poverty Partnership Agreement signed in 2002
- Regional Cooperation
 Greater Mekong Subregion Program http://www.adb.org/GMS/
- Resident Mission established in Hanoi in 1996
- Web Site http://www.adb.org/VietNam/

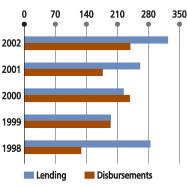
Viet Nam Cumulative ADB Lending

(as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	19	807.9	30.2
Social Infrastructure	18	708.4	26.4
Transport and Communications	9	601.2	22.4
Energy	5	276.3	10.3
Finance	3	147.0	5.5
Industry and Nonfuel Minerals	3	130.0	4.9
Others ^a	1	8.5	0.3
TOTAL	58	2,679.3	100.0

^a Includes a component of the Greater Mekong Subregion: Mekong Tourism Development Project.

Viet Nam Lending^a and Disbursements, 1998–2002 (\$ million)



^a Includes a component of the Greater Mekong Subregion: Mekong Tourism Development Project in 2002. administration. At the midterm Consultative Group Meeting in May 2002, ADB, Japan Bank for International Cooperation, and World Bank launched the country pilot to harmonize loan assistance procedures, prioritizing procurement, financial management, environmental and social safeguards, and portfolio management.

Loans, technical assistance, and grant: Eight loans totaling \$323.5 million for seven projects—five public sector and two private sector—were approved in 2002, including Viet Nam's component of the regional GMS project for developing tourism; developing the financial and agriculture sectors and upper secondary education; promoting housing finance; and improving the power sector (two private sector loans) (see box on page 57). Fifteen technical assistance totaling \$9.3 million and two grants of \$11.1 million were approved (see tables 1, 6, 7, 10, 24, 25, and 36 in the Statistical Annex).

Project implementation: Since joining ADB in 1966, Viet Nam has received 58 loans totaling \$2,679.3 million, of which 39 were active at the end of 2002. Contract awards totaled \$221.5 million, bringing the cumulative figure to \$1,348.7 million. The contract awards ratio for 2002 was 20.8%—lower than ADB's average of 22.6%. Disbursements in 2002 totaled \$238.4 million, bringing cumulative disbursements to \$1,228.4 million. The disbursement ratio was 20.8%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).



eal GDP for the Pacific countries—Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu—grew in 2002 by a weighted average rate of 0.9%. The recovery reflected the strengthening of international commodity prices, a rise in tourist arrivals, and a gradual return toward normalcy in the crisisaffected countries in the Pacific. Generally expansionary fiscal policies were accompanied by accommodative monetary policies in most countries. Market perception of the Pacific as a safe destination seems to have helped boost tourism in the region. However, some Pacific DMCs still suffered from the ethnic tensions that erupted in 2000. Internal problems accompanied by weak macroeconomic management in many countries prevented the region from posting a higher rate of recovery overall. With an annual population growth rate of 2.7%, the per capita GDP continued to decline in the Pacific in 2002 for the third consecutive year. Labor market conditions improved slightly in some countries but unemployment of educated youth continued to be a concern.

Nearly all Pacific DMCs faced fiscal stability, vulnerability, or sustainability challenges. The average inflation rate increased from 6.9% in 2001 to 7.1% in 2002, reflecting weakening of most Pacific currencies, and increasing local food and transport prices. Despite an increase in exports in several Pacific DMCs, overall merchandise exports declined by about 10%, largely reflecting a sharp fall in Papua New Guinea (PNG) exports due to declining oil production. Imports also declined (-5.8%), reflecting the impact of depreciating currencies. The overall current account for the region recorded a small deficit for the first time since 1997, primarily reflecting deterioration in the current account in PNG. The flow of remittance, vital to the economy of some countries including Samoa and Tonga, remained

strong in 2002. In several cases, trust funds suffered capital losses in 2002, reflecting weakness in global equity markets.

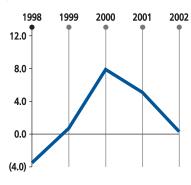
A partnership of the South Pacific Applied Geoscience Commission, multilateral and bilateral agencies, private sector, NGOs, and ADB produced a regional action plan for sustainable water management in the small island DMCs. Another agreement, the Pacific Island Countries Trade Agreement, signed by 11 Pacific DMCs and ratified by 4, is expected to be effective soon.

Cook Islands

Economic performance

The Cook Islands' GDP growth rate slowed from 5.1% in FY2001 to 0.3% in FY2002 (ending 30 June 2002), thereby reducing fiscal revenues. The budget surplus declined

Cook Islands GDP Growth Rate, 1998–2002 (percent)



from 1.5% in FY2001 to 0.3% of GDP in FY2002. Inflation decelerated from 9.4% in FY2001 to 3.9% in FY2002. The current account surplus stayed at 6.3% as a share of GDP in the same period. Net external debt decreased but was still high at 67% of GDP in FY2002, though much of this is

concessional debt. Considering the debt market value calculated in present terms, the debt:GDP ratio was a manageable 44% in 2002.

ADB operations

Operational strategy: ADB's strategy focuses on building sustainable capacity for sound economic and public sector

COOK ISLANDS

- Country Strategy and Program Update 2002–2004
 - http://www.adb.org/Documents/CSPs/COO/2001/
- Poverty Partnership Agreement signed in 2002
- Regional Mission

 ADD// South Position

ADB's South Pacific Regional Mission, based in Vanuatu, liaises with the Cook Islands

- Regional Cooperation
 Pacific developing member countries http://www.adb.org/Pacific/
- Web Site http://www.adb.org/CookIslands/

Cook Islands Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Finance	3	6.0	22.5
Transport and Communications	2	5.4	20.2
Others	1	5.0	18.7
Social Infrastructure	2	4.9	18.4
Multisector	3	4.6	17.2
Agriculture and Natural Resources	1	0.8	3.0
TOTAL	12	26.7	100.0

management, promoting economic growth, and supporting private sector development. The 2002 program emphasized improving infrastructure and the environment and developing the outer islands.

Tourism underpins the country's economic growth but loan assistance to small businesses is facilitating diversification into fisheries and agriculture. ADB's strategy also seeks to improve public services by streamlining government planning and execution, and aligning resources with performance objectives.

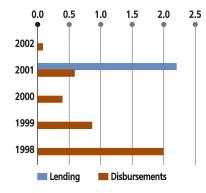
Policy dialogue: In 2002, policy dialogue focused on continued growth through economic diversification and private sector development, in particular, by limiting the public sector's call on the available credit in the banking system. ADB also supported better environmental management through capacity building for monitoring and regulating the environment especially in the outer islands. ADB also assisted the Government in establishing debtlevel and capacity-to-pay benchmarks.

Loans and technical assistance: No loans or technical assistance were approved in 2002.

Project implementation: Since joining ADB in 1976, the Cook Islands has received 12 loans totaling \$26.7 million, of which one

was active at the end of 2002. Contract awards totaled \$450,000, bringing the cumulative figure to \$25.5 million. The contract awards ratio for 2002 was 23.4%—higher than ADB's average of 22.6%. Disbursements in 2002 totaled \$80,000, bringing cumulative disbursements to

Cook Islands Lending and Disbursements, 1998–2002 (\$ million)



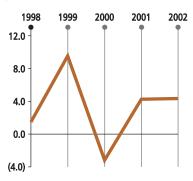
\$22.8 million. The disbursement ratio was 4.1%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Fiji Islands

Economic performance

GDP growth in the Fiji Islands in 2002 was 4.4%, the second consecutive year of growth. Most sectors performed well, except for the sugar industry. Tourist arrivals grew by 12.9%, compared with the 18.3% growth in 2001.

Fiji Islands GDP Growth Rate, 1998–2002 (percent)



Inflation averaged 0.9% in 2002. Merchandise exports increased in US dollar terms by 3.6% and imports by 9.8%. The overall balance of payments was in deficit.

The Government pursued an expansionary fiscal policy to stimulate economic growth. A net budget deficit of 7% of GDP was

recorded in 2002. Total government debt:GDP ratio increased to 46%. Foreign reserves covered about 3.4 months of imports of goods and nonfactor services.

ADB operations

Operational strategy: ADB's strategy is aimed at fostering good governance in the delivery of essential public services, by ensuring that appropriate institutional arrangements, tariffs, and regulatory framework are in place; by providing alternative livelihoods; and by resolving land issues. The strategy also aims at strengthening local capacity to formulate policies and implement reforms to increase accountability and responsiveness in key government departments, creating an enabling environment for private sector participation, and developing public-private partnerships in revenue-generating projects.

Policy dialogue: In 2002, policy dialogue with the Government focused on good governance; policy reforms pertaining to the sugar industry; cost recovery; and operation and maintenance in key sectors including transport and water and sanitation.

FIJI ISLANDS

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/FIJ/2002/
- Regional Mission

ADB's South Pacific Regional Mission, based in Vanuatu, liaises with the Fiji Islands

- Regional Cooperation
 Pacific developing member countries http://www.adb.org/Pacific/
- Web Site http://www.adb.org/Fijilslands/

Fiji Islands Cumulative ADB Lending (as of 31 December 2002)

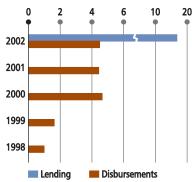
Sector	No. of Loans	\$ Million	%
Transport and Communications	5	94.8	53.3
Energy	3	36.9	20.7
Agriculture and Natural Resources	3	27.6	15.5
Social Infrastructure	1	9.6	5.4
Finance	2	9.0	5.1
TOTAL	14	177.9	100.0

Loans and technical assistance: One loan of \$16.8 million was approved in 2002 for port development. Four technical assistance of nearly \$2 million were approved (see tables 1, 6, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1970, the Fiji Islands has received 14 loans totaling \$177.9 million, of which 2 were

active at the end of 2002. Contract awards during the year totaled \$7.6 million, bringing cumulative contract awards to \$146.4 million. The contract awards ratio for 2002 was 31.1%—higher than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$4.5 million, bringing

Fiji Islands Lending and Disbursements, 1998–2002 (\$ million)



cumulative disbursements to \$128.1 million. The disbursement ratio was 9.6%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Kiribati

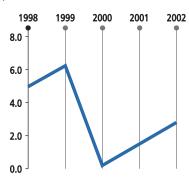
Economic performance

GDP growth in Kiribati in 2002 was estimated at 2.8%, up from 1.5% in 2001. Improved economic conditions were mainly attributed to the continued increase in government and donor spending; high consumer expenditure; and a rise in construction activity, largely from government development projects. The inflation rate decreased from 6.0% in 2001 to 5.1% in 2002, reflecting a fall in the price of food, beverages, and transport. The overall budget balance deteriorated from a surplus of 15.0% of GDP in 2001 to a deficit of 5.9% of GDP in 2002, primarily due to increased spending from a wage and salary bill, subsidies to government-owned enterprises and the copra industry, and the Government's contribution to development projects.

ADB operations

Operational strategy: ADB's strategy is based on the poverty reduction pillars of good governance, social development, and pro-poor economic growth. The strategy includes ways to improve public sector efficiency and

Kiribati GDP Growth Rate, 1998–2002 (percent)



effectiveness and strengthen the Government's strategic planning capacity for sustainable poverty reduction, including ensuring access to safe water and proper sanitation in South Tarawa: improving living conditions and access to basic social services on the outer islands;

promoting greater domestic use of the Revenue Equalization Reserve Fund resources for priority sectors; and creating an enabling environment for private sector development.

Policy dialogue: Ongoing dialogue with the Government focused on good governance, services delivery, and sound economic policy and management. There were also discussions on establishing a community-based island development trust fund and developing a poverty partnership agreement. ADB continued to assist in improving water and environmental management in South Tarawa and in identifying policy changes for outer island development.

Loans and technical assistance: No loans were approved in 2002. Two technical assistance totaling \$770,700 were approved (see tables 24 and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1974, Kiribati has received six loans totaling \$15.1 million, of which one was active at the end of 2002. Contract awards totaled \$3.6 million, bringing the cumulative figure to \$10.6 million. The contract awards ratio for 2002 was 63.8%—higher than ADB's average of 22.6%. Disbursements

KIRIBATI

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/KIR/2002/

Regional Mission

ADB's South Pacific Regional Mission, based in Vanuatu, liaises with Kiribati

Regional Cooperation
 Pacific developing member countries

http://www.adb.org/Pacific/Web Site http://www.adb.org/Kiribati/

Kiribati Cumulative ADB Lending

(as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	1	10.2	67.6
Transport and Communications	2	2.3	15.2
Energy	2	1.6	10.6
Finance	1	1.0	6.6
TOTAL	6	15.1	100.0

in 2002 totaled \$810,000, bringing cumulative disbursements to \$7.1 million. The disbursement ratio was 12.1%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

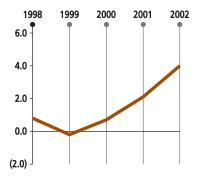
Marshall Islands

Economic performance

In 2002, the Marshall Islands maintained prudent expenditure and the financial position improved, favored by the absence of debt repayments. In FY2002 (ending September 2002), the Government placed \$15.5 million in the Marshall Islands Intergenerational Trust Fund (see http://www.adb.org/Documents/Books/ADO/2001/rmi.asp), participated in also by ADB, and an additional \$15 million (close to 15% of

GDP) was allocated for FY2003. The US dollar is used as a local currency; inflation was stable at 2%. The public sector wage freeze initiated in the late 1990s through ADB support continued in 2002, thereby reducing real wages and facilitating a 10% nominal cut in the second half of 2002.

Marshall Islands GDP Growth Rate, 1998–2002 (percent)



MARSHALL ISLANDS

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/RMI/2002/

- Poverty Partnership Agreement signed in 2002
- Regional Cooperation
 Pacific developing member countries http://www.adb.org/Pacific/
- Web Site http://www.adb.org/MarshallIslands/

Marshall Islands Cumulative ADB Lending

(as of 31 December 2002)

Sector	No. of Loans	\$ Million ^a	% ^a
Social Infrastructure	5	30.4	38.9
Finance	3	24.0	30.7
Multisector	2	9.8	12.5
Agriculture and Natural Resources	1	7.0	9.0
Transport and Communications	1	7.0	9.0
TOTAL	12	78.1	100.0

^a Figures may not add due to rounding.

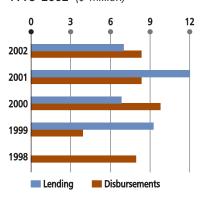
ADB operations

Operational strategy: ADB's strategy in the Marshall Islands aims to strengthen public sector governance and increase public sector productivity; support the creation of new economic opportunities and improve the access to basic social services in the outer islands; and enhance the environment for private sector investment, job creation, and growth. The Government remains committed to reforms, fiscal targets are being met, and other public sector reforms are on schedule.

Policy dialogue:

Negotiations for renewing the Compact of Free Association with the US neared completion in 2002. Financial assistance through the Compact over the next 20 years would be accompanied by an emphasis on improved public sector governance and accountability.

Marshall Islands Lending and Disbursements, 1998–2002 *(\$ million)*



Loans and technical assistance: One loan of \$7 million was approved in 2002 to develop transport infrastructure in the outer islands. Two technical assistance totaling \$670,000 were also approved (see tables 1, 6, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1990, the Marshall Islands has received 12 loans totaling \$78.1 million, of which 5 were active at the end of 2002. Contract awards totaled \$8.4 million, bringing the cumulative figure to \$56.7 million. The contract awards ratio for 2002 was 37.1%—higher than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$8.3 million, bringing cumulative disbursements to \$56.5 million. The disbursement ratio was 50.0%—higher than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Federated States of Micronesia

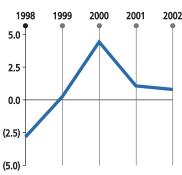
Economic performance

Real GDP growth in the Federated States of Micronesia (FSM) increased by 0.8% in FY2002 (ending September 2002), following 1.1% growth in FY2001. This reflects a fiscal and financial crisis, particularly in Chuuk State, and sluggish private

sector demand pending the Compact II negotiations.

Job opportunities increased by 3.0% in FY2001 and by 0.8% in FY2002. According to recent government estimates, based on a new CPI, inflation was nil in FY2002, compared with 2.0% in FY2001. The

Federated States of Micronesia GDP Growth Rate, 1998–2002 (percent)



trade and current account balances in FY2002 were negative 33.2% and 3.7% of GDP, respectively. With the external debt:GDP ratio declining to 23% in FY2002, the ability to undertake additional concessional borrowing has improved. However, in the last few years, the Government has been prudent and inclined to give priority to securing funds for repaying new debt.

ADB operations

Operational strategy: ADB's strategy focuses on good governance, social service development, and pro-poor economic growth. To promote good governance, ADB has provided technical assistance for improving public sector efficiency and effectiveness in both national and state governments, particularly in formulating and implementing economic policy and public financial management. In social services development, ADB promotes equity, access, and quality; strengthens management efficiency; and mobilizes resources for sustainable delivery. For pro-poor economic growth, ADB promotes the private sector and infrastructure development.

FSM

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/FSM/2002/

- Poverty Partnership Agreement signed in 2002
- Regional Cooperation
 Pacific developing member countries http://www.adb.org/Pacific/
- Web Site http://www.adb.org/Micronesia/

Federated States of Micronesia Cumulative ADB Lending

(as of 31 December 2002)

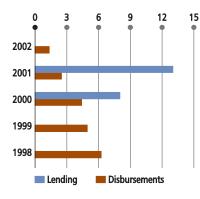
Sector	No. of Loans	\$ Million	%
Finance	3	31.0	55.2
Social Infrastructure	1	10.6	18.9
Multisector	1	8.0	14.3
Agriculture and Natural Resources	1	6.5	11.6
TOTAL	6	56.1	100.0

Policy dialogue: A poverty partnership agreement seeks the Government's commitment to better define and assess the concept of poverty, design appropriate strategies to reduce poverty, and incorporate these strategies into the country's development plans.

Loans and technical assistance: No loans were approved in 2002. Two technical assistance totaling \$1 million were approved (see tables 24 and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1990, the Federated States of Micronesia has received six

Federated States of Micronesia Lending and Disbursements, 1998–2002 (\$ million)



loans totaling \$56.1 million, of which four were active at the end of 2002. Contract awards totaled \$1.1 million, bringing the cumulative figure to \$31.8 million. The contract awards ratio was 5.6%—lower than the ADB-wide average of 22.6%. Disbursements during the year

totaled \$1.4 million, bringing cumulative disbursements to \$31.2 million. The disbursement ratio was 56.7%—higher than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Nauru

Economic performance

The decrease in phosphate reserves and consequently of mining activity led to a decline in Nauru's economy in 2002. The life expectancy of the phosphate industry, the major source of income and export, is estimated at less than 5 years, raising concerns for the future of the country. Economic and financial management has so far been unable to provide viable solutions for sustainable economic development.

NAURU

- Country Assistance Plan 2001–2003 http://www.adb.org/Documents/CAPs/NAU/
- Web Site http://www.adb.org/Nauru/

The draft 2002 government budget indicated a total expenditure close to Australian dollars (A\$)75 million and a deficit of A\$49 million. In 2001–2002, bilateral assistance from Australia, the major foreign donor to Nauru, amounted to A\$3 million. As more than 1,000 asylum seekers were transferred to Nauru, Australia committed a total of A\$25.6 million in assistance to the country for 2001–2003.

ADB operations

Operational strategy: ADB does not have an active program of assistance with the Government of Nauru. The unwithdrawn balance on the 1998 Fiscal and Financial Reform Program was canceled on 2 October 2002 because of overdue loan service payments and lack of loan progress.

Loans and technical assistance: No loans or technical assistance were approved in 2002.

Project implementation: Since joining ADB in 1991, Nauru has received one program loan of \$5 million. Cumulative contract awards totaled \$2.3 million, and the cumulative disbursements totaled \$2.3 million.

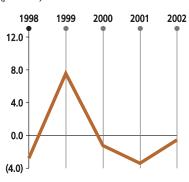
Papua New Guinea

Economic performance

In 2002, Papua New Guinea experienced its third consecutive year of recession, with real GDP declining by an estimated 0.5%.

While mining and petroleum continued to decrease, the nonmineral sector recovered to a record 2.4% growth in 2002. Because of increased expenditure in the run-up to the elections, the Government introduced a supplementary budget, which resulted in a

Papua New Guinea GDP Growth Rate, 1998–2002 (percent)



budget deficit of 3.8% of GDP. The total debt:GDP ratio was over 70% at the end of 2002. The annual inflation rate rose to 11.8% and the kina (K) depreciated by 13.6% against the US dollar.

PAPUA NEW GUINEA

Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/PNG/2002/

- Regional Cooperation
 Pacific developing member countries http://www.adb.org/Pacific/
- Resident Mission
 established in Port Moresby in 2002
- Web Site http://www.adb.org/PapuaNewGuinea/

In the second half of 2002, the Bank of Papua New Guinea tightened its monetary policy. The overall balance of payments was in deficit by K239 million (\$61.5 million), associated with a lower current account deficit and lower trade surplus. At the end of 2002, gross international reserves were sufficient to cover about 5 months of nonmining imports.

ADB operations

Operational strategy: ADB's strategy focuses on helping restore good governance and establishing the conditions for sustainable economic and social growth, by improving public sector financial management, supporting public service reforms, and strengthening institutions. ADB assistance to reorganize and strengthen the management of road and water transport systems emphasizes maintenance and sustainability. ADB also helps strengthen the agriculture and fisheries policy and service delivery capacities, and supports the development of agroenterprises. In the social sectors, ADB is assisting with broad policy analysis and improved services delivery.

Policy dialogue: In 2002, policy dialogue with the Government focused on improving governance and services delivery. ADB has taken a lead role in working with the Government on public service management reform. Also in 2002, ADB initiated discussions with the

Papua New Guinea Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	% ^a
Transport and Communications	12	253.9	29.7
Social Infrastructure	16	215.4	25.2
Agriculture and Natural Resources	13	190.4	22.3
Others	2	95.8	11.2
Energy	5	43.0	5.0
Finance	4	32.1	3.8
Multisector	3	16.0	1.9
Industry and Nonfuel Minerals	1	8.4	1.0
TOTAL	56	855.0	100.0

^a Figures may not add due to rounding.

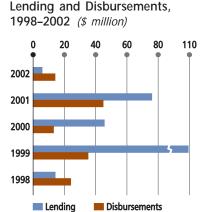
Government on forming a joint country assistance program for Papua New Guinea in collaboration with the World Bank and the Australian Agency for International Development (AusAID).

Loans and technical assistance: One loan of \$5.7 million was approved in 2002 for coastal fisheries management and development. Four technical assistance totaling \$2.5 million were approved (see tables 1, 6, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1971, Papua New Guinea has received 56 loans totaling \$855 million, of

Papua New Guinea

which 12 were active at the end of 2002. Contract awards during the year totaled \$10.9 million, bringing cumulative contract awards to \$583.5 million. The contract awards ratio for 2002 was 6.8%—lower than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$14.0 million,



bringing cumulative disbursements to \$579.5 million. The disbursement ratio was 6.9%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

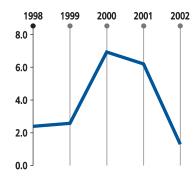
Samoa

Economic performance

Economic growth in Samoa slowed to 1.3% in 2002, due to a decline in construction, tourism, agricultural production, and fish exports. Annual average inflation increased to 5.5% in 2002

because of the impact of unfavorable weather on the main agricultural commodities, and the increased costs for local transportation. The Government followed an expansionary fiscal policy, resulting in a deficit of 2% of GDP. The central bank maintained an accommodative

Samoa GDP Growth Rate, 1998–2002 (percent)



monetary policy stance. The balance of payments recorded an overall surplus of 2.3 million tala (\$0.7 million equivalent) due to increased capital inflows. At the end of

2002, foreign exchange reserves stood at 4.5 months of imports of goods and nonfactor services. External debt—mostly concessional—declined to 52% of GDP in FY2002 (ending 30 June 2002).

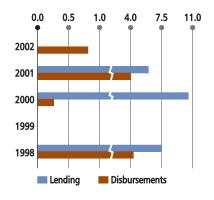
ADB operations

Operational strategy: ADB's strategy is three-pronged. First, ADB supports initiatives that foster good governance to build capacity for sound economic and public sector management, sustain financial reforms, facilitate privatization, and improve performance by public agencies. Second, ADB helps the Government upgrade living standards and reduce income disparity through improved equity and access to quality education. Third, ADB provides assistance for private sector growth and increased employment opportunities by promoting policies that create an enabling environment for private sector development; improving infrastructure; and developing micro-, small-, and medium-sized enterprises.

Policy dialogue: Policy dialogue related to private sector participation in public services delivery, and the implementation of the new legislative framework for stateowned enterprises. Dialogue also focused on the policy and legislative

environment for business development, legal impediments in the economic use of customary land, and ways to improve debt recovery mechanisms and facilitate secured transactions.

Loans and technical assistance: No loans were approved in 2002. Samoa Lending and Disbursements, 1998–2002 (\$ million)



Three technical assistance totaling \$1 million were approved (see tables 24 and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1966, Samoa has received 29 loans totaling \$113.9 million, of

SAMOA

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/SAM/2002/
- Regional Mission

ADB's South Pacific Regional Mission, based in Vanuatu, liaises with Samoa

- Regional Cooperation
 Pacific developing member countries http://www.adb.org/Pacific/
- Web Site http://www.adb.org/Samoa/

Samoa Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	9	41.5	36.4
Finance	7	27.0	23.7
Energy	7	21.0	18.5
Transport and Communications	4	13.0	11.4
Social Infrastructure	1	7.0	6.1
Multisector	1	4.4	3.9
TOTAL	29	113.9	100.0

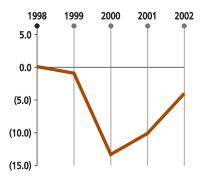
which 3 were active at the end of 2002. Contract awards totaled \$1.0 million, bringing the cumulative figure to \$99.3 million. The contract awards ratio for 2002 was 6.9%—lower than ADB's average of 22.6%. Disbursements in 2002 totaled \$810,000, bringing cumulative disbursements to \$95.3 million. The disbursement ratio was 5.3%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Solomon Islands

Economic performance

In 2002, GDP in Solomon Islands declined by 4%, continuing a trend begun in 2000. Annual average inflation was about 9% in 2002, around the same level as in 2000 and 2001.

The Government continued to face fiscal difficulties, recording a budget deficit of about Solomon Islands GDP Growth Rate, 1998–2002 (percent)



SOLOMON ISLANDS

- Country Assistance Plan 2000–2002 http://www.adb.org/Documents/CAPs/SOL/
- Regional Mission
 ADB's South Pacific Regional Mission, based in Vanuatu, liaises with Solomon Islands
- Regional Cooperation
 Pacific developing member countries
 http://www.adb.org/Pacific/
- Web Site http://www.adb.org/SolomonIslands/

Solomon Islands Cumulative ADB Lending

(as of 31 December 2002)

Sector	No. of Loans	\$ Million	% ^a
Finance	4	30.0	37.8
Agriculture and Natural Resources	4	20.2	25.5
Multisector	2	10.5	13.2
Energy	2	8.9	11.2
Transport and Communications	3	8.0	10.1
Social Infrastructure	1	1.7	2.1
TOTAL	16	79.3	100.0

a Figures may not add due to rounding.

12.2% of GDP. Official arrears amounted to about 19% of GDP. The national debt was 110% of GDP at the end of 2002. The current account recorded a surplus of about 3% of GDP; the overall balance of payments was positive due to a high capital account surplus. The country's foreign exchange reserves amounted to about 1.5 months of imports of goods and services.

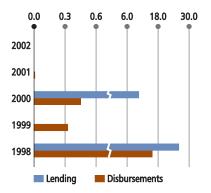
ADB operations

Operational strategy: Because of the Government's overdue and outstanding arrears, ADB suspended its operational program in February 2002.

Policy dialogue: As part of a multidonor effort, ADB continued to follow developments in Solomon Islands in

2002 through close contact with the Government and civil society. ADB emphasized the need to prioritize law and order; good governance; sound fiscal management, including a debt management strategy; and public sector, economic, and financial reforms. However, the continued suspension of country operations has limited the efficacy of policy dialogue.

Solomon Islands Lending and Disbursements, 1998–2002 *(\$ million)*



Loans and technical assistance: In 2002, no loans or technical assistance were approved.

Project implementation: Since joining ADB in 1973, Solomon Islands has received 16 loans totaling \$79.3 million, of which 2 were active at the end of 2002. Cumulative contract awards totaled \$54.8 million and cumulative disbursements totaled \$54.1 million (see tables 14–23 in the Statistical Annex).

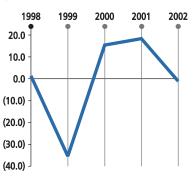
Timor-Leste

Economic performance

Timor-Leste's GDP in 2002 is estimated to have declined by about 1.0%–3.0%. The contraction, which had the greatest impact on the construction and services sectors, was primarily due to the decreased presence of the United Nations and the slower-than-expected implementation of bilateral projects and use of the budget. Agriculture sector production rose due to increased availability of rural capital and farm inputs. Following the reduced international presence, commer-

cial activity declined in terms of exports and imports. The trade deficit was close to 45% of GDP in 2002, according to International Monetary Fund estimates. Major economic problems, such as a significant increase in unemployment, were concentrated in Dili.

Timor-Leste GDP Growth Rate, 1998–2002 (percent)



ADB operations

Operational strategy: In May 2002, Timor-Leste became the world's newest country; shortly thereafter, the Government introduced the National Development Plan (NDP). In July 2002, Timor-Leste joined ADB. An ADB country strategy, to be formulated in 2003, is expected to focus on helping the Government meet its NDP goals of reducing poverty and accelerating economic growth. For more on Timor-Leste, see the Special Theme chapter.

Policy dialogue: Several ADB technical assistance grants have included components for developing a regulatory and legislative framework and analyzing policy issues. High-level policy dialogue with the Government is expected to be part of a 2003 country programming mission.

Loans and technical assistance: No loans have been approved yet for Timor-Leste. In 2002, two advisory technical assistance totaling \$1.3 million were approved (see tables 24 and 25 in the Statistical Annex).

Project implementation: Since the start of ADB operations in the country in 2000—before it became an

TIMOR-LESTE

- Country Assistance Plan 2001–2003 http://www.adb.org/Documents/CAPs/ETM/
- Special Office
 established in Dill in 2002
- Web Site http://www.adb.org/Timor-Leste/

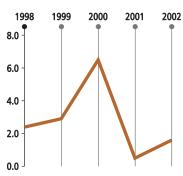
ADB member in 2002—Timor-Leste has received 20 technical assistance totaling \$8.6 million, of which 11 are substantially completed and 9 are ongoing.

Tonga

Economic performance

In FY2002 (ending 30 June 2002), Tonga's real GDP grew by 1.6%, mainly reflecting reconstruction work in the northern islands. A strict fiscal policy stance resulted in a budget deficit of 0.6% of GDP. Inflation was 10.4%, compared with 6.9% in FY2001. A tight monetary policy protected foreign reserves and eased inflationary pressures. At end-FY2002, external debt was 46% of GDP. From a

Tonga GDP Growth Rate, 1998–2002 (percent)



deficit of 9.5% of GDP in FY2001, the current account balance moved to a 5.5% surplus, supported by an increase in total export value of around 48.6%. The capital account balance also improved, reflecting a rise in private capital flows and release of the first tranche under ADB's Economic

and Public Sector Reform Program loan. The overall balance of payments was positive and by end of FY2002, foreign exchange reserves had increased. By end-2002, however, the foreign exchange reserves had fallen to below 2 months of import cover of goods and services.

ADB operations

Operational strategy: ADB's strategy in 2002 focused on improving the efficiency of public services, capacity building, and economic and public sector reforms. To encourage private sector development as the basis of

FONGA

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/TON/2002/
- Poverty Partnership Agreement signed in 2002
- Regional Mission
 ADB's South Pacific Regional Mission, based in Vanuatu, liaises with Tonga
- Regional Cooperation
 Pacific developing member countries
 http://www.adb.org/Pacific/
- Web Site http://www.adb.org/Tonga/

Tonga Cumulative ADB Lending (as of 31 December 2002)

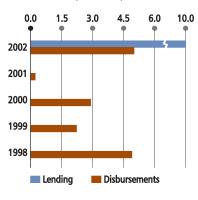
Sector	No. of Loans	\$ Million	%
Multisector	5	11.4	21.5
Transport and Communications	2	11.3	21.4
Others	1	10.0	18.9
Energy	1	7.3	13.8
Finance	2	6.5	12.3
Agriculture and Natural Resources	2	6.0	11.4
Industry and Nonfuel Minerals	1	0.4	0.7
TOTAL	14	52.9	100.0

economic growth, the public sector's demands on resources will be curtailed by carrying out reforms in departments and public enterprises.

Policy dialogue: Government legislation endorsed economic and public sector reforms aimed at improving public service

efficiency and creating an enabling environment to encourage private sector growth. Dialogue in 2002 focused on extending these reforms, including reviewing all public enterprises and other government commercial activities to determine a regulatory regime





for public utilities (energy, water, telecommunications, and transport); and a timetable for privatizing government-owned businesses. The need for sustained political commitment and direction in ensuring reforms was stressed.

Loans and technical assistance: One loan of \$10 million was approved in 2002, for implementing the economic and public sector reforms. One technical assistance amounting to \$700,000 was approved (see tables 1, 6, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1972, Tonga has received 14 loans totaling \$52.9 million, of which 1 was active at the end of 2002. Contract awards totaled \$5.0 million, bringing the cumulative figure to \$52.1 million. The contract awards ratio for 2002 was 47.0%—higher than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$5.0 million, bringing cumulative disbursements to \$46.2 million. The disbursement ratio was 50%—higher than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

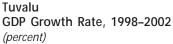
Tuvalu

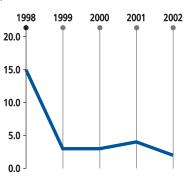
Economic performance

Tuvalu's economic growth continued in 2002, but at 2%, compared with 4% in 2001 as a result of significantly lower government expenditure.

Grants from external agencies were higher at an estimated Australian

dollar (A\$)2.3 million in 2002, compared with A\$1.4 million in 2001. Investment income from the Tuvalu Trust Fund provided additional revenue for public expenditure and a cushion against external shocks. The budget surplus was A\$5.2 million, or 85% of GDP.





ADB operations

Operational strategy: ADB's strategy focuses on promoting governance and economic management; enhancing employment opportunities through skills development; and improving services on the outer islands, where the poor and vulnerable groups are concentrated, partly through sustainable financing mechanisms. In 2002, ADB helped the Government upgrade the Tuvalu Maritime Training Institute, the country's only higher educational institution.

Policy dialogue: Dialogue with the Government continued on outer island development plans, including decision making, good governance, services delivery, and sound economic and fiscal management.

Loans and technical assistance: One loan of \$1.9 million was approved in 2002 to develop maritime training. A technical assistance of \$291,000 was approved (see tables 1, 6, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1993, Tuvalu has received two loans, of which one was active at

LUVALU

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/TUV/2002/

Regional Mission

ADB's South Pacific Regional Mission, based in Vanuatu, liaises with Tuvalu

 Regional Cooperation
 Pacific developing member countries http://www.adb.org/Pacific/

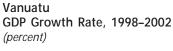
 Web Site http://www.adb.org/Tuvalu/ the end of 2002. The cumulative contract awards totaled about \$4 million, and the cumulative disbursements totaled nearly \$4 million (see tables 14–23 in the Statistical Annex).

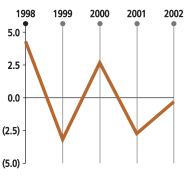
Vanuatu

Economic performance

Vanuatu's economic performance declined by 0.3% in 2002, compared with the revised estimates of negative 2.7% in 2001. The tourism

industry was
negatively affected
by local currency
appreciation;
closure of Air
Vanuatu's direct
connection to
Melbourne,
Australia; and
competition from a
rapidly recovering
and lower-cost
tourism industry in
the Fiji Islands. Beef
exports declined





due to the economic slowdown in Papua New Guinea and the economic collapse in Solomon Islands. Timber and kava exports also declined. Copra production, on the other hand, recorded growth of 7.1%, mainly due to domestic subsidies and the absence of major cyclones during the year.

Macroeconomic conditions remained positive: the inflation rate was low at 2% and the balance-of-payments position was sound.

ADB operations

Operational strategy: ADB's strategy focuses on improving economic management and governance; ensuring access of the poor, both rural and urban, to jobs and essential services; and creating an enabling environment for private sector development. ADB plays a major role in aid coordination, particularly economic and governance issues. Despite the abundant natural resources,

VANUATU

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/VAN/2002/

Regional Mission

ADB's South Pacific Regional Mission, based in Vanuatu, was established in 1984 to liaise with eight Pacific nations, including Vanuatu

 Regional Cooperation
 Pacific developing member countries http://www.adb.org/Pacific/

 Web Site http://www.adb.org/Vanuatu/

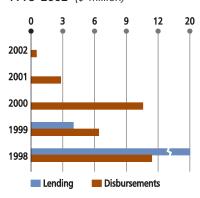
Vanuatu Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Finance	3	26.0	50.7
Social Infrastructure	1	10.0	19.5
Transport and Communications	2	9.2	17.9
Multisector	2	5.0	9.8
Agriculture and Natural Resources	1	1.1	2.1
TOTAL	9	51.3	100.0

Vanuatu's growth suffers from frequent policy shifts, civil unrest, high costs of doing business, and difficulties in enforcing contractual agreements. The adult literacy rate is only 34%; primary and secondary school enrollment rates are low; and access to health services, particularly for women and children, is limited.

Policy dialogue: ADB played a prominent role in Vanuatu's development effort by helping the Government prepare for its national summit on comprehensive reforms, and develop an agenda aimed at strengthening and accelerating the pace of economic reforms. Ways to improve the environment for private business and to reduce poverty were identified. ADB encouraged the Government to strengthen oversight of financial institu-

Vanuatu Lending and Disbursements, 1998–2002 (\$ million)



tions, and helped prepare environment and water resource management legislation.

Loans and technical assistance: No loans were approved in 2002. Two advisory technical assistance totaling \$450,000 were approved (see tables 24 and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1981, Vanuatu has received nine loans totaling \$51.3 million, of which one was active at the end of 2002. Contract awards totaled \$152,000, bringing the cumulative figure to \$47.9 million. The contract awards ratio for 2002 was 98.7%—higher than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$512,000, bringing cumulative disbursements to about \$49 million. The disbursement ratio was 100.0%—higher than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).



espite the challenges faced in the region, the overall economic performance of the South Asia DMCS— Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka—was satisfactory, with the region recording growth of 4.2% in 2002. Security deteriorated in some South Asia DMCs, with a subsequent negative impact on economic growth and poverty reduction. Erratic weather patterns, which produced droughts and floods in different parts of the region and affected agriculture sector output, also took their toll on the region's economic growth. The region still faces some important macroeconomic challenges. The fiscal deficit in several countries is large and needs to be contained. The region also faces uncertain external demand for its exports, and while the current account of the balance of payments of most countries improved, this was largely due to depressed demand for imports. The foreign exchange reserves of most countries increased during the year and there was also a moderate appreciation of the currencies against the US dollar. The high price of oil is adversely affecting the balance of payments and there could be some reduction in the level of foreign exchange reserves.

Given the region's pervasive poverty, ADB focused its operations in the region in 2002 on poverty-reducing interventions. ADB and its development partners help Afghanistan in its reconstruction efforts and assist Sri Lanka in its postconflict rehabilitation (see the Special Theme chapter). ADB continued to assist the South Asia DMCs by supporting social and physical infrastructure projects, improving governance, strengthening institutions and building capacity, reforming sector policies, promoting private sector initiatives, and improving public sector resource management.

Afghanistan

Economic performance

ADB estimates that Afghanistan's GDP in 2002 was about \$4.4 billion, and per capita GDP was \$170 in current prices.

The interim and transitional government prepared a national development framework and ordinary (recurrent) budget in April, which was followed by a development budget in October 2002. Financing of about 80% of the recurrent budget and 100% of the investment budget came from external assistance.

The most significant economic management agenda for 2002 was the introduction of a new currency, which exchanged old 1,000 afghanis (Afs) to 1 new afghani. This simplified transactions and set the stage for more effective monetary control by the central bank. The exchange rate to the US dollar of Afs30,000–40,000 depreciated after the new currency was introduced in October, and reached Afs50,800 to a US dollar in December. The notes exchange operation was expected to be completed by January 2003. For more on Afghanistan, see the Special Theme chapter.

ADB operations

Operational strategy: After conducting a needs assessment with the Afghan authorities and its development partners, as agreed with the then Interim Administration of Afghanistan, ADB approved an initial CSP. The CSP has two tracks: a combination of short-term, high-impact projects, including grant-financed pilot projects in key sectors; and medium-term policy and institutional reform measures through capacity-building technical assistance and program lending.

AFGHANISTAN

 Country Strategy and Program 2002–2004

http://www.adb.org/Documents/CSPs/AFG/2002/

- Resident Mission
 established in Kabul in November 2002
- Web Site http://www.adb.org/Afghanistan/

Afghanistan Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Multisector	1	150.0	61.2
Agriculture and Natural Resources	7	71.2	29.0
Transport and Communications	1	14.9	6.1
Energy	1	9.0	3.7
TOTAL	10	245.1	100.0

Policy dialogue: ADB consulted closely with the Afghan authorities and development partners in formulating the CSP. Policy dialogue centered on policy and institutional reforms to improve governance; strengthen the financial, transport, and energy sectors; and contribute to economic recovery and growth within a market-based system, consistent with the Government's National Development Framework and National Development Budget.

Loans, technical assistance, and grants: The United Kingdom's Department for International Development provided grant funds of nearly \$18 million to clear Afghanistan's arrears with ADB, thus lifting the final barrier for ADB to resume operations. On 4 December 2002, ADB approved a \$150 million loan for a Postconflict Multisector Program—the first loan to Afghanistan by an international financial institution since lending was suspended in 1979. The first tranche of \$100 million was disbursed to the Government on 6 December. Two technical assistance totaling \$15.1 million and three grants totaling \$22 million were approved in 2002 (see tables 1, 6, 24, 25, and 35 in the Statistical Annex).

Project implementation: Since joining ADB in 1966, Afghanistan has received 10 loans totaling \$245.1 million, of which 1 was active at the end of 2002. Contract awards totaled \$100.2 million, bringing the cumulative figure to \$134.5 million. Disbursements in 2002 totaled \$100.2 million, bringing cumulative disbursements to \$128.1 million (see tables 14–23 in the Statistical Annex).

Bangladesh

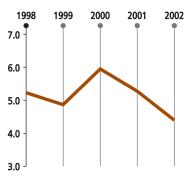
Economic performance

GDP growth in Bangladesh moderated to 4.4% in FY2002 (ending 30 June 2002) from 5.3% in FY2001 due mainly to contraction in agriculture sector production because of adverse weather, and slower growth in industrial output due to lower export-oriented manufacturing. However, small-scale

manufacturing and industrial activities—which are less dependent on global demand, such as electricity, gas, and water—grew, as did the services sector.

The fiscal deficit decreased to 4.4% of GDP, and inflation increased to 2.4% from 1.6% in FY2001. The

Bangladesh GDP Growth Rate, 1998–2002 (percent)



current account balance, excluding official grants, moved to a surplus of 0.4% of GDP in FY2002 from a deficit of 2.3% in FY2001. This was mainly attributed to a lower trade deficit (as year-on-year exports and imports declined by 7.6% and 8.7%, respectively) and a surge in

BANGLADESH

- Initial Country Strategy and Program Update 2003–2005 http://www.adb.org/Documents/CSPs/BAN/2002/
- Poverty Partnership Agreement signed in 2000
- Regional Cooperation
 South Asia Subregional Economic Cooperation
 Program; http://www.adb.org/SASEC/
- Resident Mission
 established in Dhaka in 1982; celebrated in 2002 its
 20th founding anniversary and groundbreaking
 ceremony for a new building
- Web Site http://www.adb.org/Bangladesh/

Bangladesh Cumulative ADB Lending

(as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	65	2,264.0	33.4
Energy	25	1,548.3	22.8
Transport and Communications	20	1,255.8	18.5
Social Infrastructure	25	1,081.4	15.9
Industry and Nonfuel Minerals	8	262.5	3.9
Finance	8	217.6	3.2
Multisector	2	158.8	2.3
TOTAL	153	6,788.4	100.0

remittances from overseas workers. Foreign exchange reserves rose to \$1.6 billion, or 2.5 months of imports at the end of FY2002, compared with \$1.3 billion at the end of FY2001.

ADB operations

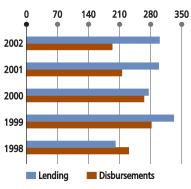
Operational strategy: ADB's strategy to reduce poverty includes continued support for developing basic physical and social infrastructure, with more attention on governance- and environment-related issues. ADB-assisted projects in transport, energy, social infrastructure, water resources, and finance are aimed at supporting key policy and institutional changes to increase private sector participation and improve sector efficiency.

Policy dialogue: In 2002, ADB emphasized local capacity building to support the Government's decentralization policy and improve municipal and local governance. Reforms to improve corporate governance and sector efficiency were also targeted. These included rationalizing tariffs, and creating and restructuring corporate entities in the power and gas subsectors; establishing an independent energy regulatory body; privatizing the marketing of petroleum products; and promoting private sector participation in the energy sector.

Loans, technical assistance, grants, and equity investments: Six loans totaling \$299.8 million for five projects were approved in 2002 to upgrade the road network and rural infrastructure, mitigate erosion at the Jamuna-Meghna River, promote clean fuel in Dhaka, and improve urban governance and the infrastructure sector. Nine technical

assistance totaling \$4.9 million and a grant of \$12 million were approved. ADB also approved a private sector equity investment of \$526,000 in a central depository facility, which will enable the efficient mobilization of local and foreign capital, increase transaction processing capacities, and

Bangladesh Lending and Disbursements, 1998–2002 (\$ million)



increase domestic and foreign participation in the capital market (see tables 1, 6, 7, 10, 24, and 25 in the Statistical Annex).

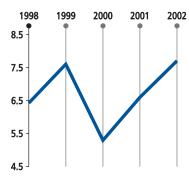
Project implementation: Since joining ADB in 1973, Bangladesh has received 153 loans totaling \$6,788.4 million, of which 39 were active at the end of 2002. Contract awards in 2002 totaled \$202.9 million, bringing the cumulative figure to \$4,844.6 million. The contract awards ratio was 18.1%—lower than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$193.1 million, bringing cumulative disbursements to \$4,868.8 million. The disbursement ratio was 15.4%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Bhutan

Economic performance

Real GDP growth in Bhutan continued to increase, from 6.6% in 2001 to 7.7% in 2002, mainly due to the impact of hydropower projects on construction activities. Agriculture, traditionally the slowest-growing sector, grew at 2.5%, the industry sector by 12.1%, and the services sector by 8.0%. The inflation rate

Bhutan GDP Growth Rate, 1998–2002 (percent)



decreased from 3.6% in 2001 to 2.7% in June 2002, its lowest level since 1999. Low inflation in India helped stabilize prices in Bhutan, particularly for nonfood products.

In FY2002 (ending 30 June 2002), domestic revenue exceeded current expenditure and financed capital expenditure by 1.2% of GDP. The overall government deficit decreased to 6.8% of GDP in FY2002, compared with 11.8% in FY2001. In FY2002, the trade account deficit narrowed, due to increased export of power to India and a decline in imports from India as some hydropower projects neared completion. However, the current account went from surplus in FY2001 to deficit in FY2002 mainly because of a substantial decrease in the net income flow—reflecting lower interest income of the financial sector deposits held abroad. Bhutan's foreign exchange reserves stood at \$317 million, equivalent to 20 months of merchandise imports.

ADB operations

Operational strategy: ADB's strategy was refined in 2002 to reflect the partnership agreement signed by Bhutan and ADB in 2001. In line with the country's Ninth 5-Year Plan (July 2002–June 2007), the strategy focuses on rural infrastructure, financial sector, and private sector development. The strategy targets rural poverty reduction by developing rural infrastructure, providing

BHUTAN

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/BHU/2002/

- Poverty Partnership Agreement signed in 2001
- Regional Cooperation
 South Asia Subregional Economic Cooperation
 Program; http://www.adb.org/SASEC/
- Web Site http://www.adb.org/Bhutan/

Bhutan Cumulative ADB Lending

(as of 31 December 2002)

Nonfuel Minerals

TOTAL

Sector

5 Social Infrastructure 33.1 32.6 Transport and Communications 3 19.3 19.0 2 17.5 17.2 Energy Multisector 12.2 2 12.4 Finance 3 10.5 10.3 Agriculture and 7.8 Natural Resources 2 7.6 Industry and

1

18

No. of Loans

\$ Million

1.2

101.8

%

1.1

100.0

basic social services, creating an enabling environment for private sector development, and improving urban services.

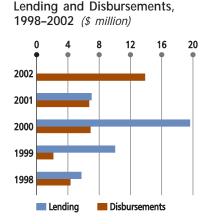
Policy dialogue: Policy dialogue focused on promoting private sector development by undertaking a feasibility study for establishing an industrial estate and a dry port; rationalizing and strengthening bank and nonbank financial institutions; continuing to liberalize foreign trade and investment regulations; and formulating transparent legislation and regulatory procedures. ADB also supports the Government's efforts at improving domestic resource mobilization, including cost recovery of public service delivery of health and urban services.

Loans and technical assistance: No loans were approved in 2002. Five technical assistance totaling \$1.9 million were approved (see tables 24 and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1982, Bhutan has received 18 loans totaling \$101.8 million, of

Bhutan

which 6 were active at the end of 2002. Contract awards totaled \$15.1 million, bringing the cumulative figure to \$80.7 million. The contract awards ratio for 2002 was 59.0%—higher than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$13.9 million, bringing cumulative disbursements to



\$74.7 million. The disbursement ratio was 43.3%—higher than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

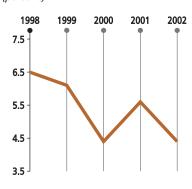
India

Economic performance

For FY2002 (ending March 2003), the official GDP growth estimate for India was 4.4%, compared with 5.6% in FY2001. The consolidated fiscal deficit of the central and state governments together as a percentage of GDP was targeted at 9.3% in FY2002, lower than the revised estimate of 10.0% in FY2001. The lower deficit ratio was due to the expected higher growth in revenue receipts relative to aggregate expenditure.

Despite poor harvests, which usually trigger inflation, the annualized average inflation, as measured by the wholesale price index, remained low at 2.8% during April–December 2002. This enabled the central bank to adopt an expansionary monetary stance to boost industry sector growth. The central bank's midterm review of the Monetary and Credit Policy for FY2002 lowered the cash:reserve ratio

India GDP Growth Rate, 1998–2002 (percent)



from 5.0% to 4.8% effective November 2002. At the same time, the bank rate was reduced from 6.5% to 6.3%.

Export growth showed signs of revival at 11.4% in FY2002, after growing at 0.1% in FY2001. Imports grew by 6.3%, reflecting the recovery of

domestic industrial activity. The current account surplus continued to improve at 0.6% of GDP.

ADB operations

Operational strategy: ADB recently finalized its country strategy and program for 2003–2006. The theme of the new strategy—the first operational strategy for India after adopting ADB's Poverty Reduction Strategy in 1999—is mainstreaming poverty reduction. Poverty will be

INDIA

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/IND/2002/

- Regional Cooperation
 South Asia Subregional Economic Co
 - South Asia Subregional Economic Cooperation Program; http://www.adb.org/SASEC/
- Resident Mission
 established in New Delhi in 1992; transferred to its
 own building in New Delhi in 2002
- Extended Mission in Gujarat established in 2001 to coordinate earthquake rehabilitation activities
- Web Site http://www.adb.org/India/

India Cumulative ADB Lending (as of 31 December 2002)

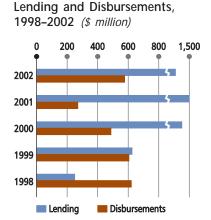
Sector	No. of Loans	\$ Million	% ^a
Energy	21	3,891.8	33.4
Transport and Communications	19	3,419.2	29.4
Social Infrastructure	14	1,420.0	12.2
Finance	11	1,330.0	11.4
Multisector	6	1,200.0	10.3
Others	1	200.0	1.7
Industry and Nonfuel Minerals	4	175.9	1.5
TOTAL	76	11,636.9	100.0

^a Figures may not add due to rounding.

addressed primarily through growth—not only high growth but also equitable, pro-poor growth. Growth interventions will also be complemented by social development interventions that deal with poverty reduction. The Government has also sought ADB assistance for the next generation of policy reforms—to build capacity for improved governance by introducing international best practices. These new priorities will require that ADB

India

operations are expanded to subsectors that are especially important for equitable growth, social development, and improved governance, in addition to sectors focusing on high growth, reforms, and private sector development. State-level operations,



including support for improved delivery of pro-poor social services, will also be extended to a few more focal states that are poor but have also demonstrated their commitment to reforms.

Policy dialogue: Policy dialogue has focused on fiscal consolidation; improving the state-level governance and policy environment, particularly in the power and roads subsectors; fostering reforms in and modernizing the Indian Railways; providing a policy and operational framework to attract private sector participation; and promoting subregional economic cooperation.

Loans, technical assistance, grants, and equity investments: Seven loans for six projects—five public sector and one private sector, totaling \$1,183.6 million were approved in 2002. The projects aim at developing the East-West Corridor, developing roads in Madhya Pradesh, reforming the state power sector, improving railways, and modernizing government and fiscal reform in Kerala. The private sector loan of \$20 million equivalent in local currency was made to a medical services network, which is expected to create an integrated private sector system in India. Twenty-six technical assistance totaling \$13.2 million and three grants totaling \$55.3 million were approved (see tables 1, 6, 7, 10, 24, 25, and 35 in the Statistical Annex). ADB also approved two equity investments totaling \$25 million in an infrastructure fund to help finance private sector infrastructure projects and a mortgage guarantee company in India.

Project implementation: Since joining ADB in 1966, India has received 76 loans totaling \$11,636.9 million, of which 34 were active at the end of 2002. Contract awards totaled \$862.4 million, bringing the cumulative figure to \$6,808.6 million. The contract awards ratio for 2002 was 22.4%—close to the ADB-wide

average of 22.6%. Disbursements during the year totaled \$576.5 million, bringing cumulative disbursements to \$6,386.6 million. The disbursement ratio was 17.9%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

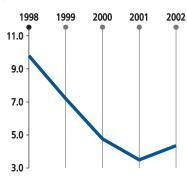
Maldives

Economic performance

The GDP growth rate in the Maldives was 4.3% in 2002, compared with 3.5% in 2001. There was modest recovery in the tourism sector of 2.4% in 2002, after zero growth in 2001. Tourist arrivals in 2002 increased by 5.1% over their 2001 levels. Strong performance in other sectors led to a recovery of the overall economy.

The Government's fiscal position for 2002 was characterized by a surge in expenditure. Government

Maldives GDP Growth Rate, 1998–2002 (percent)



expenditure increased from 37.7% of GDP in 2001 to 41.1% in 2002, largely due to the Government's Hulhumale' Project, a largescale land reclamation and urban development project. The fiscal deficit in 2002 reached 7.4% of GDP, an increase from 4.7% of GDP in 2001.

The inflation rate was low at 0.9%, reflecting modest economic performance. In contrast, domestic credit increased, particularly claims to the private sector, which increased by 15%.

Currency devaluation and the recovery of international fish prices led to an increase in exports in 2002 by 18.1% over the 2001 levels, while imports declined by 2.4%. The improved trade balance and increased disbursement of foreign assistance led to a favorable balance-of-payments position. The country's foreign exchange reserves increased, reaching \$134.5 million at the end of 2002—higher than the level before 11 September 2001—sufficient to cover 4.1 months of imports.

MALDIVES

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/MLD/2002/

- Poverty Partnership Agreement signed in 2002
- Web Site http://www.adb.org/Maldives/

Maldives Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Energy	4	30.3	39.0
Transport and Communications	4	25.7	33.1
Multisector	2	10.4	13.4
Social Infrastructure	1	6.3	8.1
Others	1	5.0	6.4
TOTAL	12	77.7	100.0

ADB operations

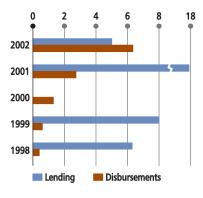
Operational strategy: ADB's strategy in the Maldives supports poverty reduction through pro-poor growth, social development, and good governance initiatives. To foster pro-poor growth, ADB will help promote regional development by providing basic infrastructure and capacity building; create an enabling environment for private sector development, and reform the financial sector and the legal system; and develop an information and communication network in the atolls. To further social development, ADB will provide assistance for postsecondary education and skills development. To support good governance, ADB will improve public access to information, build the management capacity of key public institutions, and assist the Government in developing the private sector.

Policy dialogue: Dialogue focused on poverty reduction and improved public sector management. The PPA aims at reducing poverty incidence from 43% of the population to 25% by 2015. Extensive dialogue to improve the public accounting system was held during project formulation. Major

issues discussed were the reorganization of government ministries and agencies for new accounting procedures and the introduction of a new legislative framework.

Loans and technical assistance: One loan amounting to \$5 million was approved in 2002 to





strengthen the public accounting system. Three technical assistance totaling \$980,000 were approved (*see tables 1, 6, 24, and 25 in the Statistical Annex*).

Project implementation: Since joining ADB in 1978, the Maldives has received 12 loans totaling \$77.7 million, of which 6 were active at the end of 2002. Contract awards

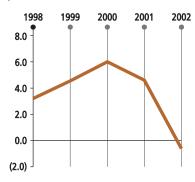
totaled \$4.1 million, bringing the cumulative figure to \$49.6 million. The contract awards ratio for 2002 was 14.2%—lower than ADB's average of 22.6%. Disbursements in 2002 totaled \$6.3 million, bringing cumulative disbursements to \$45.2 million. The disbursement ratio was 19.6%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Nepal

Economic performance

Nepal's economic performance weakened in FY2002 (ending 15 July 2002), registering negative growth for the first time in the past 2 decades. GDP contracted by 0.6%, after posting 4.6% growth in FY2001. This was attributed to a series of domestic and external shocks, especially the escalation of the insurgency, an irregular monsoon, and weak external demand. Agriculture sector growth slipped to 2.2% in FY2002 from 5.5% in FY2001, while industry

Nepal GDP Growth Rate, 1998–2002 (percent)



sector output fell by 3.3% in FY2002, largely due to a nearly 10% drop in manufacturing production. Services sector output, particularly in tourism and the trade-related areas, declined by 1.8% in FY2002 after posting 5.3% growth in FY2001. The sector was adversely affected by the

worsening domestic security and the global economic slowdown. Tourist arrivals dropped by about 40% in FY2002, resulting in an estimated 33% decline in tourism receipts. The inflation rate increased to 2.9% in FY2002, compared with 2.4% in FY2001.

NEPAL

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/NEP/2002/
- Poverty Partnership Agreement signed in 2001
- Regional Cooperation
 South Asia Subregional Economic Cooperation
 Program; http://www.adb.org/SASEC/
- Resident Mission
 established in Kathmandu in 1989
- Web Site http://www.adb.org/Nepal/

Nepal Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	% ^a
Agriculture and Natural Resources	51	788.5	39.2
Energy	14	432.4	21.5
Social Infrastructure ^b	16	371.4	18.5
Transport and Communications	13	270.7	13.5
Industry and Nonfuel Minerals	5	75.1	3.7
Others	4	65.6	3.3
Finance	1	7.3	0.4
TOTAL	104	2,011.0	100.0

- ^a Figures may not add due to rounding.
- b Adjusted after the reduction of loan amount under the Teacher Education Project.

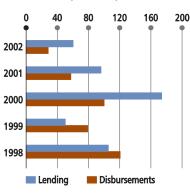
The budget deficit (after grants) was contained at 3.3% of GDP in FY2002 from 4.5% in FY2001, at the expense of a sharp cut in development expenditure. The value of merchandise exports declined by 18.0% in FY2002, due to a drop in exports of ready-made garments, woolen carpets, and pashmina. The value of imports further declined by 11.4% in FY2002, reflecting weaker demand, particularly due to decreased manufacturing and development activities. By the end of FY2002, Nepal had \$1 billion in foreign exchange reserves, enough to cover 8 months of imports and

nonfactor services.

ADB operations

Operational strategy: ADB's strategy focuses on government reforms and building effective institutions. In line with the 2002 CSP Update and the PPA, the operational priorities include generating employment and

Nepal Lending and Disbursements, 1998–2002 (\$ million)



increasing rural incomes through broad-based, rapid economic growth; improving basic social services to enhance human resource development; and promoting good governance.

Policy dialogue: Dialogue with the Government focused on civil service, public resource management, and corporate and financial governance reforms. ADB assisted in preparing the Tenth 5-Year Plan, which is also the Government's poverty reduction strategy.

Loans, technical assistance, and grants: Two loans totaling \$60 million were approved to support secondary

education and improve the urban areas and the environment. Nine technical assistance totaling \$3.9 million and two grants totaling \$24 million were approved (see tables 1, 6, 7, 24, and 25 in the Statistical Annex).

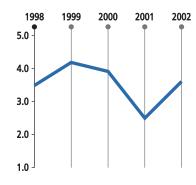
Project implementation: Since joining ADB in 1966, Nepal has received 104 loans totaling \$2,011 million, of which 25 were active at the end of 2002. Contract awards totaled \$13.2 million, bringing the cumulative figure to \$1,306.8 million. The contract awards ratio for 2002 was 3.7%—lower than ADB's average of 22.6%. Disbursements totaled \$28.2 million, bringing cumulative disbursements to \$1,337.9 million. The disbursement ratio was 8.4%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Pakistan

Economic performance

Pakistan's overall economic performance improved in FY2002 (ending 30 June 2002), primarily as a result of higher growth in the agriculture sector. Total consumption expenditure, particularly expenditure on defense and public administration, rose by 5.0% in FY2002, compared

Pakistan GDP Growth Rate, 1998–2002 (percent)



with 1.2% in FY2001, and the net contribution of the external sector also increased by over 30%. The real GDP growth rate was higher at 3.6%, compared with 2.5% in FY2001. Inflation fell further from 4.4% in FY2001 to 3.5% in FY2002. The overall fiscal deficit declined to 5.1% of

GDP in FY2002, excluding one-off expenditures. Budgetary poverty-related expenditure closed at rupees (Rs)133.5 billion in FY2002, or 3.6% of GDP. A surplus of \$2.7 billion was achieved in the current account,

PAKISTAN

- Country Strategy and Program 2002–2006 http://www.adb.org/Documents/CSPs/PAK/2002/
- Poverty Partnership Agreement signed in 2002
- Resident Mission
 established in Islamabad in 1989
- Web Site http://www.adb.org/Pakistan/

Pakistan Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	% ^a
Agriculture and Natural Resources	61	3,392.7	27.1
Energy	46	3,062.0	24.2
Finance	38	1,943.0	15.3
Social Infrastructure	29	1,330.0	10.5
Transport and Communications	15	1,117.0	8.8
Industry and Nonfuel Minerals	17	798.4	6.4
Others	7	650.0	5.1
Multisector	3	344.0	2.7
TOTAL	217	12,679.0	100.0

a Figures may not add due to rounding

resulting from positive developments in almost all subcategories. Foreign exchange reserves held with the State Bank of Pakistan increased to \$7.6 billion by the end of 2002. However, the investment climate remained unfavorable and total investment declined from 15.9% in FY2001 to 13.9% of GDP in FY2002.

ADB operations

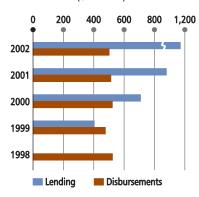
Operational strategy: ADB's strategy for Pakistan, approved in May 2002, supports the Government's thrust in reducing poverty through assistance in areas of shared strategic importance. Under the strategy, ADB will support ways to promote governance by improving access to justice, and services delivery for the poor through decentralization. The emphasis has shifted from supporting economic growth to maximizing its impact on poverty reduction through rural development and employment generation through small- and medium-sized enterprises. The strategy also emphasizes the need to reduce gender disparity. ADB assistance in Pakistan has become more decentralized, with more projects being implemented with the provincial governments. The operational program has also become more focused on the Government's development priorities.

Policy dialogue: In 2002, dialogue with the Government centered mainly on governance-related reforms, including legal and judicial reform, decentralization, corporate governance, and public resource management. This was supported by programs such as the Decentralization Support Program, approved in November 2002, which aims to promote effective and efficient local government structures and continuing reforms under the Access to Justice Program. In the financial sector, the Financial (Nonbank) Markets and Governance Program, approved in December 2002, will support governance reform; and the Rural Finance Sector Development Program will develop rural finance institutions. The proposed Punjab Resource

Management Program, which was initiated by the provincial Government in 2002, will support public sector reform in Punjab.

Loans and technical assistance: Thirteen loans totaling \$1,141 million for seven projects were approved in 2002. The projects are intended to decentralize elementary education; develop the Punjab road sector; promote rural development in Sindh Province; promote the governance and decentralization program; enhance local government performance; mainstream gender and governance; improve

Pakistan Lending and Disbursements, 1998–2002 (\$ million)



community water supply and sanitation in Punjab Province; promote financial (nonbank) markets; strengthen pension insurance and savings systems and the regulation, enforcement, and governance of nonbank financial markets; and develop the rural financial sector. Seventeen technical assistance totaling

\$7.7 million were approved (see tables 1, 6, 24, and 25 in the Statistical Annex).

Project implementation: Since joining ADB in 1966, Pakistan has received 217 loans totaling \$12,679 million, of which 61 were active at the end of 2002. Contract awards totaled \$418.5 million, bringing the cumulative figure to \$8,380.6 million. The contract awards ratio for 2002 was 14.1%—lower than the ADB-wide average of 22.6%. Disbursements in 2002 totaled \$501.4 million, bringing cumulative disbursements to \$8,862.6 million. The disbursement ratio was 23.2%—higher than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Sri Lanka

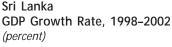
Economic performance

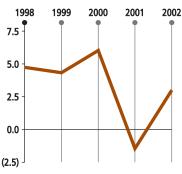
The ceasefire agreement, reopening of A-9 highway to Jaffna, and successful rounds of peace talks all helped foster stability and promote economic recovery in Sri Lanka in 2002, but continued weakness among its global trading partners hindered a rapid turnaround. For more on Sri Lanka and postconflict rehabilitation, see the Special Theme chapter. Real GDP grew by 3.0% in 2002, in contrast to a 1.4% decline in output in 2001. Agriculture, industry, and services all showed gains compared with 2001, with tourism and shipping recovering from the downturn that followed the attack on the country's international

airport. Inflation fell to 10.2% in 2002, from 12.1% the previous year.

The Government took steps to bring the fiscal deficit under control. The budget deficit, excluding grants and privatization proceeds, declined from 10.9% of GDP in 2001 to 9.0% in

2002. The national debt continued to be an issue, with the level exceeding 100% of GDP. The central bank maintained a prudent monetary policy with money supply increasing by 13.4%, of which a larger share was channeled to private sector credit in 2002 than in 2001. The dollar





value of merchandise exports dropped for a second year, by 2.4%. Imports grew by 2.2%, thereby widening the trade gap. The level of foreign exchange reserves improved from 2.2 months to 2.3 months of import

SRI LANKA

 Country Strategy and Program Update 2003–2005

http://www.adb.org/Documents/CSPs/SRI/2002/

- Poverty Partnership Agreement signed in 2002
- Resident Mission
 established in Colombo in 1998
- Web Site http://www.adb.org/SriLanka/

Sri Lanka Cumulative ADB Lending (as of 31 December 2002)

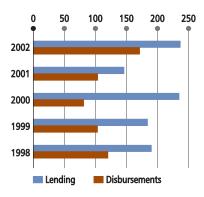
Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	46	970.6	32.6
Social Infrastructure	17	517.0	17.3
Transport and Communications	15	493.8	16.6
Finance	15	446.0	15.0
Energy	12	421.8	14.1
Industry and Nonfuel Minerals	5	91.1	3.1
Multisector	2	39.7	1.3
TOTAL	112	2,980.0	100.0

cover, supported partly by the successful completion of the IMF Standby Arrangement.

ADB operations

Operational strategy: ADB's strategy is being revised. It is expected that the new strategy will continue to reduce poverty through regionally balanced development, and propoor growth to generate employment and increase rural incomes; social development to enhance the marketable skills of the labor force; and good governance for greater

Sri Lanka Lending and Disbursements, 1998–2002 (\$ million)



public sector accountability.

Policy
dialogue: ADB has
been an active
participant in the
Government's
planning committee
for postconflict
rehabilitation. ADB
supported the
Government's
rehabilitation efforts
through the North
East Community
Restoration and
Development

Project by using loan savings redirected from closing projects. Dialogue with the Government focused on institutional reforms in the infrastructure sector, such as unbundling the vertically integrated state-owned electricity company. The reforms are expected to instill greater commercial focus on the new power sector companies, provide improved service at lower prices, and ensure continued expansion of the grid's coverage. In the roads subsector, the dialogue focused on public-funded maintenance contracts.

Loans, technical assistance, and grants: Seven loans totaling \$236.5 million for four projects were approved in 2002. The projects are aimed at improving aquatic resources and plantations, and developing the power and roads subsectors. Nine technical assistance totaling \$4.8 million and a grant of \$900,000 were approved (see tables 1, 6, 24, 25, and 35 in the Statistical Annex).

Project implementation: Since joining ADB in 1966, Sri Lanka has received 112 loans totaling \$2,980 million, of which 38 were active at the end of 2002. Contract awards totaled \$157.4 million, bringing the cumulative figure to \$2,011.2 million. The contract awards ratio for 2002 was 18.9%—lower than ADB's average of 22.6%. Disbursements during the year totaled \$171.2 million, bringing cumulative disbursements to \$1,956.7 million. The disbursement ratio was 17.6%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).



The GDP growth performance for the Southeast Asia DMCs—Indonesia, Malaysia, and Philippines—generally improved in 2002, but the pace of growth varied among the countries. Malaysia, which was hit hard by the global trade downfall in 2001, achieved a larger increase in growth, while Indonesia and the Philippines grew at a more modest pace. The improved growth performance was driven by sound domestic demand in Indonesia, and Philippines. Recovered exports, together with strong domestic consumption, raised the growth in Malaysia. The region benefited from increased exports to the People's Republic of China, but exports to major industrial markets continued to fall in 2002. Variations in debt continued with significant reductions in Indonesia's total public debt and a rise in the Philippines' external debt.

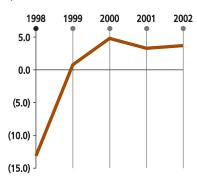
As for policies, the efforts to contain the respective fiscal deficits have been positive. Indonesia and Malaysia were able to achieve smaller budget deficits, but the budget shortfall in the Philippines grew larger than expected. On the monetary front, authorities in the region have kept their monetary policy position accommodative to help keep inflation at bay and interest rates low. This created more favorable conditions for corporate and banking sector reforms and made debt servicing easier; this was seen in Indonesia. The exchange rate policy has been supportive. The strengthened Indonesian rupiah helped further reduce the country's public debt burden. The weakening of the Philippine peso partly reflected the pressure of the growing fiscal deficit and the difficult peace and order situation. But this helped maintain the competitiveness of Philippine exports.

Indonesia

Economic performance

Indonesia recorded GDP growth estimated at 3.7% in 2002. This growth was accompanied by macroeconomic stability and largely sustained by consumption expenditure, which in 2002 was 4.7% above levels in 2001, and offset the impact of a slower world economic recovery and a

Indonesia GDP Growth Rate, 1998–2002 (percent)



continuing decline in investment. The economy received a setback from the terrorist attacks in Bali in October 2002. The currency and stock markets reacted sharply to the attacks, but recovered quickly as the Government took steps to ensure security. By sector, manufacturing recorded growth of 2.8% through 2002,

with utilities and some services sectors also recording strong growth, although slowing during the year. Agriculture grew at 2.3% through the year, up from the 0.7% growth in 2001. Exports and imports declined in 2002. Indonesia sustained fiscal consolidation and reduced the budget deficit to 1.7% of GDP in 2002, lower than the targeted 2.5% of GDP. Lowered fuel subsidies contributed to reducing the fiscal deficit.

Indonesia's budget since the 1997 Asian economic crisis has been bearing a high fiscal burden of servicing government debt. Interest payments on government debt were equivalent to about 5.3% of GDP in 2002. Nevertheless, with rupiah appreciation and nominal GDP increases,

NDONESIA

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/INO/2002/
- Poverty Partnership Agreement signed in 2001
- Regional Cooperation

Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN (Association of Southeast Asian Nations) Growth Area at http://www.adb.org/BIMP/; Indonesia-Malaysia-Thailand Growth Triangle at http://www.adb.org/IMT/

- Resident Mission
 established in Jakarta in 1987
- Web Site http://www.adb.org/Indonesia/

Indonesia Cumulative ADB Lending

(as of 31 December 2002)

Sector	No. of Loans	\$ Million	% ^a
Social Infrastructure	65	4,499.1	23.6
Agriculture and Natural Resources	98	3,945.7	20.7
Energy	30	3,431.0	18.0
Finance	12	3,087.0	16.2
Transport and Communications	31	2,544.9	13.3
Industry and Nonfuel Minerals	15	716.7	3.8
Multisector	7	689.0	3.6
Others	5	182.8	1.0
TOTAL	263	19,096.2	100.0

^a Figures may not add due to rounding.

government debt:GDP ratios declined from 98% in 2000 to about 72% at end-2002. The rescheduling of foreign debt under Paris Club and London Club arrangements, the restructuring of some domestic bank recapitalization bonds, and the launching of a government securities market made future debt repayment more manageable.

Inflation stabilized at about 10% in 2002. The rupiah appreciated and interest rates declined. Official data indicate an increase in the number of unemployed from 8.1 million to 9.1 million in the 12 months to August 2002. The unemployment rate was estimated at 9.1%.

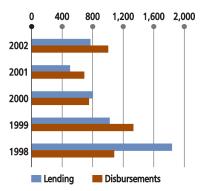
ADB operations

Operational strategy: ADB's strategy focuses on improving governance by emphasizing anticorruption and legal and judicial reform; introducing a geographic focus in operations; and identifying local development partners that prioritize good governance and poverty reduction. It also promotes human development; and aims to mainstream environmental management and encourage sustainable use of natural resources. Poverty-reducing growth is encouraged through investments in infrastructure, strengthened corporate gover-

nance, and expanded private sector development.

Policy dialogue: ADB played a lead role in coordinating the Consultative Group for Indonesia working groups on education and aid effectiveness. Program loan implementation, and the formulation of new program loans

Indonesia Lending and Disbursements, 1998–2002 (\$ million)



also involved extensive policy dialogue on financial governance, industrial policy and development of small-and medium-sized enterprises, and energy policy.

Loans, technical assistance, and grants: Seven loans totaling \$767.2 million were approved in 2002 to help increase poor farmers' incomes, rehabilitate and manage coral reefs, build capacity for decentralization, reform financial governance and social security, develop exportoriented SMEs, support renewable energy, and improve the power transmission subsector. Twenty-seven technical assistance totaling \$19.1 million and two grants totaling \$12.0 million were also approved (see tables 1, 6, 7, 24, 25, and 35 in the Statistical Annex).

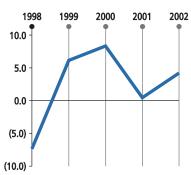
Project implementation: Since joining ADB in 1966, Indonesia has received 263 loans totaling \$19,096.2 million, of which 62 were active at the end of 2002. Contract awards in 2002 totaled \$1,121.4 million, bringing the cumulative figure to \$12,348.8 million. The contract awards ratio was 34.4%—higher than ADB's average of 22.6%. Disbursements in 2002 totaled \$1,000.5 million, bringing cumulative disbursements to \$13,061.5 million. The disbursement ratio was 29.9%—higher than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Malaysia

Economic performance

Malaysia's economic performance improved in 2002 following a slump in 2001. The GDP growth rate rose to 4.2% from 0.4% recorded in 2001, helped by improved

Malaysia GDP Growth Rate, 1998–2002 (percent)



global trade and supported by strong domestic consumption. Public consumption expanded by 13.8% in 2002, following a 17.6% rise in 2001. Public investment expanded by 4.6% and the services sector by 4.5%. Domestic demand was supported by the Government's

MALAYSIA

Regional Cooperation

Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN (Association of Southeast Asian Nations) Growth Area at http://www.adb.org/BIMP/; Indonesia-Malaysia-Thailand Growth Triangle at http://www.adb.org/IMT/

 Web Site http://www.adb.org/Malaysia/

Malaysia Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	21	750.6	37.8
Agriculture and Natural Resources	26	566.0	28.5
Energy	11	321.5	16.2
Transport and Communications	15	255.1	12.8
Industry and Nonfuel Minerals	1	53.0	2.7
Others	1	26.3	1.3
Finance	1	15.0	0.7
TOTAL	76	1,987.5	100.0

expansionary fiscal policy. The fiscal deficit recorded 5.6% of GDP in 2002, about the same level as the 5.5% of GDP in 2001. Monetary policy remained accommodative and, with lower interest rates, helped generate further economic activities, while inflation remained low. External trade recovered, with exports rebounding from a contraction in 2001 to a growth of 6.1%, and imports to 8.1% in 2002. The rebound was led by an expansion in trade with the People's Republic of China and other Southeast Asian countries.

ADB operations

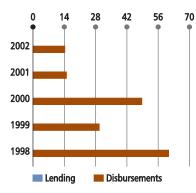
Operational strategy: Malaysia has not availed of new loans from multilateral finance institutions to finance public sector investments in recent times. The implementation of three ADB loans provided before 1997 continues. Malaysia remains an active partner in subregional activities supported by ADB.

Policy dialogue: Malaysia's experiences in finance, privatization, SME development, and government service were discussed.

Loans and technical assistance: No loans or technical assistance were approved in 2002.

Project implementation:
Since joining ADB in 1966, Malaysia has received 76 loans totaling \$1,987.5 million, of which 3 were active at the end of 2002. Contract awards

Malaysia Lending and Disbursements, 1998–2002 (\$ million)



totaled \$12.7 million, bringing the cumulative figure to \$1,413.2 million. The contract awards ratio for 2002 was

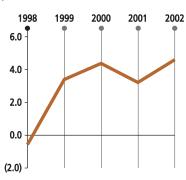
25.4%—higher than ADB's average of 22.6%. Disbursements in 2002 totaled \$14.3 million, bringing cumulative disbursements to \$1,380.9 million. The disbursement ratio was 18.8%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).

Philippines

Economic performance

The Philippines' GDP growth rate increased to 4.6% in 2002 from 3.2% in 2001, registering its strongest performance

Philippines GDP Growth Rate, 1998–2002 (percent)



since the 1997 Asian financial crisis, despite an adverse external environment and continued threats to local peace and order. The net factor income from abroad improved by 15.5% over its 2001 level, and the country's gross national product (GNP) expanded by 5.2%, the highest

since 1997. Output from the agriculture, fisheries, and forestry sectors decelerated to 3.5% in 2002 from 3.7% in 2001. The industry sector grew by 4.1%, compared with 1.3% in 2001. The services sector grew by 5.4%, from 4.4% in 2001. The inflation rate fell to 3.1% in 2002 from 6.1% in 2001 due to lower prices across commodity groups—food, services, housing, and energy-related products.

The fiscal deficit was at 5.3% of GDP in 2002, compared with 4.1% of GDP in 2001. The continued revenue decline led to a deficit of about \$4.1 billion in 2002. The overall balance-of-payments reversed to a surplus of \$751 million as of September 2002 from a deficit of \$1.3 billion in 2001. Net portfolio investments flowing

HILIPPINES

- Country Strategy and Program Update 2003–2005
 - http://www.adb.org/Documents/CSPs/PHI/2002/
- Poverty Partnership Agreement signed in 2001
- Regional Cooperation
 Brunei Darussalam-Indonesia-Malaysia-Philippines
 East ASEAN (Association of Southeast Asian
 Nations) Growth Area at http://www.adb.org/BIMP/
- Country Office
 established in Manila in 2001
- Web Site http://www.adb.org/Philippines/

Philippines Cumulative ADB Lending (as of 31 December 2002)

Sector	No. of Loans	\$ Million	% ^a
Energy	28	2,297.6	28.6
Agriculture and Natural Resources	63	1,920.3	23.9
Social Infrastructure	38	1,410.6	17.6
Transport and Communications	26	1,105.9	13.8
Finance	16	673.0	8.4
Others	3	296.0	3.7
Multisector	6	283.7	3.5
Industry and Nonfuel Minerals	6	47.2	0.6
TOTAL	186	8,034.3	100.0

^a Figures may not add due to rounding

into the country rose to \$692 million in the first 9 months of 2002, from \$208 million in the same period in 2001. The unemployment rate—attributed to the large number of new entrants to the labor force and reflecting, in part, high population growth—rose to 11.2% in July 2002 from 10.1% for the same period in 2001.

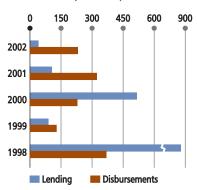
ADB operations

Operational strategy: ADB's strategy supports the Government's development priorities envisaged in the Medium-Term Philippine Development Plan 2001–2004. The strategy aims to reduce poverty, encourage equity, improve social services delivery, protect the environment, and promote good governance. The proposed program for 2003–2005 supports these areas, and focuses on basic education and health services, urban development, power, roads, environmental management, and financial market development.

Policy dialogue: Dialogue focused on supporting reforms under ongoing program loans, including improving the environment of the Pasig River, and the air quality in Metro Manila.

Discussion
continued on
reforming the power
sector, including
privatizing the
National Power
Corporation;
improving
governance in the
nonbank financial
sector; identifying
the constraints and
needs of microfinance; and judiciary
reform. ADB worked

Philippines Lending and Disbursements, 1998–2002 (\$ million)



closely with the Government and the World Bank in preparing a joint review of public expenditure, procurement, and financial management.

Loans, technical assistance, and grants: One loan of \$40 million was approved in 2002 for the Electricity Market and Transmission Development. ADB also provided a partial credit guarantee for a public bond issue of \$500 million to assist power sector reform. Twelve technical assistance totaling \$6.6 million and two grants totaling \$4.6 million were approved (see tables 1, 6, 24, 25, and 35 in the Statistical Annex).

Project implementation: Since joining ADB in 1966, the Philippines has received 186 loans totaling \$8,034.3 million, of which 46 were active at the end of the year. Contract awards totaled \$198.2 million, bringing the cumulative figure to \$5,143.5 million. The contract awards ratio for 2002 was 17.1%—lower than ADB's average of 22.6%. Disbursements in 2002 totaled \$230.0 million, bringing cumulative disbursements to \$5,468.6 million. The disbursement ratio was 17.0%—lower than the ADB-wide average of 22.2% (see tables 14–23 in the Statistical Annex).



he Asian Development Bank (ADB) strives to meet the highest standards of excellence in its fight to reduce poverty in the Asia and Pacific region. In the process of delivering assistance to its developing member countries (DMCs), ADB generates and accumulates a wealth of knowledge. Databases, web sites, publications, and training programs ensure knowledge transfers to, from, and within ADB. ADB strives for the widest dissemination possible.

During the reorganization, ADB examined how its institutional knowledge is generated, captured, and disseminated; and how the organization could be restructured to enhance the process. Steps were taken to improve ADB's capacity to acquire, share, and apply knowledge, by creating the Regional and Sustainable Development Department (RSDD) to advance ADB's knowledge agenda; encouraging better coordination among the Economics and Research Department (ERD), Regional Economic Monitoring Unit (REMU), and ADB Institute; and rationalizing knowledge products and streamlining the process of their dissemination.

Regional and Sustainable Development Department

RSDD was created to maintain quality and technical excellence across ADB. It has five divisions: an environment and social safeguard division, responsible for compliance with ADB's safeguard policies; two divisions responsible for ADB's thematic agenda—a poverty reduction and social development division, and a governance and regional cooperation division; and two divisions responsible for the technical and sector agenda—a finance and infrastructure division and an agriculture, natural resources, and social sectors division. RSDD also runs a unit, the Nongovernment Organization (NGO) Center, to strengthen cooperation with civil society and respond to their concerns.

As the center of thematic and sector expertise, RSDD supports all other departments in ADB. It is mandated to ensure ADB-wide consistency by developing and monitoring policies and guidelines for all thematic and sector areas and serving as the center for compliance oversight, particularly for the safeguard policies—environment, resettlement, and indigenous peoples.

RSDD's responsibility for ADB's regional cooperation strategy, and assistance to the five regional departments strengthens ADB's regional focus and operations, which in turn, strengthens ADB's role in linking the region to the global network and partnerships for development.

The reorganization defined RSDD's role and responsibilities, and put into place the staffing and business processes necessary for RSDD to begin work on achieving its objectives. The work program and 2002 outputs of the thematic and sector committees and networks are covered in the Operational Priorities and Performance chapter.

RSDD and Knowledge Management

An ADB-wide Knowledge Management Committee, chaired by the President, and including senior representatives from ADB Institute, ERD, RSDD, REMU, the Strategy and Policy Department (SPD), and the Office of External Relations (OER) was constituted to oversee ADB's program and progress in delivering knowledge products. Its mandate is to ensure ADB-wide synergy and coordination in knowledge creation and dissemination.

As secretariat to the Committee, RSDD helps coordinate the development of a knowledge management framework, reviews the interregional knowledge products and services, and monitors and compiles the annual outputs and outcomes based on the reports of the thematic and sector committees (see pages 37 and 52). As anchor to the thematic and sector committees, RSDD integrates their knowledge and best practices.

All departments and offices at ADB contribute to the quality of ADB's services, and several are responsible for maintaining the direct and indirect knowledge generated and captured in ADB's work: the Operations Evaluation Department maintains the database of lessons learned and, like RSDD, documents best practices (see the Operations chapter and http://www.adb.org/evaluation/); the Office of External Relations manages external and internal information dissemination. Others, such as the external offices and regional departments, capture and transfer operations-related knowledge. Storage, retrieval, and sharing of information are aided by the Office of Administrative Services and the Office of Information Systems and Technology. RSDD helps maintain the high standards in which these departments and offices function.

Economics and Research Department

The objective of the Economics and Research Department (ERD) is to advance the state of knowledge on economic development of the Asia and Pacific region in a global context. ERD's role is to conduct economic research on key development issues facing the region to support the policy agenda of ADB's developing member countries (DMCs) in enhancing growth and reducing poverty, and to disseminate ERD's research findings to ADB stakeholders.

Together with the Office of the Chief Economist, the newly reorganized divisions of ERD (Macroeconomics and Finance Research Division, Economic Analysis and Operations Support Division, and Development Indicators and Policy Research Division) work jointly or independently to

- undertake research to develop and apply models to assess macroeconomic management and make forecasts, and to improve the understanding of the determinants of long-term growth in the region;
- conduct applied microeconomic research and distill good practices to ensure sound stewardship in ADB's loan operations by promoting quality at entry and improving the methodology of economic analysis of projects and programs;

Training initiatives strengthen the content and management of national training programs. ADB was a partner in several such initiatives in 2002.

Asian Institute of Technology and Asian Institute of Management

To help boost its capacity to acquire, share, and apply knowledge, ADB formed network alliances with the Bangkok-based Asian Institute of Technology and the Manila-based Asian Institute of Management. The knowledge, expertise, and experience of these institutions will supplement ADB's internal knowledge of socioeconomic and development issues, and improve ADB's ability to offer training and capacity building to its developing member countries (DMCs).

Asia-Pacific Economic Cooperation

The objective of the Asia-Pacific Economic Cooperation (APEC) Financial Regulators Training Initiative, established in 1998, is to develop and provide broad-based training for junior and midlevel financial sector regulators and supervisors. Funded by, and housed in ADB, the Initiative is overseen by an APEC Advisory Group representing bank supervisory and securities regulatory agencies in ADB's DMCs.

In Phase 1 of the Initiative, completed in 2000, training needs were identified and core curricula for financial regulators in the region were developed. Phase 2, which ended in October 2002, focused on training, both at the regional and national levels, and on developing and distributing training products to member economies. At the APEC Finance Ministers Meeting in September 2002, the Initiative was extended for another year.

In 2002, the Initiative organized three regional and four national training seminars on investigation, enforcement, and prosecution, as well as on market supervision and corporate governance for securities regulators. Course materials were posted on the Initiative's web site maintained by ADB (http://www.adb.org/projects/APEC/). A self-study training course on securities regulation was developed by the Secretariat and disseminated through the web site. For banking supervisors, three regional and three national training seminars were held on foundation bank analysis and examination, credit risk, risk management and internal controls, and market risk.

- construct relevant statistical databases and analyze the data, and help improve the DMCs' statistical capabilities in measuring and monitoring development effectiveness and progress toward the Millennium Development Goals (MDGs); and
- publish and disseminate research (see http:// www.adb.org/Economics/knowledge.asp).

In 2002, ERD continued to focus its work programs on policy and operational issues in relation to ADB's Poverty Reduction Strategy and on data requirements for operationalizing the Strategy.

ERD conducted studies on a range of issues macroeconomics; growth and poverty reduction; regional integration and trade; competitiveness of Asian economies; local bond markets; good practice studies related to policy-based operations, investment climate and productivity, jointly with World Bank; and information and communication technology (ICT). Research outcomes were disseminated to stakeholders through various forums such as the Fourth Asia Development Forum jointly conducted with the World Bank (see http:// www.adb.org/media/); the Eighth International Forum on Asian Perspectives with the Organisation for Economic Co-operation and Development (OECD); the Workshop on ICT Strategies and the Seminar on International Finance, both with the ADB Institute; and the High-Level Forum on Statistical Capacity Building to ASEAN (Association of Southeast Asian Nations) Countries.

Also in 2002, ADB's existing statistical database system was enhanced significantly and a web-enabled version was developed to meet the statistical information needs of all ADB departments, offices, and resident/regional missions in a timely manner. Likewise, the content was improved and expanded to include new social, economic, and environmental indicators toward achieving the MDGs. A flagship publication, Key Indicators 2002: Population and Human Resource Trends and Challenges, was improved by including a theme chapter and introducing environmental indicators. A poverty database was launched and a webbased protocol was developed to facilitate international access (see http://www.adb.org/statistics/).

ERD produced the annual Asian Development Outlook (ADO) 2002 and ADO Update, and several other books, handbooks, special studies, and a new paper series in the form of policy briefs, technical notes, and working papers. The Economics and Statistics web page was improved and regular Internet dissemination of ERD publications continued (see http://www.adb.org/Economics/).

ERD organized and participated in several workshops, seminars, and capacity-building exercises, including conducting the in-house Staff Learning Program on Economic Analysis of Policy-Based Operations, and the Twelfth Tax Conference with the ADB Institute.

ERD continued to manage several technical assistance projects aimed at improving the national statistical systems, national accounts, and poverty statistics in ADB's DMCs. These activities enabled the DMCs' national statistical offices to produce more timely and relevant statistics (see Box at right).

Regional Economic Monitoring Unit

ADB supports regional monetary and financial cooperation initiatives through its Regional Economic Monitoring Unit (REMU). REMU prepares high-frequency monitoring reports and provides capacity-building support for economic

CAPACITY BUILDING IN INDONESIA

The Indonesia Central Statistical Agency will be able to produce timely trend data related to planning social protection for the poor through an ADB technical assistance. Information about poverty used to only be available annually with a 1-year lag. ADB's technical assistance successfully produced a series of real wage data that can be compiled more frequently and accurately than other standard employment statistics. The data, which are good indicators of the poor's welfare, are used in reports to the Indonesian President's Cabinet, and by university research institutions, think tanks, funding agencies, and media. Because of the success of this technical assistance, ADB increased its support for the project to enable the Agency to produce more detailed analyses of the wage data and thus increase its analytical utility.

monitoring and for establishing regional early warning systems. REMU also maintains the Asia Recovery Information Center web site (*see http://www.aric.adb.org*), a regional portal of information and analysis on Asia's growth and recovery from the 1997 financial crisis.

ADB has approved 13 regional technical assistance projects totaling \$6.3 million, which support regional monetary and financial cooperation initiatives by building and strengthening the capacity of DMCs in the ASEAN¹ and ASEAN+32 groups to conduct economic monitoring. Activities under these projects include training secondees from ASEAN central banks and finance ministries at ADB; supporting activities of the ASEAN Surveillance Coordination Unit located in the ASEAN Secretariat in Jakarta; supporting the establishment of national surveillance units in the ministries of finance of ASEAN countries;³ providing monitoring inputs to high-level meetings of the ASEAN, ASEAN+3, Manila Framework Group, Asia-Europe Finance Ministers Group, and Asia-Pacific Economic Cooperation (APEC); supporting regional initiatives in monitoring shortterm capital flows and establishing early warning systems; conducting special studies on topics related to regional monetary and financial cooperation; and developing and maintaining a web-based clearinghouse of information on East Asia's recovery and growth.

In 2002, ADB completed a Study on Monetary and Financial Cooperation in East Asia, which aimed at developing a road map of policy options for carrying forward the ongoing monetary and financial cooperation efforts by the ASEAN+3 countries. The results of the study were presented at the Asia-Europe Finance Ministers meeting in July 2002 in Copenhagen. The regional

technical assistance for an ASEAN+3 Framework for the Development of Early Warning Systems will help prepare a regional early warning system prototype. In December 2002, central bank and finance ministry officials from the 13 member countries of the ASEAN+3 group discussed the prototype at a workshop jointly organized by ADB, the People's Bank of China, and the ASEAN Secretariat in Beijing.

ADB Institute

The ADB Institute (the Institute) in Tokyo is both a provider of knowledge for development and a high-level training center.

The flagship activity of the Institute in creating and disseminating knowledge has been the Asian Policy Forum (APF). In 2002, there were two APF cycles, both focusing on policy issues in the People's Republic of China (PRC). The highlights from both cycles and other research on the PRC were presented at the Institute's fifth anniversary conference in December 2002. To widen dissemination, the policy recommendations were translated into Chinese.

In addition to its APF activities, the Institute joined other organizations and institutes, including the Inter-American Development Bank, Organisation for Economic Co-operation and Development, and the Chinese Academy of Social Sciences to expand and disseminate collective expertise through seminars.

Twenty original research papers were produced in 2002, on topics such as banking sector reform and the impact of financial reforms on patterns of corporate financing in India; and equity market development and bank lending and corporate financing in the PRC.

In the area of poverty reduction, the Institute's research and published papers examined the causes of the East Asian miracle and its consequences for poverty reduction; the financial crisis in Indonesia and its impact on poverty; and the effectiveness of policy interventions to achieve antipoverty objectives. Other studies relate to pension reform, the degree of exchange rate co-movements and business cycle synchronization, and export competitiveness. For more on the Institute's knowledge products, see http://www.adbi.org/publications/.

The Institute completed 16 capacity-building and training activities in 2002, including social protection for the poor, public expenditure management, financial intermediaries for the poor, and ICT strategies for developing Asia. A pilot project for interactive on-line and CD-ROM E-learning modules progressed.

The Institute is represented on ADB's Knowledge Management Committee. The new Dean appointed in September 2002, and the Institute's Advisory Council will set the direction of future work (*see Appendix 6*).

Office of External Relations

The Office of External Relations (OER) disseminates information about ADB's operations to both external and internal audiences. It promotes awareness of ADB's work

ASEAN comprises Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic (Lao PDR), Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam.

ASEAN+3 comprises the 10 ASEAN countries; and People's Republic of China, Japan, and Republic of Korea.

National surveillance units have been established in Cambodia, Indonesia, Lao PDR, Philippines, Thailand, and Viet Nam.

through its activities in media relations, publications and web site, newsletters and magazines, briefings and speechwriting, photographic and video work, and exhibits and displays.

ADB approved the release of 60 new books in 2002 (see http://www.adb.org/Publications/) and continued to disseminate ADB documents covered under the Policy on Confidentiality and Disclosure of Information to 162 depository libraries and several NGO centers worldwide.

ADB's web site, http://www.adb.org, remained an important vehicle for disseminating information. ADB's online impact was greatly increased with the launch of the On-line Media Center, which has enabled the timely release of more news items and background features, and has provided journalists worldwide with easy access to information about ADB (see http://www.adb.org/media/).

The *Partnership Newsletter,* an e-bulletin produced by OER and ADB's NGO Center and distributed by e-mail, helped strengthen cooperation between ADB and NGOs.

ADB's capability to undertake effective external relations was enhanced by media training for senior staff. Coordination with the resident and regional missions and representative offices also strengthened external relations, and improved knowledge dissemination.

External offices

ADB maintains a network of offices worldwide, consisting of resident missions, a country office, liaison offices, extended missions, a regional mission, and representative offices.

With the formation of regional management teams under the reorganization, the resident and regional missions and country office have become more closely integrated with headquarters. The missions' primary tasks are to promote external relations with the government and stakeholders, including NGOs and civil society. The missions raise ADB's visibility among clients, beneficiaries, and stakeholders; and help enhance ADB's client service. They also assist headquarters in carrying out economic, thematic, and sector work; preparing country strategies and programs; and managing DMC portfolios.

Resident mission

A resident mission is an office located in a DMC involved in government, civil society, and private sector relations; policy dialogue and support; country reporting; aid coordination; and external relations and information dissemination, and certain specific functions as delegated by ADB headquarters.

In 2002, ADB maintained resident missions in Bangladesh, Cambodia, PRC, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Mongolia, Nepal, Pakistan, Papua New Guinea, Sri Lanka, Uzbekistan, and Viet Nam.

Also in 2002, ADB celebrated the 20-year anniversary of the Bangladesh Resident Mission—the first resident mission established by ADB (see http://www.adb.org/BRM/)

and opened its new office building in New Delhi—the first office building owned by ADB outside its headquarters in Manila (see http://www.adb.org/INRM/).

In a 2002 review of the Resident Mission Policy, ADB identified a need for more clearly defining the division of labor between the resident missions and the regional departments in headquarters, and increasing the interaction among the missions themselves (see the Board of Directors' Budget Review Committee report on pages 7 and 8).

Country office

A country office has the same functions as a resident mission but is located in the country hosting the ADB headquarters. ADB maintains the Philippines Country Office.

Special office/special liaison office

A special office is a temporary office to provide urgent development assistance to a DMC whose work program has yet to be formalized. In 2002, ADB maintained a special office in Timor-Leste. A special liaison office is also temporary but less formal. In 2002, ADB maintained a special liaison office in Afghanistan. This has since been approved as a resident mission.

Extended mission

An office created in a DMC where a resident mission already exists, the extended mission addresses the specific needs of a country. Headquarters-based staff temporarily reside in the DMC to undertake specific assignments. In 2002, ADB had an extended mission in Gujarat, India and Papua New Guinea, and an extended mission arrangement from March to December in Tajikistan. The status of the extended missions in Papua New Guinea and Tajikistan changed to resident missions in 2002.

Regional mission

A regional mission is an office that is responsible for a group of geographically contiguous countries, with functions similar to that of a resident mission—loan and technical assistance administration, aid coordination, government liaison, information dissemination, and nongovernment organization coordination. In 2002, ADB maintained the South Pacific Regional Mission in Port Vila, Vanuatu—covering Cook Islands, Fiji Islands, Kiribati, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu (see http://www.adb.org/SPRM/).

Representative office

A representative office is an office of ADB in a nonborrowing member country that is involved in resource mobilization, and liaises with other multilateral and bilateral development agencies and other international organizations, both intergovernment and nongovernment.

ADB has representative offices in Europe, Japan, and North America.

A joint consultation meeting in 2002 between ADB's Strategy and Policy Department and the representative

offices sought ways to strengthen the role of the offices in external relations, resource mobilization, and interagency coordination with multilateral and bilateral development institutions and donors. Proactive information gathering and dissemination among stakeholders are being encouraged in several areas: ADB's ongoing and planned program of operations; strategies, policies, and procurement procedures; development issues and constraints faced by DMCs and ways ADB addresses these; and ADB's resource requirements.

For ADB contact addresses, see the list of offices on pages 281-282 and http://www.adb.org/About/field.asp.

Information management

The new business processes seek to strengthen information sharing and management through more effective use of ICT. The processes also established procedures for more efficient storage and dissemination of knowledge.

In 2002, ADB installed 1,370 new computers and 265 new printers as part of the 3-year replacement plan,

Several initiatives under the Information Systems and Technology Strategy were completed in 2002 (see http://www.adb.org/Documents/Policies/ICT/ict610.asp).

- The Integrated Human Resource Management/Payroll and core Financial Management and Treasury/Banking systems became operational in June 2002. An enterprise server was acquired to host these applications.
- New treasury risk management software and hardware were procured and are being implemented.
- Infrastructure upgrades—aimed at increased availability, higher reliability, and better performance—were implemented with enhanced network security tools.
- All security-related hardware and software, such as firewalls and proxy servers, were replaced or upgraded.
- An integrated backup system was procured to provide better network and server management capabilities and antivirus features.
- The upgrade of the secure password generator and telecommunications infrastructure vulnerability was completed.
- Development of a digitized archival and storage system for multimedia materials and the upgrade of the in-house television studio improved ADB's ability to produce media-related materials.
- The introduction of a web-based information portal will provide easier access to information at headquarters and from remote locations through a single user interface.

and provided all computers with new software. All departments and offices now have access to multimedia workstations equipped with business card readers, scanners, file compressors, and compact disc-writers. The activities of the service desk were reviewed and enhanced. Support was given to ADB's reorganization by providing services to nearly 1,000 staff members relocated within the building.

Videoconferencing facilities are now available at 14 ADB remote sites and over 450 meetings were conducted via videoconferencing from ADB headquarters in Manila in 2002. Satellite equipment was activated at seven resident missions. Integrated voice, data, and videoconferencing facilities were implemented over a single network, providing more capability at current cost. An interim satellite link was established in Afghanistan to strengthen ADB's activities in the country, and support was given for the relocation of the India Resident Mission. Disaster recovery procedure tests were performed at an off-site location, including backup and recovery of new payroll and financial systems.

ADB's information technology (IT) strategy was supported in 2002 with seminars and a review of design requirements for a center for learning, information, communication, and knowledge. The IT Strategy Working Group, comprising representatives from each department and office, began work on an IT strategy for 2003–2007. The group assessed the existing IT environment and examined future IT business needs. The newly established IT Committee reviewed and prioritized these requirements and provided guidance on the overall investment needed.

Successful pilot testing for the London interbank offered rate (LIBOR)-based loan software was completed.

A knowledge-based application was developed to track and coordinate responses to NGOs across all departments and offices in ADB. Support to the sector and thematic networks included producing a webenabled application to capture information from various internal systems.

ADB's Library, with its collection of over 200,000 volumes, continued as a knowledge resource center for print and electronic information. Educational institutions and individual researchers from around the world regularly used the Library's collections and services via the Internet, telephone, facsimile, or in-person visits. On-line services and access continued to be enhanced in 2002 as the Library's database software was upgraded.

ADB's records management system was further improved through the introduction of a digital imaging system to supplement the current paper-based system. Consultants' technical assistance reports were digitized for better access and retrieval, thereby improving ADB's work processes. More paper forms were converted to on-line forms and templates to reduce printing and storage costs. The use of offsite storage for nonvital records was initiated to further rationalize and streamline the storage space available at headquarters.



n 2001, the Asian Development Bank (ADB) undertook a comprehensive review of its organizational structure and operational business processes as part of its response to the challenges of reducing poverty in the Asia and Pacific region. In 2002, ADB implemented the recommendations of that review, reorganizing itself with the aim of supporting the development agenda of its developing member countries (DMCs) more effectively than ever.

Reorganization

The major objectives of the reorganization include balanced country and sector considerations, improved quality and expertise, enhanced safeguard compliance, clearer accountability, and greater emphasis on regional cooperation and knowledge management (see the Knowledge and Support Activities chapter).

New organizational structure

At the heart of the new organizational structure are five regional departments aimed at formulating and implementing more country-focused programs and enhancing subregional cooperation. These are the East and Central Asia Department, Mekong Department, Pacific Department, South Asia Department, and Southeast Asia Department (see the Country Reports chapter). The reorganization aims to help ADB respond more quickly and effectively to the needs of DMCs, because a single department is responsible for making decisions for operations. Staff members can acquire better understanding and knowledge of a particular country because they work on fewer countries. The reorganization is expected to result in better delivery of services to DMCs.

Another new department—the Regional and Sustainable Development Department—was established as a center for technical excellence, quality and compliance, and information exchange. Other departments' responsibilities were realigned and clarified.

Along with the new organizational structure, ADB introduced new operational business processes for its key operations—programming; economic, thematic, and sector work; and project processing and implementation (see Appendix 7A–7B and http://www.adb.org/Documents/Others/Reorganization_2002).

New business processes

The new business processes are designed to implement the Long-Term Strategic Framework (LTSF) 2001–2015—which sets ADB's mission, development objectives, and corporate agenda; the Medium-Term Strategy 2001–2005; and the reorganization. As envisioned in the LTSF, the new business processes emphasize the centrality of the country strategy and program (CSP) in ADB operations and enhance the focus on strategic subregional cooperation objectives. Stakeholder participation has been expanded by building this into key stages of the programming and operational cycles.

The new business processes are designed to be more streamlined and flexible; to enable greater responsiveness

to clients; and to delegate more authority. Accountability for the delivery of products and services has been more clearly established. Operational vice-presidents supervise and oversee the work of the regional departments. The director general of each regional department is accountable for the effective and timely delivery of quality loan and nonlending products and services. The new business processes emphasize the importance of teamwork. Each regional department has a regional management team. Each country has a country team, headed by senior staff at ADB headquarters or in the respective resident missions. The country team includes staff from within the regional department, and from other ADB departments as needed. Project teams are established for all loan projects.

Under the new business processes, better identification and conceptualization of projects at the initial stage of the project cycle are emphasized to ensure quality at entry. More inputs during the early stages of the processing cycle allow staff to assess the direction and scope of the proposed project in greater depth, identify areas of analysis, and prepare a detailed implementation plan for project processing. Provisions for compliance with safeguard policies have been strengthened with the appointment of a Chief Compliance Officer (see Safeguard Policy Compliance on page 43).

In addition, there is greater delegation of administrative and project administration matters. ADB's revised project administration instructions, launched on 1 January 2002, aim to improve project readiness and simplify major delegation and procedures in project administration. Efforts have been made to simplify key documents to avoid repetition, ensure clearer presentation, and enable the reader to focus on the key aspects of the product.

The new business processes also aim to enhance quality, operational relevance, and development effectiveness of knowledge products and services; and disseminate results more widely. A Knowledge Management Committee, chaired by the President, oversees the ADB-wide knowledge products and services process. Thematic and sectoral committees and networks—established for

every major sector and thematic area share and exchange knowledge, experiences, and good practices in addressing thematic and sector issues. The

Under the new business processes, better identification and conceptualization of projects are emphasized to ensure quality at entry.

committees also disseminate information internally and externally and provide professional peer support. For more on the thematic and sector committees, see the Operational Priorities and Performance and Knowledge and Support Activities chapters.

Implementation and review

To coordinate implementation of the new organizational structure and business processes, ADB President Tadao Chino approved in February 2002 the establishment of a coordination group comprising nine department heads. The group met regularly in 2002.

Overall, the major structural changes were accomplished according to the plan and schedule; however, as with any structural change of this scale, there was a period of adjustment. For some staff members, this transition period was more challenging because they were adapting to new roles as members of country teams, project teams, or thematic/sector committees.

The reorganization design included provisions for an internal staff progress review in 2003, which will assess the progress made on achieving the key objectives of the reorganization, and identify issues that emerged during implementation. An independent assessment of the effectiveness of the organizational changes in meeting the objective of better serving the DMCs will be conducted 2 years after the reorganization.

Changes in accounting

Major changes in loan accounting and servicing requirements were needed when the new London interbank offered rate (LIBOR)-based loan (LBL) product was introduced on 1 July 2001. A project office was set up in the Controller's Department in early 2002 to oversee the procurement, development, and implementation of the new system, referred to as the Comprehensive Loan Administration and Servicing System (CLASS). During the year, interim solutions for processing LBLs were implemented, including enhancing the existing loan accounting system and developing spreadsheet models. Bidders' technical and financial proposals were evaluated. The CLASS will cover all required features of the LBL, including interest rate conversions, currency conversions, interest rate caps and collars, and rebates and surcharges. It will also cover other ADB loan and guarantee products, as well as equity investments.

Human resource management, training, and development

Human resource programs and activities in 2002 focused on attracting, retaining, and motivating staff members in support of ADB's poverty reduction agenda.

Skills in regional cooperation, social protection, performance-based allocation, and the LIBOR-based lending modality were targeted. Recruitment processes were improved by including telephone interviews and assessing candidates' motivation level through questionnaires prior to their interviews in Manila. The questionnaires assist user departments in their interviews of candidates.

Also in 2002, the review of the Gender Action Program—a program that was begun in 1998 to address PARTNERSHIP TRAINING

ADB staff members had many opportunities in 2002 to upgrade their skills. In the area of external relations, training workshops on working with nongovernment organizations (NGOs) helped staff members in the Mekong and South Asia resident missions and those at headquarters improve their capacity to tap the strengths of NGOs in development work. The workshops, organized through ADB's NGO Center, will impact on the quality and delivery of ADB projects.

gender disparity (see http://www.adb.org/gender/)—was completed. The representation of women professional staff continued to rise in 2002 in absolute and percentage terms, and the number of women in levels 5 and 6 increased, but the number of senior women professional staff remains low. A second Gender Action Program was considered by Management for implementation in 2003. This program is expected to focus on strategies to increase the number of senior women professional staff, and the number of women in the operational areas, as well as improve their overall representation.

Other activities centered on enhancing the Human Resource Management Information System under the Integrated Financial Management and Human Resource Management Information System (INTEGRA) project (see the Operational Priorities and Performance chapter), which was implemented in June 2002. Employee assistance programs—such as spouse liaison assistance, legal assistance, and external counseling—continued to be available to staff. Programs that recognize service and exemplary performance were reviewed.

The 2002 training and development activities in headquarters and the external offices focused on building staff members' technical skills in the sector and thematic areas; and on familiarizing staff members with the new business processes. A management reorganization retreat for senior staff members, a country team leaders' program, and department planning retreats were held to support the reorganization. The team approach and related topics on negotiation, mediation, and facilitation were introduced in seminars and workshops, particularly in the mission leadership programs.

Training also provided staff members with the information and communication technology (ICT) skills needed to manage the INTEGRA. ADB continued to send staff members to external learning events to improve technical skills and to benefit from leadership and management seminars¹ not available in-house. Several staff members, who attended the in-house Ateneo²-ADB Masters in Business Administration program, graduated in 2002.

¹ Fourteen senior staff members (Directors and above) attended the Columbia Program in Tokyo and New York.

Ateneo de Manila University Graduate School of Business is one of the top schools in Manila offering a Masters in Business Administration program.

ADB continued to provide government officials, staff from other international organizations, graduate students, and academes with the opportunity to learn more about ADB through the Orientation Program for DMC Officials; and the secondment, internship, and fellowship programs.

At the end of 2002, ADB had 2,220 staff members coming from 49 of its 61 members. The total comprised 794 professional staff members³ and 1,426 support staff members,⁴ of which 321 staff members⁵ or about 14.5% are located in the external offices. During the year, there were 93 appointments and 62 departures of professional staff members, while 93 support staff members joined ADB and 67 left. The number of women professional staff members increased from 198 or 26.1% of total professional staff members at the end of 2001, to 217 or 27.3% at the end of 2002.

Compensation

Consistent with ADB's market-driven compensation system, a 3.3% increase in the professional staff salary structure was approved in 2002 (effective 1 January 2003). For local staff at headquarters, the salary survey for 2002 resulted in a 9.6% increase effective 1 January 2002. Annual salary increases for local staff in the external offices were likewise implemented.

Administrative services

To further focus on client and service orientation, the Office of Administrative Services (OAS) initiated a series of outreach activities in 2002, including seminars and workshops on administrative services, an OAS newsletter, and a revamped OAS web site.

ADB undertook a comprehensive review of its safety and security policies and procedures, including physical security and safety, technical security, access control, staff awareness program, emergency management system, and liaison with other security-related organizations.

A comprehensive program for restoring facilities in the 10-year-old headquarters building was initiated.

The fixed assets, inventory, and procurement modules of INTEGRA became functional in June 2002. The fixed assets module provides up-to-date accounting and location information on fixed assets located at headquarters. When fully implemented, the procurement module is expected to improve the turnaround time for procurement processing, ensure information accuracy, and facilitate ADB payments. The module will also help improve procurement management.

Internal administrative budget

Actual internal administrative expenses (IAEs) for 2002 amounted to \$234.3 million, a savings of \$5.7 million

against the original budget of \$240.0 million (see Appendix 10). The savings came mainly from incurring lower-than-expected expenses related to the 35th Annual Meeting, depreciation of the Philippine currency, and not using the 1% general contingency. Under the budget category of operational expenses, additional resources were required during the midyear review due to activities not planned when the 2002 budget was formulated, particularly ADB operations in Afghanistan. As a result of reprioritizing the work program and effective budget monitoring, actual use of the operational expenses budget was kept within the initial allocation.

The IAE budget for 2003 amounts to \$258.7 million, including a general contingency of 1% (summarized in Appendix 10). The budget growth is 7.9% over the 2002 revised estimate, largely due to an increased contribution to the staff retirement plan and growing depreciation charges. Excluding these two items, the budget growth would have been 5.2%, lower than in the past 2 years.

Budgetary resources in 2003 will fund the following major initiatives: promote demand-driven expansion of ordinary capital resources lending and private sector operations; continue support and expansion of the resident/regional missions and representative offices; improve product quality through safeguards and compliance; and promote regional and subregional cooperation.

In addition to the IAEs, the 2003 budget also includes an annual capital budget of \$4.3 million, mainly to fund regular capital expenditures for headquarters facilities and ICT equipment and to meet requirements of the external offices.

Audit and anticorruption

The Office of the General Auditor (OGA) conducts periodic, independent, and objective appraisals of ADB activities to ensure adequate and effective internal controls and to improve economy and efficiency in the use of resources in carrying out ADB's mission. OGA is also the focal point in ADB's drive against corruption, addressing alleged incidents of corruption or fraud in its projects or by its staff. OGA reports directly to the President. The Audit Committee of the Board of Directors reviews OGA's activities.

OGA completed 27 internal audits in 2002 that led to recommendations to ensure that appropriate procedures are implemented in facilitating portfolio, country, and project risks management in private sector operations, and providing timely information; recording accurately and completely ADB's assets to ensure adequate insurance coverage and maintenance of control over the assets; and enhancing monitoring of investment of ADB's staff retirement fund. Other recommendations were aimed at liquidating promptly advances to suppliers and all accrued and deferred charges relating to procurement of materials for the maintenance of building and office facilities; and identifying and providing training to meet the needs of individuals, departments, sectors, and the organization, and determining the results of such training on staff.

³ Includes Management—i.e., the President and Vice-Presidents—and Directors' Advisors, and staff on secondment, on special leave without pay, and on loan to the ADB Institute.

⁴ Includes staff on special leave without pay.

⁵ Includes 64 professional staff and 257 support staff.

Harmonizing Financial Management and Financial Analysis Guidelines

As part of the multilateral development banks' overall harmonization process, the Office of the General Auditor provided comments on, and inputs to, World Bank papers relating to financial management, and agreed to participate in a pilot project in Viet Nam to be undertaken with the Japan Bank for International Cooperation and the World Bank.

OGA actively participated in the data conversion and user acceptance testing of the INTEGRA project; monitoring the implementation process, including the user acceptance testing of the Treasury Risk Management System, which is anticipated to be activated in 2003; fallback tests for the Society for Worldwide Interbank Financial Telecommunications (SWIFT) and mainframe facilities; and various administrative procurements, providing comments and observations to ensure compliance with procurement guidelines.

OGA provided integrated assistance to ADB's external auditors in their audit of ADB's annual financial statements and their review of interim financial statements for ADB's bond offerings.

ADB's Anticorruption Unit is the contact point for reporting allegations of fraud and corruption in ADB-financed projects or among its staff members. The

Anticorruption Unit in 2002 opened 81 cases to review allegations of fraud and corruption—a total of 272 cases since ADB adopted the Anticorruption Policy in 1998. In 2002, ADB reprimanded 4 firms and 1 individual, and declared 11 firms and 7 individuals ineligible to participate in any ADB-financed activities. A cumulative total of 28 firms and 40 individuals were declared ineligible by the end of 2002.

In 2002, the Anticorruption Unit increased awareness of the Anticorruption Policy and the Anticorruption Unit through presentations, workshops, and publications. OGA jointly investigated allegations with the World Bank, and cooperated with several multilateral development banks (MDBs) and the United Nations in connection with investigations and the harmonization of investigation procedures. See <a href="http://www.adb.org/anticorruption for information on ADB's anticorruption efforts, including how to report fraud and corruption; ADB's procedures for dealing with allegations; and ADB's sanction and appeal processes.

OGA played an active role in upgrading the audit capability of supreme audit institutions (SAIs) in DMCs. In 2002, OGA was involved in training programs for the Asian Organization of Supreme Audit Institutions, the South Pacific Association of Supreme Audit Institutions, and government auditors in three Central Asian countries. OGA also continued to exchange information regarding anticorruption issues, capacity building, and auditing with SAIs and other MDBs through meetings, international conferences, and the annual meeting of the heads of audit of MDBs.





Overview

The Asian Development Bank (ADB) is an international development finance institution whose vision is to make the Asian and Pacific region free of poverty. ADB was established in 1966 through the "Agreement Establishing the Asian Development Bank" (the Charter), ratified by 31 countries to promote the social and economic development of the region. ADB has 61 members (as of 31 December 2002), of which 44 are in the region. ADB is rated triple-A by Moody's and Standard & Poors.

In pursuing its objectives, ADB provides different forms of financial assistance to its developing member countries (DMCs). The main instruments are loans, technical assistance, grants, guarantees, and equity investments, which are met through various funding resources. Such funding resources are ADB's ordinary capital resources (OCR) and Special Funds resources to fund operations solely under ADB's administration; and trust funds, which are externally funded and administered by ADB on behalf of donors. The Charter requires that each funding resource be kept separate from the other.

Ordinary capital resources

The OCR come from three distinct sources: private placements and capital markets in the form of borrowings; paid-in capital provided by shareholders; and accumulated retained income (reserves), which provide a buffer for risk arising from operations (see http://www.adb.org/about/fnncemgt.asp).

Financial policies

ADB adheres to prudent and conservative financial policies. The most important financial risk facing ADB as a multilateral development bank (MDB) is country credit risk. ADB's income and reserves policy, and its liquidity policy, serve as the operational framework for addressing such country credit risk.

The review of the income and reserves policy, undertaken by the Board of Directors in 1997, identified ADB's decisive income indicators—the interest coverage ratio (ICR) and the reserve to loan ratio (RLR). The ICR is the ratio of net income to financial expenses plus a factor of one. It measures the extent to which net income can fall without jeopardizing ADB's ability to service its financial expenses from current income. The review concluded that the minimum level for the ICR should be 1.31. The RLR is the ratio of total reserves to the sum of outstanding loans, equity investments, and guarantees. The RLR measures the adequacy of ADB's earning base relative to its loan assets. The policy maintains an RLR of 25%. At the end of 2002, ADB's ICR was 1.65 and the RLR was 30.83.

Due to the need to increase ADB's risk-bearing capacity resulting from the 1997 Asian financial crisis, ADB reviewed its OCR loan charges in 1999. A change in the structure of these charges was recommended and approved by the Board of Directors, and became effective on 1 January 2000. ADB's lending spread for pool-based loans

was raised from 40 to 60 basis points. A front-end fee of 1% was introduced for new loans, and a commitment fee of 0.75% was adopted for new program loans.

In 2002, the Board of Directors approved a new liquidity policy, which is aimed at maintaining investor confidence by ensuring that ADB has the capacity to meet its cash requirements in the event of a major disruption in its cash flows. The old policy maintained a prudential minimum level of liquid assets at no less than 40% of year-end undisbursed loan balance. The new policy has more dynamic cash flow-driven liquidity requirements:

- the prudential minimum level of liquidity to be held at all times during a calendar year is 40% of the next 3 years' proxy net cash requirements, which is the sum of net disbursement and debt redemption;
- the discretionary liquidity will have a ceiling of 50% of the size of prudential minimum liquidity and will be funded by debt without prior authorization of the Board of Directors; and
- the core liquidity portfolio, which will be broadly equivalent to the prudential minimum liquidity, can be funded by equity capital and debt.

The three major elements that determine the effectiveness and efficiency of ADB's financial intermediation consist of its stand-alone financial strength, appropriateness of its financial loan products, and the strength of shareholder support.

The annual review of ADB's income outlook and allocation of the previous year's net income provides the instrument for reviewing ADB's medium-term prospects and the adequacy of its equity capital, net income, and reserves. These are measures of ADB's risk-bearing capacity, which play an important role in ensuring ADB's financial soundness. Based on the annual review, the Board of Directors makes a recommendation to the Board of Governors on the amount of ADB's OCR net income that should be allocated to the ordinary reserve and how much to surplus.

In May 2000, ADB's Board of Governors adopted Resolution No. 270, requesting that the Board of Directors study ADB's future resource requirements to finance its ordinary operations, and to report its findings and recommendations to the Board of Governors. However, ADB's financial framework had to be reviewed before the Board of Directors could assess the implications of the OCR lending operations projected in the 3-year rolling work program on its resource requirements over the medium term. Thus, there was a need to address issues related to the statutory controls and policies related to lending and borrowing limitations.

The Board of Directors considered in October 2002¹ a working paper reviewing ADB's lending and borrowing limitations in light of different interpretations taken by other MDBs on lending limitations, and in response to questions of interpretation raised by several ADB Directors about ADB's lending and borrowing limitation policies, as provided for by ADB's Charter. The review concluded that

This set of policies was adopted by the Board in February 2003.

Selected Financial Data

(as of 31 December, amounts in \$ million)

	Statutory Reported Basis ^a						
	2002	2	2001	2000		1999	1998
Income and Expenses							
From Loans	1,710.0	1,8	13.7	1,861.3	1	674.6	1,440.9
From Investments	330.4	4	03.4	399.9	344.0		382.9
From Other Sources	19.7		21.6	39.7	9.2		8.7
Total Income	2,060.1	2,2	38.7	2,300.9	2	,027.8	1,832.5
Interest and Other Financial Expenses	1,155.1	1,4	34.1	1,576.7	1,	447.2	1,206.5
Administrative Expenses ^b	90.6		59.0	92.6		105.9	121.7
Technical Assistance to Members	56.0		20.0	-		-	-
Provision for Losses	4.5		9.8	5.9		24.8	37.4
Total Expenses	1,306.2	1,5	22.9	1,675.2	1	577.9	1,365.6
Operating Income Before FAS 133	753.9	7	15.8	625.7		449.9	466.9
FAS 133 Adjustments	224.8	147.5				_	
Net Income	978.7	863.3		625.7		449.9	466.9
Average Earning Assets	38,244	36	,272	36,693	3	34,788	28,558
Annual Return on Average Earning Assets	2.56%	2.	28%	1.71%		1.29%	1.63%
Return on Loans	5.93%	6.42%		6.59%		6.41%	6.78%
Return on Investments	4.26%	5.	91%	5.09%		3.96%	5.27%
Cost of Borrowings	4.10%	5.	54%	5.90%		5.66%	5.70%
Reserve-to-Loan Ratio	32.04%	28.	47%	27.26%	2	5.97%	27.70%
Interest Coverage Ratio	1.85	•	1.58 ^c	1.40		1.31	1.39
		Pre-FAS	133 Basis		Current	Value Basis	_
		2002	2001		2002 ^d	2001 ^d	
Net Income		754	716		1,183	473	
Average Earning Assets		38,244	36,271		40,680	38,431	
Annual Return on Average Earning Assets		1.97%	1.97%		2.91%	1.23%	
Return on Loans		5.93%	6.42%		10.53%	3.11%	
Return on Investments		4.26%	5.91%		9.80%	2.66%	
Cost of Borrowings		4.32%	5.63%		9.85%	3.02%	
Reserve-to-Loan Ratio		30.83%	28.09%		28.99%	26.66%	
Interest Coverage Ratio		1.65	1.50		2.02	1.33	

⁻ Ni

the financial framework ADB would adopt in assessing its future resource requirements would include

- a policy limiting ADB's outstanding commitments, i.e., the sum of outstanding disbursed loan and undisbursed loan balance, equity investments, and guarantees² to no more than the sum of the total callable capital, paid-in capital, and reserves (including surplus but excluding special reserve); and
- a policy limiting ADB's gross outstanding borrowings to no more than the sum of callable capital of nonborrowing members, paid-in capital, and reserves (including surplus and special reserves), subject to the Charter limit of 100% of callable capital.

Basis of financial reporting

Statutory reporting: ADB prepares its financial statements in accordance with generally accepted accounting principles applied in the United States (US). Effective 1 January 2001, ADB adopted the Financial Accounting Standards (FAS) 133, "Accounting for Derivative Instruments and Hedging Activities," along with its related amendments under FAS 138. These two standards are collectively termed "FAS 133."

As defined and required by FAS 133, ADB has marked all derivative instruments to fair value and reported in the balance sheet with changes in the fair value recognized in current net income.

Under FAS 133, two options exist in accounting for derivative instruments: hedge or non-hedge accounting. In hedge accounting, changes in the fair value of certain hedge

^a Financial Accounting Standards (FAS) 133 was implemented in 2001. Accordingly, statutory reported basis is the same as pre-FAS 133 basis prior to 2001.

b Net of administration charge allocated to the Asian Development Fund.

^c Excludes the one-time cumulative effect of recording the adoption of FAS 133 on 1 January 2001.

^d Excludes the cumulative effect of the adoption of current value basis accounting.

ADB's financial policies require that the political risk guarantees be charged against ADB's lending limitation at the nominal value of the guaranteed obligations and at the present value of partial credit guarantees.

instruments have to be reflected in current income, while others have to be reflected in other comprehensive income as an adjustment to the carrying value of the hedge item. In non-hedge accounting, all changes in the fair value of hedge instruments need to be recognized as current income. A preliminary assessment using the FAS 133 hedge accounting criteria indicates that most of ADB's derivative transactions are highly effective in hedging underlying transactions and are appropriate for its operations in achieving lower funding costs. At the same time, however, ADB has also found that applying the FAS 133 hedge criteria does not entirely reflect ADB's risk management strategies. Compliance with the hedge criteria would impose undue constraints on ADB's future borrowing, loan, and hedge programs, and likely detract from its focus of minimizing the cost of borrowings. Therefore, ADB believes it is more important to continue pursuing the objective of minimizing the cost of borrowings rather than follow the accounting definition of a qualifying hedge. The application of the FAS 133 qualifying hedge criteria would not make the economic risks inherent in ADB's financial assets and liabilities fully evident. Accordingly, ADB chooses to adopt non-hedge accounting and recognizes changes in fair value of derivative instruments in the period as part of the net income.

Supplemental reporting: ADB manages its balance sheet by selectively using derivatives to minimize the interest rate and currency risks associated with its financial assets and liabilities. It uses derivative instruments to enhance asset/liability management of individual positions and portfolios, and to reduce borrowing costs. As certain financial instruments (including all derivatives and certain investments) are recognized at their fair value, while others are still at cost (loans and borrowings), FAS 133 does not fully reflect the overall economic value of ADB's financial instruments.

ADB also prepares two supplemental financial statements in this *Management's Discussion and Analysis*: current value basis and pre-FAS 133 basis. ADB believes that the financial statements under current value basis present the economic value of all its financial instruments. On the other hand, the pre-FAS 133 basis presents the financial information that is comparable to that in prior years for management information and decision making.

Discussion and analysis of current value

The Condensed Current Value Balance Sheets (see page 130) present ADB's estimates of the economic value of its financial assets and liabilities, taking into consideration changes in interest rates, exchange rates, and credit risks. Current value reflects the exit price for financial instruments with liquid markets and accordingly is similar in most respects to fair value. For financial instruments with no market, current value reflects the expected cash flow streams discounted with the appropriate interest and exchange rates. The reversal of the FAS 133 effects removes the impact related to the adoption of FAS 133, as these effects are already accounted for in the current value adjustment. For details, see the Condensed Current Value Income Statement and a summary of the effects on net income of the current value adjustments in the balance sheet on page 131.

Current value balance sheets

Loan portfolio: The majority of ADB's loans are made to or guaranteed by ADB members. ADB does not sell its loans, believing that there is no comparable market for them. The current value of loans incorporates Management's best estimate of the probable expected cash flows, including interest, to ADB. Estimated cash flows from principal repayments, interest, and other loan charges are discounted by the applicable market yield curves for ADB's funding cost, plus ADB's lending spread.

The current value also includes ADB's appropriate credit risk assessment. To recognize the risk inherent in these and other potential overdue payments, ADB has adjusted the value of the loans through its loan loss provisioning for private sector operations. For public sector loans, ADB has never suffered a loss, except opportunity losses resulting from the difference between the present value of expected payments for interest and charges, according to the loan's contractual terms, and actual timing of cash flows. Accordingly, no loan loss provision is provided against public sector loans.

The positive adjustment of \$2.4 billion, equivalent to 8.3% of ADB's loan balance—from the FAS 133 reported basis of \$29.5 billion to the current value basis of \$31.9 billion—indicates that the loans in the portfolio, on average, carry a higher interest rate than ADB would be able to originate such loans at current rates.

Investments and related swaps: Under both the reported and current value basis, the investments held by ADB are carried and reported at fair values. Fair value is based on market quotations. In the case of instruments for which market quotations are not readily available, the current value is calculated using market-based valuation models. During 2002, ADB entered into two asset swap transactions as a result of the new liquidity policy.

Equity investments: Equity investments with readily determinable fair values (i.e., market value) are reported at fair value. Unlisted equity investments without market value are reported at cost less allowance for losses, which represent a fair approximation of the current value.

Receivables from members: Receivables from members consist of unrestricted and may be restricted promissory notes. The current value of receivables from members is based on the cash flow of the projected encashment of the promissory notes, discounted using appropriate interest and exchange rates.

Borrowings after swaps: The current value of these liabilities includes the value of the debt securities and the financial derivative instruments associated with the borrowings portfolio. The current value of these liabilities is calculated using market-based valuation models.

The increase in the valuation of these liabilities of \$2.4 billion—equivalent to 9.3% in the value of the borrowings portfolio after swaps, from the FAS 133 reported basis of \$26.0 billion to the current value basis of \$28.4 billion—represents the difference between the average cost of ADB's borrowing portfolio and its current value based on relevant market yield curves.

Current value income statements

The total current value adjustment of \$429.0 million for the year ended 31 December 2002 (unfavorable adjustment of \$243.2 million in 2001) represents the change in the current value of all ADB's financial instruments during the year. The current value adjustment reflects changes in both interest rates and currency exchange rates. For 2001, the current value adjustment included a transition loss of \$81.7 million, which was the cumulative effect of the adoption of the current value basis of accounting on 1 January 2001.

For the year 2002, current value net income was \$1.2 billion, compared with the pre-FAS 133 net income of \$753.9 million and the statutory reported net income of \$978.7 million (see table on page 131). The \$429 million increase from the pre-FAS 133 basis to current value basis (i.e., current value adjustment) comprises net effect of \$130.9 million from the valuation of all outstanding financial instruments; \$89.7 million of unrealized investment holding gains; and \$208.4 million of accumulated translation adjustments for the year ended 31 December 2002 (see table on page 131).

Condensed Current Value Balance Sheets at 31 December 2002 and 2001 (\$ thousand)

		31	December 2002	2		31 December 2001
	FAS 133 Reported Basis	Reversal of FAS 133 Effects ^a	Pre-FAS 133 Basis	Current Value Adjustments	Current Value Basis	Current Value Basis
Due from Banks	473,360	-	473,360	-	473,360	68,823
Investments and Accrued Income ^b	9,102,853	-	9,102,853	-	9,102,853	8,330,341
Loans Outstanding and Accrued Interest	29,485,151	(1,098)	29,484,053	2,438,050	31,922,103	30,697,150
Equity Investment	211,267	-	211,267	_	211,267	208,018
Receivable from Members	316,547	_	316,547	(135,055)	181,492	200,543
Receivable from Swaps				, ,	·	
Investments	511,937	(8,005)	503,932	8,005	511,937	-
Borrowings	9,231,868	(641,150)	8,590,718	641,150	9,231,868	6,379,403
Other Assets	504,209	-	504,209	-	504,209	478,096
TOTAL	49,837,192	(650,253)	49,186,939	2,952,150	52,139,089	46,362,374
Borrowings and Accrued Interest	26,236,013	(9,221)	26,226,792	2,418,385	28,645,177	26,734,750
Payable for Swaps						
Investments	548,218	(17,167)	531,051	17,167	548,218	-
Borrowings	9,027,166	(261,793)	8,765,373	261,793	9,027,166	6,784,076
Accounts Payable and Other Liabilities	1,673,632	-	1,673,632	-	1,673,632	1,955,836
Total Liabilities	37,485,029	(288,181)	37,196,848	2,697,345	39,894,193	35,474,662
Paid-In Capital	3,246,837	_	3,246,837	_	3,246,837	2,989,775
Net Notional Maintenance						
of Value Receivable/Payable	(488,456)	-	(488,456)	_	(488,456)	(462,456)
Ordinary Reserve	8,470,092	-	8,470,092	(466,055)	8,004,037	7,589,531
Special Reserve	183,764	-	183,764	-	183,764	182,903
Surplus	116,645	-	116,645	-	116,645	116,645
Cumulative Revaluation						
Adjustments Account	147,501	(147,501)	-	_	-	-
Net Income after Appropriation	977,815	(224,756)	753,059	429,010	1,182,069	471,314
Accumulated Other Comprehensive Income	(302,035)	10,185	(291,850)	291,850	-	-
Total Equity	12,352,163	(362,072)	11,990,091	254,805	12,244,896	10,887,712
TOTAL	49,837,192	(650,253)	49,186,939	2,952,150	52,139,089	46,362,374

⁻ Nil.

^a Translated using exchange rates at transaction date.

b Including securities transferred under securities lending arrangement of \$1,129,208 in 2002 and \$1,489,870 in 2001.

Condensed Current Value Income Statements for the Years Ended 31 December 2002 and 2001 (\$ thousand)

		31 December 2002		31 December 2001
	Year-to-Date Reported Basis	Adjustments to Current Value	Year-to-Date Current Value Basis	Year-to-Date Current Value Basis
Income				
From Loans	1,709,943	-	1,709,943	1,813,640
From Investments	330,448	-	330,448	403,436
From Other Sources Net	19,723	-	19,723	21,634
Total Income	2,060,114	-	2,060,114	2,238,710
Expenses				
Interest and Other Financial Expenses	1,155,167	-	1,155,167	1,434,112
Administrative Expenses	90,553	-	90,553	59,039
Technical Assistance to Member Countries	55,998	-	55,998	19,962
Provision for Losses	4,476	(4,476)	-	-
Total Expenses	1,306,194	(4,476)	1,301,718	1,513,113
Operating Income				
Before FAS 133 Adjustment	753,920	4,476	758,396	725,597
FAS 133 Adjustment	224,756	(224,756)	-	-
Current Value Adjustments	-	429,010	429,010	(243,150)
Provision for Losses	-	(4,476)	(4,476)	(9,838)
Net Income	978,676	204,254	1,182,930	472,609
Appropriation of Guarantee Fees to Special Reserve	(861)	-	(861)	(1,295)
Net Income After Appropriation	977,815	204,254	1,182,069	471,314

Summary of Current Value Adjustments

(\$ thousand)

		Balance Sheet Effects (as of 31 December 2002)				Income Statement Effects (Year to Date)	
	Loans	Investments	Borrowings after Swaps	Other Assets	Less Prior Year Effects	31 December 2002	31 December 2001
Total Current Value Adjustments							
on Balance Sheet	2,438,050	(9,162)	(2,039,028)	(135,055)	(123,930)	130,875	40,189
Unrealized Gains on							
Investments						89,702	23,969
Accumulated Translation							
Adjustments						208,433	(307,308)
Total Current Value Adjustment	:s					429,010	(243,150)

The net increase of \$130.9 million in the current value adjustments on the balance sheet during 2002 was a result of an increase in the mark-to-current value on loans of \$792.8 million and on receivable from members of \$12.9 million, offset by an increase in the mark-to-current value on borrowings of \$665.7 million and an investment swap payable of \$9.1 million.

Unrealized investment holding gains, reflected as part of "Accumulated Other Comprehensive Income" under the reported basis, are presented as current value adjustments for current value reporting. For 2002, the change in the mark-to-market unrealized investment holding gains amounted to \$89.7 million.

The increase in the current value adjustment from 2001 to 2002, considering the \$81.7 million loss in

transition adjustment, was due primarily to changes in exchange rates. Translation adjustments, reflected as part of "Accumulated Other Comprehensive Income" under the reported basis, are presented as current value adjustments. Specifically, a significant portion of ADB's loans, investments, and borrowings was denominated in Japanese yen. While the Japanese yen depreciated sharply in 2001 and appreciated sharply in 2002 against the US dollar, this exchange rate volatility resulted in a significant positive change of translation adjustments of \$208.4 million.

Operating activities

In pursuing its objectives, ADB provides financial assistance through loans, technical assistance, guarantees, and

equity investments to its DMCs to help them meet their development needs.

Loans: Until 30 June 2001, ADB's three lending windows for loans from OCR were the pool-based multicurrency loan (PMCL) window, pool-based singlecurrency loan (PSCL) window in US dollars, and marketbased loan (MBL) window. With the introduction of the London interbank offered rate (LIBOR)-based loan (LBL) products on 1 July 2001, the PMCL and MBL were no longer offered; on 1 July 2002, the PSCL in US dollars was retired. For ADB to evolve into a full-fledged LIBOR-based lender, the Board of Directors also approved the retirement of all existing loan products, and the program of offering borrowers the option to transform the undisbursed balances of their PSCLs in US dollars and MBLs into LBLs provided that the undisbursed PSCL balance was not less than 40% of the loan amount as of 30 June 2001. By 15 December 2002, total undisbursed balances of \$6.7 billion under 97 PSCLs to 11 borrowing countries were transformed to LBL terms as scheduled. For details, see the table below and http://www.adb.org/finance/. As of 31 December 2002, the transformation program had been completed. The LBL is a timely response to borrower demand for new ADB financial loan products that suit project needs and external debt risk management strategies. The LBL products give borrowers a high degree of flexibility in managing interest rate and exchange rate risks and at the same time provide low intermediation risk to ADB.

OCR loan approvals, disbursements, repayments, and prepayments: In 2002, 36 OCR loans totaling \$4.0 billion were approved, compared with 30 OCR loans totaling \$4.0 billion approved in 2001. Of the total OCR 2002 amount, 87.9% of the loans went to India, People's Republic of China, Pakistan, and Indonesia (in order of magnitude). Disbursements in 2002 totaled \$3.1 billion, an increase of 7.6% from \$2.8 billion in 2001. Principal repayments for the year were \$3.3 billion, of which

\$2.0 billion represented prepayments on loans. In 2002, 18 loans were fully prepaid and 1 loan was partially prepaid. On 31 December 2002, cumulative loans outstanding after allowance for losses amounted to \$29.1 billion.

Status of loans: Three public sector OCR loans (two to Myanmar and one to Nauru), and 13 private sector loans were in nonaccrual status at the end of 2002. The total outstanding balances of these public and private sector loans were \$3.2 million (\$3.1 million in 2001) and \$83.9 million (\$75.4 million in 2001), respectively. The increase in private sector loans in nonaccrual status was mainly due to defaulted loans. One loan came out of nonaccrual status during 2002. The combined total of \$87.1 million represented 0.3% of the total OCR loans outstanding.

Lending rates: The lending rates for the PMCL and PSCL US dollar loan windows are based on the previous semester's average cost of borrowings. The interest from the MBL window is on either fixed or floating rate terms. The lending rates for MBLs are determined on the basis of the 6-month LIBOR with reset dates of either 15 March and 15 September or 15 June and 15 December. ADB's poolbased variable lending rates for multicurrency loans and for US dollar loans are shown on page 133. For the second half of 2002, the lending rate for multicurrency loans decreased to 3.91% per annum, and the rate for US dollar loans decreased to 6.34% per annum.

In addition to lending rates, lending spread is charged to all borrowers. As of 1 January 2000, this was between 40 and 60 basis points. For private enterprises, the lending spread is determined on a case-by-case basis to cover ADB's risk exposure to particular borrowers and projects.

Twenty-seven LBLs became effective in 2002, of which 23 are in US dollars and 4 in Japanese yen. In addition, undisbursed balances of \$6.7 billion under 97 PSCL US dollar loans were transformed to LBL terms. The lending rates are based on the 6-month LIBOR by reference to each loan service payment date, plus a lending spread.

LIBOR^a-Based Loan Transformation

		Batch ly 2002)		Batch ber 2002)		Batch mber 2002)		tal rmation_
	No. of Loans	\$ Million	No. of Loans	\$ Million	No. of Loans	\$ Million	No. of Loans	\$ Million
Bangladesh	-	-	-	-	2	97	2	97
China, People's Republic of	13	1,316	-	-	1	92	14	1,408
Fiji Islands	-	-	-	-	1	26	1	26
India	11	1,989	-	-	-	-	11	1,989
Indonesia	-	-	-	-	30	1,658	30	1,658
Malaysia	-	-	-	-	2	48	2	48
Papua New Guinea	-	-	-	-	5	102	5	102
Philippines	-	-	-	-	22	1,084	22	1,084
Thailand	-	-	-	-	3	51	3	51
Uzbekistan	-	-	-	-	6	236	6	236
Viet Nam	-	-	-	-	1	20	1	20
TOTAL	24	3,305	-	-	73	3,414	97	6,719

⁻ Nil

a London interbank offered rate.

Lending Rates^a (% per annum)

	2002	2001	
1 January	5.08	5.50	Multicurrency
	6.69	6.70	US Dollar
1 July	3.91	5.21	Multicurrency
	6.34	6.70	US Dollar

^a Lending rates are set on 1 January and 1 July every year and are valid for 6-month periods.

For public sector LBLs, rebates and surcharges are standard features, which can have two components: adjustment of ADB's basic lending spread; and adjustment of the cost base. To maintain the principle of cost pass-through pricing, ADB returns the actual sub-LIBOR funding cost margin to its LBL public sector borrowers through rebates. A surcharge could arise if ADB's funding cost is above 6-month LIBOR, which is remote unless ADB experiences serious credit deterioration. Rebate/surcharge rates are set on 1 January and 1 July every year and are based on the actual average funding cost margin for the preceding 6-month period. In 2002, ADB returned the actual sub-LIBOR funding cost margin of \$2.4 million to its LBL public sector borrowers based on the rebate rates.

Technical assistance: ADB considers technical assistance (see http://www.adb.org/TA/) programs as an important part of ADB's overall operations in helping DMCs meet their development objectives. From 1967 to 1991, technical assistance expenses were charged to the OCR and to other technical assistance funding resources—Technical Assistance Special Fund, Japan Special Fund, and trust/grant funds. From 1992 to 2000, no technical assistance expenses were charged to the OCR. In 2001, the Board of Directors approved the financing of high-priority technical assistance programs out of OCR current income within a rolling 4-year financing framework. The amount of financing required varies between years and is subject to the approval of the Board of Directors.

Guarantees: ADB provides guarantees as credit enhancements for eligible projects to cover risks that the private sector cannot easily absorb or manage on its own. Reducing these risks can make a significant difference in mobilizing debt funding for projects. ADB has used its guarantee instruments successfully for infrastructure projects, financial institutions, capital markets, and trade finance. The guarantee instruments are recognized as off-balance sheet financial instruments in ADB's annual financial statements. ADB's total exposure toward signed and effective loan guarantees is disclosed in Note E of the OCR Financial Statements.

ADB offers two guarantee products—political risk guarantees (PRG) and partial credit guarantees (PCG)—both designed to mitigate risk exposure of commercial lenders and capital market investors. These guarantees are not issued on a stand-alone basis but are provided for projects in which ADB has direct participation. ADB can cooperate with other multilateral, official, and private sector lenders and insurers in providing its guarantee products.

Rebate Rates

(% per annum)

	US Dollar	Japanese Yen	
1 January 2002	0.41	0.17	
1 July 2002	0.36	0.16	

Political risk guarantees: ADB's PRG program is designed to facilitate cofinancing by providing lenders/ capital market investors of an ADB-assisted project with cover against specifically defined political risks. Coverage is available against any combination of the risks of expropriation, currency inconvertibility or nontransferability, political violence, and breach of contract, and is available for loans and other forms of debt instruments. Equity instruments are ineligible for PRG coverage. Tenors are based on the merits of the underlying project. All or part of the outstanding debt service obligations to a lender may be covered. The cover may be for principal and/or interest payment obligations. For private sector projects, ADB can issue a PRG without a counterguarantee from the host government. However, PRG exposure to a private sector project without a counterguarantee from the host government is subject to a maximum of \$150 million or 50% of the project cost, whichever is lower. Fees are market-based and comprise guarantee fees, front-end fees, and standby fees. ADB's PRG is callable when a guaranteed event has occurred and such an event has resulted in debt service default to the guaranteed lender.

In 2002, ADB approved four PRG transactions: One supporting a \$25 million commercial loan to develop a power project in Viet Nam has become effective. This PRG was provided under ADB's Co-Guarantee Program whereby ADB acted as the guarantor-of-record, and laid off all risks associated with the PRG to a private sector political risk insurer. The three remaining approved PRGs, with total support of \$235 million, were not effective as of 31 December 2002.

Partial credit guarantees: The PCG provides comprehensive cover (of both commercial and political risks) for a specific portion of the debt service profile provided by cofinanciers. PCG cover is particularly useful for projects in DMCs with restricted access to financial markets, but which ADB considers creditworthy and financially sound. Since the 1997 Asian financial crisis, borrowers, project sponsors, cofinanciers, and host governments have aimed to hedge currency mismatch risks by using the revenue currency as the borrowing currency. ADB's PCGs can cover local currency debt, including domestic bond issues or long-term loans from local financial institutions. For private sector transactions not supported by a counterguarantee from the host government, the exposure limit stands at \$75 million or 25% of the project cost, whichever is less. Guarantee fees for private sector transactions are market-based. Fees for transactions backed by the host government guarantee

comprise a standard guarantee fee of 40 basis points (0.4%) per annum on the present value of the outstanding guarantee obligation plus a front-end fee to cover ADB's processing costs. Fees can be charged either to the borrower or the lender. One PCG project (\$500 million equivalent in Japanese yen) in the public sector was approved and effective in 2002 to support the Power Sector Restructuring Project in the Philippines.

ADB is committed to further develop the capital markets in the region by using its guarantee products and complementary financing scheme (CFS). ADB's guarantee instruments and CFS are reliable instruments in catalyzing capital flows to its DMCs by providing necessary credit enhancements.

Private sector equity investments and loans: ADB's Charter allows ADB to use the OCR to make total equity investments in private enterprises up to 10% of its unimpaired paid-in capital, together with reserves and surplus, exclusive of special reserve. As of 31 December 2002, there were 57 companies in which ADB held equity only, 24 for loans only, and 17 companies in which it provided both equity and loans. The total equity portfolio for the OCR for both outstanding and undisbursed approved facilities net of allowance for probable losses amounted to \$409.2 million at 31 December 2002. This represented about 33% of the ceiling defined by the Charter.

As of 31 December 2002, the overall private sector portfolio (equity investments and loans) was about \$1.2 billion, which was within the operational limit of \$1.5 billion set by the Board of Directors. As an interim arrangement, pending the implementation of a more objective capital allocation methodology, approvals of private sector operations in excess of \$1.5 billion are allowed, beginning September 2001. It is also ADB's policy to limit a single project exposure (aggregate equity investment and loan) to the lesser of \$75 million or 25% of total project cost. In 2002, ADB approved equity investments amounting to \$35.5 million in four projects.

Equity

Total shareholders' equity on reported basis grew from \$10.9 billion as of 31 December 2001 to \$12.4 billion as of 31 December 2002. This was primarily due to the 2002 net income of \$978.7 million, favorable translation adjustments of \$200.7 million, net effect of change in special drawing rights (SDR) value on capital and reserves of \$189.7 million, unrealized investment holding gains of \$89.7 million, and capital subscriptions received of \$10.5 million.

In addition to subscribed and paid-in capital, capital backing in the form of callable capital can be called only if required to meet ADB's obligations incurred on borrowings or guarantees under the OCR. As of 31 December 2002, the callable capital subscribed amounted to \$43.9 billion.

Borrowings

In 2002, ADB completed 80 borrowing transactions in US dollars, Australian dollars, Japanese yen, euro, and Hong Kong dollars, raising \$5.9 billion in long-term funds (see table on page 135). The average maturity of such long-term

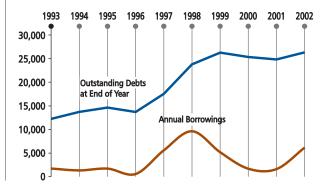
borrowings was 7.2 years, compared with 6.2 years in 2001. After swaps, \$3.3 billion or 57% of 2002 borrowings was in US dollars and the remaining \$2.6 billion in Japanese yen. ADB's swap guidelines require that the swap counterparties have a credit rating of double A or higher. ADB does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

ADB's overriding borrowing objective has always been to ensure that funds are available to meet its net cash requirements at the lowest possible cost. Subject to this objective, ADB seeks to diversify its funding sources across markets, instruments, and maturities. One of ADB's core funding strategies is to maintain a strong presence in key currency bond markets through regular issuance of benchmark global bonds. Consequently, ADB continues to enhance the execution of its global bond issues, focusing on offering investors fairly priced bonds through a price discovery process, achieving a broad-based distribution both geographically as well as by investor type, and ensuring secondary market liquidity. Importantly, ADB also issues bonds on an opportunistic basis to generate funds at the lowest cost possible. In this regard, ADB can execute opportunistic and private placement transactions on short notice and in the size, structure, and maturity that meet investors' requirements. As part of its development mandate, ADB continues to contribute to the development of the regional bond markets through local currency bond issuance. Finally, ADB makes use of the euro-commercial paper (ECP) program to bridge-finance cash flow deficiencies when market conditions are not favorable for issuing long-term debt.

Of the total 2002 borrowings, \$3 billion was raised through three public offerings. In January 2002, ADB launched a 5-year \$2.0 billion benchmark global bond issue, marking its return to the global US dollar market for the first time since May 2000. In addition, ADB launched in August and October 2002 two opportunistic US dollar bond issues in the principal amount of \$500 million each and with maturities of 10 and 7 years, respectively.

To minimize costs, ADB further enhanced its private placement funding strategy in 2002. As a result, private placement borrowing volume increased significantly in 2002, providing ADB with \$2.9 billion or almost 50% of the year's total borrowing. Of the total 2002 private placement

Borrowings, 1993–2002 (\$ million)



Borrowings

(amounts in \$ million)

	2002	2001	2000	1999
Long Term				
Total Principal Amount	5,944.9	1,207.1	1,692.6	4,815.9
Average Maturity to First Call (years)	7.2	6.2	5.6	4.5
Average Final Maturity (years)	9.9	8.7	7.3	6.2
Number of Transactions				
Public Offerings	3	2	3	7
Private Placements	77	15	1	3
Number of Currencies (before swaps)				
Public Offerings	1	2	1	4
Private Placements	5	3	1	1
Short Term ^a				
Total Principal Amount ^b	2,830.0	1,249.7	250.0	1,885.0
Number of Transactions	36	9	2	50
Number of Currencies	2	2	1	1

- a All euro-commercial paper.
- b At year-end, the outstanding principal amount was \$200 million in 2002, \$400 million in 2001, nil in 2000, and \$370 million in 1999.

borrowing, \$0.6 billion was raised through 50 callable foreign exchange-linked notes targeted at institutional investors in Japan. These notes typically have principal amounts in Japanese yen and coupon rates linked to exchange rates between two currencies, such as the Japanese yen and the US dollar. Aside from the issuance of these structured notes, ADB also raised \$1.7 billion through eight bond issues placed with the Japanese retail market. With issue size ranging from \$40 million to \$800 million, such issues allow ADB to raise cost-efficient funds in volume. Most of these borrowings have longer maturities, which are attractive for smoothening ADB's redemption profile. Finally, ADB executed 19 transactions totaling \$0.6 billion in the form of foreign exchange- and interest rate-linked notes targeted at large institutional investors in Asia. All private placement borrowings were swapped on a fully hedged basis into "plain vanilla" floating liabilities in Japanese yen and US dollars.

In addition to these long-term borrowings, ADB executed a total of 36 ECP transactions in 2002, raising \$2.8 billion in short-term funds. All ECPs in 2002 were issued in US dollars and subsequently swapped into Japanese yen. As of 31 December 2002, only \$200 million ECPs were outstanding.

Liquidity portfolio management

The liquidity portfolio helps ensure the uninterrupted availability of funds to meet loan disbursements, debt servicing, and other cash requirements. It also contributes to ADB's earning base.

The Investment Authority, which is approved by the Board of Directors, governs liquid asset investments. Its primary objective is to ensure the security and liquidity of funds invested. To meet this objective, ADB seeks to maximize returns on its liquidity portfolio investments.

ADB's investments are made in the same currencies as received. In compliance with its Charter, ADB does not

convert currencies for investment. At present, liquid investments are held in 18 currencies.

ADB's liquid assets are held in obligations of governments and other official entities, time deposits, and other unconditional obligations of banks and financial institutions, and, to a limited extent, in corporate bonds, mortgage-backed securities, and asset-backed securities of high credit quality.

The liquid assets are held in three subportfolios—core portfolio, operational cash portfolio, and cash cushion portfolio—all of which have different risk profiles and performance benchmarks. The year-end balance of the liquidity portfolios in 2002 and 2001, excluding securities transferred

under securities lending arrangement and pending sales and purchases, is presented below.

The core portfolio is invested to ensure that the primary objective of a liquidity buffer is met. Cash inflows and outflows are minimized to achieve the core portfolio's objective of maximizing the total return relative to a defined risk tolerance level. The core portfolio is funded largely by equity. For this part, the performance is measured against external benchmarks with an average duration of about 2 years. The remaining part of the core portfolio is funded by debt and is invested to maximize the spread earned by ADB between borrowing cost and investment income.

The operational cash portfolio is designed to meet net cash requirements over a 1-month period. It is funded by

Year-End Balance of Liquidity Portfolio (\$ million)

	2002	2001
Core Portfolio	6,546.0	5,202.0
Operational Cash Portfolio	144.0	381.0
Cash Cushion Portfolio	1,081.0	1,101.0
TOTAL	7,771.0	6,684.0

Return on Liquidity Portfolio

	Annualized Financial Return (%)		
	2002	2001	
Core Portfolio	6.89	7.25	
Operational Cash Portfolio	1.72	3.59	
Cash Cushion Portfolio	1.04	2.29	
RETURN ON TOTAL PORTFO	LIO 5.36	6.11	

equity and invested in short-term, highly liquid money market instruments. The portfolio performance is measured against short-term external benchmarks.

The cash cushion portfolio holds the proceeds of ADB's borrowing transactions pending disbursements. The portfolio is invested in short-term instruments; performance is measured against short-term external benchmarks.

Risk management

ADB seeks to ensure that appropriate and robust tools for risk management of treasury operations are in place. In 2002, ADB substantially completed the installation of an advanced treasury risk management system. Prior to "live" operation in 2003, the system will be tested and undergo a period of parallel operation with other systems.

The treasury risk management system will link the front, middle, and back office treasury functions into a seamless, "straight-through-processing" environment. This will enable more accurate, effective, and efficient risk management of treasury operations. In addition, it will permit the introduction of new tools for measuring and monitoring market and credit risks, such as various value-at-risk measures, and facilitate stress-testing and risk-adjusted performance and attribution analysis.

In 2002, significant progress was also made in strengthening other aspects of the risk management infrastructure. Risk guidelines and procedures were consolidated and updated. New methodologies for valuing highly structured transactions were adopted. Investment benchmarks were reviewed; and further improvements, designed to increase operational efficiencies, were introduced. In addition, risk-adjusted performance measurement was strengthened, particularly in connection with the operation of the externally managed OCR investment portfolio.

In country credit risk management, an internal quantitative credit risk model was completed in October 2002. The model is intended to be the basis for ADB to integrate a systematic approach to credit risk management by having estimates of expected and unexpected loss linked to the equity capital adequacy, loan loss allowance, minimum net income requirement, and pricing of OCR loans. The outputs given by the credit risk model will be used as inputs for determining ADB's minimum net income requirements.

In ADB's private sector operations, the Risk Management Unit has two main functions: special assets management to give special attention to the more vulnerable private sector projects; and credit review to evaluate and give an independent credit assessment, separate from the operating division's judgment on each project.

Summary of financial performance and allocation of net income

Income and expenses: Gross income decreased by 8.0% from \$2.2 billion in 2001 to \$2.1 billion in 2002 because of a decrease in loan, investment, and other income. Of the total gross income, \$1.7 billion was generated by the loan portfolio, \$330.4 million by the investment portfolio, and \$19.7 million from other sources.

Total operating expenses were \$1.3 billion in 2002, down by \$216.8 million, or 14.2% from the previous year of \$1.5 billion. The reduction in expenses was because of a \$278.9 million decrease in interest and other financial expenses and a \$5.4 million decrease in provision, offset by a \$31.5 million increase in administrative expenses, and increase in technical assistance financing of \$36.0 million for 2002. The decrease in interest and other financial expenses was mainly due to lower interest rates for variable rate borrowings. The increase in administrative expenses resulted primarily from the deferral of direct loan origination expenses of \$34.8 million in 2001, compared with \$19.4 million in 2002 and increases in severance pay and postretirement benefits that are accounted for based on projected benefits. Total operating expenses accounted for 63.4% of the gross income, compared with 68.0% in 2001.

For the year ended 31 December 2002, reported net income was \$978.7 million, compared with \$863.3 million of 2001. The increase of \$115.4 million (representing a 13.4% increase) in net income is predominantly attributable to the following.

- Increase in income of \$77.3 million reflected the year-to-date change in fair value of ADB's derivative instruments, net of amortization of transition adjustment due to FAS 133. The FAS 133 adjustment is limited to the change in value of derivative instruments as opposed to all financial instruments.
- The remaining increase in income of \$38.1 million was primarily due to the reduction in interest and other financial expenses outweighing the increase in administrative expenses and technical assistance financing and the decrease in loan and investment income for the year.

FAS 133 adjustments: The \$224.8 million FAS 133 adjustment for the year ended 31 December 2002 represented a rise of \$242.1 million in the values of the derivatives net of the \$17.3 million amortization of the FAS 133 transition adjustments during the year. The \$242.1 million gain on derivatives arose predominantly because ADB has several US dollar interest rate swaps with fixed interest receivable and floating interest payable. The net decrease in US dollar interest rates in 2002 meant that these derivatives gained in value.

Allocation of net income: In accordance with the income and reserves policy approved in 1997, ADB reviewed in 2002 its income outlook and allocation of 2001 net income. Based on the review, the Board of Governors approved that, of the 2001 net income after appropriation to special reserve of \$862.0 million, \$714.5 million be allocated to ordinary reserve and \$147.5 million to a separate category of reserves, "Cumulative Revaluation Adjustments Account." This represents cumulative FAS 133 adjustments. For 2002, the Board of Directors approved that there should be no change in OCR loan charges.

Staff retirement plan and postretirement medical benefits: Retirement benefits are provided through a contributory defined benefit plan (Pension Plan) where staff employed by ADB are expected to contribute 9 1/3% of their salary and are allowed to make additional voluntary

contributions. The Pension Plan is administered by ADB as a separate fund, which is required to be kept separate from ADB's resources.

In addition, the postretirement medical benefits plan is provided to retirees who have elected to enroll in the Postretirement Plan. ADB covers 75% of the medical insurance premium.

For the two benefit plans, the recognition of ADB's obligations is based on the projected benefits obligation, net of the fair value of the projected plans assets under certain actuarial assumptions. As of 31 December 2002, the Pension Plan and the Postretirement Plan showed an unfunded status of \$185.5 million and \$124.0 million, respectively. To the extent allowed, certain costs, gains/losses, and obligations are deferred and recognized in relevant accounting periods as permitted by the accounting standards. Consequently, the unfunded amounts are not recognized as liabilities but the periodic retirement pension and postretirement costs based on actuarial valuation have been recognized in the OCR accounts. Recognition of future costs will depend on the outcome of future events. In that respect, the fund status and the periodic costs are reviewed annually with the assistance of actuaries. Such a review may lead to a revision in the funding rate to the Pension Plan and Postretirement Plan.

Special Funds

ADB is authorized by its Charter to establish and administer Special Funds. Special Funds being administered as of 31 December 2002 were the Asian Development Fund (ADF); the Technical Assistance Special Fund (TASF); the Japan Special Fund (JSF), including the Asian Currency Crisis Support Facility (ACCSF); and the ADB Institute Special Fund. Financial statements for each fund are prepared in accordance with generally accepted accounting principles, except for the ADF, which are special purpose financial statements prepared in accordance with ADF regulations (see http://www.adb.org/finance/ADF/).

Asian Development Fund

The ADF is ADB's concessional lending window from which loans are provided to DMCs with low per capita gross national product and limited debt repayment capacity. The governments of 28 donor members (regional and nonregional) have contributed to the totality of the ADF, which is the only multilateral source of concessional assistance dedicated exclusively to the needs of Asia and the Pacific. The ADF supports activities that promote poverty reduction and improve the quality of life of ADB's poorer DMCs (see http://www.adb.org/finance/ADF/).

ADF VIII: The current ADF replenishment (known as ADF VIII), authorized in December 2000 by Resolution No. 276 of the Board of Governors, is intended to finance ADB's concessional lending operations for 2001–2004. The total replenishment was \$2.79 billion based on the exchange rates specified in the Resolution. By the end of 2002, 23 donors had submitted their Instruments of Contribution to ADF VIII for a total of \$2.27 billion. Twenty-one donors deposited unqualified Instruments of

Contribution. Canada and Taipei, China deposited Instruments of Contribution containing a qualification, as permitted by the Resolution, that all installment payments except the first were subject to budgetary appropriations. Two donors—Italy and the United States—had not submitted their Instruments of Contribution by year-end.

By the end of the year, all donors that had submitted their Instruments of Contribution had paid both their first and second installments. For details of amounts released for operational commitment in 2002, see the column labeled "Addition" in Table 31 in the Statistical Annex.

Shortly after it became a member of ADB in April 2002, Portugal deposited Instruments of Contribution to both ADF VII and ADF VIII for €34.2 million and €16.9 million, respectively. The contribution to the ADF VII formed part of the ADF resources that funded loan approvals in 2002.

In addition, Spain indicated that it would make an additional contribution of \$100 million (€113.4 million equivalent) to the ADF VIII, emphasizing the humanitarian obligation for all donors to respond to the needs of Afghanistan and its neighboring countries. In August 2002, the Board of Directors approved the acceptance of this contribution subject to the terms and conditions set forth in the Resolution. Spain provided its first installment in cash.

Of the 25 donors to the ADF VIII, 17 opted to follow the accelerated encashment schedule specified in the Resolution, which has an encashment profile of 7 years. Six other donors—Austria, France, Germany, Switzerland, Thailand, and United Kingdom—applied the regular encashment profile, which extends over 10 years. Belgium applied the International Development Association 12 5-year encashment profile, while Australia modified the standard profile to accommodate its budgetary requirements, but its notes will be encashed within 7 years.

Asian Development Fund Commitment Authority (\$ million, at year-end)

	2002	2001
ADF VIII Contributions	1,072.9	417.3
ADF VII Contributions	310.0	120.6
ADF VI Contributions	0.0	-
Expanded Advance Commitment Authority	1,600.0	800.0
Total ADF Resources ^a	2,983.0	1,337.9
Less: Loans Committed Carryover of Conditional	2,229.5 b	712.9 ^c
Loans Committed ^d	630.9	584.8
Provision for Disbursement Risk	89.9	35.0
TOTAL ^e	32.7	5.3

0.0 Less than 0.1 million.

- Ni
- ^a Excludes pre-ADF VIII amounts for determining the ADF commitment authority under the new financial planning framework for managing ADF resources, as approved by the Board of Directors on 15 April 1997.
- Excludes loans that were conditionally approved in October-December 2002.
- ^c Excludes loans that were conditionally approved in November–December 2001.
- d Loans that were conditionally approved in 2000 and were funded in January 2001.
- e Total may not add due to rounding.

ADF VII: In May 2002, the US deposited promissory notes for a further \$98.0 million of its ADF VII contribution, consisting of \$28.2 million for the balance of its third installment, and \$69.8 million as partial payment (69.8%) of its fourth installment. Accordingly, four donors—Austria, France, Germany, and Malaysia—which had previously exercised their pro rata rights and not made their fourth installments available for operational commitment, released 69.8% of such installments. The total amount released was \$48.4 million. These resources became part of the ADF VIII commitment authority in 2002. As of 31 December 2002, the US' arrears under ADF VII were \$30.2 million and the amount withheld by other donors totaled \$20.9 million.

ADF VI: The US cleared its ADF VI arrears by depositing a promissory note in the amount of \$17,050 in May 2002.

ADF loan approvals, disbursements, and repayments: In 2002, 53 ADF loans totaling \$1.6 billion were approved, compared with 46 ADF loans totaling \$1.4 billion approved in 2001. Of the 2002 amount, about 47.7% went to Pakistan, Bangladesh, and Viet Nam (in order of magnitude). Disbursements during 2002 totaled \$1,135.5 million, an increase of 10.9% from \$1,024.3 million in 2001. At the end of the year, cumulative disbursements from ADF resources were \$18.7 billion. Loan repayments during the year amounted to \$262.3 million, and cumulative repayments were \$1.9 billion. As of 31 December 2002, ADF loans outstanding amounted to \$17.2 billion.

Status of loans: At the end of 2002, 28 public sector loans to Myanmar, and 14 public sector loans to Solomon Islands were in nonaccrual status. Total outstanding ADF loans to Myanmar amounted to \$452.1 million, and to Solomon Islands \$46.0 million, together comprising about 2.9% of the total ADF loans outstanding.

Investment portfolio position: The ADF investment portfolio amounted to \$3.3 billion at 31 December 2002, compared with \$2.6 billion at 31 December 2001. About 22% of the portfolio was invested in bank deposits, and 78% in floating and fixed income securities. The financial rate of return on ADF investments in 2002 was 4.7%, compared with 5.4% in 2001.

The portfolio was denominated in 10 currencies. Euro, pound sterling, Australian dollars, and Canadian dollars accounted for 78% of the portfolio.

Technical Assistance Special Fund

Review of activities: During 2002, People's Republic of China (its 2nd), Pakistan (its 25th), and India (its 18th) made direct voluntary contributions to the TASF, amounting to \$1,000,000, \$70,000, and \$46,545, respectively. These were made on a wholly untied basis.

At the end of 2002, total TASF resources amounted to \$919.6 million. Of this, \$851.3 million had been committed, leaving an uncommitted balance of \$68.3 million. For details, see Table 32 in the Statistical Annex.

Operations and resource position: Technical assistance committed (approved and effective) decreased from \$34.7 million in 2001 to \$27.9 million in 2002 with

Technical Assistance Special Fund Cumulative Resources

(\$ million)

	2002	2001
Regularized Replenishment Contributions	238.0	238.0
Allocations from OCR Net Income	501.0	501.0
Direct Voluntary Contributions	88.5	87.4
Income from Investment and Other Sources	95.6	88.1
Transfers from the TASF to the ADF	(3.5)	(3.5)
TOTAL	919.6	911.0

() Negative.

58 technical assistance projects made effective during the year. In 2002, \$3.9 million (\$5.5 million in 2001), representing completed and canceled technical assistance projects, was written back as a reduction in technical assistance for the year and the corresponding undisbursed commitment was eliminated. Revenue from investments dropped from \$10.9 million in 2001 to \$4.8 million in 2002, because of a decrease in the size of the investment portfolio and general lower yield prevailing globally. As a result, the uncommitted balance available for future commitments decreased from \$81.3 million in 2001 to \$68.3 million in 2002. The TASF contributed 26% of funding for total technical assistance approved in 2002.

At the end of the year, TASF investments stood at \$155 million, down 16% from 2001. Other assets—comprising due from banks, advances to consultants, and others—totaled \$10.1 million. Accounts payable to the OCR and others amounted to \$130,000.

Japan Special Fund

Review of activities: The technical assistance grants funded by the Japan Special Fund (JSF) continued to support ADB operations aimed at reducing poverty. In March 2002, Japan contributed 2.9 billion yen (\$22.5 million equivalent) as a regular contribution to the JSF. As of 31 December 2002, Japan's cumulative contribution to the JSF, since its inception in 1988, amounted to 97.3 billion yen (about \$836.0 million equivalent), comprising regular contributions of 79.2 billion yen and supplementary contributions of 18.1 billion yen. In 2002, ADB approved 65 technical assistance grants for the JSF totaling \$36.4 million inclusive of those that were approved but not yet effective (see table on page 139). The uncommitted balance after taking into account approved technical assistance grants not yet effective as of 31 December 2002 was \$135.4 million. For details, see tables 33 and 34 in the Statistical Annex.

Sectoral activities: In 2002, the JSF financed 20% of the total amount of technical assistance approved by ADB, including 54% of the total amount of project preparatory technical assistance approved during the year. *The breakdown of JSF approvals by sector is shown in the table on page 139.*

Japan Special Fund Technical Assistance^a by Sector, 2002

	\$ Million	%
Agriculture and Natural Resources	8.3	22.8
Social Infrastructure	7.6	20.9
Transport and Communications	6.9	19.0
Others ^b	4.6	12.6
Energy	4.5	12.4
Multisector	2.1	5.8
Finance	1.8	4.9
Industry and Nonfuel Minerals	0.6	1.6
TOTAL	36.4	100.0

- ^a Includes regional technical assistance.
- b Includes projects outside ADB's economic sector classification system; these projects pertain to, among others, central government administration, operation and regulation, customs operations, public sector reform programs, judicial and legislative operations, public finance management, fiscal reforms, environment projects, gender, governance, and tourism.

Asian Currency Crisis Support Facility

Review of activities: The Asian Currency Crisis Support Facility (ACCSF) was established in March 1999 for a 3-year period as an independent component of the JSF. The ACCSF was terminated on 23 March 2002. Pending the completion of related administrative matters, the remaining funds will be retained in the ACCSF.

At the end of 2002, Japan's cumulative contributions for interest payment assistance (IPA) and technical assistance components of the ACCSF amounted to 27.5 billion yen (\$241.0 million equivalent). In 2002,

Asian Currency Crisis Support Facility Technical Assistance by Country, 2002

	\$ Million	%
Indonesia	7.3	76.0
Philippines	2.3	24.0
TOTAL	9.6	100.0

Asian Currency Crisis Support Facility Technical Assistance by Sector, 2002

	\$ Million	%
Finance	4.0	41.7
Others ^a	1.9	19.8
Industry and Nonfuel Minerals	1.5	15.6
Social Infrastructure	1.3	13.5
Agriculture and Natural Resources	0.9	9.4
TOTAL	9.6	100.0

Includes projects outside ADB's economic sector classification system; these projects pertain to, among others, central government administration, operation and regulation, customs operations, public sector reform programs, judicial and legislative operations, public finance management, fiscal reforms, environment projects, gender, governance, and tourism.

\$90 million was transferred from the ACCSF to the Japan Fund for Poverty Reduction (JFPR). ADB approved 10 technical assistance grants for ACCSF funding amounting to \$9.6 million inclusive of those that were approved but not yet effective (see tables above). The uncommitted balance of ACCSF funds for the IPA and technical assistance after taking into account approved technical

The Japan Special Fund (JSF) is assisting ADB's developing member countries in their fight against poverty, and is helping ADB address its poverty reduction objective.

With poverty continuing to be the major obstacle to Bangladesh's economic growth, the need to provide facilities and services for the poor remains significant. A JSF technical assistance grant of \$500,000 is addressing this need by helping rural women in Bangladesh increase their household incomes through livestock production, including improving breed and animal health, research, livestock and poultry husbandry, fodder development, livestock processing, and environmental management. The agreement was signed in September 2002 (see http://www.adb.org/Documents/TARs/BAN/R162_01.pdf).

Also in September, ADB signed an agreement with the Government of Nepal to provide a \$450,000 technical assistance grant aimed at assessing the needs of poor rural women and developing a feasible and comprehensive package of interventions to improve their socioeconomic status (see http://www. adb.org/ Documents/Speeches/2002/ ms2002084.asp). The technical assistance reaffirms ADB's mission to reduce poverty, and supports the Government of Nepal's efforts to advance gender equality and empower poor Nepalese women.

Technical assistance projects were also provided through the Asian Currency Crisis Support Facility (ACCSF), which had been established in 1999 as an independent component of the JSF.

Although the ACCSF has ended, the impact of the projects funded under this facility will be long lasting.

The \$1.5 million technical assistance from ACCSF to Indonesia for developing an anti-money laundering regime is aimed at increasing the soundness of Indonesia's financial system, boosting economic development, and promoting good governance (see http://www.adb. org/Documents/ADBBO/AOTA/ 35498012.ASP). In the Philippines, the \$1 million technical assistance from ACCSF will draft a time-bound plan for implementing an effective anti-money laundering regime; and provide support for facilitating execution of that plan (see http:// www.adb.org/Documents/TARs/PHI/ tar_phi36003.pdf).

OINING THE FIGHT AGAINST POVERTY

assistance grants not yet effective was \$23.7 million as of 31 December 2002. For details, see Table 34 in the Statistical Annex.

ACCSF financing was targeted at activities that supported policy dialogue, human resource development, institutional strengthening, and other relevant efforts focusing on bank and corporate debt restructuring; created or developed sound financial monitoring, supervision, and regulation; enhanced public sector and corporate governance; developed social safety nets; and protected the environment.

Sectoral activities: In 2002, the ACCSF financed 5% of the total amount of technical assistance approved by ADB (see http://www.adb.org/Documents/Reports/ Japan_Special_Fund/2001/jsf_accsf.pdf).

ADB Institute Special Fund

The costs for operating the ADB Institute are met from the ADB Institute Special Fund, which is administered by ADB in accordance with the Statute of ADB Institute. Japan made its seventh contribution in the amount of 1.3 billion yen (equivalent to \$9.8 million) in May 2002.

As of 31 December 2002, cumulative commitments amounted to 8.7 billion yen (equivalent to about \$71.3 million), excluding translation adjustments. Of the total contributions received, \$62.0 million had been used as of 31 December 2002, mainly for research and capacity-building activities, including organizing symposiums, forums, and training; preparing research reports, publications, and web sites; and associated administrative expenses.

As of 31 December 2002, the balance of net current assets excluding property, furniture, and equipment available for future projects and programs of ADB Institute was about \$9.3 million. For more on the ADB Institute, see http://www.adbi.org/.

Trust funds managed by ADB

In addition to the OCR and Special Funds resources, ADB also manages and administers the Japan Scholarship Program (JSP), Japan Fund for Poverty Reduction (JFPR), Japan Fund for Information and Communication Technology (JFICT), and channel financing of grants provided by bilateral donors to support technical assistance and soft components of loans. These funds do not form part of ADB's own resources.

Japan Scholarship Program

The JSP was established in 1988 to provide an opportunity for qualified citizens of DMCs to undertake postgraduate studies in economics, management, science and technology, and other development-related fields at selected educational institutions in Asia and the Pacific. The JSP is funded by Japan and administered by ADB. Currently, 18 institutions in 10 countries participate in the JSP.

Between 1988 and 2002, Japan contributed about \$53 million to the JSP. A total of 1,479 scholarships have been awarded to recipients from 34 members. Of the total, 1,142 have already completed their courses. Women have received 426 scholarships. The number of new scholarships They share a vision of an Asia and Pacific region without poverty. They share the belief that individuals can make a difference. They have something else in common as well. The Regional Program Officer of Habitat for Humanity International (East/Southeast Asia Region) and the National Project Coordinator, Technical Education and Skills Development Authority (TESDA), Philippines, were both recipients of the ADB-Japan Scholarship Program (JSP).

During a 2002 gathering of scholars from the Philippine-based Asian Institute of Management (AIM) and the International Rice Research Institute, the two alumni of AIM's Masters in Development Management Program attributed their personal growth to education, and thanked the ADB-JSP for making that education possible.

Both have applied their educations to working in fields where they can help others experience the real possibility of change. Habitat for Humanity International—a nonstock, nonprofit organization dedicated to eliminating poverty housing and homelessness—helps people build homes. Based on the premise that housing sets the stage for making development possible, the program helps home partners believe in themselves again. The **TESDA-United Nations Development Programme** Project empowers women by facilitating their access to entrepreneurial support services. Providing economic opportunities that help women improve their incomes is critical for poverty reduction.

awarded annually has grown from 49 in 1988 to 143 in 2002 (see http://www.adb/org/Documents/Brochures/ Scholarship_Program/).

Channel financing arrangements

Official grant cofinancing plays a vital role in ADB operations, particularly in view of the continuing constraints on TASF and ADF resources. These grant funds support ADB's technical assistance program and finance mostly soft components of its loan projects.

A majority of such grants are provided by bilateral donors under channel financing arrangements (CFAs). ADB acts as administrator of the funds and applies its own guidelines and procedures in consultant recruitment, procurement, disbursement, and project supervision.

Under a CFA, the donor enters into a comprehensive agreement with ADB whereby the donor provides an untied grant fund to be administered by ADB (but the fund does not become part of ADB's own resources); the donor indicates its preferred sectors and recipient countries in the use of the fund; ADB regularly provides the donor with a list and description of proposed technical assistance projects that satisfy the donor's preferences; and the donor and ADB agree on the specific activities to be financed under the fund. Funds provided under a CFA are transferred to an interest-bearing account and may also be

PROJECTS TO ASSIST AFGHANISTAN

Immediate humanitarian and reconstruction assistance is needed in Afghanistan. Roads, shelter, and employment for the refugees and displaced persons, and support to all regions of the country are needed, as is a smooth transition from humanitarian to recovery and reconstruction assistance.

In 2002, ADB approved three grant projects financed by the Japan Fund for Poverty Reduction (JFPR) as part of the assistance pledged by the Japanese Government in January 2002 at the International Conference on Reconstruction Assistance to Afghanistan. For more on Afghanistan, see the Special Theme chapter.

Road project: In addition to helping meet the immediate need of rehabilitating a busy transport route, the \$15 million grant will provide jobs for 10,000 returning refugees and internally displaced persons. Over 200,000 refugees have returned to Afghanistan from the southern route. They need jobs. And, to avoid further overcrowding of Kabul, the refugees need to be temporarily sheltered in the areas north and west of Kandahar. The road project will provide training in road construction, income-generating activities, microcredit services, and nutrition and childcare support. Basic health education and services and medicines will be provided by 400 community health workers.

Education project: The education project will address Afghanistan's nonformal education needs—to provide literacy and vocational skills to street children, former child combatants, and exsoldiers. It will stress community-based, gender-sensitive education. About 37,000 pupils will benefit

from the project, including over 7,000 girls who will receive education stipends.

Health project: On 23 December 2002, ADB also approved JFPR assistance for \$3 million to improve the health and nutrition sector, including the reproductive health of the rural poor in Afghanistan. The project will explore ways for the Ministry of Health to contract nongovernment organizations to help develop community-based primary health care and thereby reduce rural poverty. The project aims to cut child mortality rates by 30% over 3 years and reduce common infectious diseases. child malnutrition, and maternal mortality rates. The project will also generate jobs in the construction and community health subsectors.

invested by ADB pending disbursement. Donors are provided with regular financial statements and progress reports on the use of the funds. ADB is responsible for project preparation, processing, and administration. CFAs may be replenished with additional funds at the donor's discretion.

The primary advantage of CFAs is that funding for several individual technical assistance projects may be provided under a single agreement. Accordingly, they minimize the need for detailed negotiations on a case-bycase basis and foster administrative efficiency. The first CFA was negotiated in 1980. Since then, ADB has entered into CFAs with several bilateral donors: Australia, Belgium, Canada, Denmark, Finland, France, Italy, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, and United Kingdom.

In addition to the traditional type of CFA (which may be used for several sectors), the processing of thematic CFAs with bilateral agencies has risen sharply in the last couple of years in such areas as renewable energy, climate change, poverty reduction, governance, and water. Several thematic CFAs are now being packaged as umbrella facilities to allow more than one donor to contribute.

In 2002, a new thematic poverty-focused multidonor CFA was established with the first contribution made by the United Kingdom for an amount equivalent to \$60 million. Norway made a contribution to the Governance Cooperation Fund for \$2 million; and Switzerland replenished its contribution to its CFA with ADB for an

additional \$600,000; and the Netherlands made an additional contribution of \$4 million to its existing Cooperation Fund for the Water Sector.

Japan Fund for Poverty Reduction

The Japan Fund for Poverty Reduction (JFPR) was established in May 2000. The JFPR is a trust fund to support poverty reduction and social development activities that can add substantive value to ADB-financed projects (see Box above). Since 2000, Japan has contributed \$244 million in total and \$81 million for 29 projects have been approved for implementation (see http://www.adb.org/JFPR/ and Table 35 in the Statistical Annex).

Japan Fund for Information and Communication Technology

The Japan Fund for Information and Communication Technology (JFICT) was established in July 2001. The JFICT is a trust fund to assist DMCs in bridging the digital divide to help reduce poverty. The JFICT had an initial contribution of 1.3 billion yen (approximately \$10.7 million) for a 3-year period.

In 2002, two projects were approved: E-Health Membership Insurance Cards in Viet Nam for \$0.5 million, and the Development of a Business Plan for a Center for Learning, Information, Communication, and Knowledge for Asia and the Pacific (CLICK) for \$0.2 million (see http://www.adb.org/Documents/others/CLICK/R21_03.pdf and Table 36 in the Statistical Annex).

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REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying balance sheets and the related statements of income and expenses, cash flows, and changes in capital and reserves present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank—Ordinary Capital Resources at 31 December 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying summary statements of loans and of borrowings as at 31 December 2002 and 2001, and of statement of subscriptions to capital stock and voting power as at 31 December 2002 are presented for purposes of additional analyses and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Detroit, Michigan 10 March 2003

Luce waty house Coopers LLP

BALANCE SHEET

31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

ASSETS							
	20	002	20	01			
DUE FROM BANKS (Notes B and C)		\$ 473,360		\$ 68,823			
INVESTMENTS (Notes B, C, D, and J) Government and government-guaranteed obligations Time deposits Other securities Securities transferred under securities lending arrangement	\$ 2,997,595 1,930,562 2,971,376 1,129,208	9,028,741	\$ 2,037,916 2,673,253 2,063,876 1,489,870	8,264,915			
LOANS OUTSTANDING (OCR-5) (Notes A, B, and E) (Including FAS 133 adjustment of \$1,098 – 2002 and \$1,212 – 2001) Members and guaranteed by members Private sector	28,817,999	7,023,711	28,334,516 404,458	0,201,710			
	29,217,713		28,738,974				
Less—allowance for loan losses	72,477	29,145,236	80,128	28,658,846			
EQUITY INVESTMENTS (Notes A, B, and F)		211,267		208,018			
ACCRUED INCOME On investments On loans	74,112 339,915	414,027	65,426 394,297	459,723			
RECEIVABLE FROM MEMBERS (Note I) Nonnegotiable, noninterest-bearing demand obligations (Note C) Amounts required to maintain value of currency holdings Subscription installments	313,416 316 2,815	316,547	333,047 11,100 4,353	348,500			
RECEIVABLE FROM SWAPS (Notes B, D and H) Investments (Including FAS 133 adjustment of \$8,005 – 2002) Borrowings (Including FAS 133 adjustment of \$641,150 – 2002 and \$330,164 – 2001)	511,937 9,231,868	9,743,805	6,379,403	6,379,403			
OTHER ASSETS Property, furniture, and equipment (Notes B and G) Investment related receivables Unamortized issuance costs of borrowings Miscellaneous (Note L)	164,956 160,003 58,979 120,271	504,209	155,262 159,500 52,343 110,991	478,096			
TOTAL		\$49,837,192		\$44,866,324			

The accompanying notes are an integral part of these financial statements (OCR-8).

LIABILITIES, CAI	PITAL, AND RES	SERVES		
	20	02	200	01
BORROWINGS (OCR-6) (Notes B and H) (Including FAS 133 adjustment of \$9,221 - 2002 and \$26,261 - 2001)		\$ 25,905,301		\$ 24,880,784
ACCRUED INTEREST ON BORROWINGS		330,712		371,405
PAYABLE FOR SWAPS (Notes B, D and H) Investments (including FAS 133 adjustment of \$17,167 – 2002) Borrowings (Including FAS 133 adjustment of \$261,793 – 2002 and \$194,674 – 2001)	\$ 548,218 9,027,166	9,575,384	\$ - 6,784,076	6,784,076
ACCOUNTS PAYABLE AND OTHER LIABILITIES Investment related payables Undisbursed technical assistance commitments (Note K) Advance payments on subscriptions (Note I) Miscellaneous (Notes G and L)	1,418,797 64,845 33 189,957	1,673,632	1,778,553 19,753 4 157,526	1,955,836
CAPITAL AND RESERVES (OCR-4) Capital stock (OCR-7) (Notes B and I) Authorized (SDR34,909,940,000) Subscribed (SDR34,870,170,000 – 2002 and SDR34,746,270,000 – 2001) Less—"callable" shares subscribed	47,234,435 43,912,259		43,628,112 40,559,590	
"Paid-in" shares subscribed Less—subscription installments not due	3,322,176 10,848		3,068,522 18,967	
Subscription installments matured Less—capital transferred to the	3,311,328		3,049,555	
Asian Development Fund	64,491		59,780	
	3,246,837		2,989,775	
Net notional amounts required to maintain value of currency holdings (Notes B and I) Ordinary reserve (Note J) Special reserve (Note J) Surplus (Note J) Cumulative Revaluation Adjustments Account (Note J) Net income after appropriation (OCR-2) (Note J) Accumulated other comprehensive income (OCR-4) (Note J)	(488,456) 8,470,092 183,764 116,645 147,501 977,815 (302,035)	12,352,163	(462,456) 7,812,436 182,903 116,645 - 861,965	10,874,223
TOTAL		\$49,837,192		\$44,866,324

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	2002	2001
INCOME (Note K) From loans (Notes B and E) Interest Commitment charge Other	\$1,595,479 50,297 64,167 \$1,709,943	\$1,765,025 47,050 1,565 \$1,813,640
From investments (Notes B and D) Interest Net gain on sales Net loss from futures From other sources—net (Notes E and P)	256,641 74,221 (414) 330,448 19,723	322,586 81,032 (182) 403,436 21,634
TOTAL INCOME	\$2,060,114	\$2,238,710
EXPENSES (Note K) Interest and other financial expenses (Note H) Administrative expenses (Note M) Technical assistance to member countries Provision for losses (Notes B and E)	1,155,167 90,553 55,998 4,476	1,434,112 59,039 19,962 9,838
TOTAL EXPENSES		1,522,951
OPERATING INCOME BEFORE FAS 133 ADJUSTMENT	753,920	715,759
FAS 133 ADJUSTMENT (Notes B and K)	224,756	112,845
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	978,676	828,604
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (Note B)		34,656
NET INCOME	978,676	863,260
APPROPRIATION OF GUARANTEE FEES TO SPECIAL RESERVE (Note J)	861	1,295
NET INCOME AFTER APPROPRIATION TO SPECIAL RESERVE	\$ 977,815	\$ 861,965

The accompanying notes are an integral part of these financial statements (OCR-8).

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES Interest and other charges on loans received Interest on investments received Interest and other financial expenses paid Administrative expenses paid Technical assistance disbursed Others—net	\$ 1,531,725 283,375 (1,141,698) (58,110) (12,694)	\$ 1,559,651 366,408 (1,367,316) (77,599) (337)
Net Cash Provided by Operating Activities	30,116 632,714	<u>19,550</u> 500,357
CASH FLOWS FROM INVESTING ACTIVITIES Sales of investment Maturities of investment Purchases of investment Principal collected on loans Loans disbursed Property, furniture, and equipment acquired Net sales (purchases) of equity investments	6,279,108 170,407,495 (177,340,600) 3,333,905 (2,812,703) (18,724) 6,551	6,627,494 199,790,074 (205,830,483) 1,195,800 (2,555,876) (6,825) (8,934)
Net Cash Used in Investing Activities	(144,968)	(788,750)
CASH FLOWS FROM FINANCING ACTIVITIES Net proceeds of new borrowings Bonds purchased for redemption and borrowings redeemed Matured capital subscriptions collected ¹ Borrowing issuance expenses paid Demand obligations of members encashed Net currency swaps	8,225,115 (8,211,815) 3,898 (19,168) 50,607 (171,778)	2,458,205 (2,164,031) 15,740 (21,319) 53,492 (33,913)
Net Cash (Used in) Provided by Financing Activities	(123,141)	308,174
Effect of Exchange Rate Changes on Due from Banks	39,932	(13,504)
Net Increase in Due from Banks	404,537	6,277
Due from Banks at Beginning of Year	68,823	62,546
Due from Banks at End of Year	\$ 473,360	\$ 68,823
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: Net Income (OCR-2) Adjustments to reconcile net income to net cash provided by operating activities: FAS 133 Adjustment Change in accrued income, including interest and commitment charges added to loans Depreciation and amortization Change in accrued interest and other expenses Net gain from sales of investments Undisbursed technical assistance commitments Change in administration charge receivable Provision for losses charged	\$ 978,676 (224,756) (186,904) 151,997 (88,105) (73,807) 45,092 33,238 4,476	\$ 863,260 (112,845) (266,895) 138,548 (23,173) (80,850) 19,753 1,771 9,838
Cumulative effect of change in accounting principle Others—net Net Cash Provided by Operating Activities	(7,193) \$ 632,714	(34,656) (14,394) \$ 500,357

In addition, nonnegotiable, noninterest-bearing demand promissory notes amounting to \$17,022 (\$29,952 - 2001) were received from members. The accompanying notes are an integral part of these financial statements (OCR-8).

STATEMENT OF CHANGES IN CAPITAL AND RESERVES For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Notes B and I)

	Capital Stock	Net Notional Maintenance of Value	Ordinary Reserve	Special Reserve	Surplus	Cumulative Revaluation Adjustments Account	Net Income After Appropriations	Accumulated Other Comprehensive Income	e Total
Balance— 1 January 2001	\$3,049,828	\$ -	\$7,166,484	\$181,608	\$116,645	\$ -	\$ 625,716	\$(306,646)	\$10,833,635
Comprehensive income for the year 2001 (Note J) Change in SDR value				1,295			861,965	(320,399)	542,861
of paid-in shares subscribed	(110,960)								(110,960)
Change in subscription installments not due Change in SDR value of capital transferred to	48,656								48,656
Asian Development Fund Reclassification of	2,251								2,251
notional maintenance of value Allocation of 2000 net income to ordinary		(462,456)							(462,456)
reserve (Note J) Credit to ordinary reserve for change			625,716				(625,716)		-
in SDR value of capital stock (Note J)			20,236						20,236
Balance— 31 December 2001 (Forward)	\$2,989,775	\$(462,456)	\$7,812,436	\$182,903	\$116,645	\$ -	\$ 861,965	\$(627,045)	\$10,874,223

	Capital Stock	Net Notional Maintenance of Value	Ordinary Reserve	Special Reserve	Surplus	Cumulative Revaluation Adjustments Account	Net Income After Appropriations	Accumulated Other Comprehensiv Income	
Balance— 31 December 2001 (Forward)	\$2,989,775	\$(462,456)	\$7,812,436	\$182,903	\$116,645	\$ -	\$861,965	\$(627,045)	\$10,874,223
Comprehensive income for the year 2002 (Note J) Change in SDR value				861			977,815	325,010	1,303,686
of paid-in shares subscribed	242,691								242,691
Change in subscription	242,071								242,071
installments not due Additional paid-in shares subscribed	8,563								8,563
during the year	10,519								10,519
Change in SDR value of capital transferred to Asian Development	·								·
Fund	(4,711)								(4,711)
Change in notional									
maintenance of value Allocation of 2001 net income to ordinary		(26,000)							(26,000)
reserve (Note J)			714,464				(714,464)		-
Allocation of 2001 net income to cumulative revaluation									
adjustment account (Note J)						147,501	(147,501)		_
Charge to ordinary reserve for change in SDR value						147,001	(147,301)		
of capital stock (Note J)			(56,808)						(56,808)
Balance— 31 December 2002	\$3,246,837	\$(488,456)	\$8,470,092	\$183,764	\$116,645	\$147,501	\$977,815	\$(302,035)	\$12,352,163

Accumulated Other Comprehensive Income (Note J) For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollar (Note B)

	FAS Adjustment and			d Translation tments		Investment g Gains		ted Other sive Income
	2002	2001	2002	2001	2002	2001	2002	2001
Balance, 1 January Transition adjustment Amortization Other comprehensive income	\$ (54,898) - 34,567	\$ - (116,313) 61,415	\$ (665,472) - -	\$ (376,002) - -	\$ 93,325	\$ 69,356 - -	\$ (627,045) - 34,567	\$ (306,646) (116,313) 61,415
for the year			200,741	(289,470)	89,702	23,969	290,443	(265,501)
Balance, 31 December	\$(20,331) =====	\$ (54,898)	\$(464,731) =====	\$(665,472) =====	\$183,027 =====	\$93,325 =====	\$(302,035) =====	\$(627,045) ======

The accompanying notes are an integral part of these financial statements (OCR-8).

SUMMARY STATEMENT OF LOANS 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

Borrower/Guarantor	Loans Outstanding ¹	Undisbursed Balances of Effective Loans ²	Loans Not Yet Effective	Total Loans	Percent of Total Loans
Bangladesh China, People's Rep. of Fiji Islands India Indonesia Kazakhstan Korea, Rep. of	\$ 62,002 6,152,455 50,747 4,326,459 7,799,928 277,492 3,921,433	\$ 282,365 2,234,928 42,158 2,645,623 2,037,063 79,831	\$ 30,200 1,176,460 - 1,013,600 386,000	\$ 374,567 9,563,843 92,905 7,985,682 10,222,991 357,323 3,921,433	0.87 22.26 0.22 18.58 23.79 0.83 9.13
Malaysia Marshall Islands Myanmar Nauru Nepal Pakistan	438,450 3,540 899 2,300 39,867 2,352,958	61,678 460 - - - 876,306	- - - - 622,738	500,128 4,000 899 2,300 39,867	1.16 0.01 n.a. ³ 0.01 0.09 8.96
Papua New Guinea Philippines Sri Lanka Thailand Uzbekistan Viet Nam	2,332,936 173,590 2,551,482 86,881 798,322 126,395 64,759	137,479 1,125,399 119,291 137,043 251,193 89,046	85,000 16,026 - 236,500 40,000	311,069 3,761,881 222,198 935,365 614,088	0.72 8.75 0.52 2.18 1.43 0.45
Regional	29,229,959	10,119,863			99.96
TOTAL - 31 December 2002	29,234,403	10,131,419	3,606,524		100.00
Allowance for loan losses	(72,477)			(72,477)	
Unamortized front-end fee	(16,690)			(16,690)	
NET BALANCE – 31 December 2002	\$ 29,145,236	\$ 10,131,419	\$3,606,524	\$42,883,179	
Made up of loans to: Members and guaranteed by members Private sector (net of allowance for	\$ 28,817,999	\$ 9,916,449	\$ 3,466,524	\$ 42,200,972	
loan losses)	327,237	214,970	140,000	682,207	
Net balance – 31 December 2002	\$ 29,145,236	\$ 10,131,419	\$ 3,606,524	\$ 42,883,179	
TOTAL - 31 December 2001	\$ 28,738,974	\$ 10,514,720	\$ 3,281,315	\$ 42,535,009	
Allowance for loan losses	(80,128)			(80,128)	
NET BALANCE - 31 December 2001	\$ 28,658,846	\$ 10,514,720	\$3,281,315	\$42,454,881	
Made up of loans to: Members and guaranteed by members Private sector (net of allowance for loan losses)	\$ 28,334,516 324,330	\$ 10,268,101 246,619	\$ 3,221,315 60,000	\$ 41,823,932 630,949	
Net balance – 31 December 2001	\$ 28,658,846	\$ 10,514,720	\$ 3,281,315	\$ 42,454,881	

Amounts outstanding on loans made under the pool-based variable interest rate systems and market-based variable/floating interest rate loans totaled \$28,586,399 (\$28,007,486 - 2001). The average yield on loans was 5.93% (6.42% - 2001).

Of the undisbursed balances, ADB has made irrevocable commitments to disburse various amounts totaling \$85,311 (\$97,520 - 2001).

The accompanying notes are an integral part of these financial statements (OCR-8).

Below 0.01%.

⁴ Includes approval of \$70 million categorized under Regional.

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending		Five Years Ending	
31 December	Amount	31 December	Amount
2003	\$ 1,527,981	2012	11,140,30
2004	3,506,713	2017	9,479,66
2005	3,316,284	2022	4,985,66
2006	1,844,570	2027	1,415,78
2007	2,016,410	2030	132,44
		Total	\$39,365,82

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	2002	2001	Currency	2002	2001
Australian dollar Euro Japanese yen	\$ 31 10,401 7,608,832	\$ 71 11,024 7,401,173	New Zealand dollar Swiss franc United States dollar	184 75,031 21,539,924	370 77,262 21,249,074
			Total	\$ 29,234,403	\$ 28,738,974

SUMMARY STATEMENT OF BORROWINGS 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

		owings	· · · · · · · · · · · · · · · · · · ·	angements ²
	•	utstanding ¹		Receivable) ³
	2002	2001	2002	2001
Long-Term Borrowing:				
Australian dollar Canadian dollar Deutsche mark Euro Hong Kong dollar Japanese yen Korean won Netherlands guilder New Taiwan dollar Pound sterling Swiss franc United States dollar	\$ 2,624,569 158,670 - 1,150,843 76,933 4,171,908 - 431,779 157,974 900,686 16,450,968	\$ 1,265,406 157,104 	\$(2,413,935) (170,238) - (1,279,491) (79,615) 3,222,992 (1,006,720) - (464,610) - (456,328) 5,597,078 (3,159,995)	\$(1,290,423) (176,767) (731,048) - - 1,656,207 (393,505) (66,207) (307,358) (600,565) (221,421) (356,923) 4,751,057 (1,834,626)
Short-Term Borrowing: Japanese yen United States dollar	200,000	400,000	207,096 (200,936)	376,812 (400,560)
Subtotal	200,000	400,000	(===,:30)	(111,110)
Principal amount outstanding Unamortized discounts/premiums and transition adjustments FAS 133 Adjustment to financial expenses	26,324,330 (419,029)	24,812,971 67,813		
Total	\$25,905,301	\$24,880,784		

MATURITY STRUCTURE OF BORROWINGS OUTSTANDING5

Twelve Months Ending 31 December	Amount	Five Years Ending 31 December	Amount
2003	\$4,910,041	2012	5,734,753
2004	4,983,862	2017	857,017
2005	3,519,175	2022	84,437
2006	1,164,305	2027	160,439
2007	4,876,529	2032	33,772
		Total	\$26,324,330

Includes zero coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings (in United States dollar equivalents) are: Aggregate Face Amount Discounted Value

	Aggregate	race Amount	DISCO	Discounted value		
Currency	2002	2001	2002	2001		
Swiss franc	\$352,559	\$ 291,905	\$180,174	\$ 141,726		
United States dollar	753,063	1,254,591	580,968	1,058,410		

Include currency and interest rate swaps. At 31 December 2002, the remaining duration of swap agreements ranged from less than one year to 30 years. Approximately 25.39% of the swap receivables and 23.89% of the payables are due from 31 December 2007 through 03 December 2032.

Adjusted by the cumulative effect of the adoption of FAS 133 effective 1 January 2001.

Net Cu	rrency Obligation ³	Weighted Average Cost (%) After Swaps ⁴	l
2002	2001	2002	
\$ 210,634 (11,568) - (128,648) (2,682) 6,388,180 - (32,831) 157,974 444,358 18,888,051	\$ (25,017) (19,663) (731,048) 677,970 - 5,926,103 (5,278) (26,559) (40,245) 138,929 381,359 18,564,841	(10.13) 0.32 (1.38) (6.03) 3.03 1.68 (0.95) 11.57 6.05 4.84	
207,096 (936)	376,812 (560)	(0.03) (0.03) (0.03) (0.03) 4.36 (0.27) 4.10	

INTEREST RATE SWAP ARRANGEMENTS 6

		%)			
		Receive	P	ay	
	Notional Amount		Fixed	Floating	Maturing Through 7
Receive Fixed Swaps:					
Australian dollar ⁸	\$ 151,982	3.75	3.59	(0.32)	2005-2032
Euro ⁹	84,435	4.40	3.62		2010
Japanese yen	84,434	5.50		(0.28)	2004
United States dollar	5,215,471	5.11		1.48	2003–2017
United States dollar ¹⁰	42,217	2.14		(0.31)	2016–2027
Receive Floating Swaps:					
Japanese yen	430,616	2.23	4.13	(0.34)	2003-2032
United States dollar	80,917	2.01	6.60	1.17	2003-2014
Total	\$ 6,090,072				

In calculating cost of borrowings, the cumulative effect of the adoption of FAS 133 is excluded. Also, calculation is based on borrowings, net of swap exposure. Thus the weighted average cost may be negative if related swaps payable exposure is included in other currency calculation.

The accompanying notes are an integral part of these financial statements (OCR-8).

Bonds with put and call options were considered maturing on the first put or call date.

The interest rate swap information is based on interest rates at 31 December 2002. To the extent that interest rates change, variable interest rate information will change.

Swaps with early termination date were considered maturing on the first termination date.

Consists of a currency coupon swap with interest receivable in Australian dollar and interest payable in Japanese yen.

Consists of a currency coupon swap with interest receivable in Euro and interest payable in Japanese yen.

Consists of a currency coupon swap with interest receivable in United States dollar and interest payable in Japanese yen.

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER 31 December 2002

Expressed in Thousands of United States Dollars (Note B)

			SUBSCRIBED C	APITAL		VOTING POWE			
	Number Percent		Pa	Par Value of Shares			Percent		
MEMBER	of Shares	of Total	Total	Callable	Paid-in	of Votes	of Tota		
REGIONAL									
Afghanistan	1,195	0.034	\$ 16,187	\$ 11,013	\$ 5,174	15,486	0.35		
Australia	204,740	5.871	2,773,367	2,579,147	194,220	219,031	5.02		
Azerbaijan	15,736	0.451	213,157	198,162	14,995	30,027	0.68		
Bangladesh	36,128	1.036	489,383	455,112	34,271	50,419	1.15		
Bhutan	220	0.006	2,980	2,669	312	14,511	0.33		
Cambodia	1,750	0.050	23,705	19,669	4,037	16,041	0.36		
China, People's Rep. of	228,000	6.539	3,088,442	2,872,102	216,340	242,291	5.55		
Cook Islands	94	0.003	1,273	1,192	81	14,385	0.33		
Fiji Islands	2,406	0.069	32,591	30,302	2,289	16,697	0.38		
Hong Kong, China	19,270	0.553	261,028	242,741	18,287	33,561	0.77		
India	224,010	6.424	3,034,395	2,821,902	212,493	238,301	5.40		
Indonesia	192,700	5.526	2,610,276	2,427,489	182,787	206,991	4.7		
Japan	552,210	15.836	7,480,126	6,956,283	523,843	566,501	12.99		
Kazakhstan	28,536	0.818	386,543	359,465	27,078	42,827	0.9		
Kiribati	142	0.004	1,924	1,788	135	14,433	0.3		
		5.112					4.4		
Korea, Rep. of	178,246		2,414,485	2,245,420	169,065	192,537			
Kyrgyz Republic	10,582	0.303	143,342	133,304	10,037	24,873	0.5		
Lao PDR	492	0.014	6,665	5,947	718	14,783	0.3		
Malaysia	96,350	2.763	1,305,138	1,213,731	91,407	110,641	2.5		
Maldives	142	0.004	1,924	1,788	135	14,433	0.3		
Marshall Islands	94	0.003	1,273	1,192	81	14,385	0.3		
Micronesia, Fed. States of	142	0.004	1,924	1,788	135	14,433	0.3		
Mongolia	532	0.015	7,206	6,705	501	14,823	0.3		
Myanmar	19,270	0.553	261,028	242,741	18,287	33,561	0.7		
Nauru	142	0.004	1,924	1,788	135	14,433	0.3		
Nepal	5,202	0.149	70,465	65,521	4,944	19,493	0.4		
New Zealand	54,340	1.558	736,079	684,537	51,542	68,631	1.5		
Pakistan	77,080	2.210	1,044,110	970,990	73,120	91,371	2.0		
Papua New Guinea	3,320	0.095	44,972	41,843	3,129	17,611	0.4		
Philippines	84,304	2.418	1,141,965	1,062,004	79,961	98,595	2.2		
Samoa	116	0.003	1,571	1,409	163	14,407	0.3		
Singapore	12,040	0.345	163,091	151,672	11,419	26,331	0.60		
Solomon Islands	236	0.007	3,197	2,980	217	14,527	0.3		
Sri Lanka	20,520	0.588	277,960	258,495	19,465	34,811	0.79		
Taipei,China	38,540	1.105	522,055	485,509	36,547	52,831	1.2		
Tajikistan	10,134	0.291	137,273	127,615	9,658	24,425	0.5		
Thailand	48,174	1.382	652,555	606,852	45,704	62,465	1.43		
Timor-Leste	350	0.010	4,741	4,402	339	14,641	0.3		
Tonga	142	0.004	1,924	1,788	135	14,433	0.3		
Turkmenistan	8,958	0.004	121,343	112,809	8,534	23,249	0.5		
Tuvalu	50	0.237	677	623	54	14,341	0.32		
Uzbekistan	23,834	0.684	322,851	300,243		38,125	0.8		
Vanuatu	23,834	0.084	322,851	2,980	22,608 217	38,125 14,527	0.8		
Viet Nam	12,076	0.346	163,579	144,818	18,761	26,367	0.60		
Total Regional (Forward)	2,212,781	63.458	\$29,973,889	\$27,860,527	\$2,113,362	2,841,585	65.19		

		SUBSCRIBED CAPITAL					POWER
	Number	Percent	Pa	ar Value of Sha	res	Number	Percent
MEMBER	of Shares	of Total	Total	Callable	Paid-in	of Votes	of Total
Total Regional (Forward)	2,212,781	63.458	\$29,973,889	\$27,860,527	\$2,113,362	2,841,585	65.192
NONREGIONAL							
Austria	12,040	0.345	163,091	151,672	11,419	26,331	0.604
Belgium	12,040	0.345	163,091	151,672	11,419	26,331	0.604
Canada	185,086	5.308	2,507,138	2,331,571	175,567	199,377	4.574
Denmark	12,040	0.345	163,091	151,672	11,419	26,331	0.604
Finland	12,040	0.345	163,091	151,672	11,419	26,331	0.604
France	82,356	2.362	1,115,578	1,037,446	78,132	96,647	2.217
Germany	153,068	4.390	2,073,429	1,928,218	145,211	167,359	3.840
Italy	63,950	1.834	866,254	805,582	60,672	78,241	1.795
The Netherlands	36,294	1.041	491,631	457,211	34,420	50,585	1.161
Norway	12,040	0.345	163,091	151,672	11,419	26,331	0.604
Portugal	12,040	0.345	163,091	151,618	11,473	26,331	0.604
Spain	12,040	0.345	163,091	151,672	11,419	26,331	0.604
Sweden	12,040	0.345	163,091	151,672	11,419	26,331	0.604
Switzerland	20,650	0.592	279,721	260,120	19,601	34,941	0.802
Turkey	12,040	0.345	163,091	151,672	11,419	26,331	0.604
United Kingdom	72,262	2.072	978,847	910,305	68,542	86,553	1.986
United States	552,210	15.836	7,480,126	6,956,283	523,843	566,501	12.997
Total Nonregional	1,274,236	36.542	17,260,546	16,051,732	1,208,814	1,517,183	34.808
TOTAL	3,487,017	100.000	\$47,234,435	\$43,912,259	\$3,322,176	4,358,768	100.000

Note: Figures may not add due to rounding.

The accompanying notes are an integral part of these financial statements (OCR-8).

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

NOTE A—NATURE OF OPERATIONS AND LIMITATIONS ON LOANS, GUARANTEES, AND EQUITY INVESTMENTS

Nature of Operations

The Asian Development Bank (ADB), a multilateral development finance institution, was established in 1966 with its headquarters in Manila, Philippines. ADB and its operations are governed by the Agreement Establishing the Asian Development Bank (the Charter). Its purpose is to foster economic development and co-operation in the Asian and Pacific region and to contribute to the acceleration of the process of economic development of the developing member countries (DMCs) in the region, collectively and individually. With the adoption of its poverty reduction strategy at the end of 1999, ADB made reducing poverty in the region its main goal. ADB provides financial and technical assistance (TA) for projects and programs which will contribute to achieving this purpose.

Mobilizing financial resources, including cofinancing, is an integral part of ADB's operational activities. In addition, ADB, alone or jointly, administers on behalf of donors, including members, their agencies and other development institutions, funds restricted for specific uses which include TA grants as well as regional programs.

ADB's ordinary operations comprise loans, equity investments, and guarantees. Commencing 2001, limited technical assistance to member countries to support high priority TA programs is included. ADB finances its ordinary operations through borrowings, paid-in capital, and retained

Limitations on Loans, Guarantees, and Equity Investments

Article 12, paragraph 1 of the Charter provides that the total amount outstanding of loans, equity investments, and guarantees made by ADB shall not exceed the total of ADB's unimpaired subscribed capital, reserves, and surplus, exclusive of the special reserve. At 31 December 2002, the total of such loans, equity investments, and guarantees aggregated approximately 78.4% (83.9% - 2001) of the total subscribed capital, reserves, and surplus as defined.

Article 12, paragraph 3 of the Charter provides that equity investments shall not exceed 10% of the unimpaired paid-in capital together with reserves and surplus, exclusive of the special reserve. At 31 December 2002, such equity investments represented approximately 3.3% (3.5% - 2001) of the paid-in capital, reserves, and surplus, as defined.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

The currencies of members are all functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

Valuation of Capital Stock

The authorized capital stock of ADB is defined in Article 4, paragraph 1 of the Charter "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar) and the value of each share is defined as 10,000 1966 dollars. The capital stock had historically been translated into the current United States dollar (ADB's unit of account) on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending ADB's selection of the appropriate successor to the 1966 dollar, the capital stock has been valued for purposes of these financial statements in terms of the Special Drawing Right (SDR) at the value in current United States dollars as computed by the IMF, with each share valued at SDR10,000.

As of 31 December 2002, the value of the SDR in terms of the current United States dollar was \$1.35458 (\$1.25562 – 2001) giving a value for each share of ADB's capital equivalent to \$13,545.80 (\$12,556.20 - 2001). However, ADB could decide to fix the value of each share at \$12,063.50 based on the 31 March 1978 par value of the United States dollar in terms of gold.

Translation of Currencies

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semimonthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments other than those relating to maintenance of SDR capital values (see Notes I and J), are charged or credited to "Accumulated translation adjustments" and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income."

CONTINUED

Derivative Financial Instruments

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 was further amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of Statement 133." The standards are herein collectively referred to as FAS 133. FAS 133, is effective for ADB on 1 January 2001. This statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the Balance Sheet as either an asset or liability measured at its fair value. Changes in the fair value of derivatives are recorded in net income or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction.

ADB uses derivative instruments for asset/liability management of individual positions and portfolios, as well as for the reduction of transaction costs. In applying FAS 133 for purposes of financial statement reporting, ADB has elected not to define any qualifying hedging relationships. Rather, all derivative instruments, as defined by FAS 133, have been marked to fair value and all changes in the fair value have been recognized in net income. ADB has elected not to define any qualifying hedging relationships, not because economic hedges do not exist, but rather because the application of FAS 133 hedging criteria does not make evident the impact of economic risks inherent in ADB's financial assets and liabilities.

The cumulative effect of a change in accounting principle includes the difference between the carrying value and the fair value of the derivative instruments in the borrowings portfolio on 31 December 2000 as well as loans that met hedge criteria, offset by any gains or losses on those borrowings and loans for which a fair value exposure was being hedged. The net effect gave rise to a transition loss of \$81,657,000 in 2001, out of which, a loss of \$116,313,000 is reported in other comprehensive income and a gain of \$34,656,000 is reported in net income. The allocation between net income and other comprehensive income was based upon the hedging relationships that existed before the initial application of this statement.

Since ADB has not defined any qualifying hedging relationships under this standard, the amount recorded in other comprehensive income as part of the transition is being reclassified into earnings in the same period or periods in which the hedged forecasted transaction affects earnings.

Investments

All investment securities and negotiable certificate of deposits held by ADB other than derivative instruments are considered by Management to be "Available for Sale" and are reported at estimated fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income." All derivative instruments are marked to market. Estimated fair value generally represents market value. Time deposits are classified as "Held-to-Maturity" and are reported at cost. Realized gains and losses are included in income from investments and are measured by the difference between amortized cost and the net proceeds of sales. With respect to futures, realized gain or loss is reported based on daily settlement of the net cash margin.

Securities Transferred Under Securities Lending Arrangement

ADB accounts for transfers of financial assets in accordance with FAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FAS 125." In general, transfers are accounted for as sales under FAS 140 when ADB has relinquished control over the transferred assets. Transfers that are not accounted for as sales are accounted for as repurchase agreements and collateralized financing arrangements.

Loans

ADB's loans are made to or guaranteed by members, with the exception of loans to the private sector, and have maturities ranging between 3 and 30 years. ADB requires its borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies which it has disbursed. Loan interest income and loan commitment fees are recognized on accrual basis. With the introduction of Libor-based loans in 2001, in line with ADB's principle of cost pass through pricing, any variation in the actual cost of borrowings is passed to Libor-based borrowers as surcharge or rebate.

It is the policy of ADB to place loans in nonaccrual status for which principal, interest, or other charges are overdue by six months. Interest and other charges on nonaccruing loans are included in income only to the extent that payments have been received by ADB. ADB follows a policy of not taking part in debt rescheduling agreements with respect to public sector loans. In the case of private sector loans, ADB may agree to debt rescheduling only after alternative courses of action have been exhausted.

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ADB determines that a loan is impaired and therefore subject to provisioning when principal or interest is in arrears for one year for public sector loans (unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning) and six months for private sector loans. If the present value of expected future cash flows discounted at the loan's effective interest rate is less than the carrying value of the loan, a valuation allowance is established with a corresponding charge to provision for loan losses.

ADB's periodic evaluation of the adequacy of the allowance for loan losses is based on its past loan loss experience, known and inherent risks in existing loans, and adverse situations that may affect a borrower's ability to repay.

ADB levies front-end fees on all new loans. These fees are deferred and amortized over the life of the loans after offsetting deferred direct loan origination costs.

Equity Investments

Investments in equity securities without readily determinable fair values are reported at cost less probable losses inherent in the portfolio but not specifically identifiable.

The reserve against losses for equity investments is established quarterly based on Management's evaluation of potential losses for such investments. Equity investments with readily determinable fair values are reported at fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income." ADB applies the equity method of accounting to one investment where it has the ability to exercise significant influence.

Property, Furniture, and Equipment

Property, furniture, and equipment are stated at cost and, except for land, depreciated over estimated useful lives on a straight-line basis. Maintenance, repairs, and minor betterments are charged to expense.

Accounting Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the year and the reported amounts of revenues and expenses during the year. The actual results could differ from those estimates.

Accounting and Reporting Developments

In November 2002, FASB issued FASB interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" - an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34. This interpretation requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of all of the obligations it has undertaken in issuing a guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. This provision applies to guarantees issued or modified after 31 December 2002. FIN No. 45 also clarifies requirements about disclosures on guarantees. Full disclosures on all outstanding financial guarantees have been made in Notes E and N to the financial statements.

In January 2003, FASB issued FIN No. 46, "Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements." FIN No. 46 requires a variable interest entity be consolidated and disclosed in the notes to the financial statements if ADB is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. Variable interest entity in ADB relates to an equity investment that is presently accounted for under the equity method. This interpretation is effective 31 January 2003 for entities created after that date or in the first fiscal year beginning after 15 June 2003 for the existing entities. Adoption of this standard will not have a significant impact on ADB's financial statements.

Statement of Cash Flows

For the purposes of the statement of cash flows, ADB considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

Reclassification

Certain reclassifications of prior year's information have been made to conform to the current year's presentation.

NOTE C-RESTRICTIONS ON USE OF CURRENCIES AND DEMAND OBLIGATIONS OF **MEMBERS**

In accordance with Article 24, paragraph 2(i) of the Charter, the use by ADB or by any recipient from ADB of certain

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currencies may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 40 DMCs for 2002 (39 – 2001), cash in banks (due from banks) and demand obligations totaling \$51,660,000 (\$51,919,000 – 2001) and \$229,518,000 (\$217,926,000 – 2001), respectively, may be, but are not currently so restricted.

In accordance with Article 24, paragraphs 2(i) and (ii) of the Charter, one member (two – 2001) has restricted the use by ADB or by any recipient from ADB of its currency to payments for goods or services produced in its territory. As such, cash in banks (due from banks) and investments totaling \$86,000 (\$36,000 – 2001) and \$2,662,000 (\$4,783,000 – 2001), respectively, have been restricted. None of the demand obligations held by ADB in 2002 was restricted (\$2,778,000 – 2001).

NOTE D-INVESTMENTS AND SWAP TRANSACTIONS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments. Investments are governed by the Investment Authority approved by the Board of Directors in 1999. ADB is restricted by its Investment Authority to invest in investment instruments which are obligations of a limited class of issuers, primarily government or government-guaranteed obligations and corporate obligations.

ADB entered into two asset swap transactions as a new investment vehicle with total notional amount of \$40,053,000.

Included in other securities as of 31 December 2002 were corporate bonds and other obligations of banks amounting to \$2,309,323,000 (\$1,529,545,000 – 2001) and asset/mortgage-backed securities of \$662,054,000 (\$534,331,000 – 2001).

Exposure to interest rate risk may be adjusted within defined bands to reflect changing market circumstances. These adjustments are made through the purchase and sale of securities, financial futures and options. To increase returns, ADB may invest in securities denominated in currencies other than the originating functional currencies and then enter into covered forward foreign exchange agreements in order to maintain its original mix of functional currency holdings. Accordingly, the financial futures, options, and covered forwards are held for risk management rather than for trading purposes.

The currency compositions of the investment portfolio as of 31 December 2002 and 2001 expressed in United States dollars are as follows:

Currency	2002	2001
Australian dollar Canadian dollar Euro Japanese yen Pound sterling Swiss franc United States dollar Others	\$ 371,126,000 147,575,000 305,862,000 1,563,582,000 198,868,000 400,449,000 5,758,717,000 282,562,000	\$ 245,470,000 136,680,000 278,641,000 1,078,786,000 183,040,000 321,441,000 5,785,007,000 235,850,000
Total	\$9,028,741,000	\$8,264,915,000

The estimated fair value and amortized cost of the investments by contractual maturity at 31 December 2002 are as follows:

	Estimated Fair Value	Amortized Cost
Due in one year or less Due after one year	\$2,772,725,000	\$2,770,965,000
through five years Due after five years	4,772,139,000	4,637,959,000
through ten years	1,483,877,000	1,441,126,000
Total	\$9,028,741,000	\$8,850,050,000

Time deposit at cost approximates its fair value. Additional information relating to investments in government and government-guaranteed obligations and other securities is as follows:

	2002	2001
As of 31 December Amortized cost Estimated fair value Gross unrealized gains Gross unrealized losses	\$6,919,488,000 7,098,180,000 178,697,000 5,000	\$5,500,606,000 5,591,662,000 91,430,000 374,000
For the years ended 31 December Change in net unrealized gains Proceeds from sales Gross realized gains Gross realized losses	87,636,000 6,279,108,000 81,017,000 6,796,000	24,703,000 6,627,494,000 86,397,000 5,547,000

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Asset/Mortgage-backed Securities: Asset/Mortgage-backed securities are instruments whose cash flow is based on the cash flows of a pool of underlying assets or mortgage loans managed by a trust.

Futures: Futures are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities, and changes in the market prices are settled daily. ADB generally closes out open positions prior to maturity. Therefore, cash receipts or payments are limited to the change in market value of the futures. At 31 December 2002, the nominal amount of outstanding purchase and sales contracts were \$161,700,000 and \$121,100,000, respectively (\$294,500,000 and \$187,300,000 – 2001).

NOTE E-LOANS AND GUARANTEES

Loans

ADB does not currently sell its loans, nor does it believe there is a comparable market for its loans. The estimated fair value of all loans is based on the estimated cash flows from principal repayments, interest and other charges discounted at the applicable market yield curves for ADB's borrowing cost plus lending spread. The estimated fair value of public sector loans is not affected by credit risks based on ADB's experience with its borrowers. Allowance for loan losses is made against private sector loans.

The carrying amount and estimated fair value of loans outstanding at 31 December 2002 and 2001 are as follows:

	2	002	2001		
	Carrying	Estimated	Carrying	Estimated	
	Value	Fair Value	Value	Fair Value	
Fixed rate multicurrency loans	\$ 495,503,000	\$ 635,883,000	\$ 559,641,000	\$ 708,134,000	
Pool-based multicurrency loans	7,090,757,000	7,847,113,000	7,006,085,000	7,902,889,000	
Pool-based single currency (US\$) loans	15,081,772,000	16,917,561,000	16,158,226,000	17,108,946,000	
LIBOR-based single currency loans	6,428,575,000	6,459,242,000	4,873,607,000	4,906,480,000	
Fixed rate single currency loans	48,629,000	62,304,000	61,287,000	70,701,000	
Total	\$29,145,236,000	\$31,922,103,000	\$28,658,846,000 	\$30,697,150,000	

Prior to 1 July 1986, the lending rate of ADB was based on a multicurrency fixed lending rate system under which loans carried interest rates fixed at the time of loan approval for the entire life of the loans. Effective 1 July 1986, ADB adopted a multicurrency pool-based variable lending rate system. In addition, in July 1992, ADB introduced a United States dollar pool-based variable lending rate system, and in November 1994, a market-based variable lending rate system was made available to financial intermediaries in the public sector and to the private sector borrowers. For loans to the private sector borrowers, approximately 72% (69% – 2001) of the loans were based on variable lending rates.

Since 1988, ADB has charged front-end fees for private sector loans. Effective 1 January 2000, ADB levies front-end fee of 1% for public sector loans for which the loan negotiations are completed after that date. In addition, the lending spread applied to all outstanding pool-based OCR public sector loans and new public sector market-based loans has been increased from 0.4% to 0.6%. Also effective the same date, a flat commitment fee of 0.75% is charged for new program loans,

while the progressive commitment fee of 0.75% is maintained for project loans.

The front-end fees earned for the year ended 31 December 2002 were \$37,057,000 (\$34,793,000 – 2001) for loans and \$6,092,000 (nil – 2001) for guarantees. Administrative expenses relating to direct loan origination of \$19,440,000 for the year ended 31 December 2002 (\$34,793,000-2001) were deferred and offset against front-end fees earned.

Commencing 1 July 2001, ADB offered LIBOR-based loans (LBLs) in any of the following currencies—Euro, Japanese yen, or United States dollar. The new LBL lending facility offers borrowers the flexibility of (i) choice of currency and interest rate basis; (ii) options to link repayment schedules to actual disbursements for financial intermediary borrowers; (iii) change the original loan terms (currency and interest rate basis) at any time during the life of the loan; and (iv) options to cap or collar the floating lending rate at any time during the life of the loan. LBL terms are available for all new loans for which the invitation to negotiate is issued on or after 1 July 2001.

When ADB introduced the LBL, it also offered its borrowers the option to transform undisbursed balances of their eligible pool-based single currency loans in United States dollar to LBL terms. Ninety seven of such loans with a total undisbursed balance of \$6.8 billion were transformed to LBL terms as of 31 December 2002. ADB's loan product available to borrowers is only LBL starting 1 July 2002.

In 2002, ADB received 19 full and partial prepayments amounting to \$1,977,139,000 (\$52,497,000 – 2001) from four borrowers and collected premiums of \$62,521,000 (\$2,841,000 – 2001) on the prepayments which have been included in "Other income from loans."

Undisbursed loan commitments and an analysis of loans by borrowing member countries as of 31 December 2002 are shown in OCR-5. The carrying amounts of loan outstanding by loan products at 31 December 2002 and 2001 are as follows:

	2002	2001
Public Sector		
Fixed rate multicurrency loans Pool-based	\$ 495,503,000	\$ 559,641,000
multicurrency loans Pool-based single	7,082,638,000	6,995,932,000
currency (US\$) loans Market-based loans –	15,083,794,000	16,158,226,000
floating rate Market-based loans –	4,330,709,000	4,298,838,000
fixed rate LIBOR-based loans	2,317,000 1,839,462,000	1,095,000 320,784,000
	28,834,423,000	28,334,516,000
Less: Unamortized front-end fee	(16,424,000)	_
	28,817,999,000	28,334,516,000
Private Sector Pool-based		
multicurrency loans	10,442,000	12,497,000
Currency specific loans	154,942,000	190,094,000
Private sector facility loans Market-based loans –	7,333,000	7,340,000
floating rate Market-based loans –	178,982,000	152,747,000
fixed rate Libor-based loans	37,131,000 6,706,000	37,336,000
Revolving facility – AFIC	4,444,000	4,444,000
	399,980,000	404,458,000
Less: Allowance for loan loss	(72,477,000)	(80,128,000)
Unamortized front-end fee	(266,000)	_
	(72,743,000)	(80,128,000)
	327,237,000	324,330,000
Total	\$29,145,236,000	\$28,658,846,000

Loans in Nonaccrual Status

Two public sector loans to Myanmar and one public sector loan to Nauru were in nonaccrual status as of 31 December 2002 (two to Myanmar and one to Nauru – 2001). The principal outstanding for these three loans as of 31 December 2002 was \$3,199,000 (\$3,095,000 – 2001) of which \$1,129,000 (\$795,000 – 2001) was overdue. Loans in nonaccrual status resulted in \$231,000 (\$307,000 – 2001) not being recognized as income from public sector loans for the year ended 31 December 2002. The accumulated interest and other charges on these loans that were not recognized as income as of 31 December 2002 would have totaled \$745,000 (\$514,000 – 2001).

Thirteen private sector loans were in nonaccrual status as of 31 December 2002 (twelve – 2001). The principal outstanding at that date was \$83,874,000 (\$75,449,000 – 2001) of which \$69,891,000 (\$52,141,000 – 2001) was overdue. Loans in nonaccrual status resulted in \$7,930,000 (\$7,676,000 – 2001) not being recognized in income from private sector loans for the year ended 31 December 2002. The accumulated interest and other charges on these loans that were not recognized as of 31 December 2002 would have totaled \$30,131,000 (\$29,380,000 – 2001).

Loan Loss Provision

ADB has not suffered any losses of principal on public sector loans. No loan loss provisions have been made against outstanding public sector loans, but loan loss provisions have been made against private sector loans during the year (see Note K).

Information pertaining to loans which were subject to loan loss provisions at 31 December 2002 and 2001 is as follows:

lollows:	2002			2001
Loans not subject to loss provisions Loans subject to	\$29,141,349,000		\$2	8,629,075,000
loss provisions		93,054,000	_	109,899,000
Total	\$29,234,403,000		\$28,738,974,000	
Average amount of loans subject to loss provisions Related interest income on such	\$	91,945,000	\$	113,060,000
loans Cash received on related interest income on such	\$	2,262,000	\$	3,182,000
loans	\$	1,385,000	\$	3,591,000

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The changes in the allowance for loan losses during 2002 and 2001 are as follows:

	2002	2001
Balance - 1 January Provision during the year Provision written back Translation adjustments	\$ 80,128,000 3,909,000 (11,894,000) 334,000	\$75,610,000 4,994,000 - (476,000)
Balance - 31 December	<u>\$ 72,477,000</u>	\$80,128,000

Loan Guarantees

ADB extends guarantees to public sector and private sector borrowers which are not reflected in the financial statements. Such guarantees include (i) partial credit guarantees where only certain principal and/or interest payments are covered; and (ii) political risk guarantees, which provide coverage against well-defined sovereign risks. While ADB's guarantees do not necessarily require applicable

government's counterguarantees, all ADB's outstanding guarantees as of 31 December 2002 were counterguaranteed by its concerned government. A counterguarantee takes the form of a member government agreement to indemnify ADB for any payments it makes under the guarantee. Guaranteed payments under partial credit guarantees are generally due 10 or more years from the loan inception date. ADB's political risk guarantee is callable when a guaranteed event has occurred and such an event has resulted in debt service default to the guaranteed lender. The present value of the contingent future payment obligations of all outstanding partial credit guarantees and the nominal value of political risk guaranteed obligation at 31 December 2002 and 2001 are used to calculate ADB's lending limitation. None of these amounts were subject to call as of that date (nil - 31 December 2001). ADB estimates that the present value of guarantees outstanding at 31 December 2002 approximates their fair value.

As at 31 December 2002 and 2001, the outstanding amount and present value of ADB's guarantee obligations covered:

	2002		2001		
	Outstanding Guaranteed Amount	Present Value	Outstanding Guaranteed Amount	Present Value	
Partial Credit Guarantees Complementary Loans China, People's Rep. of India Indonesia Papua New Guinea	\$ 28,496,000 63,326,000 24,055,000	\$ 22,532,000 46,590,000 18,870,000	\$ 27,966,000 57,235,000 21,741,000 505,000	\$ 21,039,000 39,935,000 16,174,000 494,000	
Subtotal	115,877,000	87,992,000	107,447,000	77,642,000	
Bond Issue Philippines	800,481,000	324,439,000	91,575,000	44,148,000	
Term Loans Sri Lanka Subtotal	114,513,000 1,030,871,000	86,659,000 499,090,000	112,636,000 311,658,000	80,839,000	
Political Risk Guarantees Bangladesh Pakistan* Sri Lanka Subtotal Total	60,269,000 850,000 25,820,000 86,939,000 \$1,117,810,000	35,748,000 850,000 17,464,000 54,062,000 \$553,152,000	28,735,000 8,662,000 6,118,000 43,515,000 \$355,173,000	16,147,000 8,220,000 3,936,000 28,303,000 \$230,932,000	

^{*} Reported at face value being a revolving facility in nature.

The outstanding guaranteed amounts represent the amounts utilized under the related loans which have been disbursed as of the end of a reporting period. At 31 December 2002, the nominal amount of the partial credit guarantees and

political risk guarantees facilities were \$1,030,871,000 and \$251,000,000, respectively (\$317,596,000 and \$251,000,000, respectively – 31 December 2001).

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Cofinancing

ADB functions as lead lender in cofinancing arrangements with other participating financial institutions who also provide funds to ADB's public and private sector borrowers. In such capacity, ADB provides loan administration services,

which include loan disbursements and loan collections. The participating financial institutions have no recourse to ADB for their outstanding loan balances.

Loans administered by ADB on behalf of participating institutions as at 31 December 2002 and 2001 are as follows:

	2002		2001		
	Amount	No. of Loans	Amount	No. of Loans	
Public sector loans Private sector loans	\$ 946,069,000 267,477,000	43 11	\$ 994,709,000 277,284,000	39 15	
Total	\$1,213,546,000	54 ==	\$1,271,993,000	54 ==	

During the year ended 31 December 2002, a total of \$389,000 (\$532,000 - 2001) was received as compensation for arranging and administering such loans. This amount has been included in "Income from other sources."

NOTE F-EQUITY INVESTMENTS

ADB's investments in equity securities issued by private enterprises located in DMCs include a \$13,620,000 (\$13,874,000 – 2001) investment in the Asian Finance and Investment Corporation Ltd. (AFIC) which is accounted for on the equity method. The holding represents 30.3% of the investee's issued ordinary share capital and net assets. ADB also holds 100% of AFIC issued convertible noncumulative preference shares in the amount of \$25,000,000 (\$25,000,000 – 2001). In October 2002, ADB together with other financiers, renewed the revolving credit facility up to a maximum aggregate principal amount outstanding at any time of \$36,000,000 (\$45,000,000 – 2001). ADB's obligations amount to \$16,000,000, of which, at 31 December 2002, the outstanding loan is \$4,444,000 (\$4,444,000 – 2001). This amount has been included in "LOANS OUTSTANDING" (see Note E).

Unrealized gains on equity investments reported at market value were \$4,335,000 at 31 December 2002 (\$2,269,000 – 2001) and were reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income."

Approved equity investment facility that has not been disbursed was \$197,928,000 at 31 December 2002 (\$176,739,000 – 2001).

NOTE G-PROPERTY, FURNITURE, AND EQUIPMENT

In 1991, under the terms of an agreement with the Philippines (Government), ADB returned the former headquarters pre-

mises which had been provided by the Government. In accordance with the agreement as supplemented by a memorandum of understanding, ADB was compensated \$22,657,000 for the return of these premises. The compensation is in lieu of being provided premises under the agreement and accordingly, is deferred and amortized over the estimated life of the new headquarters building as a reduction of occupancy expense. The amortization for the year ended 31 December 2002 amounted to \$511,000 (\$567,000 - 2001) reducing depreciation expense for the new headquarters building from \$4,492,000 (\$4,414,000 - 2001) to \$3,981,000 (\$3,847,000 - 2001). At 31 December 2002, the unamortized deferred compensation balance (included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES - Miscellaneous") was \$9,653,000 (\$10,225,000 - 2001). At 31 December 2002, accumulated depreciation for property, furniture, and equipment was \$91,195,000 (\$82,614,000 - 2001).

NOTE H—BORROWINGS AND SWAP TRANSACTIONS

ADB uses derivative financial instruments in connection with its borrowing activities to diversify its funding sources across public and private debt markets, currencies and instruments. Currency swaps are used to convert a currency borrowed under advantageous terms into one of ADB's major operational currencies, taking advantage of the opportunities offered in different financial markets. Such currency swaps enable ADB to raise operationally needed currencies in a cost-efficient way and to maintain its borrowing presence in the major capital markets. Interest rate swaps are used generally to reduce balance sheet interest rate mismatches arising from lending operations.

ADB issues structured debt which includes embedded currency and/or interest rate derivatives in order to decrease

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its cost of borrowing. However, ADB enters into simultaneous currency and/or interest rate swaps to hedge fully against the effects of such embedded derivatives.

ADB has a potential risk of loss if the swap counterparty fails to perform its obligations. In order to reduce such credit risk, ADB only enters into long-term swap transactions with counterparties eligible under ADB's swap guidelines which include a requirement that the counterparties have a credit rating of double A or higher.

The fair value of outstanding currency swap agreements, interest rate swap agreements, and borrowings is determined at the estimated amount that ADB would receive or pay to terminate the agreements using a market-based valuation model. The basis of valuation is the present value of expected cash flows based on appropriate market data.

Interest rate swaps: Under a typical interest rate swap agreement used by ADB, one party agrees to make periodic payments based on a notional principal amount and an interest rate that is fixed at the outset of the agreement. The counterparty agrees to make floating rate payments based on the same notional principal amount. The terms of ADB's interest rate swap agreements specifically match the terms of particular borrowings.

Currency swaps: Under a typical currency swap agreement, one party agrees to make periodic payments in one currency while the counterparty agrees to make periodic payments in another currency. The payments may be fixed at the outset of the agreement or vary based on interest rates. A receivable is created for the currency swapped out, and a payable is created for the currency swapped in. The terms of ADB's currency swap agreements specifically match the terms of particular borrowings.

NOTE I—CAPITAL STOCK, CAPITAL TRANSFERRED TO ASIAN DEVELOPMENT FUND, MAINTENANCE OF VALUE OF CURRENCY HOLDINGS, AND MEMBERSHIP

Capital Stock

The authorized capital stock of ADB as of the end of 2002 and 2001 consists of 3,490,994 shares, of which 3,487,017 shares (3,474,627 – 2001) have been subscribed by members. Of the subscribed shares, 3,241,762 (3,230,244 – 2001) are "callable" and 245,255 (244,383 – 2001) are "paid-in." The "callable" share capital is subject to call by ADB only as and when required to meet ADB's obligations incurred on borrowings of funds for inclusion in its ordinary capital

resources or on guarantees chargeable to such resources. The "paid-in" share capital has been paid or is payable in installments, partly in convertible currencies and partly in the currency of the subscribing member which may be convertible. In accordance with Article 6, paragraph 3 of the Charter, ADB accepts nonnegotiable, noninterest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, provided such currency is not required by ADB for the conduct of its operations. The settlement of such amounts is not determinable and, accordingly, it is not practicable to determine a fair value for these receivables.

As of 31 December 2002, all matured installments amounting to \$3,311,328,000 (\$3,049,555,000-2001) were received except for \$2,815,000 (\$4,353,000-2001) from one country (two - 2001). Installments not due aggregating \$10,848,000 (\$18,967,000-2001) are receivable as follows:

For the Year ending 31 December:

2003 \$5,038,000 2004 \$2,905,000 2005 \$2,905,000

Payments in respect of capital subscription installments in advance of due dates are shown in the Balance Sheet (under "ACCOUNTS PAYABLE AND OTHER LIABILITIES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by ADB as of the date on which such payments are actually due.

Capital Transferred to Asian Development Fund

Pursuant to the provisions of Article 19, paragraph 1(i) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973 to be used as a part of the Special Funds of ADB. The resources so set aside amounting to \$64,491,000 as of 31 December 2002 (\$59,780,000 – 2001) expressed in terms of the SDR on the basis of \$1.35458 (\$1.25562 – 2001) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar—see Note B), were allocated and transferred to the Asian Development Fund.

Maintenance of Value of Currency Holdings

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, ADB implemented maintenance of

value (MOV) in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of the Charter and relevant resolutions of the Board of Directors. Since then, settlement of MOV has been put in abeyance.

Inasmuch as the valuation of ADB's capital stock and the basis of determining possible MOV obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. In view thereof, the notional MOV amounts of receivables and payables are offset against one another and shown as net notional amounts to maintain value of currency holdings in the "CAPITAL AND RESERVES" portion of the Balance Sheet. The timing of the establishment and settlement of such amounts is uncertain and, accordingly, it is not practicable to determine a fair value for such receivables and payables.

One country made an arrangement with ADB that has the effect of continuing the settlement of their MOV obligation. The "Amounts required to maintain value of currency holdings" under "RECEIVABLE FROM MEMBERS" represents the amount receivable from changes in exchange rates of the member's currency in relation to the United States dollar.

The net notional amounts as of 31 December 2002 consisted of (a) the increase of \$334,457,000 (\$148,847,000 –2001) in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar during the period from 1 April 1978 to 31 December 2002 and (b) the net decrease of \$153,999,000 (\$313,609,000 – 2001) in the value of such currency holdings in relation to the United States dollar during the same period. In terms of receivable from and payable to members, they are as follows:

	2002	2001
Notional MOV Receivables Notional MOV Payables	\$718,212,000 229,756,000	\$657,940,000 195,484,000
Total	\$488,456,000	<u>\$462,456,000</u>

Membership

As of 31 December 2002, ADB is owned by 61 member countries, 44 countries from the region and 17 countries from outside the region (see OCR-7). During 2002, Portugal and Timor-Leste have subscribed 12,040 and 350 shares of ADB's capital stock respectively, and remitted the required paid-in portion of their subscriptions.

NOTE J-RESERVES

Ordinary Reserve and Net Income

Under the provisions of Article 40 of the Charter, the Board of Governors shall determine annually what part of the net income shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. During 2002, \$714,464,000 of the net income for the year ended 31 December 2001 was allocated to the Ordinary Reserve (\$625,716,000 – 2001).

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Note B) resulted in a net charge of \$56,808,000 to the Ordinary Reserve during the year ended 31 December 2002 (credit of \$20,236,000 – 2001). That charge is the increase in the value of the matured and paid capital subscriptions caused by the change during the year in the value of the SDR in relation to the United States dollar not allocated to members as notional maintenance of value adjustments in accordance with resolutions of the Board of Directors.

Cumulative Revaluation Adjustments Account

In May 2002, the Board of Governors approved the allocation of \$147,501,000 of the 31 December 2001 net income to a separate category of Reserves - "Cumulative Revaluation Adjustments Account." This represents the cumulative FAS 133 adjustment.

Special Reserve

The Special Reserve includes commissions on loans and guarantee fees on guarantees set aside pursuant to Article 17 of the Charter. Special Reserve assets consist of term deposits and government and government-guaranteed obligations and are included under the heading "INVESTMENTS." For the year ended 31 December 2002, guarantee fees amounting to \$861,000 (\$1,295,000 – 2001) were appropriated to Special Reserve.

Surplus

Surplus represents funds for future use to be determined by the Board of Governors. No amounts were allocated by the Board of Governors out of Surplus during 2002 and 2001.

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

Comprehensive Income and Accumulated Other Comprehensive Income

Comprehensive income has two major components: net income and other comprehensive income comprising gains and losses affecting equity that, under generally accepted accounting principles, are excluded from net income. Other comprehensive income includes such items as the effects of the implementation of FAS 133, unrealized gains and losses on available-for-sale securities and listed equity investments, and currency translation adjustments.

NOTE K-INCOME AND EXPENSES

Total income from loans for the year ended 31 December 2002 was \$1,709,943,000 (\$1,813,640,000 - 2001). The average yield on the loan portfolio during the year was 5.93% (6.42% – 2001). Premium on prepaid loans collected during 2002 amounted to \$62,521,000 (\$2,841,000 – 2001).

Total income from investments for the year ended 31 December 2002 was \$330,448,000 (\$403,436,000 - 2001). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 4.26% (5.91% – 2001). If unrealized gains and losses were included, the annualized rate of return would have been 5.34% (6.18% - 2001).

Income from other sources primarily includes dividends received for the year ended 31 December 2002 amounted to \$8,603,000 (\$13,229,000 - 2001), gain on sale of equity investments of \$7,078,000 (loss of \$345,000 - 2001), net of the share in the net losses of an equity investment of \$363,000 (share in net profit of \$1,478,000 - 2001) accounted for on the equity method.

Total interest expense incurred for the year ended 31 December 2002 amounted to \$1,138,660,000 (\$1,416,830,000 – 2001). Other financial expenses consist of amortization of borrowings' issuance costs and other expenses of \$16,507,000 (\$17,282,000 - 2001).

Administrative expenses (other than those pertaining directly to ordinary operations and special operations) for the year ended 31 December 2002 were apportioned between ordinary capital resources and the Asian Development Fund according to the number of loans and equity investments approved during the year. Of the total administrative expenses of \$254,372,000 (\$223,313,000 - 2001), \$144,379,000 (\$129,481,000 – 2001) was accordingly charged to the Asian Development Fund. The balance of administrative expenses after allocation was reduced by the deferral of direct loan origination costs of \$19,440,000 (\$34,793,000 - 2001) related

to new loans for the year ended 31 December 2002 (see Notes B and E).

In April 2001, the Board of Directors approved financing of technical assistance (TA) directly from current income and outlined a 4-year financing framework for TA operations. The full amount of TA commitments is to be charged to OCR current income as "TECHNICAL ASSISTANCE TO MEMBER COUNTRIES" in the year of commitment. As at 31 December 2002, the amount of TA commitments amounted to \$75,960,000 (\$19,962,000 - 2001) out of which \$11,115,000 (\$209,000 -2001) had been disbursed.

For the year ended 31 December 2002, the provision for losses totaled \$4,476,000 (\$3,909,000 for private sector loans and \$567,000 for equity investments). For the year ended 31 December 2001, the provision for losses totaled \$9,838,000 (\$4,994,000 for private sector loans and \$4,844,000 for equity investments).

FAS 133 adjustment of \$224,756,000 (\$112,845,000 - 2001) was made up of mark to market gains on derivatives of \$242,051,000 (\$153,560,000 - 2001) offset by amortization of the FAS 133 transition adjustments of \$17,295,000 (\$40,715,000 **-2001**).

NOTE L-OTHER ASSETS AND LIABILITIES-**MISCELLANEOUS**

Included in miscellaneous assets and liabilities are as follows:

	2002	2001
Amounts Receivable from:		
Asian Development Fund		
(Note K)	\$20,474,000	\$6,103,000
Technical Assistance		
Special Fund	60,000	_
Japan Special Fund	230,000	143,000
Asian Development Bank	·	,
Institute Special Fund	72,000	107,000
Total	\$20,836,000	\$6,353,000
Amounts Payable to:		
Staff Retirement Plan	\$12,150,000	\$4,166,000

NOTE M-STAFF RETIREMENT PLAN AND POSTRETIREMENT MEDICAL BENEFITS

Staff Retirement Plan

ADB has a contributory defined benefit Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant from the first day of service, provided that at such a date, the employee has not reached the normal retirement age of 60. The Plan applies also to members of the Board of Directors who elect to join the Plan. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service. The Plan assets are segregated and are not included in the accompanying Balance Sheet. The costs of administering the Plan are absorbed by ADB, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their salary to the Plan and may also make additional voluntary contributions. ADB's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

Postretirement Medical Benefits Plan

In 1993, ADB adopted a cost-sharing plan for retirees' medical insurance premiums. Under the plan, ADB is obligated to pay 75% of the Group Medical Insurance Plan premiums for retirees, including retired members of the Board of Directors, and their eligible dependents who elected to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits.

The following table sets forth the pension and postretirement medical benefits at 31 December 2002 and 2001:

	Pension	Benefits	Postretirement Medical Benefit			
	2002	2001	2002	2001		
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 714,365,000	\$576,014,000	\$ 105,789,000	\$ 61,231,000		
Service cost Interest cost	25,121,000 51,157,000	19,014,000 44,165,000	4,884,000 7,680,000	4,252,000 6,964,000		
Participants' contributions	39,752,000	29,898,000	7,080,000	0,904,000		
Amendments	-	40,392,000	_	-		
Actuarial loss (gain)	36,507,000	32,295,000	6,733,000	34,460,000		
Benefits paid	(33,355,000)	(27,413,000)	(1,087,000)	(1,118,000		
Benefit obligation at end of year	\$833,547,000	\$714,365,000	\$ 123,999,000	\$105,789,000		
Change in plan assets:						
Fair value of plan assets at	¢ (00 075 000	ф 7 20 022 000	.	.		
beginning of year Actual return on plan assets	\$ 692,875,000 (62,054,000)	\$729,822,000 (49,607,000)	\$ -	\$ -		
Employer's contribution	10,826,000	10,175,000	1,087,000	1,118,000		
Plan participants' contributions	39,752,000	29,898,000	-	- 1,110,000		
Benefits paid	(33,355,000)	(27,413,000)	(1,087,000)	(1,118,000		
Fair value of plan assets at end of year	\$ 648,044,000	\$692,875,000	\$ -	\$ -		
Funded status	\$(185,503,000)	\$ (21,490,000)	\$(123,999,000)	\$(105,789,000		
Unrecognized actuarial loss	166,234,000	2,605,000	36,731,000	32,190,000		
Unrecognized prior service cost	37,118,000	42,185,000	(3,312,000)	(3,697,000		
Unrecognized transition obligation	(1,112,000)	(2,217,000)	5,297,000	7,706,000		
Net amount recognized	\$ 16,737,000	\$ 21,083,000	\$ (85,283,000)	\$ (69,590,000		
Amounts recognized in the						
balance sheet consist of: Prepaid benefit cost	17,124,000	21,409,000				
Accrued benefit liability	(403,000)	(326,000)	(85,283,000)	(69,590,000		
Intangible asset	(100,000)	(320,000)	N/A	N/A		
Accumulated other comprehensive income	16,000	_	N/A	N/A		
Net amount recognized	\$ 16,737,000	\$ 21,083,000	\$ (85,283,000)	\$ (69,590,000		
Weighted-average assumptions						
as of 31 December	A = 200 t		2			
Discount rate	6.75%	7.00%	6.75%	7.00%		
Expected return on plan assets Rate of compensation increase varies	8.00%	8.00%	N/A	N/A		
with age and averages	5.75%	6.00%	5.75%	6.00%		

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

For measurement purposes, a 7.75% annual rate of increase in the per capita cost of covered health care benefits was assumed for the valuation as at 31 December 2002. The

rate was assumed to decrease gradually to 5.75% for 2009 and remain at that level thereafter.

	Pension Benefits		Postretirement l	Medical Benefits
	2002	2001	2002	2001
Components of net periodic benefit cost:				
Service cost	\$ 25,121,000	\$ 19,014,000	\$ 4,884,000	\$ 4,252,000
Interest cost	51,157,000	44,165,000	7,680,000	6,964,000
Expected return on plan assets	(63,001,000)	(58,746,000)	-	-
Amortization of prior service cost	5,067,000	982,000	(385,000)	(385,000)
Amortization of transition obligation	(1,105,000)	(1,105,000)	2,409,000	2,409,000
Recognized actuarial (gain) loss	(2,067,000)	(8,349,000)	2,192,000	1,998,000
Net periodic benefit cost	\$ 15,172,000	\$ (4,039,000)	\$16,780,000	\$15,238,000

A one-percentage-point change in assumed health care trend rates would have the following effects:

	1- Percentage-Point Increase	1- Percentage-Point Decrease
Effect on total service and interest cost components Effect on postretirement benefit obligation	\$ 3,007,000 24,405,000	\$ (2,310,000) (19,298,000)

NOTE N-FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of ADB's significant financial instruments as of 31 December 2002 and 2001 are summarized as follows:

	2	002	200)1
On-balance sheet financial instruments:	Carrying Amount ^a	Estimated Fair Value	Carrying Amount ^a	Estimated Fair Value
ASSETS:				
ASSETS.				
Due from banks Investments (Note D) Loans outstanding (Note E) Equity investments (Note F) Other assets	\$ 473,360,000 9,028,741,000 29,145,236,000 211,267,000	\$ 473,360,000 9,028,741,000 31,922,103,000 211,267,000	\$ 68,823,000 8,264,915,000 28,658,846,000 208,018,000	\$ 68,823,000 8,264,915,000 30,697,150,000 208,018,000
Nonnegotiable, noninterest-bearing demand obligations Receivable from swaps - investments (Note D) Receivable from swaps - borrowings (Note H)	313,416,000 511,937,000 9,231,868,000	178,361,000 511,937,000 9,231,868,000	333,047,000 - 6,379,403,000	185,090,000 - 6,379,403,000
LIABILITIES:				
Borrowings (Note H) Other liabilities	26,236,013,000	28,645,177,000	25,252,189,000	26,734,750,000
Payable for swaps - investments (Note D) Payable for swaps - borrowings (Note H)	548,218,000 9,027,166,000	548,218,000 9,027,166,000	6,784,076,000	6,784,076,000
	Outstanding Amount	Present Value	Outstanding Amount	Present Value
Off-balance sheet financial instruments:				
Guarantees (Note E)	1,117,810,000	553,152,000	355,173,000	230,932,000

^a The carrying amount for borrowings and swaps are inclusive of accrued interest.

Additional fair value information, including methods used to estimate certain values, is included in the notes referenced in the above table.

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amount.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using a market-based valuation model. The basis of valuation is the expected cash flows discounted at the applicable market yield curves or appropriate market data.

NOTE O-OFF-BALANCE SHEET CREDIT RISK

ADB is a party to off-balance sheet financial instruments on guarantees. Guarantees involve elements of credit risk which are not reflected on the balance sheet. Credit risk represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contract. The amount of credit risks on guarantees as at 31 December 2002 was \$1,117,810,000 (\$355,173,000 – 31 December 2001).

NOTE P-SPECIAL AND TRUST FUNDS

ADB's operations include special operations, which are financed from special fund resources, consisting of the Asian Development Fund, the Technical Assistance Special Fund, Japan Special Fund, and the Asian Development Bank Institute Special Fund.

In addition, ADB, alone or jointly with donors, administers on behalf of the donors, including members of ADB, their agencies and other development institutions, projects/programs supplementing ADB's operations. Such projects/programs are funded with external funds administered by ADB and with external funds not under ADB's administration. The funds are restricted for specific uses including technical assistance to borrowers and technical assistance for regional programs. The responsibilities of ADB under these arrangements range from project processing to project implementation including the facilitation of procurement of goods and services.

Special funds and funds administered by ADB on behalf of the donors are not included in the assets of ordinary capital resources. The breakdown of the total of such funds together with the funds of the special operations as of 31 December 2002 and 2001 is as follows:

	2002		2001	
	Total Net Assets	No. of Funds	Total Net Assets	No. of Funds
pecial Funds				
Asian Development Fund	\$22,852,571,000	1	\$19,887,498,000	1
Technical Assistance Special Fund	68,338,000	1	81,271,000	1
Japan Special Fund Asian Development Bank Institute	188,167,000	1	268,129,000	1
Special Fund	10,397,000	1	9,857,000	_1
Subtotal	23,119,473,000	_4	20,246,755,000	_4
rust Funds				
Funds administered by ADB	463,977,000	32	219,626,000	30
Funds not administered by ADB	5,455,000	_1	6,900,000	_1
Subtotal	469,432,000	33	226,526,000	31
Total	\$23,588,905,000	<u>37</u>	\$20,473,281,000	35

During the year ended 31 December 2002, a total of \$638,000 (\$411,000 - 2001) was received as compensation for

administering projects/programs under Trust Funds. The amount has been included in "Income from other sources."



REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

We have audited the accompanying special purpose statement of assets, liabilities and fund balances of the Asian Development Bank—Asian Development Fund as of 31 December 2002 and 2001 and the related special purpose statements of revenues and expenses, cash flows and changes in fund balances for the years then ended. These financial statements are the responsibility of the management of the Asian Development Bank. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes B and D, the Board of Directors approved in May 2001 the adoption of special purpose financial statements for the Asian Development Bank—Asian Development Fund in 2001. With the adoption of the special purpose financial statements, loan loss provisioning has been eliminated. The accompanying financial statements are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of Asian Development Bank—Asian Development Fund at 31 December 2002 and 2001, and the revenues and expenses and cash flows for the years then ended, on the basis of accounting explained in Notes B and D.

Our audits were conducted for the purpose of forming an opinion on the special purpose financial statements taken as a whole. The accompanying special purpose statements of loans as at 31 December 2002 and 2001, and of resources as at 31 December 2002 are presented for purposes of additional analyses and are not required parts of the special purpose financial statements. Such information has been subjected to the auditing procedures applied in the audits of the special purpose financial statements and in our opinion is fairly stated in all material respects in relation to the special purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Governors, Board of Directors, management and members of the Asian Development Bank—Asian Development Fund. However, under the Agreement Establishing the Asian Development Fund, this report is included in the Annual Report of the Asian Development Bank and is therefore a matter of public record and its distribution is not limited.

Ture was the house Coopers LLP

Detroit, Michigan
10 March 2003

SPECIAL PURPOSE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	2002	2001
ASSETS		
DUE FROM BANKS (Note B)	\$ 10,205	\$ 6,293
INVESTMENTS (Notes B and C) Government and government-guaranteed obligations Time deposits Corporate bonds Securities transferred under securities lending arrangement	\$ 1,158,631 727,676 1,276,190 112,293 3,274,790	\$ 932,477 386,344 1,197,736 69,569 2,586,126
LOANS OUTSTANDING (ADF-5) (Notes B and D)	17,232,780	14,832,323
ACCRUED REVENUE On investments On loans DUE FROM CONTRIBUTORS (Notes B and E)	37,675 40,478 78,153 2,465,316	28,508 36,066 64,574 2,476,215
OTHER ASSETS Investment related receivables Others	56,007 3,056 59,063	160 2,803
TOTAL	\$23,120,307	\$19,968,494
LIABILITIES AND FUND BALANCES		
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ 20,474	\$ 6,103
ADVANCE PAYMENTS ON CONTRIBUTIONS (ADF-6)	16,472	2,651
OTHER LIABILITIES Investment related payables Others (ADF-6) FUND BALANCES	\$ 170,009 60,781 230,790	\$ 70,842 1,400 72,242
Amounts available for Ioan commitments (ADF-6) Contributed Resources (Note B) Set-Aside Resources (Note G) Transfers from Ordinary Capital Resources and	20,790,249 64,491	18,180,486 59,780
Technical Assistance Special Fund (Note A)	232,951	232,553
	21,087,691	18,472,819
Accumulated surplus (ADF-4) Accumulated other comprehensive income (ADF-4) (Notes B and H)	1,755,189 9,691 22,852,571	1,608,532 (193,853) 19,887,498
TOTAL	\$23,120,307	\$19,968,494

SPECIAL PURPOSE STATEMENT OF REVENUE AND EXPENSES For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

		2002			2001	
REVENUE From Ioans (Notes B and D) From investments (Notes B and C) Interest Net gain on sales From other sources—net	\$125,772 <u>8,768</u>	\$156,370 134,540 152	\$ 291,062	\$120,018 	\$146,763 121,033 260	\$ 268,056
EXPENSES Administrative expenses (Note F)			144,405			129,517
EXCESS OF REVENUE OVER EXPENSES			\$146,657			\$138,539

SPECIAL PURPOSE STATEMENT OF CASH FLOWS For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES Interest charges on loans received Interest on investments received Cash received from other sources Administrative expenses paid	\$ 136,842 132,439 152 (130,983)	\$ 126,324 116,773 121 (131,456)
Net Cash Provided by Operating Activities	\$ 138,450	\$ 111,762
CASH FLOWS FROM INVESTING ACTIVITIES Sales of investment Maturities of investment Purchases of investment Principal collected on loans Loans disbursed	447,477 55,394,621 (56,183,290) 262,261 (1,115,613)	362,994 49,239,054 (49,935,316) 219,334 (1,005,975)
Net Cash Used in Investing Activities	\$ (1,194,544)	\$ (1,119,909)
CASH FLOWS FROM FINANCING ACTIVITIES Contributions received and encashed ¹	1,057,054	1,006,117
Net Cash Provided by Financing Activities	\$ 1,057,054	\$ 1,006,117
Effect of Exchange Rate Changes on Due from Banks	2,952	732
Net Increase (Decrease) in Due from Banks	3,912	(1,298)
Due from Banks at Beginning of Period	6,293	7,591
Due from Banks at End of Period	\$ 10,205	\$ 6,293
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES: Excess of revenue over expenses (ADF-2) Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities: Capitalized charges on loans Amortization of discounts/premiums Change in accrued/prepaid administrative expenses Change in accrued revenue on investments and loans	\$ 146,657 (18,683) 15,834 13,422 (10,012)	\$ 138,539 (20,162) (2,564) (1,939) (958)
Net gain on sales of securities Changes in receivables/payables	(8,768) 	(1,015) (139)
Net Cash Provided by Operating Activities	<u>\$ 138,450</u>	\$ 111,762

In addition, nonnegotiable, noninterest-bearing demand promissory notes amounting to \$763,484 (\$558,674 - 2001) were received from contributing

SPECIAL PURPOSE STATEMENT OF CHANGES IN FUND BALANCES For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	Contributed	Set-Aside	Transfers from OCR	Accumulated	Accumulated Other Comprehensive	
	Resources	Resources	& TASF	Surplus	Income	Total
Balance—						
1 January 2001	\$19,319,810	\$62,031	\$232,670	\$1,469,993	\$ (85,276)	\$20,999,228
Comprehensive income for the year 2001 (Note H) Change in amount of contributed resources available for loan				138,539	(108,577)	29,962
commitments	(1,139,324)					(1,139,324)
Change in SDR value of set-aside resources		(2,251)				(2,251)
Change in value of transfers from Technical Assistance		, , ,				, ,
Special Fund			(117)			(117)
Balance— 31 December 2001	\$18,180,486	\$59,780	\$232,553	\$1,608,532	\$(193,853)	\$19,887,498
Comprehensive income for the year 2002 (Note H)				146,657	203,544	250 201
Change in amount of contributed				140,007	203,544	350,201
resources available for loan commitments	2,609,763					2,609,763
Change in SDR value of	, ,	4 711				
set-aside resources Change in value of transfers		4,711				4,711
from Technical Assistance Special Fund			398			398
oposiai i ana			370			370
Balance— 31 December 2002	\$20,790,249	\$64,491	\$232,951	\$1,755,189	\$ 9,691	\$22,852,571

Accumulated Other Comprehensive Income (Note H) For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	Accumulated Translation		Unrealized Investment		Accumulated Other	
	Adjustments		Holding Gains		Comprehensive Income	
	2002	2001	2002	2001	2002	2001
Balance, 1 January	\$(208,980)	\$ (87,242)	\$ 15,127	\$ 1,966	\$(193,853)	\$ (85,276)
Other comprehensive income for the year		(121,738)	4,993	13,161	203,544	(108,577)
Balance, 31 December	<u>\$ (10,429)</u>	<u>\$(208,980)</u>	\$20,120	\$15,127 ———	\$ 9,691 =====	<u>\$(193,853)</u>

SPECIAL PURPOSE SUMMARY STATEMENT OF LOANS 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

Borrower/Guarantor ¹	Loans Outstanding	Undisbursed Balances of Effective Loans ²	Loans Not Yet Effective ²	Total Loans	Percent of Total Loans
Afghanistan	\$ 116,050	\$ 51,246	\$ -	\$ 167,296	0.70
Bangladesh	4,406,296	776,008	276,317	5,458,621	22.97
Bhutan	70,074	20,213	-	90,287	0.38
Cambodia	325,036	199,405	119,544	643,985	2.71
Cook Islands	20,873	2,110	-	22,983	0.10
Indonesia	660,045	330,162	134,158	1,124,365	4.73
Kazakhstan	49,971	5,065	-	55,036	0.23
Kiribati	6,256	6,404	-	12,660	0.05
Kyrgyz Republic	341,822	163,735	-	505,557	2.13
Lao PDR	666,736	217,003	89,110	972,849	4.09
Maldives	40,861	28,283	5,122	74,266	0.31
Marshall Islands	52,818	8,722	7,185	68,725	0.29
Micronesia, Fed. States of	30,741	1,155	22,193	54,089	0.23
Mongolia	362,697	150,120	-	512,817	2.16
Myanmar	452,131	-	-	452,131	1.90
Nepal	1,154,890	332,664	109,816	1,597,370	6.72
Pakistan	4,201,579	920,626	320,957	5,443,162	22.91
Papua New Guinea	260,842	53,557	5,803	320,202	1.35
Philippines	854,774	56,613	-	911,387	3.84
Samoa	73,675	15,681	-	89,356	0.38
Solomon Islands	46,006	10,760	-	56,766	0.24
Sri Lanka	1,704,922	650,624	92,344	2,447,890	10.30
Tajikistan	39,021	80,344	56,371	175,736	0.74
Thailand	52,717	-	-	52,717	0.22
Tonga	39,773	5,636	-	45,409	0.19
Tuvalu	3,972	-	1,888	5,860	0.02
Uzbekistan	13,309	6,066	-	19,375	0.08
Vanuatu	48,248	12	-	48,260	0.20
Viet Nam	1,136,645	960,142	237,956	2,334,743	9.83
BALANCE - 31 December 200	2 \$17,232,780	\$5,052,356	\$1,478,764	\$23,763,900	100.00
BALANCE - 31 December 200	1 \$14,832,323	\$4,362,802	\$1,376,618	\$20,571,743	

Loans other than those made directly to a member or to its central bank have been guaranteed by the member with the exception of loans to the private sector amounting to \$5,502 (\$8,836 - 2001).

Loans negotiated before 1 January 1983 were denominated in current United States dollars. Loans negotiated after that date are denominated in Special Drawing Rights (SDR) for the purpose of commitment. The undisbursed portions of such SDR loans are translated into United States dollars at the applicable exchange rates as of the end of a reporting period. Of the undisbursed balances, ADB has entered into irrevocable commitments to disburse various amounts totaling \$49,706 (\$90,393 - 2001).

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amount	Five Years Ending 31 December	Amount
Ending 31 December	Amount	Ending 31 December	Amount
2003	\$454,909	2012	3,841,931
2004	399,341	2017	4,599,639
2005	432,187	2022	4,696,122
2006	472,362	2027	3,646,090
2007	521,467	2032	2,347,742
		2037	815,637
		2042	57,709
		Total	\$22,285,136

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	2002	2001	Currency	2002	2001
Australian dollar Canadian dollar Danish krone Euro Japanese yen Korean won Malaysian ringgit	\$ 335,615 773,930 75,045 2,619,263 10,206,797 27,584 3,363	\$ 350,116 771,606 68,359 2,271,650 8,768,144 14,034	New Zealand dollar Norwegian krone Pound sterling Singapore dollar Swedish krona Swiss franc Thai baht United States dollar	17,785 30,689 220,161 447 95,082 258,485 1,283 2,567,251	17,340 30,386 227,914 - 88,962 189,745 - 2,034,067
			Total	\$17,232,780	\$14,832,323

SPECIAL PURPOSE STATEMENT OF RESOURCES 31 December 2002

Expressed in Thousands of United States Dollars (Note B)

	Effective Amounts		Effective Amounts unts Committed Not Yet Amounts		Amounts		
	Committed During 2002	At Exchange Rates Per Resolutions	At 31 Dec 2002 Exchange Rates	Available For Loan	Available For Loan Commitments	Amounts Received	Amounts Receivable
CONTRIBUTED RESOURCES	;						
Australia	\$ -	\$ 1,324,951	\$ 922,727	\$ 82,412	\$ 840,315	\$ 840,315	\$ -
Austria	-	169,562	178,491	14,267	164,224	164,224	-
Belgium	21,310	159,126	155,526	10,655	144,871	144,871	-
Canada	-	1,413,316	1,124,824	61,804	1,063,020	1,063,020	-
Denmark	26,372	179,656	172,906	13,178	159,728	159,728	-
Finland	14,798	114,676	95,387	7,399	87,988	87,988	_
France	_	957,755	894,089	73,753	820,336	820,336	_
Germany	171,035	1,297,647	1,369,090	96,022	1,273,068	1,273,068	_
Hong Kong, China	_	36,550	36,550	8,140	28,410	28,410	_
Indonesia	_	14,960	14,960	· _	14,960	14,960	_
Italy	_	707,302	483,231	_	483,231	483,231	_
Japan	_	7,502,667	11,017,233	473,891	10,543,342	10,543,342	_
Korea, Rep. of	_	158,580	137,574	39,459	98,115	98,115	_
Malaysia Malaysia	_	10,000	6,708	506	6,202	6,202	_
Nauru	_	1,933	1,933	-	1,933	1,433	500
The Netherlands	_	496,350	516,722	42,916	473,806	473,806	300
New Zealand	_	90,472	73,482	10,440	63,042	63,042	_
Norway		165,600	154,586	15,719	138,867	138,867	_
Portugal	53,640	47,142	53,640	8,879	44,761	44,761	_
~	55,040	4,000	3,888	1,944	1,944	1,944	
Singapore Spain ¹	20.420						-
· · · · · · · · · · · · · · · · · · ·	29,628	132,540	113,413	14,799	98,614	98,614	-
Sweden	-	288,985	209,895	18,941	190,954	190,954	-
Switzerland	-	250,051	304,145	20,081	284,064	284,064	-
Taipei,China	-	46,508	42,882	6,933	35,949	35,949	-
Thailand	2,335	6,642	4,671	1,168	3,503	3,503	-
Turkey	-	105,386	105,386	2,500	102,886	102,886	-
United Kingdom	-	862,613	795,281	67,935	727,346	727,346	-
United States		2,924,928	2,924,928	30,158	2,894,770	2,894,770	
Total	319,118	19,469,898	21,914,148	1,123,899	20,790,249	20,789,749	² 500
SET-ASIDE RESOURCES							
(Note G)	-	-	64,491	_	64,491	-	-
Transfer from Ordinary Capital Resources	_	_	230,000	_	230,000	_	_
TRANSFERS FROM TECHNICAL ASSISTANCE SPECIAL FUND ³	_	-	2,951	-	2,951	-	-
TOTAL	\$319,118	\$19,469,898	\$22,211,590	\$1,123,899	\$21,087,691	\$20,789,749	\$500

Excludes \$59,424 equivalent of additional contribution which was not yet made effective as of 31 December 2002 pending receipt of instrument of

Excludes \$16,472 equivalent representing advance payments received but not yet available for loan commitments as of 31 December 2002.

³ Includes translation adjustments amounting to \$520 as of 31 December 2002.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

31 December 2002 and 2001

NOTE A-NATURE OF OPERATIONS

The Asian Development Fund (ADF) was established on 28 June 1974 to more effectively carry out the special operations of the Asian Development Bank (ADB) by providing resources on concessional terms which are made available almost exclusively to the least developed borrowing countries.

The resources of ADF have been subsequently augmented by seven replenishments, the most recent of which became effective in June 2001 in a total amount equivalent to \$2,791,483,000 to cover the operational requirements for the four-year period from January 2001. The last allocation from the surplus account of ADB's ordinary capital resources to ADF in the amount of \$230,000,000 was in 1997.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In May 2001, the Board of Directors approved the adoption of the special purpose financial statements for ADF. With the adoption of the special purpose financial statements, loan loss provisioning has been eliminated.

Due to the nature and organization of ADF, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and are not intended to be a presentation in accordance with generally accepted accounting principles. These special purpose financial statements have been prepared to comply with Article IV, Section 4.01 of the Regulations of ADF.

Functional Currencies and Reporting Currency

The currencies of contributing member countries are functional currencies. The reporting currency is the United States dollar, and the special purpose financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities, amounts available for loan commitments and advance payments on contributions are translated from their functional currencies to the reporting currency, generally at the applicable rates of exchange at the end of a reporting period. Revenue and expense amounts are translated for each semimonthly period, generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments relating to set-aside resources (see Note G) are recorded as notional amounts receivable from or payable to ordinary capital resources. Other

translation adjustments are charged or credited to "Accumulated translation adjustments" and reported in "FUND BALANCES" as part of "Accumulated other comprehensive income." Exchange gains or losses on currency transactions among functional currencies are included in revenue.

Investments

All investment securities and negotiable certificate of deposits held by ADF are considered by Management to be "Available for Sale" and are reported at estimated fair value, with unrealized gains and losses excluded from revenue and reported in "FUND BALANCES" as part of "Accumulated other comprehensive income." Estimated fair value generally represents market value. Time deposits are classified as "Held-to-Maturity" and are reported at cost. Realized gains and losses are included in revenue from investments and are measured by the difference between amortized cost and the net proceeds of sales.

Securities Transferred Under Securities Lending Arrangement

ADB accounts for transfers of financial assets in accordance with FAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FAS 125." In general, transfers are accounted for as sales under FAS 140 when ADB has relinquished control over the transferred assets. Transfers that are not accounted for as sales are accounted for as repurchase agreements and collateralized financing arrangements.

Loans

It is the policy of ADF to place in nonaccrual status loans made to eligible borrowing member countries if the principal or interest with respect to any such loans is overdue by six months. Interest on nonaccruing loans is included in revenue only to the extent that payments have actually been received by ADF. ADB follows a policy of not taking part in debt rescheduling agreements with respect to public sector loans. In the case of private sector loans, ADB may agree to debt rescheduling only after alternative courses of action have been exhausted. When ADB decides that a particular loan is no longer collectible, the entire amount will be expensed during the period.

Contributed Resources

Contributions by member countries are included in the financial statements as amounts committed from the date

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

31 December 2002 and 2001

Instruments of Contribution are deposited and related formalities are completed.

Contributions are generally paid or to be paid in the currency of the contributor either in cash or notes.

Accounting Estimates

The preparation of special purpose financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Special Purpose Statement of Cash Flows

For the purposes of the special purpose statement of cash flows, ADF considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

Reclassification and Restatement

Certain 2001 amounts have been restated to conform with the 2002 presentation.

NOTE C-INVESTMENTS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments. Investments are governed by the Investment Authority approved by the Board of Directors in 1999. ADB is restricted by its Investment Authority to invest in investment instruments which are obligations of a limited class of issuers, primarily government or government-guaranteed obligations and corporate obligations.

The currency compositions of the investment portfolio as of 31 December 2002 and 2001 expressed in United States dollars are as follows:

Currency	2002	2001
Australian dollar	\$ 582,983,000	\$ 355,074,000
Canadian dollar	320,404,000	240,118,000
Danish krone	80,490,000	50,268,000
Euro	1,057,178,000	555,904,000
Japanese yen	56,025,000	53,693,000
Norwegian krone	141,777,000	87,934,000
Pound sterling	606,242,000	450,718,000
Swedish krone	75,990,000	38,403,000
United States dollar	309,416,000	710,052,000
Others	44,285,000	43,962,000
Total	\$3,274,790,000	\$2,586,126,000

The estimated fair value and amortized cost of the investments by contractual maturity at 31 December 2002 are as follows:

	Estimated Fair Value	Amortized Cost
Due in one year or less Due after one year	\$1,820,903,000	\$1,816,509,000
through five years	1,453,887,000	1,438,161,000
Total	\$3,274,790,000	\$3,254,670,000

Time deposits at cost approximates its fair value. Additional information relating to investments in government and government-guaranteed obligations and corporate bonds is as follows:

	2002	2001
As of 31 December Amortized cost Estimated fair value Gross unrealized gains Gross unrealized losses	\$2,526,994,000 2,547,114,000 20,232,000 112,000	\$2,184,655,000 2,199,782,000 15,156,000 29,000
For the years ended 31 December Change in net unrealized gains Proceeds from sales Gross gains Gross losses	4,993,000 447,477,000 8,824,000 56,000	13,161,000 362,994,000 1,019,000 4,000

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 4.50% (4.84% – 2001). If unrealized gains and losses were included, the annualized rate of return would have been 4.65% (5.35% - 2001).

NOTE D-LOANS AND LOAN LOSS PROVISION

Loans

Prior to 1 January 1999, loans of ADF were extended to eligible borrowing member countries, which bore a service charge of 1% and required repayment over periods ranging from 35 to 40 years. On 14 December 1998, the Board of Directors approved an amendment to ADF loan terms, as follows: (i) for loans to finance specific projects, the maturity was shortened to 32 years including an 8-year grace period; (ii) for program loans to support sector development, the maturity was shortened to 24 years including an 8-year grace period; and (iii) all new loans bear a 1% interest charge during the grace period, and 1.5% during the amortization period, with equal amortization. The new ADF lending terms took effect on 1 January 1999 and apply only to new loans for which formal loan negotiations were completed on or after 1 January 1999. ADF requires borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed.

ADB believes that there is no comparable market, nor ADB intends to sell its loans. The use of market data to arrive at the loan at fair value will give meaningless results. As such, the fair value of loans is determined using an entry value method. Under this method, fair value is determined based on the terms at which a similar loan would currently be made by ADB to a similar borrower. For such loans, fair value approximates the carrying amount. The estimated fair value of loans is not affected by credit risks because the amount of any such adjustment is not considered to have a material effect based on ADB's experience with its borrowers.

Undisbursed loan commitments and an analysis of loans by country as of 31 December 2002 are shown in ADF-5.

The principal amount outstanding of public sector loans in nonaccrual status as of 31 December 2002 was \$498,137,000 (\$442,146,000 – 2001) of which \$80,420,000 (\$69,994,000 – 2001) was overdue. Loans in nonaccrual status resulted in \$5,009,000 (\$4,712,000 – 2001) not being recognized as income from loans for the year ended 31 December 2002. The accumulated interest on these loans that was not recognized as income as of 31 December 2002 would have totaled \$24,361,000 (\$22,882,000 – 2001). The loans in nonaccrual status as of 31 December 2002 were 28 loans made to Myanmar and 14 loans to Solomon Islands. (Four loans to Afghanistan and 28 loans to Myanmar – 2001).

No private sector loan was in nonaccrual status as of 31 December 2002 (one for \$5,234,000 – 2001).

Private sector loans outstanding as of 31 December 2002 were \$5,502,000 (\$8,836,000 - 2001), and there were no undisbursed loan commitments (nil – 2001).

NOTE E-NOTES OF CONTRIBUTORS

Notes of contributors are nonnegotiable, noninterest-bearing and, subject to certain restrictions imposed by applicable Board of Governors' resolutions, encashable by ADB at par upon demand.

ADB currently expects that the notes outstanding at 31 December 2002 will be encashed in varying amounts over a nine-year period ending 31 December 2011.

The fair value of notes of contributors is determined using an entry value method, whereby fair value is determined based on the terms at which notes are currently being accepted from contributors. On this basis, the fair value of outstanding notes of contributors approximates their carrying amount.

NOTE F—ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses for 2002 included an administration charge from ordinary capital resources amounting to \$144,379,000 (\$129,481,000 – 2001). The charge represents an apportionment of all administrative expenses of ADB (other than those pertaining directly to ordinary operations and special operations), based on the number of loans and equity investments approved during the year.

NOTE G-SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(i) of the Articles of Agreement Establishing the Asian Development Bank (the Charter), the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by member countries pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by member countries pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973, to be used as a part of the Special Funds of ADB. The capital so set aside was allocated and transferred from the ordinary capital resources to ADF as Set-Aside Resources.

The capital stock of ADB is defined in Article 4, paragraph 1 of the Charter, "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (ADB's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer had par values in terms of gold. Pending ADB's selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources have been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 2002, the value of the SDR in terms of the current United States dollar was \$1.35458 (\$1.25562 - 2001). On this basis, Set-Aside Resources amounted to \$64,491,000 (\$59,780,000 - 2001). If the capital stock of ADB as of 31 December 2002 had been

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

31 December 2002 and 2001

valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

NOTE H-COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income has two major components: net income and other comprehensive income. Other comprehensive income include such items as unrealized gains and losses on available-for-sale securities and currency translation adjustments.

NOTE I—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction, or whether they are actually exchangeable is not determinable.

The carrying amounts of ADF's assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments. See Notes B, C, D, and E for discussions relating to investments, loans, and notes of contributors.



REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank—Technical Assistance Special Fund at 31 December 2002 and 2001, and the results of its activities and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying statement of resources as at 31 December 2002 and summary statement of technical assistance approved and effective for the year ended 31 December 2002 are presented for purposes of additional analyses and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Detroit, Michigan 10 March 2003

Luce waty house Coopers LLP

STATEMENT OF FINANCIAL POSITION

31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	2002	2001
ASSETS		
DUE FROM BANKS (Note B)	\$ 1,792	\$ 1,467
INVESTMENTS (Notes B and C) Government and government-guaranteed obligations Time deposits	\$60,508 <u>94,457</u> 154,965	\$ 60,678 124,275 184,953
ACCRUED REVENUE	1,143	991
OTHER ASSETS	7,168	7,052
TOTAL	\$165,068	\$194,463
LIABILITIES AND UNCOMMITTED BALANCES		
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ 60	\$ -
ACCOUNTS PAYABLE AND OTHER LIABILITIES	70	177
UNDISBURSED COMMITMENTS (Notes B and E)	96,600	113,015
UNCOMMITTED BALANCES (TASF-2 and TASF-4) (Note B) Unrestricted net assets	68,338	81,271
TOTAL	\$165,068	\$194,463

The accompanying notes are an integral part of these financial statements (TASF-6).

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	2002	2001
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS (TASF-4) (Notes B and D) REVENUE From investments (Notes B and C)	\$ 1,117	\$ 117
Interest Unrealized investment (losses) gains	\$ 5,908 (1,117)	\$ 9,103
From other sources—net (Note E)	4,791 2,743 7,534	10,947 447 11,394
Total EXPENSES	8,651	11,511
Technical assistance (TASF-5) (Notes B and E) Financial expenses	27,931 11	34,744 3
Total	27,942	34,747
CONTRIBUTIONS AND REVENUE LESS THAN EXPENSES	(19,291)	(23,236)
EXCHANGE GAINS (LOSSES)—net (Note B)	6,358	(10,950)
DECREASE IN NET ASSETS	(12,933)	(34,186)
NET ASSETS AT BEGINNING OF YEAR	81,271	115,457
NET ASSETS AT END OF YEAR	\$ 68,338	\$ 81,271

The accompanying notes are an integral part of these financial statements (TASF-6).

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES Contributions received Interest on investments received Cash received from other activities Technical assistance disbursed Financial expenses paid	\$ 520 5,847 2,929 (43,907) (11)	\$ 70 11,227 563 (56,382) (3)
Net Cash Used in Operating Activities	(34,622)	(44,525)
CASH FLOWS FROM INVESTING ACTIVITIES Sales of investment Maturities of investment Purchases of investment	27,275 1,256,924 (1,249,279)	523 2,952,122 (2,907,548)
Net Cash Provided by Investing Activities	34,920	45,097
Effect of Exchange Rate Changes on Due from Banks	27	(261)
Net Increase in Due from Banks	325	311
Due from Banks at Beginning of Year	1,467	1,156
Due from Banks at End of Year	\$ 1,792	\$ 1,467
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Decrease in net assets (TASF-2) Adjustments to reconcile decrease in net assets to net cash used in operating activities:	\$ (12,933)	\$ (34,186)
Change in undisbursed commitments	(16,415)	(22,761)
Translation adjustments Unrealized investment losses (gains)	(6,172) 1,117	11,066 (1,844)
Change in contributions receivable	(596)	(47)
Change in accrued interest receivable and others	468	1,920
Change in advances for technical assistance to member countries	(182)	1,568
Amortization of discounts/premiums	91	(241)
Net Cash Used in Operating Activities	\$ (34,622)	<u>(44,525)</u>

The accompanying notes are an integral part of these financial statements (TASF-6).

STATEMENT OF RESOURCES

31 December 2002

Expressed in Thousands of United States Dollars (Note B)

	Contributions Committed During 2002	Direct Voluntary Contributions	Regularized Replenishment	Total Contributions
DIRECT VOLUNTARY CONTRIBUTIONS				
Australia	\$ -	\$ 2,484	\$ 15,318	\$ 17,802
Austria	-	159	2,207	2,366
Bangladesh	_	47	-	47
Belgium	-	1,394	1,808	3,202
Canada	-	3,346	17,185	20,531
China, People's Rep. of	1,000	1,600	-	1,600
Denmark	-	1,963	2,283	4,246
Finland	-	237	1,007	1,244
France	-	1,697	12,900	14,597
Germany	_	3,315	15,249	18,564
Hong Kong, China	-	100	120	220
India	47	2,857	-	2,857
Indonesia	-	250	40	290
Italy	-	774	8,795	9,569
Japan	-	47,710	97,279	144,989
Korea, Rep. of	-	1,900	600	2,500
Malaysia	-	909	-	909
Nauru	-	-	67	67
The Netherlands	_	1,338	5,978	7,316
New Zealand	_	1,096	715	1,811
Norway	-	3,279	2,021	5,300
Pakistan	70	1,526	-	1,526
Singapore	-	1,100	-	1,100
Spain	-	190	1,651	1,841
Sri Lanka	_	6	-	6
Sweden	-	861	4,129	4,990
Switzerland	_	1,035	3,137	4,172
Taipei,China	-	200	500	700
Turkey	_	-	2,354	2,354
United Kingdom	-	5,617	8,344	13,961
United States		1,500	34,352	35,852
Total	1,117	88,490	238,039	326,529
Transfers to Asian Development Fund				(3,472)
Allocation from OCR Net Income (Note D)				501,000
Other Resources ¹				95,560
TOTAL				\$919,617

¹ Other resources represent income and replenishments accruing to TASF since 1 April 1980, including unrealized investment holding gains. The accompanying notes are an integral part of these financial statements (TASF-6).

SUMMARY STATEMENT OF TECHNICAL ASSISTANCE APPROVED AND EFFECTIVE For the Year Ended 31 December 2002

Expressed in Thousands of United States Dollars (Note B)

Recipient	Project Preparation	Project Implementation/ Advisory	Total
Azerbaijan	\$ -	\$ 762	\$ 762
Bangladesh	(24)	-	(24)
Bhutan	=	(5)	(5)
Cambodia	_	650	650
China, People's Rep. of	_	6,922	6,922
Cook Islands	_	(41)	(41)
Fiji Islands	_	(150)	(150)
ndia	1,500	1,341	2,841
ndonesia	200	486	686
Kazakhstan	_	(36)	(36)
Kiribati	_	(52)	(52)
Kyrgyz Republic	_	1,289	1,289
Lao PDR	_	900	900
Maldives	_	230	230
Marshall Islands	_	594	594
Micronesia, Fed. States of	5	785	790
Mongolia	_	1,350	1,350
Nauru	_	(71)	(71)
Nepal	_	(10)	(10)
Pakistan	820	700	1,520
Papua New Guinea	_	(77)	(77)
Philippines	_	922	922
Samoa	_	(4)	(4)
Solomon Islands	(40)	(148)	(188)
Sri Lanka	_	133	133
Thailand	(150)	(27)	(177)
Timor-Leste		(21)	(21)
Tuvalu	_	(54)	(54)
Uzbekistan	250	797	1,047
Vanuatu	=	(11)	(11)
Viet Nam	_	155	155
Total	\$2,561	<u>\$17,309</u>	19,870
Regional Activities			8,061
TOTAL			\$27,931

Negative amounts represent net undisbursed commitments written back to balances available for future commitments (Notes B and E). The accompanying notes are an integral part of these financial statements (TASF-6).

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

NOTE A-NATURE OF OPERATIONS

The Technical Assistance Special Fund (TASF) was established to provide technical assistance on a grant basis to developing member countries of the Asian Development Bank (ADB) and for regional technical assistance. TASF resources consist of direct voluntary contributions by members, allocations from the net income of ordinary capital resources (OCR) and Asian Development Fund (ADF) contributions, and revenue from investments and other sources.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the TASF are presented on the basis of unrestricted and temporarily restricted net assets.

TASF reports contributed cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. There were no restricted net assets at 31 December 2002 and 2001.

Investments

All investment securities held by TASF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Time deposits are classified as "Held-to-Maturity" and are reported at cost.

Contributions

Contributions from members are included in the financial statements from the date contribution agreements become effective. Contributions from donors which are restricted by them to technical assistance (TA) projects/programs with specified procurement sources are classified as temporarily restricted contributions. Those without any stipulations as to specific use are accounted for as unrestricted contributions.

Technical Assistance to Member Countries

Technical assistance is recognized in the financial statements when the related project is approved and becomes

effective. Upon completion of the TA project, any undisbursed amount is written back as a reduction in technical assistance for the period and the corresponding undisbursed commitment is eliminated accordingly.

Reporting Currency

The financial statements of TASF are expressed in thousands of current United States dollars. As a matter of convenience, the United States dollar is the functional and reporting currency and is used to measure exchange gains and losses.

Translation of Currencies

Assets, liabilities, and uncommitted balances in currencies other than United States dollars are translated at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are recognized at applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in currencies other than United States dollars are translated for each semimonthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments are accounted for as exchange gains or losses and are charged or credited to operations.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the TASF considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

NOTE C-INVESTMENTS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments. Investments are governed by the Investment Authority approved

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

by the Board of Directors in 1999. ADB is restricted by its Investment Authority to invest in investment instruments which are obligations of a limited class of issuers, primarily government or government-guaranteed obligations and corporate obligations.

The currency compositions of the investment portfolio as of 31 December 2002 and 2001 expressed in United States dollars are as follows:

Currency	2002	2001
Australian dollar Canadian dollar Euro Swiss franc Others	\$ 6,027,000 124,352,000 12,354,000 - 12,232,000	\$ 5,147,000 132,725,000 10,078,000 33,918,000 3,085,000
Total	\$154,965,000	\$184,953,000

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 2.86% (5.26% - 2001).

NOTE D-FUNDING

Since inception in 1967, direct contributions have been made by 29 member countries. In 1986 and 1992, the Board of Governors, in authorizing a replenishment of the ADF, provided for an allocation to the TASF in an aggregate amount equivalent to \$72,000,000 and \$140,000,000, respectively, to be used for technical assistance to ADF borrowing developing member countries and for regional technical assistance.

In addition, an aggregate amount equivalent to \$501,000,000 had been allocated to TASF out of OCR net income in 1992 to 1995 and in 1998 to 2000.

Some of the direct contributions received were subject to restricted procurement sources, while some were given on condition that the technical assistance be made on a reimbursable basis. The total contributions received for the years ended 31 December 2002 and 2001 were without restrictions.

NOTE E-UNDISBURSED COMMITMENTS

Undisbursed commitments are denominated in United States dollars and represent effective ongoing grant-financed TA projects/programs which are not yet disbursed as of the end of the year. During 2002, an amount of \$3,870,000 (\$5,471,000 – 2001) representing completed and canceled TA projects has been written back as a reduction in technical assistance of the period and the corresponding undisbursed commitment has been eliminated. The fair value of undisbursed commitments approximates the amounts undisbursed because ADB expects that grants will be made for all projects/ programs covered by the commitments. When TA provided as a project preparatory grant leads to an ADB loan, the amount of the grant exceeding \$250,000 will be refunded by the borrower through the loan proceeds under the terms of that ADB loan. Refinanced amount of \$2,625,000 (\$346,000 – 2001) was charged to such loans and credited to revenue from other sources of the TASF during the year ended 31 December 2002.

NOTE F—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amount.

The carrying amounts of TASF's assets, liabilities, and uncommitted balances are considered to approximate fair values for all significant financial instruments. See Notes B and E for discussions with respect to investments and undisbursed commitments, respectively.



REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank—Japan Special Fund at 31 December 2002 and 2001, and the results of its activities and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Detroit, Michigan 10 March 2003

Luce wasty house Coopers LLP

STATEMENT OF FINANCIAL POSITION 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

		2002			2001	
	ACCSF	JSF Regular & Supplementary	Total	ACCSF	JSF Regular & Supplementary	Total
ASSETS						
DUE FROM BANKS (Note B)	\$ 656	\$ 711	\$ 1,367	\$ 1,315	\$ 663	\$ 1,978
INVESTMENTS (Notes A, B, and C) Government and government-guaranteed obligations Time deposits Other securities	2,016 15,163 43,490	41,021 12,104 189,746	43,037 27,267 233,236	35,967 80,964 64,546	96,085 181,676	35,967 177,049 246,222
	60,669	242,871	303,540	181,477	277,761	459,238
EQUITY INVESTMENTS (Notes A, B, and D), net	-	106	106	-	105	105
ACCRUED REVENUE	710	4,992	5,702	431	1,335	1,766
OTHER ASSETS (Note E)	98	6,306	6,404	23	6,170	6,193
TOTAL	\$62,133	\$254,986	\$317,119	\$183,246	\$286,034	\$469,280
LIABILITIES AND UNCOMMITTED BALANCES						
ACCOUNTS PAYABLE AND OTHER LIABILITIES Payable to Ordinary Capital Resources Other liabilities (Note E)	\$ - 14,625	\$ 230 187	\$ 230 14,812	\$ - 10,327	\$ 143 <u>43</u>	\$ 143 10,370
	14,625	417	15,042	10,327	186	10,513
UNDISBURSED COMMITMENTS (Notes B and F) Technical assistance Interest payment assistance	19,479	94,431	113,910	14,918 58,115	117,605	132,523 58,115
	19,479	94,431	113,910	73,033	117,605	190,638
NET ASSETS (JSF-2) (Note B), represented by: Uncommitted balances (Notes A, G, and H) Unrestricted Temporarily restricted	26,211	160,138 	160,138 26,211	99,366	8,505 57,794	8,505 157,160
	26,211	160,138	186,349	99,366	66,299	165,665
Net accumulated investment income (Notes A and H) Temporarily restricted	<u>1,818</u> 28,029	_ 160,138	<u>1,818</u> 188,167	<u>520</u> 99,886	101,944 168,243	102,464 268,129
TOTAL	\$62,133	\$254,986	\$317,119	\$183,246	\$286,034	\$469,280

The accompanying notes are an integral part of these financial statements (JSF-4).

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

		2002			2001	
	ACCSF	JSF Regular & Supplementary	Total	ACCSF	JSF Regular & Supplementary	Total
CHANGES IN UNRESTRICTED NET ASSETS						
CONTRIBUTIONS (Notes B and H)	\$ -	\$ 22,550	\$ 22,550	\$ -	\$ 30,929	\$ 30,929
REVENUE FROM INVESTMENTS (Notes B and C)	-	5,810	5,810	-	-	-
REVENUE FROM OTHER SOURCES	-	43	43	-	74	74
UNREALIZED INVESTMENT GAINS ON EQUITY INVESTMENTS (Note D)	-	-	-	-	205	205
NET ASSETS RELEASED FROM RESTRICTIONS (Notes B and H)	72,994	159,738	232,732	8,779	894	9,673
Total	72,994	188,141	261,135	8,779	32,102	40,881
TRANSFER TO JAPAN FUND FOR POVERTY REDUCTION (Note A)	(90,000)		(90,000)		-	
EXPENSES Interest payment assistance written back (Notes B and F) Technical assistance (Notes B and F) Administrative expenses Provision for losses (Notes B and D)	(33,251) 16,157 88	34,554 1,349 	(33,251) 50,711 1,437	8,700 79	- 64,227 1,413 431	72,927 1,492 431
Total	_(17,006)	35,903	18,897	8,779	66,071	74,850
CONTRIBUTIONS AND REVENUE IN EXCESS OF (LESS THAN) EXPENSES	-	152,238	152,238	-	(33,969)	(33,969)
EXCHANGE LOSSES (Note B)		(606)	(606)		(992)	(992)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE TRANSLATION ADJUSTMENTS	-	151,632	151,632	-	(34,961)	(34,961)
TRANSLATION ADJUSTMENTS (Note B)		1	1		(3)	(3)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS		151,633	151,633		(34,964)	(34,964)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
REVENUE FROM INVESTMENTS AND OTHER SOURCES (Notes B and C)	1,392	-	1,392	252	14,110	14,362
NET ASSETS RELEASED FROM RESTRICTIONS (Notes B and H)	(72,994)	(159,738)	(232,732)	(8,779)	(894)	(9,673)
EXCHANGE LOSSES (Note B)	(1,471)	-	(1,471)	(218)	-	(218)
TRANSLATION ADJUSTMENTS (Note B)	1,216		1,216	(28,353)	(2)	(28,355)
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	(71,857)	(159,738)	(231,595)	(37,098)	13,214	(23,884)
DECREASE IN NET ASSETS	(71,857)	(8,105)	(79,962)	(37,098)	(21,750)	(58,848)
NET ASSETS AT BEGINNING OF YEAR	99,886	168,243	268,129	136,984	189,993	326,977
NET ASSETS AT END OF YEAR	\$ 28,029	\$160,138	\$ 188,167	\$ 99,886	\$168,243	\$268,129

The accompanying notes are an integral part of these financial statements (JSF-4).

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	2002			2001			
	ACCSF	JSF Regular & Supplementary	Total	ACCSF	JSF Regular & Supplementary Total		
CASH FLOWS FROM OPERATING ACTIVITIES Contributions received Transfer to Japan Fund for Poverty Reduction Interest on investments received Technical assistance disbursed Interest assistance paid Administrative expenses paid Others—net	\$ - (90,000) 1,603 (10,000) (22,225) (101) (1,464)	\$ 22,550 - 4,878 (57,723) - (1,274) (549)	\$ 22,550 (90,000) 6,481 (67,723) (22,225) (1,375) (2,013)	\$ - 536 (7,010) (12,398) (55) (218)	\$ 30,929 \$ 30,929 18,096 18,632 (62,893) (69,903) - (12,398) (1,470) (1,525) (902) (1,120)		
Net Cash Used in Operating Activities	(122,187)	(32,118)	(154,305)	(19,145)	(16,240) (35,385)		
CASH FLOWS FROM INVESTING ACTIVITIES Sales of investment Maturities of investment Purchases of investment	108,343 3,935,023 (3,924,828)	9,553,289 (9,521,124)	108,343 13,488,312 (13,445,952)	8,419 3,733,758 (3,721,982)	29,966 38,385 6,864,848 10,598,606 (6,878,441) (10,600,423)		
Net Cash Provided by Investing Activities	118,538	32,165	150,703	20,195	16,373 36,568		
Effect of Exchange Rate Changes on Due from Banks	2,990	1	2,991	204	(7)197		
Net (Decrease) Increase in Due from Banks	(659)	48	(611)	1,254	126 1,380		
Due from Banks at Beginning of Year	1,315	663	1,978	61	537 598		
Due from Banks at End of Year	\$ 656	\$ 711	\$ 1,367	\$ 1,315	\$ 663 \$ 1,978		
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES: Decrease in net assets (JSF-2) Adjustments to reconcile decrease in net assets	\$ (71,857)	\$ (8,105)	\$(79,962)	\$ (37,098)	\$ (21,750) \$ (58,848)		
to net cash used in operating activities: Change in undisbursed commitments Amortization of discounts/premiums Translation adjustments Unrealized investment (gains) losses Net (gain) loss from sales of investments Provision for losses charged Others—net	(53,554) 610 (1,216) (101) (12) - 3,943	(23,174) 2,982 (1) (258) - - (3,562)	(76,728) 3,592 (1,217) (359) (12) - 381	(16,251) 623 28,353 45 - - 5,183	3,189 (13,062) (1,401) (778) 5 28,358 (203) (158) 19 19 431 431 3,470 8,653		
Net Cash Used in Operating Activities	\$ (122,187)	\$ (32,118)	\$ (154,305)	\$ (19,145)	\$ (16,240) \$ (35,385)		

The accompanying notes are an integral part of these financial statements (JSF-4).

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

NOTE A-NATURE OF OPERATIONS

The Japan Special Fund (JSF) was established in March 1988 when Japan and the Asian Development Bank (ADB) entered into a financial arrangement whereby Japan agreed to make an initial contribution and ADB became the administrator. The purpose of JSF is to help developing member countries (DMCs) of ADB restructure their economies and broaden the scope of opportunities for new investments, thereby assisting the recycling of funds to DMCs of ADB. While JSF resources are used mainly to finance technical assistance (TA) operations, these resources may also be used for equity investment operations in ADB's DMCs. Under the agreement between ADB and Japan, ADB may invest the proceeds of JSF pending disbursement.

In March 1999, the Board approved the acceptance and administration by ADB of a new facility, the Asian Currency Crisis Support Facility (ACCSF) to assist Asian currency crisisaffected member countries (CAMCs). Funded by Japan, ACCSF was established within JSF to assist in the economic recovery of CAMCs through interest payment assistance (IPA) grants, TA grants, and guarantees. With the general fulfillment of the purpose of the facility, Japan and ADB agreed to terminate the ACCSF on 22 March 2002. An amount of \$90 million in the ACCSF account, upon request of Japan, was transferred to the Japan Fund for Poverty Reduction (JFPR). JFPR, established by Japan in May 2000 supporting innovative poverty reduction and related social development activities, is one of the trust funds managed by ADB. The ACCSF account is to be kept open until the completion of all TA and IPA disbursements and the settlement of all administrative expenses.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of JSF are presented on the basis of unrestricted and temporarily restricted net assets. ACCSF funds are separately reported in the financial statements.

JSF reports the contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as "NET ASSETS RELEASED FROM RESTRICTIONS."

Investments

All investment securities held by JSF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Time deposits are classified as "Held-to-Maturity" and are reported at cost.

Contributions

Contributions by Japan are included in the financial statements from the date indicated by Japan that funds are expected to be made available. Contributions which are restricted by the donor for specific TA projects/programs or for IPA grants are classified as temporarily restricted contributions. Those without any stipulation as to specific use are accounted for as unrestricted contributions and reported as such

Technical Assistance and Interest Payment Assistance

Technical assistance and interest payment assistance are recognized in the financial statements when the related project or assistance is approved and becomes effective. Upon completion of the TA project or cancellation of a grant, any undisbursed amount is written back as a reduction in TA or IPA for the year and the corresponding undisbursed commitment is eliminated, accordingly.

Functional Currency and Reporting Currency

The functional currency of JSF is the Japanese yen, while the reporting currency is the United States dollar. The financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities, and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are translated at the applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in Japanese yen are translated for each semimonthly period at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Exchange gains or losses on currency transactions arise on exchange differences between the date a project/program is

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

committed and the timing of disbursements. Exchange gains or losses are charged or credited to operations.

Equity Investments

Equity investments with readily determinable fair values are reported at fair value. The reserve against losses is established quarterly based on Management's evaluation of potential losses on investments without readily determinable fair values.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the JSF considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

NOTE C-INVESTMENTS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments. Investments are governed by the Investment Authority approved by the Board of Directors in 1999. ADB is restricted by its Investment Authority to invest in investment instruments which are obligations of a limited class of issuers, primarily government or government-guaranteed obligations and corporate obligations.

The currency compositions of the investment portfolio as of 31 December 2002 and 2001 expressed in United States dollars are as follows:

	2002			2001			
Currency	ACCSF	JSF Regular and Supplementary	Total	ACCSF	JSF Regular and Supplementary	Total	
Japanese yen United States dollar Total	\$ - 60,669,000 \$60,669,000	\$ - 242,871,000 \$242,871,000	\$ - 303,540,000 \$303,540,000	\$181,477,000 - \$181,477,000	\$ - 277,761,000 \$277,761,000	\$181,477,000 277,761,000 \$459,238,000	

The annualized rates of return on the average investments held under ACCSF and JSF funds during the year, based on the portfolio held at the beginning and end of each month were 1.54% and 2.15%, respectively (0.12% and 4.76%, respectively - 2001).

NOTE D—EQUITY INVESTMENTS

ADB used JSF resources to make an equity investment in India in 1990. Commencing May 2001, due to the unavailability of a reliable market for the investment, ADB reported the investment at its written down value of \$106,000 (\$105,000 2001).

NOTE E-OTHER ASSETS AND LIABILITIES

Included in other assets and liabilities are interfund balances between JSF and ACCSF. As at 31 December 2002, an amount of \$2,089,000 (\$431,000 - 2001) was receivable from ACCSF. The said amount is reflected as other assets under JSF and other liabilities under ACCSF.

NOTE F-UNDISBURSED COMMITMENTS

Undisbursed commitments are denominated in United States dollars and represent TA projects/programs and IPA grants which have become effective but not yet disbursed. During 2002, an amount of \$3,010,000 (\$2,960,000 - 2001) and \$33,251,000 (nil - 2001), representing completed and partially canceled TA projects and IPA grants, respectively, have been written back as a reduction in TA and IPA for the year, and the corresponding undisbursed commitments have been eliminated. The fair value of undisbursed commitments approximates the amounts outstanding because ADB expects that disbursements will substantially be made for all the projects/programs covered by the commitments.

CONTINUED

NOTE G-UNCOMMITTED BALANCES

Uncommitted balances comprised of amounts which have not been committed by ADB as at 31 December 2002. These

balances include TA projects/programs that had been approved but not yet become effective.

As of 31 December 2002 and 2001 these balances are as follows:

		2002				
	ACCSF	JSF Regular and Supplementary	Total	ACCSF	JSF Regular and Supplementary	Total
Uncommitted balances	\$26,211,000	\$160,138,000	\$186,349,000	\$99,366,000	\$66,299,000	\$165,665,000
TA projects/programs approved by Japan and ADB but not yet effective	(2,500,000)	(22,820,000)	(25,320,000)	(7,540,000)	(23,555,000)	(31,095,000)
TA projects/programs approved by Japan and not yet effective		(1,900,000)	(1,900,000)	(2,750,000)	_(3,440,000)	(6,190,000)
Uncommitted balances available for new commitments	\$23,711,000	\$135,418,000	\$159,129,000	\$89,076,000	\$39,304,000	\$128,380,000

NOTE H—CONTRIBUTIONS AND TEMPORARILY RESTRICTED NET ASSETS

All contributions for the years ended 31 December 2002 and 2001 were received during the respective years. Some of the contributions received were with restriction that were to be utilized for specific TA projects/programs. Such contributions were classified as temporarily restricted support.

Effective 31 December 2002, all remaining temporarily restricted net assets under JSF were transferred and integrated into the regular net assets, as concurred by Japan, in order to optimize the use of JSF. Temporarily restricted uncommitted balances are available for the following purposes as of 31 December 2002 and 2001:

	2002	2001
Asian Currency Crisis	±2 (211 000	<u></u>
Support Facility	\$26,211,000	\$ 99,366,000
Japan Special Fund		
Environment-Related		
Activities	_	29,365,000
Financial Sector	_	11,009,000
Private Sector Promotion	_	9,916,000
Gender and Development	_	7,110,000
Training/Symposium	-	394,000
		57,794,000
Total	\$26,211,000	\$157,160,000 =================================

Accumulated investment income net of accumulated administrative expenses for 31 December 2001 was categorized as temporarily restricted net assets. Under the terms of the agreement between ADB and Japan, accumulated investment income may only be used for defraying of the JSF's administrative expenses. Effective 31 December 2002, Japan agreed to use the investment income amounting to \$106,405,000 for JSF as additional resources for funding future ADB's TA operations, as well as for defraying administrative expenses.

Net assets released from restrictions relate to commitments for technical assistance and interest payment assistance satisfying the conditions specified by the donor and, in the case of accumulated investment income, to defray the administrative expenses of the Fund.

NOTE I-GUARANTEES

To assist in the economic recovery of CAMCs, a guarantee facility is provided under ACCSF. In the absence of any concluded guarantee, the noninterest-bearing, nonnegotiable note of ¥360 billion made available to support the guarantee facility under ACCSF was returned to Japan on 25 March 2002.

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

NOTE J—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The carrying amounts of JSF's assets, liabilities, and uncommitted balances are considered to approximate fair values for all significant financial instruments. See Notes B, C, D, and F for discussions relating to investments, equity investments, and undisbursed commitments.



REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets, and cash flows present fairly, in all material respects in terms of United States dollars, the financial position of the Asian Development Bank—Asian Development Bank Institute Special Fund at 31 December 2002 and 2001, and the results of its activities and changes in net assets and its cash flows for the years ended 31 December 2002 and 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of the Asian Development Bank Institute; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Detroit, Michigan 10 March 2003

Luce waty house Coopers LLP

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

STATEMENT OF FINANCIAL POSITION

31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

		2002		2001
ASSETS				
DUE FROM BANKS (Note B)		\$ 6,300		\$ 2,161
INVESTMENTS (Notes B, C, and D) Time deposits and government securities		2,955		5,975
PROPERTY, FURNITURE, AND EQUIPMENT (Notes B and F) Leasehold Improvements Less—allowance for depreciation	\$1,689 <u>926</u>	763	\$1,526 672	854
Furniture and Equipment Less—allowance for depreciation	2,614 2,281	333	2,609 2,257	352
OTHER ASSETS		1,849		1,711
TOTAL		\$12,200		\$11,053
LIABILITIES AND UNCOMMITTED BALANCES				
ACCOUNTS PAYABLE AND OTHER LIABILITIES (Note G)		\$ 1,803		\$1,196
UNCOMMITTED BALANCES (ADBISF-2) Unrestricted net assets		10,397		9,857
TOTAL		\$12,200		\$11,053

The accompanying notes are an integral part of these financial statements (ADBISF-4).

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	2002	2001
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS (Note B)	\$ 9,779	\$18,476
REVENUE Income from investments (Notes B and C) Income from other sources—net Total	- 6 9,785	5 <u>3</u> 18,484
EXPENSES Administrative expenses Program expenses	8,580 1,957	10,191 4,647
Total	10,537	14,838
CONTRIBUTIONS AND REVENUE (LESS THAN) IN EXCESS OF EXPENSES	(752)	3,646
EXCHANGE LOSSES—NET	49	(88)
TRANSLATION ADJUSTMENTS (Note B)	1,243	(1,315)
INCREASE IN UNRESTRICTED NET ASSETS AFTER TRANSLATION ADJUSTMENTS	540	2,243
NET ASSETS AT BEGINNING OF YEAR	9,857	7,614
NET ASSETS AT END OF YEAR	\$10,397	\$ 9,857

The accompanying notes are an integral part of these financial statements (ADBISF-4).

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 2002 and 2001

Expressed in Thousands of United States Dollars (Note B)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES Contributions received Interest on investments received Expenses paid	\$ 9,779 - (9,642)	\$ 18,476 5 (14,415)
Net Cash Provided by Operating Activities	137	4,066
CASH FLOWS FROM INVESTING ACTIVITIES Maturity and sales of investment Purchases of investment	148,400 (144,649)	155,002 (158,094)
Net Cash Provided by (Used In) Investing Activities	3,751	(3,092)
Effect of Exchange Rate Changes on Cash	251	247
Net Increase in Due From Banks	4,139	1,221
Due from Banks at Beginning of Year	2,161	940
Due from Banks at End of Year	\$ 6,300	<u>\$ 2,161</u>
RECONCILIATION OF INCREASE IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: Increase in net unrestricted assets (ADBISF-2) Adjustments to reconcile increase in net unrestricted assets to net cash provided by operating activities:	\$ 540	\$ 2,243
Translation adjustments Depreciation Others—net	(1,243) 226 614	1,315 545 (37)
Net Cash Provided by Operating Activities	<u>\$ 137</u>	\$ 4,066

The accompanying notes are an integral part of these financial statements (ADBISF-4).

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

NOTE A-NATURE OF OPERATIONS

In 1996, the Asian Development Bank (ADB) approved the establishment of the Asian Development Bank Institute (the Institute) in Tokyo, Japan as a subsidiary body of ADB. The Institute commenced its operations upon the receipt of the first funds from Japan on 24 March 1997, and it was inaugurated on 10 December 1997. The Institute's funds may consist of voluntary contributions, donations, and grants from ADB member countries, nongovernment organizations, and foundations. The objectives of the Institute, as defined under its Statute, are the identification of effective development strategies and capacity improvement for sound development management in developing member countries.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the Institute are presented on the basis of those for not-for-profit organizations.

The Institute reports donor's contributions of cash and other assets as unrestricted support as these are made available to the Institute without conditions other than for the purposes of pursuing the objectives of the Institute.

Investments

All investment securities held by the Institute are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Time deposits are classified as "Held-to-Maturity" and are reported at cost.

Property, Furniture, and Equipment

Property, furniture, and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method.

Contributions

Contributions from donors are included in the financial statements from the date committed.

Functional Currency and Reporting Currency

The functional currency of the Institute is the Japanese yen. The reporting currency is the United States dollar and the financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities, and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the period are translated at the applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in currency other than the United States dollar are translated for each semimonthly period at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period.

Accounting Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Institute considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the year ended 31 December 2001 have been made to conform to the presentation in the year ended 31 December 2002.

NOTE C-INVESTMENTS

The investment portfolio was composed wholly of investments denominated in Japanese yen. As of 31 December 2002 and 2001, the estimated fair value of the investments approximated cost or amortized cost. All such investments are due within one year.

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 0.01% (0.07% - 2001).

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

Investments are governed by the Investment Authority approved by the Board of Directors in 1999. The Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB administers the Institute's investment and seeks the highest possible return on its investments.

NOTE D—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

The Institute's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments.

NOTE E-STAFF RETIREMENT PLAN AND POSTRETIREMENT MEDICAL BENEFITS

Staff Retirement Plan

The Institute participates in the contributory defined benefit Staff Retirement Plan (the Plan) of ADB. Every member of the professional staff, as defined under the Plan, shall, as a condition of service, become a participant from the first day of service, provided that at such a date, the staff has not reached the normal retirement age of 60. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service. The Plan assets are segregated and are not included in the statement of financial position. The costs of administering the Plan are absorbed by ADB, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their salary to the Plan and may also make voluntary contributions. The Institute's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

Postretirement Medical Benefits Plan

The Institute participates in the cost-sharing plan of ADB for retirees medical insurance premiums of ADB. Under the plan, the Institute is obligated to pay 75% of the Group Medical Insurance Plan premiums for retirees and their eligible dependents who elect to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits.

The following table sets forth the pension and postretirement benefits at 31 December 2002 and 31 December 2001:

	Pensio	n Benefits		tirement Il Benefits
	2002	2001	2002	2001
Change in benefit obligation: Benefit obligation at beginning of year Service cost Interest cost Plan participants' contributions Amendments Actuarial gain Benefits paid	\$1,220,000 313,000 113,000 116,000 - (272,000) (84,000)	\$ 750,000 270,000 84,000 124,000 45,000 (53,000)	\$ 290,000 108,000 28,000 - (61,000) (17,000)	\$ 252,000 84,000 28,000 - (58,000) (16,000)
Benefit obligation at end of year	\$1,406,000	\$1,220,000	\$ 348,000	\$ 290,000
Change in plan assets: Fair value of plan assets at beginning of year Actual return on plan assets Employer's contribution Plan participants' contributions Benefits paid Fair value of plan assets at end of year Funded status Unrecognized actuarial gain Unrecognized prior service cost Net amount recognized	\$ 869,000 (84,000) 137,000 116,000 (84,000) \$ 954,000 \$ (452,000) (328,000) 40,000 \$ (740,000)	\$ 651,000 (53,000) 147,000 124,000 	\$ - 17,000 (17,000) \$ - \$(348,000) (182,000) (13,000) \$(543,000)	\$ - 16,000 (16,000) \$ - \$(290,000) (135,000) (15,000) \$(440,000)
Amounts recognized in the statement of financial position consist of:				
Accrued benefit liability	\$ (740,000)	\$ (541,000)	\$(543,000)	\$(440,000)
Net amount recognized	\$ (740,000)	\$ (541,000)	\$(543,000)	\$(440,000)
Weighted-average assumptions as of 31 December Discount rate Expected return on plan assets Rate of compensation increase varies with age and averages	6.75% 8.00% 5.75%	7.00% 8.00% 6.00%	6.75% N/A 5.75%	7.00% N/A 6.00%

For measurement purposes, a 7.75% annual rate of increase in the per capita cost of covered health care benefits was assumed for the valuation as at 31 December 2002. The rate was assumed to decrease gradually to 5.75% for 2009 and remain at that level thereafter.

	Pension Benefits			etirement al Benefits
	2002	2001	2002	2001
Components of net periodic benefit cost:				
Service cost	\$313,000	\$270,000	\$108,000	\$ 84,000
Interest cost	113,000	84,000	28,000	28,000
Expected return on plan assets	(78,000)	(65,000)	_	-
Amortization of prior service cost	5,000	_	(2,000)	(2,000)
Recognized actuarial loss	(17,000)	(34,000)	(14,000)	(2,000)
Net periodic benefit cost	\$336,000	\$255,000	\$120,000	\$108,000

NOTES TO FINANCIAL STATEMENTS

31 December 2002 and 2001

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage- Point Increase	1-Percentage Point Decreas
Effect on total service and interest cost		
components Effect on postretirement	\$30,000	\$(24,000)
benefit obligation	69,000	(56,000)

NOTE F —LEASED ASSETS

The Institute leases office space and other assets. Rental expenses under operating leases for the years ended 31 December 2002 and 2001 were \$2,855,000 and \$2,953,000, respectively. The minimum rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year at 31 December 2002 follow:

Year ending 31 December	Minimum future rentals
2003	\$2,232,000

NOTE G-DUE TO ADB

Accounts payable and other liabilities include amounts due to ADB of \$72,000 and \$107,000 at 31 December 2002 and 2001, respectively.

STATISTICAL ANNEX

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OPERATIONAL DATA

Table 1 PUBLIC AND PRIVATE SECTOR LOAN APPROVALS BY COUNTRY, 2002 (\$ million)

	OCR	ADF	Total	Total Project Cost ^a	Date Approved
AFGHANISTAN					
Postconflict Multisector Program		150.00	150.00	150.00	4 Dec
Subtotal		150.00	150.00	150.00	
BANGLADESH					
Road Network Improvement and Maintenance	_	65.00	65.00	122.90	10 Oct
Jamuna-Meghna River Erosion Mitigation	-	42.17	42.17	61.27	25 Nov
Dhaka Clean Fuel	30.20	42.40	72.60	113.40	26 Nov
Urban Governance and Infrastructure Improvement					
(Sector)	_	60.00	60.00	87.00	28 Nov
Rural Infrastructure Improvement		60.00	60.00	112.40	2 Dec
Subtotal	30.20	269.57	299.77	496.97	
CAMBODIA					
Tonle Sap Environmental Management	-	10.91	10.91	19.37	21 Nov
Health Sector Support	-	20.00	20.00	76.99	21 Nov
Greater Mekong Subregion (GMS): Cambodia Road		FO 00	E0.00	77.50	26 Nov
Improvement Financial Sector Program (Subprogram II)	_	50.00 10.00	50.00 10.00	77.50 10.00	26 NOV 28 Nov
Commune Council Development	_	10.00	10.00	17.40	3 Dec
					3 DCC
Subtotal		100.91	100.91 ^c	201.26	
CHINA, PEOPLE'S REPUBLIC OF Water Infrastructure Development Facility ^b	2E 00		35.00	150.00	2 Jul
Southern Sichuan Roads Development	35.00 300.00	_	300.00	1,019.00	20 Sep
Songhua River Flood Management Sector	150.00	_	150.00	357.70	20 Sep
Hebei Zhanghewan Pumped Storage	144.00	_	144.00	774.90	18 Oct
Efficient Utilization of Agricultural Wastes	33.12	_	33.12	77.27	22 Oct
Shanxi Road Development II	124.00	_	124.00	326.80	12 Dec
Hebei Province Wastewater Management	82.36	-	82.36	165.34	19 Dec
Subtotal	868.48		868.48	2,871.01	
FIJI ISLANDS					
Fiji Ports Development	16.80	_	16.80	32.26	5 Mar
Subtotal	16.80		16.80	32.26	
INDIA					
East-West Corridor	320.00	_	320.00	575.80	26 Nov
Madhya Pradesh State Roads Sector Development Program					5 Dec
– Program Loan	30.00	-	30.00	30.00	
- Project Loan	150.00	-	150.00	261.20	
State Power Sector Reform	150.00	-	150.00	392.70	12 Dec
Modernizing Government and Fiscal Reform in Kerala	000.00		222.22	050.00	44.5
(Subprogram I)	200.00	-	200.00	250.00	16 Dec
Medical Service Network ^b Railway Sector Improvement	20.00 313.60	_	20.00 313.60	80.00 579.20	17 Dec 19 Dec
					19 Dec
Subtotal	1,183.60		1,183.60	2,168.90	
INDONESIA Poor Farmers' Income Improvement Through Innovation		56.00	56.00	70.02	15 Aug
Poor Farmers' Income Improvement Through Innovation Coral Reef Rehabilitation and Management Phase II	_	56.00 33.00	56.00 33.00	70.92 41.25	15 Aug 6 Dec
Sustainable Capacity Building for Decentralization	_	42.22	42.22	63.64	10 Dec
Financial Governance and Social Security Reform		12.22	12.22	00.04	.0 000
Program (Phase I)	250.00	_	250.00	250.00	10 Dec
Small and Medium Enterprise Export Development	85.00	-	85.00	113.00	17 Dec
Renewable Energy Development Sector	161.00	-	161.00	256.00	19 Dec
Power Transmission Improvement Sector	140.00		140.00	175.00	19 Dec
Subtotal	636.00	131.22	767.22	969.81	

Data not applicable.

Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

Private sector loan without government guarantee.

Excludes the loan component for regional projects, which are classified under Regional in this table.

	OCR	ADF	Total	Total Project Cost ^a	Date Approved
LAO PEOPLE'S DEMOCRATIC REPUBLIC					
Nam Ngum River Basin Development Sector	_	15.00	15.00	23.00	11 Nov
Banking Sector Reform	_	4.00	4.00	4.83	14 Nov
Banking Sector Reform Program	_	15.00	15.00	15.00	28 Nov
Smallholder Development	_	12.00	12.00	15.20	28 Nov
GMS: Northern Economic Corridor	_	30.00	30.00	95.79	20 Dec
Subtotal	_	76.00	76.00 ^b	153.82	
MALDIVES				<u> </u>	
Strengthening of the Public Accounting System	_	5.00	5.00	6.27	27 Sep
Subtotal		5.00	5.00	6.27	27 00p
		3.00		0.27	
MARSHALL ISLANDS					
Outer Island Transport Infrastructure		7.00	7.00	10.00	28 Nov
Subtotal	_	7.00	7.00	10.00	
MONGOLIA					
Second Education Development Integrated Development of Basic Urban Services	-	14.00	14.00	68.50	6 Aug
in Provincial Towns	_	20.10	20.10	26.50	6 Aug
Subtotal		34.10	34.10	95.00	J
		34.10		75.00	
NEPAL Secondary Education Support		20.00	20.00	74.02	20 Sep
Secondary Education Support	-	30.00	30.00	74.83	
Urban and Environmental Improvement		30.00	30.00	37.50	10 Dec
Subtotal		60.00	60.00_	112.33	
PAKISTAN					
Decentralized Elementary Education (Sindh)	_	75.00	75.00	97.00	19 Sep
Punjab Road Development Sector	150.00	-	150.00	222.10	31 Oct
Sindh Rural Development	_	50.00	50.00	62.50	20 Nov
Decentralization Support Program	205.00	65.00	270.00	270.00	21 Nov
 Local Government Performance Enhancement 	_	23.00	23.00	27.50	
 Gender and Governance Mainstreaming 	_	7.00	7.00	9.00	
Punjab Community Water Supply and Sanitation Sector	_	50.00	50.00	71.40	28 Nov
Financial (Nonbank) Markets and Governance Program	260.00	_	260.00	260.00	5 Dec
 Strengthening Pension, Insurance and Savings Systems Strengthening Regulation, Enforcement and Governance 	-	3.00	3.00	4.50	
of Nonbank Financial Markets	_	3.00	3.00	4.40	
Rural Finance Sector Development					20 Dec
– Program Loan	225.00	-	225.00	225.00	
– Project Loan	25.00	-	25.00	29.64	
Subtotal	865.00	276.00	1,141.00	1,283.04	
PAPUA NEW GUINEA					
Coastal Fisheries Management and Development	_	5.70	5.70	9.50	24 Oct
					21 001
Subtotal		5.70	5.70_	9.50	
PHILIPPINES					
Electricity Market and Transmission Development	40.00		40.00	106.00	19 Dec
Subtotal	40.00	_	40.00	106.00	
SRI LANKA					
Aquatic Resource Development and Quality Improvement	6.20	13.80	20.00	30.00	5 Sep
Plantation Development	10.00	20.00	30.00	114.40	13 Sep
Power Sector Development Program					31 Oct
- Program Loan	60.00	_	60.00	60.00	
- Project Loan	_	70.00	70.00	107.90	
Road Sector Development	_	56.50	56.50	92.50	19 Dec
Subtotal	76.20	160.30	236.50	404.80	
Subtotal	70.20	100.30		404.00	

Data not applicable.
 Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.
 Excludes the loan component for regional projects, which are classified under Regional in this table.

	OCR	ADF	Total	Total Project Cost ^a	Date Approved
TAJIKISTAN					
Emergency Baipaza Landslide Stabilization	_	5.32	5.32	6.65	10 Sep
Agriculture Rehabilitation	_	35.00	35.00	43.75	18 Dec
Subtotal		40.32	40.32 ^c	50.40	
TONGA					
Economic and Public Sector Reform Program	_	10.00	10.00	10.00	28 May
Subtotal		10.00	10.00	10.00	,
TUVALU					
Maritime Training	_	1.85	1.85	2.30	16 Oct
Subtotal		1.85	1.85	2.30	
		1.05	1.03	2.30	
UZBEKISTAN Wostorn Uzbekistan Dural Water Supply	38.00	_	38.00	65.00	2 May
Western Uzbekistan Rural Water Supply Education Sector Development Program	36.00	_	36.00	65.00	2 May 6 Dec
- Program Loan	70.00	_	70.00	70.00	0 Dec
- Project Loan	38.50	_	38.50	97.10	
Small and Microfinance Development	20.00	_	20.00	50.00	9 Dec
Subtotal	166.50		166.50°	282.10	
VIET NAM	100.00				
Phu My 2.2 Power ^b	50.00	_	50.00	480.00	2 Jul
Phu My 3 Power ^b	40.00	_	40.00	406.00	18 Oct
Second Financial Sector Program	.0.00		.0.00	100.00	
(Subprogram I)	_	50.00	50.00	50.00	20 Nov
Agriculture Sector Development Program					16 Dec
– Program Loan	_	60.00	60.00	60.00	
 Project Loan 	_	30.00	30.00	36.00	
Upper Secondary Education Development	_	55.00	55.00	80.00	17 Dec
Housing Finance		30.00	30.00	51.80	20 Dec
Subtotal	90.00	225.00	315.00°	1,163.80	
REGIONAL					
Regional Trade Facilitation and Customs Cooperation					
Program					29 Oct
– Kyrgyz Republic	-	15.00	15.00	15.00	
– Tajikistan	-	10.00	10.00	10.00	
GMS: Mekong Tourism Development					12 Dec
- Cambodia	_	15.60	15.60	20.70	
- Lao PDR	_	10.90	10.90	14.20	
- Viet Nam	_	8.50	8.50	12.20	17 Dec
Regional Power Transmission Modernization – Tajikistan	_	20.00	20.00	27.25	i / Dec
– Tajikistan – Uzbekistan	70.00	20.00	70.00	27.25 148.25	
Subtotal	70.00	80.00	150.00	247.60	
TOTAL	4,042.78	1,632.97	5,675.75	10,827.17	

Data not applicable.
 Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.
 Private sector loan without government guarantee.
 Excludes the loan component for regional projects, which are classified under Regional in this table.

Table 2 LOAN APPROVALS BY SECTOR: 3-YEAR MOVING AVERAGES, 1968-1970-2000-2002

	Total Lending ^a (\$ million)	Agriculture and Natural Resources	Energy	Finance	Industry and Nonfuel Minerals	Social Infra- structure	Transport and Commu- nications	Multi- sector/ Others
				(pe	rcent of total len	ding)		
Average during	120 44	10.40	11.00	22.24	15.04	4 10	24.02	0.00
1968–1970 1969–1971	128.44 199.25	19.48 20.48	11.98 25.38	23.36 19.57	15.06 8.69	6.10 4.20	24.03 21.68	0.00
1970–1971	271.92	15.69	33.06	13.97	5.04	10.75	21.48	0.00
1971–1973	330.53	15.78	32.18	15.49	0.42	12.25	23.88	0.00
1972-1974	428.41	18.76	26.71	15.06	4.02	14.12	21.32	0.00
1973–1975	543.15	27.87	23.03	16.73	4.25	10.44	17.68	0.00
1974–1976	661.29	29.27	21.35	17.44	5.48	9.85	16.61	0.00
1975–1977	774.22	30.51	22.02	15.46	4.19	10.85	16.97	0.00
1976–1978	940.36	27.42	21.53	14.37	7.25	13.45	15.98	0.00
1977–1979	1,098.92	29.86	24.03	11.81	5.62	16.55	12.10	0.04
1978–1980	1,282.01	30.95	24.88	10.96	3.93	16.84	12.39	0.06
1979–1981	1,454.96	32.56	27.21	10.72	0.90	19.11	9.41	0.09
1980-1982	1,598.97	34.00	27.71	10.00	0.74	15.97	11.53	0.06
1981–1983	1,751.46	33.68	26.60	10.61	2.36	18.26	7.52	0.96
1982–1984	1,937.03	34.18	28.98	7.01	1.91	14.36	12.12	1.43
1983–1985	1,978.52	32.42	24.63	6.50	1.87	20.30	12.75	1.53
1984–1986	2,013.77	35.46	25.26	4.65	0.34	17.48	14.40	2.40
1985–1987	2,081.84	30.63	17.47	11.24	3.06	15.24	20.54	1.81
1986-1988	2,512.17	26.90	18.76	12.84	7.46	11.32	21.27	1.45
1987-1989	3,053.71	22.37	16.41	17.16	6.69	14.60	21.94	0.82
1988–1990	3,564.93	25.83	20.78	12.67	4.50	15.15	19.37	1.71
1989–1991	4,115.48	25.30	26.04	10.83	3.58	14.86	17.93	1.45
1990–1992	4,561.39	21.63	28.15	9.53	3.79	12.95	20.82	3.13
1991–1993	4,973.89	13.87	30.33	9.09	5.45	14.30	23.70	3.25
1992–1994	4,616.65	10.98	27.80	7.63	4.44	14.16	29.49	5.49
1993–1995	4,791.51	12.07	30.62	6.59	3.36	17.56	26.67	3.13
1994–1996	4,804.86	14.13	26.65	7.64	2.58	17.16	25.44	6.40
1995–1997	6,716.53	12.68	17.99	29.10	1.30	18.67	16.27	3.99
1996–1998	6,882.09	10.07	11.01	33.79	1.29	15.55	18.43	9.86
1997–1999	6,791.72	9.11	8.97	32.18	2.22	18.98	16.80	11.76
1998-2000 ^b	5,514.56	11.23	13.91	11.51	4.60	21.35	23.09	14.31
1999–2001 ^b	5,299.95	12.83	15.87	4.99	5.30	20.88	23.58	16.55
2000–2002	5,532.35	12.67	17.00	9.73	3.14	15.68	26.32	15.45
Cumulative								,
(1969–2002)	98,830.71	17.74	20.70	14.57	3.36	16.15	20.65	6.83

Total may not add due to rounding.
 Adjusted after termination of earlier loans.

Table 3 LOAN APPROVALS BY SECTOR, 2002

			\$ Million	
	-	OCR	ADF	Total
AGRICUL	TURE AND NATURAL RESOURCES			
BAN	Jamuna-Meghna River Erosion Mitigation	_	42.17	42.17
BAN	Rural Infrastructure Improvement	-	60.00	60.00
CAM	Tonle Sap Environmental Management	-	10.91	10.91
INO	Poor Farmers' Income Improvement Through Innovation	-	56.00	56.00
INO	Coral Reef Rehabilitation and Management Phase II	-	33.00	33.00
LAO	Nam Ngum River Basin Development Sector	-	15.00	15.00
LAO PAK	Smallholder Development Sindh Rural Development	-	12.00 50.00	12.00 50.00
PNG	Coastal Fisheries Management and Development	_	5.70	5.70
PRC	Efficient Utilization of Agricultural Wastes	33.12	-	33.12
SRI	Aquatic Resource Development and Quality Improvement	6.20	13.80	20.00
SRI	Plantation Development	10.00	20.00	30.00
TAJ	Agriculture Rehabilitation	_	35.00	35.00
VIE	Agriculture Sector Development Program			
	- Program Loan	-	60.00	60.00
	- Project Loan		30.00	30.00
ENERGY	Subtotal	49.32	443.58	492.90
BAN	Dhaka Clean Fuel	30.20	42.40	72.60
IND	State Power Sector Reform	150.00	-	150.00
INO	Renewable Energy Development Sector	161.00	_	161.00
INO	Power Transmission Improvement Sector	140.00	-	140.00
PHI	Electricity Market and Transmission Development	40.00	-	40.00
PRC	Hebei Zhanghewan Pumped Storage	144.00	_	144.00
REG	Regional Power Transmission Modernization		20.00	20.00
	- Tajikistan	70.00	20.00	20.00
SRI	 Uzbekistan Power Sector Development Program 	70.00	-	70.00
JIVI	- Program Loan	60.00	_	60.00
	- Project Loan	-	70.00	70.00
VIE	Phu My 2.2 Power ^a	50.00	-	50.00
VIE	Phu My 3 Power ^a	40.00	_	40.00
	Subtotal	885.20	132.40	1,017.60
FINANCE			40.00	40.00
	Financial Sector Program (Subprogram II)	-	10.00	10.00
INO LAO	Financial Governance and Social Security Reform Program (Phase I) Banking Sector Reform	250.00	4.00	250.00
LAO	Banking Sector Reform Program	_	15.00	4.00 15.00
PAK	Financial (Nonbank) Markets and Governance Program	260.00	-	260.00
	- Strengthening Pension, Insurance and Savings Systems	_	3.00	3.00
	- Strengthening Regulation, Enforcement and Governance of			
	Nonbank Financial Markets	-	3.00	3.00
PAK	Rural Finance Sector Development			
	- Program Loan	225.00	-	225.00
1170	 Project Loan Small and Microfinance Development 	25.00	-	25.00
UZB VIE	Second Financial Sector Program (Subprogram I)	20.00	50.00	20.00 50.00
VIL		700.00		
INDUSTR	Subtotal Y AND NONFUEL MINERALS	780.00	85.00	865.00
INO	Small and Medium Enterprise Export Development	85.00	-	85.00
	Subtotal	85.00		85.00
	NFRASTRUCTURE			
BAN	Urban Governance and Infrastructure Improvement (Sector)	-	60.00	60.00
	Health Sector Support	-	20.00	20.00
IND	Medical Service Network ^a	20.00	-	20.00

Data not applicable.

a Private sector loan without government guarantee.

Key: BAN (Bangladesh), CAM (Cambodia), IND (India), INO (Indonesia), LAO (Lao People's Democratic Republic), PAK (Pakistan), PHI (Philippines), PNG (Papua New Guinea), PRC (People's Republic of China), REG (Regional), SRI (Sri Lanka), TAJ (Tajikistan), UZB (Uzbekistan), and VIE (Viet Nam).

			\$ Million	
	_	OCR	ADF	Total
MON	Second Education Development	_	14.00	14.00
	Integrated Development of Basic Urban Services in Provincial Towns	_	20.10	20.10
NEP	Secondary Education Support	_	30.00	30.00
NEP	Urban and Environmental Improvement	_	30.00	30.00
PAK	Decentralized Elementary Education (Sindh)	-	75.00	75.00
PAK	Punjab Community Water Supply and Sanitation Sector	-	50.00	50.00
PRC	Water Infrastructure Development Facility ^a	35.00	-	35.00
PRC	Hebei Province Wastewater Management	82.36	-	82.36
TUV UZB	Maritime Training	20.00	1.85	1.85
UZB	Western Uzbekistan Rural Water Supply Education Sector Development Program	38.00	-	38.00
OZD	- Program Loan	70.00	_	70.00
	- Project Loan	38.50	_	38.50
VIE	Upper Secondary Education Development	-	55.00	55.00
VIE	Housing Finance	_	30.00	30.00
	Subtotal	283.86	385.95	669.81
TRANSPO	ORT AND COMMUNICATIONS		303.75	
BAN	Road Network Improvement and Maintenance	_	65.00	65.00
CAM		_	50.00	50.00
FIJ	Fiji Ports Development	16.80	_	16.80
IND	East-West Corridor	320.00	_	320.00
IND	Madhya Pradesh State Roads Sector Development Program			
	– Program Loan	30.00	-	30.00
	- Project Loan	150.00	-	150.00
IND	Railway Sector Improvement	313.60	-	313.60
LAO	GMS: Northern Economic Corridor	150.00	30.00	30.00
PAK	Punjab Road Development Sector	150.00	_	150.00
PRC PRC	Southern Sichuan Roads Development Shanxi Road Development II	300.00 124.00	-	300.00 124.00
RMI	Outer Island Transport Infrastructure	124.00	7.00	7.00
SRI	Road Sector Development	_	56.50	56.50
Oiti		1 404 40		
MULTISE	Subtotal	1,404.40	208.50	1,612.90
AFG	Postconflict Multisector Program	_	150.00	150.00
TAJ	Emergency Baipaza Landslide Stabilization	_	5.32	5.32
1713	Subtotal			155.32
OTLIEDS	Suptotal		155.32	155.32
OTHERS CAM	Commune Council Development		10.00	10.00
IND	Modernizing Government and Fiscal Reform in Kerala (Subprogram I)	200.00	10.00	200.00
INO	Sustainable Capacity Building for Decentralization	200.00	42.22	42.22
MLD	Strengthening of the Public Accounting System	_	5.00	5.00
PAK	Decentralization Support Program	205.00	65.00	270.00
	- Local Government Performance Enhancement	_	23.00	23.00
	- Gender and Governance Mainstreaming	_	7.00	7.00
PRC	Songhua River Flood Management Sector	150.00	-	150.00
REG	Regional Trade Facilitation and Customs Cooperation Program			
	– Kyrgyz Republic	-	15.00	15.00
DEC	- Tajikistan	-	10.00	10.00
REG	GMS: Mekong Tourism Development		15.40	15.40
	- Cambodia - Lao PDR	_	15.60 10.90	15.60 10.90
	- Viet Nam	_	8.50	8.50
TON	Economic and Public Sector Reform Program	_	10.00	10.00
1011	<u> </u>		222.22	777.22
	Subtotal	555.00		
TOTAL		4,042.78	1,632.97	5,675.75

Data not applicable.
Private sector loan without government guarantee.

Key: AFG (Afghanistan), BAN (Bangladesh), CAM (Cambodia), FIJ (Fiji Islands), IND (India), INO (Indonesia), LAO (Lao People's Democratic Republic), MLD (Maldives), MON (Mongolia), NEP (Nepal), PAK (Pakistan), PRC (People's Republic of China), REG (Regional), RMI (Marshall Islands), SRI (Sri Lanka), TAJ (Tajikistan), TON (Tonga), TUV (Tuvalu), UZB (Uzbekistan), and VIE (Viet Nam).

Table 4 DISTRIBUTION OF LENDING AMONG DEVELOPING MEMBERS, 1968–2002 Percentage of Value of Loans Approved in Period^a

	1968-	-1972	1973	-1977	197	8–1982	
	OCR	ADF	OCR	ADF	OCR	ADF	
Afghanistan	-	2.6	-	7.1	-	0.9	
Bangladesh	-	-	0.5	27.3	-	32.8	
Bhutan	-	-	-	-	-	-	
Cambodia	-	0.8	-	-	-	-	
China, People's Rep. of	-	-	-	-	-	-	
Cook Islands	-	-	-	-	-	0.1	
Fiji Islands	0.6	-	0.1	-	0.8	-	
Hong Kong, China	2.9	-	1.7	-	0.8	-	
India	-	-	-	-	-	-	
Indonesia Kazakhstan Kiribati	- - -	34.6 - -	17.2 - -	4.5 - 0.2	28.4	2.1 - -	
Korea, Rep. of	26.2	1.8	20.9	-	18.4	-	
Kyrgyz Republic	-	-	-	-	-	-	
Lao PDR	-	2.2	-	0.8	-	1.1	
Malaysia Maldives Marshall Islands	10.6 - -	1.6 - -	10.9 - -	- - -	9.6 - -	0.1 -	
Micronesia, Fed. States of	-	-	-	-	-	-	
Mongolia	-	-	-	-	-	-	
Myanmar	-	-	0.3	13.6	-	11.4	
Nauru	-	-	-	-	-	-	
Nepal	0.3	17.7	-	9.1	-	7.3	
Pakistan	8.9	9.0	12.8	19.2	5.1	27.1	
Papua New Guinea	-	7.1	0.8	2.2	0.8	1.9	
Philippines	13.5	1.7	21.2	1.2	19.1	2.7	
Samoa	-	2.7	-	1.4	-	0.7	
Singapore	12.1	1.5	1.4	-	1.1	-	
Solomon Islands	-	-	-	1.0	-	0.2	
Sri Lanka	1.7	11.1	0.1	8.4	-	8.6	
Taipei,China	13.3	-	-	-	-	-	
Tajikistan	-	-	-	-	-	-	
Thailand	9.9	-	11.9	0.8	15.9	2.7	
Tonga	-	-	-	0.2	-	0.2	
Tuvalu	-	-	-	-	-	-	
Uzbekistan	-	-	-	-	-	-	
Vanuatu Viet Nam Regional	- - -	- 5.6 -	0.2	3.0	- - -	0.1 - -	
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	
Lending (\$ million)	753.9	201.5	2,326.9	964.9	4,856.2	2,351.1	

^{0.0} is equivalent to value less than 0.05.

^a Total may not add due to rounding.

1983	3–1987	1988	8–1992	199	3–1997	1998	3-2002	
OCR	ADF	OCR	ADF	OCR	ADF	OCR	ADF	
	_	_	_	_	_	_	2.3	Afghanistan
_	31.7	-	25.4	0.2	21.0	1.6	16.1	Bangladesh
-	8.0	-	0.2	-	0.3	-	0.6	Bhutan
_	_	_	1.1	_	2.5	_	5.6	Cambodia
2.0	-	12.3	-	23.4	-	24.8	-	China, People's Rep. of
_	0.1	-	0.1	_	0.2	-	-	Cook Islands
0.2	_	0.4	_	0.2	_	0.1	_	Fiji Islands
_	-	-	-	-	-	_	-	Hong Kong, China
9.5	-	24.9	-	12.9	-	22.5	-	India
33.7	3.7	31.0	5.7	22.2	3.6	21.6	6.0	Indonesia
-	-	-	-	1.6	0.8	-	-	Kazakhstan
-	0.0	-	0.0	-	-	_	0.2	Kiribati
9.2	_	0.9	_	18.4	_	_	_	Korea, Rep. of
_	-	_	-	_	3.5	_	3.7	Kyrgyz Republic
_	1.9	_	3.5	_	5.8	_	3.7	Lao PDR
8.3	_	3.1	_	0.9	_	_	_	Malaysia
_	0.2	_	0.2	_	0.2	_	0.6	Maldives
-	-	-	0.1	-	0.5	-	0.5	Marshall Islands
_	_	_	_	_	0.5	_	0.3	Micronesia, Fed. States of
_	-	_	0.5	_	4.8	_	2.4	Mongolia
_	3.4	-	-	_	-	-	-	Myanmar
_	_	_	_	_	_	_	_	Nauru
_	9.5	0.0	7.3	0.2	5.1	-	7.3	Nepal
15.9	34.3	10.1	29.0	4.1	21.2	10.6	15.0	Pakistan
1.3	1.6	0.6	2.4	0.2	0.6	0.9	0.9	Papua New Guinea
12.1	1.4	10.9	11.7	6.7	3.1	7.6	0.1	Philippines
_	0.4	_	0.6	_	0.0	_	0.4	Samoa
_	_	_	_	_	_	_	_	Singapore
_	0.6	_	0.1	_	0.0	_	0.5	Solomon Islands
-	9.8	-	11.7	0.0	7.8	1.0	11.7	Sri Lanka
_	_	_	_	_	_	_	_	Taipei,China
_	-	_	-	_	-	_	2.2	Tajikistan
7.8	-	5.5	-	8.5	-	4.8	-	Thailand
_	0.1	_	0.3	_	0.2	_	0.2	Tonga
_	_	_	_	_	_	_	0.1	Tuvalu
_	-	-	-	0.3	0.3	2.6	-	Uzbekistan
_	0.3	_	0.1	_	0.1	_	0.3	Vanuatu
_	_	-	_	0.1	18.0	0.9	15.0	Viet Nam
-	-	0.3	-	-	-	1.0	4.3	Regional
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	TOTAL
6,755.7	3,617.3	13,978.5	6,428.3	21,828.8	7,209.5	20,938.8	6,619.4	Lending (\$ million)

Table 5 SECTORAL DISTRIBUTION OF LOANS, a 2002

		OCR		ADF	То	tal	
	No. of Loans	\$ Million	No. of Loans	\$ Million	No. of Projects ^b	\$ Million	%
Agriculture and Natural Resources	3	49.32	14	443.58	14	492.90	8.68
Energy	10	885.20	3	132.40	10	1,017.60	17.93
Finance	5	780.00	6	85.00	7	865.00	15.24
Industry and Nonfuel Minerals	1	85.00	_	-	1	85.00	1.50
Social Infrastructure	6	283.86	11	385.95	16	669.81	11.80
Transport and Communications	8	1,404.40	5	208.50	12	1,612.90	28.42
Multisector	-	_	2	155.32	2	155.32	2.74
Others	3	555.00	12	222.22	9	777.22	13.69
TOTAL	36	4,042.78	53	1,632.97	71	5,675.75	100.00

Data not applicable.

Table 6 LOAN APPROVALS BY COUNTRY AND SOURCE OF FUNDS, a 2002 (amounts in \$ million)

	OCR	ADF	Total	% ^b
Afghanistan	-	150.00	150.00	2.64
Bangladesh	30.20	269.57	299.77	5.28
Cambodia	_	100.91	100.91 ^c	1.78
China, People's Rep. of	868.48	-	868.48	15.30
Fiji Islands	16.80	-	16.80	0.30
India	1,183.60	-	1,183.60	20.85
Indonesia	636.00	131.22	767.22	13.52
Lao PDR	_	76.00	76.00 ^c	1.34
Maldives	-	5.00	5.00	0.09
Marshall Islands	_	7.00	7.00	0.12
Mongolia	_	34.10	34.10	0.60
Nepal	_	60.00	60.00	1.06
Pakistan	865.00	276.00	1,141.00	20.10
Papua New Guinea	_	5.70	5.70	0.10
Philippines	40.00	-	40.00	0.70
Sri Lanka	76.20	160.30	236.50	4.17
Tajikistan	-	40.32	40.32 ^c	0.71
Tonga	-	10.00	10.00	0.18
Tuvalu	_	1.85	1.85	0.03
Uzbekistan	166.50	-	166.50 ^c	2.93
Viet Nam	90.00	225.00	315.00°	5.55
Regional	70.00	80.00	150.00	2.64
TOTAL	4,042.78	1,632.97	5,675.75	100.00

⁻ Data not applicable.

a Includes private sector loans.
 b A project with multiple loans is counted as one project.

^a Includes private sector loans.

Figures do not add due to rounding.

c Excludes the loan component for regional projects, which are classified under Regional in this table.

Table 7 PROJECTS INVOLVING COFINANCING, 2002 (\$ million)

			Cofinancin	g	
	ADB Loan	Offi Grants	cial Loans	Com- mercial ^a	Source of Cofinancing
DANICIADECII					
BANGLADESH Dhaka Clean Fuel	72.60		9.30		Nordic Development Fund (NDF)
Post Literacy and Continuing Education b	65.00	12.00°	7.30	-	Department for International Development (DFID), United Kingdom
Road Network Improvement and Maintenance	65.00	-	10.00	-	OPEC Fund for International Development (OPEC Fund)
Rural Infrastructure Improvement	60.00	5.00	-	-	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Germany
	-	11.90	-	-	Kreditanstalt für Wiederaufbau (Kf W), Germany
CAMBODIA					
Commune Council Development	10.00	2.40 ^c	-	-	The Netherlands
	-	3.00°	-	-	Swedish International Development Agency (Sida)
Greater Mekong Subregion (GMS): Cambodia Road Improvement	50.00	_	10.00	_	OPEC Fund
Health Sector Support	20.00	10.36 ^c	10.00		DFID
пеани зестог зиррогт	20.00	11.84	_	-	DFID
	_	11.04	27.00	_	International Development Association (IDA)
Tonle Sap Environmental Management	10.91	3.93	27.00	_	Global Environment Facility (GEF)
Tome Sap Environmental Management	-	0.61	_	_	United Nations Development Programme
CHINA, PEOPLE'S REPUBLIC OF		0.01			officed Nations Development Programme
Efficient Utilization of Agricultural Wastes	33.12	6.36°	_	_	GEF
Hebei Province Wastewater Management	82.36	-	-	8.83	Bank of China, People's Republic of China (PRC)
	_	_	_	4.35	Industrial and Commercial Bank of China, PRC
Hebei Zhanghewan Pumped Storage	144.00	_	_	117.30	Agricultural Bank of China, PRC
	-	_	_	275.80	China Development Bank (CDB), PRC
Shanxi Road Development II	124.00	_	_	48.30	China Minsheng Bank, PRC
Southern Sichuan Roads Development	300.00	_	_	266.00	CDB, PRC
Water Infrastructure Development d	35.00	_	30.00	_	Kf W
	-	-	-	10.00	Financieringsmaatschappij voor Ontwikkelings- landen (FMO), The Netherlands
FIJI ISLANDS					, ,
Fiji Ports Development INDIA	16.80	-	-	8.50	Australia-New Zealand Bank, Australia
Medical Services Network d	20.00	-	20.00	-	International Finance Corporation
Modernizing Government and Fiscal Reform in Kerala	200.00	50.00°	-	-	The Netherlands
INDONESIA					
Small and Medium Enterprise Export Development	85.00	5.00	-	-	Japan International Cooperation Agency (JICA), Japan
Sustainable Capacity Building for Decentralization	42.22	8.80 ^c	-	-	The Netherlands
LAO PDR					
GMS: Northern Economic Corridor	30.00	-	30.00	-	PRC
Nam Ngum River Basin Development Sector	- 15.00	3.80	28.50	-	Thailand Agence Francaise de Developpement (AFD),
					France
MONGOLIA	1400	45.00			HC A
Second Education Development	14.00	45.00	4.00	-	JICA NDF
	_	_	4.80	-	NDF

Comprising debt cofinancing (e.g., syndicated loans, bonds, and floating rate notes) from commercial/market sources.
 The anchor loan was approved in 2001.
 ADB-administered grant fund.
 Private sector loan.

		(Cofinancing		
	ADB	Offi	cial	Com-	Source of Cofinancing
	Loan	Grants	Loans	merciala	
NEPAL					
Teacher Education ^b	19.30	0.30°	-	-	Danish International Development Agency (DANIDA), Denmark
Secondary Education Support	30.00	23.70 ^c	_	_	DANIDA
	-	6.30	_	_	DANIDA
PAKISTAN					
Financial (Nonbank) Markets and Governance Program	260.00	-	-	325.00 ^{d,e}	Commercial lenders with ADB Political Risk Guarantee (PRG)
PHILIPPINES					
Electricity Market and Transmission Development	40.00	-	45.50	-	Japan Bank for International Cooperation (JBIC) non-official development assistance (non-ODA)
Power Sector Restructuring Program ^f	300.00	-	-	500.00 ^g	Commercial lenders with ADB Partial Credit Guarantee
SRI LANKA					
Aquatic Resources Development and					
Quality Improvement	20.00	-	1.60	-	National Development Trust Fund, Sri Lanka
Power Sector Development Program	60.00	-	75.00	-	JBIC official development assistance (ODA)
Plantation Development	30.00	-	25.00		JBIC (ODA)
		-	-	8.50	Participating financial institutions in Sri Lanka
Road Sector Development	56.50	-	80.00	-	JBIC (ODA)
		-	8.50	-	OPEC Fund
UZBEKISTAN			0.00		-
Western Uzbekistan Rural Water Supply	38.00	-	2.00	_	France
VIET NAM	70.00	10 (00			The Median de
Second Red River Basin Sector b	70.00 50.00	10.60 ^c	- 24 FO	-	The Netherlands AFD
Second Financial Sector Program (Subprogram I) Housing Finance	30.00	-	34.50	6.40	Participating financial institutions in Viet Nam
Phu My 2.2 Power ^h	50.00	_	40.00	0.40	Societe de Promotion et de Participation pour
riid iviy 2.2 rowei	50.00	_	40.00	_	le Cooperation Economique, France
	_	_	_	150.00	JBIC (non-ODA)
	-	-	-	25.00 ^d	Commercial lenders with ADB PRG under the coguarantee program
	-	-	-	75.00	Commercial lenders with IDA Partial Risk Guarantee
Phu My 3 Power ^h	40.00	-	-	99.00	JBIC (non-ODA)
	-	-	-	35.00 ^d	Commercial lenders with ADB PRG
	-	-	-	67.00	Multilateral Investment Guarantee Agency Guaranteed Loan
	-	-	-	67.00	Nippon Export and Investment Insurance Insured Loan
REGIONAL					
Regional Power Transmission Modernization					
- Tajikistan	20.00	-	2.40	-	OPEC Fund
	-	0.50	-	-	United States Agency for International Development
- Uzbekistan	70.00	-	49.00	-	European Bank for Reconstruction and Development
TOTAL 2	2,678.81	221.40	533.10	2,096.98	

Comprising debt cofinancing (e.g., syndicated loans, bonds, and floating rate notes) from commercial/market sources.

The anchor loan was approved in 2001.

ADB-administered grant fund.
Political risk guarantee.
Comprising two PRGs—a \$150 million capital markets PRG, and a \$175 million insurance PRG.
The anchor loan was approved in 1998.
Partial credit guarantee.
Private sector loan.

Table 8 LOAN DISBURSEMENTS, 2001 AND 2002 (amounts in \$ thousand)

			2 0 0 1				
		% of Tot	al	% of Tota	al	% of Total	
	OCR	OCR	ADF	ADF	Total	Disbursements	
Project ^a							
Nondevelopment Finance Institution	1,672,461	59	665,494	65	2,337,955	61	
Development Finance Institution	81,650	3	673	0	82,323	2	
Total Project Loans	1,754,111	62	666,167	65	2,420,278	63	
Program ^b	635,279	22	174,004	17	809,283	21	
Sector ^c	409,671	14	184,089	18	593,760	15	
Private Sector ^d	50,628	2	-	-	50,628	1	
TOTAL	2,849,689	100	1,024,260	100	3,873,949	100	

			2	0 0 2			% Change (2002/2001)		
	OCR	% of Total OCR		% of Total ADF	Total	% of Total Disburse- ments	OCR	ADF	Total
Project ^a									
Nondevelopment Finance Institution	1,302,484	42	576,567	51	1,879,051	45	(22)	(13)	(20)
Development Finance Institution	117,514	4	1,791	0	119,305	3	44	166	45
Total Project Loans	1,419,998	46	578,358	51	1,998,356	48	(19)	(13)	(17)
Program ^b	1,369,228	45	331,092	29	1,700,320	40	116	90	110
Sector ^c	221,891	7	226,088	20	447,979	11	(46)	23	(25)
Private Sector ^d	55,411	2	-	-	55,411	1	9	-	9
TOTAL	3,066,528	100	1,135,538	100	4,202,066	100	8	11	8

⁰ Data negligible.

Table 9 PROGRAM LOAN DISBURSEMENTS, 2002 (\$ million)

	OCR ^a	ADF ^a	Total ^a
Afghanistan	_	100.24	100.24
Bhutan	-	6.52	6.52
Cambodia	_	19.92	19.92
India	293.50	-	293.50
Indonesia	682.50	-	682.50
Kyrgyz Republic	-	7.58	7.58
Lao PDR	-	4.86	4.86
Marshall Islands	1.50	3.90	5.40
Mongolia	-	14.09	14.09
Pakistan	240.89	98.85	339.74
Papua New Guinea	0.23	-	0.23
Philippines	100.00	-	100.00
Sri Lanka	30.60	35.95	66.55
Tajikistan	-	5.05	5.05
Tonga	_	5.00	5.00
Viet Nam	20.00	29.15	49.15
TOTAL	1,369.23	331.09	1,700.32

Data not applicable.

Data not applicable.

⁽⁾ Negative.

^a A project loan is a loan provided to finance specific projects. ADB uses development finance institutions in its developing member countries (DMCs) as

vehicles to finance small- to medium-sized projects in the private sector.

A program loan is a loan provided to support DMCs' efforts to improve the policy, institutional, and investment environment of sector development. It helps meet short-term costs that policy adjustments entail.

c A sector loan is a loan provided to develop a specific sector or subsector. It finances a large number of subprojects in a single sector or subsector.

d Excludes equity investments.

^a Figures do not add due to rounding.

Table 10 PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS BY COUNTRY, 2002 (\$ million)

	Loan	Equity Invest- ment	Total ADB Funds	Comple- mentary Loan	Political Risk Guarantee	Total ADB Approvals	Project Cost/ Fund Size
Bangladesh							
Central Depository Bangladesh Ltd.	-	0.53	0.53	-	-	0.53	5.60
China, People's Rep. of							
Water Infrastructure Development Facility	35.00	_	35.00	_	_	35.00	150.00
China Environment Fund 2002, LP	-	10.00	10.00	-	-	10.00	40.00
India							
India Mortgage Credit Guarantee Co. Henderson Infrastructure Fund Ltd.	-	10.00	10.00	-	-	10.00	40.00
Liability Co.	_	15.00	15.00	_	_	15.00	125.00
Max Healthcare Institute Ltd.	20.00	-	20.00	-	-	20.00	80.00
Viet Nam							
Mekong Energy Co. Ltd. (Phu My 2.2 Power)	50.00	_	50.00	_	25.00	75.00	480.00
Phu My 3 Power	40.00	-	40.00	_	35.00	75.00	406.00
TOTAL	145.00	35.53	180.53	-	60.00	240.53	1,326.60

⁻ Data not applicable.

Table 11 PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS BY SECTOR, 2002 (\$ million)

	Loan	Equity Invest- ment	Total ADB Funds	Comple- mentary Loan	Political Risk Guarantee	Total ADB Approvals	Project Cost/ Fund Size
Infrastructure	145.00	-	145.00	-	60.00	205.00	1,116.00
Investment Funds and Financial Institutions	-	35.53	35.53	-	-	35.53	210.60
Others	-	-	-	-	-	-	-
TOTAL	145.00	35.53	180.53	-	60.00	240.53	1,326.60

⁻ Data not applicable.

Table 12 PRIVATE SECTOR LOAN AND EQUITY INVESTMENT APPROVALS BY YEAR, 1983-2002 (amounts in \$ million)

	No. of Projects ^a	Loan	Equity Investment ^b	Total ADB Funds	Comple- mentary Loan	Political Risk Guarantee	Total ADB Approvals ^a	Total Project Cost
1983	2	_	2.96	2.96	_	_	2.96	36.00
1984	1	_	0.42	0.42	_	_	0.42	2.80
1985	5	_	3.40	3.40	_	_	3.40	39.68
1986	5	6.46	6.01	12.47	_	_	12.47	42.72
1987	8	20.50	27.61	48.11	5.00	_	53.11	524.34
1988	12	58.00	35.67	93.67	_	_	93.67	524.24
1989	16	95.70	67.59	163.29	51.10	_	214.39	1,178.55
1990	17	78.85	35.94	114.79	24.00	_	138.79	2,051.63
1991	10	156.80	20.52	177.32	_	_	177.32	1,330.07
1992	4	50.00	5.42	55.42	81.50	_	136.92	409.39
1993	9	182.10	20.70	202.80	19.30	_	222.10	1,513.70
1994	9	_	48.70	48.70	_	_	48.70	919.20
1995	8	68.00	99.41	167.41	5.83	_	173.24	1,050.32
1996	8	98.50	80.15	178.65	91.50	_	270.15	2,420.37
1997	6	45.00	59.50	104.50	_	_	104.50	1,239.69
1998	6	136.12	39.44	175.56	151.08	_	326.64	1,152.70
1999	4	146.50	7.40	153.90	141.50	_	295.40	1,412.50
2000	11	152.00	78.15	230.15	45.00	122.00	397.15	1,631.84
2001	6	37.50	30.36	67.86	_	_	67.86	648.00
2002	8	145.00	35.53	180.53	-	60.00	240.53	1,326.60
TOTAL	155	1,477.03	704.88	2,181.91	615.81	182.00	2,979.71	19,454.34

⁻ Data not applicable.

Table 13 CUMULATIVE PRIVATE SECTOR APPROVALS BY COUNTRY, 1983-2002 (amounts in \$ million)

	No. of Projects ^a	Loan	Equity Invest- ment ^b	Total ADB Funds	Comple- mentary Loan	Political Risk Guarantee	Total ADB Approvals ^a
Bangladesh	7	117.20	14.98	132.18	20.00	70.00	222.18
Bhutan	1	_	0.53	0.53	_	_	0.53
China, People's Rep. of	9	151.50	82.30	233.80	171.50	_	405.30
India	25	155.70	115.80	271.50	5.00	_	276.50
Indonesia	12	82.00	23.65	105.65	63.50	_	169.15
Korea, Rep. of	5	_	8.96	8.96	_	_	8.96
Malaysia .	1	_	2.00	2.00	_	_	2.00
Nepal	4	49.55	3.26	52.81	5.83	_	58.64
Pakistan	27	241.80	30.63	272.43	129.90	_	402.33
Philippines	19	282.32	36.85	319.17	193.58	_	512.74
Samoa	1	_	0.40	0.40	_	_	0.40
Sri Lanka	9	72.00	13.58	85.58	_	52.00	137.58
Thailand	9	31.46	77.07	108.53	_	_	108.53
Viet Nam	6	168.50	_	168.50	26.50	60.00	255.00
Regional	20	125.00	294.87	419.87	-	-	419.87
TOTAL	155	1,477.03	704.88	2,181.91	615.81	182.00	2,979.71

⁻ Data not applicable.

Net of cancellations.
 Includes equity investments, lines of equity, and equity underwritings.
 Loan amount updated to reflect ADB's committed amount as stated in the loan agreement.

^a Net of cancellations.

b Includes equity investments, lines of equity, and equity underwritings.

Table 14 NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION, PROJECT COMPLETION REPORTS (PCRs) CIRCULATED, PROJECTS COMPLETED, LOANS CLOSED, AND PROJECT/PROGRAM PERFORMANCE AUDIT REPORTS (PPARs) CIRCULATED (as of 31 December 2002)

	Cumulative No. of Loans Approved ^a	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved ^b	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Loans	Cumulative No. of Cofinanced Projects	
Afghanistan	10	9	9	-	1	2	
Azerbaijan Bangladesh	153	- 146	- 141	- 7	- 5	- 67	
Bhutan	18	18	17	_	_	6	
Cambodia	27	21	23	_	_	12	
China, People's Rep. of	98	89	96	-	-	45	
Cook Islands	12	12	12	_	_	1	
Fiji Islands	14	14	14	-	-	6	
Hong Kong, China	5	5	5	-	-	-	
India	76	72	65	1	_	19	
Indonesia	263	257	237	17	2	55	
Kazakhstan	11	11	7	2	-	1	
Kiribati	6	6	6	_	_	1	
Korea, Rep. of	81	81	80	_	_	8	
Kyrgyz Republic	20	20	15	_	-	5	
Lao PDR	58	52	52	_	3	31	
Malaysia	76	76	74	1	1	9	
Maldives	12	11	12	_	_	4	
Marshall Islands	12	11	11	1	_	1	
Micronesia, Fed. States of	6	3	5	-	_	· -	
Mongolia	31	31	26	_	_	7	
Myanmar	32	32	28	2	2	12	
Nauru	1	1	1	_	_	-	
Nepal	104	101	93	1	9	43	
Pakistan	217	203	172	28	5	72	
Papua New Guinea	56	55	45	10	-	11	
Philippines	186	184	157	17	4	62	
Samoa	29	28	25	_	4	9	
Singapore	14	14	14	_	-	2	
Solomon Islands	16	16	15	_	_	5	
Sri Lanka	112	107	100	6	5	40	
Taipei,China	12	12	12	-	-	-	
Tajikistan	10	8	8	1	_	2	
Thailand	83	83	79	2	2	36	
Timor-Leste	-	-	-	_	_	-	
Tonga	14	14	14	_	_	3	
Turkmenistan	_	_	_	_	_	_	
Tuvalu	2	1	2	_	_	_	
Uzbekistan	15	10	12	2	_	3	
Vanuatu	9	9	8	_	1	3	
Viet Nam	58	49	50	3	-	23	
Regional	4	4	10 ^e	1	_	3	
TOTAL	1,963	1,876	1,752	102	44	609	

Nil or data not applicable.
 a Includes special implementation assistance loans, special assistance, and private sector loans; excludes loans withdrawn by borrowers.
 b A project with multiple loans is counted as one project. Supplementary loans, special implementation assistance loans and subprogram loans of program loan clusters are not counted as separate projects.

c Includes projects/loans which have been approved but are still awaiting effectivity, inactive loans, fully disbursed private sector loans without government guarantee but still under administration; excludes projects/loans exclusively financed from other sources.

No. of Loans Under Administration ^c	No. of Projects Under Administration ^{a,c}	Cumulative No. of PCRs Circulated/ Prepared	No. of Projects Completed in 2002 ^d	No. of Loans Closed in 2002	No. of PCRs Circulated in 2002	No. of PPARs Circulated in 2002	
1	1	-	-	-	-	-	Afghanistan
- 39	- 35	- 98	- 10	- 4	- 5	3	Azerbaijan Bangladesh
6	5	9	-	1	2	-	Bhutan
23 50	21 48	3 40	6 19	- 5	- 4	- 2	Cambodia China, People's Rep. of
1	1	10	-	1	-	1	Cook Islands
2 -	2	10 5	_	_	-	_	Fiji Islands Hong Kong, China
34	28	32	3	7	4	3	India
62	57	151	10	10	12	4	Indonesia
6	4	4	2	3	1	-	Kazakhstan
1 –	1 –	4 60		- 1	-	_	Kiribati Korea, Rep. of
12	12	5	2	4	2	1	Kyrgyz Republic
24	23	28	5	1	4	2	Lao PDR
3	3	53	1	-	2	1	Malaysia
6	6	6	1	-	-	-	Maldives
5	4	5	1	2	2	-	Marshall Islands
4 16	3 14	2 12	1 2	1 1	1 3	3	Micronesia, Fed. States of Mongolia
-	-	26	_	_	_	-	Myanmar
_	_	-	_	1	_	_	Nauru
25	24	66	7	3	3	3	Nepal
61	46	107	7	8	6	1	Pakistan
12	12	30	-	2 7	3 2	-	Papua New Guinea
46	34	101	5	/	2	3	Philippines
3 -	3 –	19 7	_	_	_	_	Samoa Singapore
2	2	14	-	_	1	_	Solomon Islands
38	32	62	2	_	3	_	Sri Lanka
-	_	1	Ţ	-	-	-	Taipei,China
9	9	1	1	-	1	-	Tajikistan
8	7	52 -	5	2	4	1 -	Thailand Timor-Leste
1	1	- 15	_	_	_	_	Tonga
_	_	_	_	_	_	_	Turkmenistan
1	1	_	-	-	-	-	Tuvalu
13	11	-	-	2	-	-	Uzbekistan
1	1	6	1	-	-	1	Vanuatu
39 1	36 -	10 3	6 –	3	2 1	1 –	Viet Nam Regional
 555	487	1,057	97	69	68	30	TOTAL
		.,,,,,			- 00	- 30	TOTAL

Projects which were physically completed in 2002.

Includes the regional projects—Greater Mekong Subregion (GMS): Phnom Penh to Ho Chi Minh City Highway (Cambodia and Viet Nam Ioan components); GMS: East-West Corridor (Lao PDR and Viet Nam Ioan components); Almaty-Bishkek Regional Road Rehabilitation (Kazakhstan and Kyrgyz Republic Ioan components); GMS: Mekong Tourism Development (Cambodia, Lao PDR, and Viet Nam Ioan components); Regional Power Transmission Modernization (Tajikistan and Uzbekistan Ioan components); Regional Trade Facilitation and Customs Cooperations Program (Kyrgyz Republic and Tajikistan Ioan components); and Asian Finance and Investment Corporation, Ltd.

Table 15 AMOUNT OF LOANS APPROVED, CONTRACTS AWARDED, AND DISBURSEMENTS (as of 31 December 2002; amounts in \$ million)

	Cumulative Loan Amounts Approved ^a	Cumulative Net Effective Loans ^{b,c}	Contracts Awarded in 2002 ^{c,d}	Cumulative Contracts Awarded ^{c,d}
Afghanistan	245.10	179.38	100.24	134.45
Azerbaijan	-	-		-
Bangladesh	6,788.38	5,926.62	202.87	4,844.55
Bhutan	101.76	94.86	15.06	80.66
Cambodia	676.98	529.72	64.42	395.28
China, People's Rep. of	12,162.98	9,957.23	672.65	7,563.17
Cook Islands	26.67	24.94	0.45	25.54
Fiji Islands	177.90	170.27	7.58	146.42
Hong Kong, China	101.50	94.50	-	94.50
India	11,636.90	9,256.54	862.37	6,808.58
Indonesia	19,096.21	15,429.95	1,121.42	12,348.80
Kazakhstan	467.00	447.89	24.80	382.87
Kiribati	15.14	13.47	3.63	10.62
Korea, Rep. of	6,338.33	5,560.33	0.24	5,572.55
Kyrgyz Republic	517.20	505.60	21.04	348.56
Lao PDR	1,039.44	925.86	43.17	766.80
Malaysia	1,987.54	1,442.58	12.66	1,413.16
Maldives	77.68	73.46	4.11	49.64
Marshall Islands	78.13	65.70	8.37	56.65
Micronesia, Fed. States of	56.14	32.35	1.14	31.82
Mongolia	539.21	528.98	24.71	394.96
Myanmar	530.86	411.83	-	418.77
Nauru	5.00	2.30	-	2.30
Nepal	2,010.98	1,671.77	13.17	1,306.76
Pakistan	12,679.04	10,679.43	418.50	8,380.58
Papua New Guinea	854.98	770.54	10.89	583.53
Philippines	8,034.27	6,690.84	198.18	5,143.54
Samoa	113.92	111.02	1.03	99.29
Singapore	181.08	144.44	-	130.22
Solomon Islands	79.31	64.83	-	54.82
Sri Lanka	2,979.95	2,726.73	157.40	2,011.17
Taipei,China	100.39	91.14	-	90.28
Tajikistan	172.92	119.56	32.57	59.06
Thailand	5,348.07	4,233.48	56.98	4,125.58
Timor-Leste	-	-	-	-
Tonga	52.89	51.80	5.00	52.08
Turkmenistan	-	-	-	-
Tuvalu	5.85	3.97	-	3.97
Uzbekistan	695.50	404.26	26.08	160.53
Vanuatu	51.25	48.99	0.15	47.91
Viet Nam	2,679.27	2,289.10	221.49	1,348.71
Regional ^f	125.00	125.00	-	-
TOTAL	98,830.71	81,901.27	4,332.33	65,488.69

⁻ Nil or data not applicable.

a Includes special assistance loans and private sector loans but excludes loans terminated. The US dollar equivalent is in accordance with the exchange rate prevailing within ADB at the time of loan approval.

b Net refers to effective loan amounts less cancellations.

c The US dollar equivalent is in accordance with the exchange rate prevailing in ADB on 31 December 2002. The cumulative contracts awarded exceed the net effective loan amounts due to the following reasons:

⁽i) for countries without active loans, the base contract amount of loans that were closed prior to computerization does not reflect the adjustment with regard to procurement data, e.g., Afghanistan; and

⁽ii) for countries with active loans, the contract amount inputted is basically the percentage of ADB-financed portion and each contract amount was adjusted upon completion of disbursement.

71.4 Afghanistan Azerbaijan 82.2 Bangladesh 78.7 Bhutan 62.4 Cambodia 77.2 China, People's Rep. of 91.5 Cook Islands 75.2 Fiji Islands 100.0 Hong Kong, China 69.0 India 84.7 Indonesia 81.0 Kazakhstan 52.5 Kiribati 100.0 Korea, Rep. of 67.6 Kyrgyz Republic 76.6 Lao PDR 95.7 Malaysia 61.5 Maldives 86.0 Marshall Islands 96.4 Micronesia, Fed. States of 71.6 Mongolia 100.0 Myanmar 100.0 Myanmar 100.0 Myanmar 100.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China 32.8	% of Cumulative Disbursements to Cumulative Net Effective Loans	Cumulative Disbursements ^e	Disbursements in 2002	% of Cumulative Contracts Awarded to Cumulative Net Effective Loans ^c
82.2 Bangladesh 78.7 Bhutan 62.4 Cambodia 77.2 China, People's Rep. of 91.5 Cook Islands 75.2 Fiji Islands 100.0 Hong Kong, China 69.0 India 84.7 Indonesia 81.0 Kazakhstan 52.5 Kiribati 100.0 Korea, Rep. of 67.6 Kyrgyz Republic 76.6 Lao PDR 95.7 Malaysia 61.5 Maldives 86.0 Marshall Islands 96.4 Micronesia, Fed. States of 71.6 Mongolia 100.0 Myanmar 100.0 Nepal 83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China	71.4	128.14	100.24	75.0 -
62.4 Cambodia 77.2 China, People's Rep. of 91.5 Cook Islands 75.2 Fiji Islands 100.0 Hong Kong, China 69.0 India 84.7 Indonesia 81.0 Kazakhstan 52.5 Kiribati 100.0 Korea, Rep. of 67.6 Kyrgyz Republic 76.6 Lao PDR 95.7 Malaysia 61.5 Maldives 86.0 Marshall Islands 96.4 Micronesia, Fed. States of 71.6 Mongolia 100.0 Myanmar 100.0 Nepal 83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China	82.2	4,868.77	193.14	81.7
91.5 Cook Islands 75.2 Fiji Islands 100.0 Hong Kong, China 69.0 India 84.7 Indonesia 81.0 Kazakhstan 52.5 Kiribati 100.0 Korea, Rep. of 67.6 Kyrgyz Republic 76.6 Lao PDR 95.7 Malaysia 61.5 Marshall Islands 96.4 Micronesia, Fed. States of 71.6 Mongolia 100.0 Myanmar 100.0 Nepal 83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China	62.4	74.65 330.31	13.85 78.89	85.0 74.6
75.2 Fiji Islands 100.0 Hong Kong, China 69.0 India 84.7 Indonesia 81.0 Kazakhstan 52.5 Kiribati 100.0 Korea, Rep. of 67.6 Kyrgyz Republic 76.6 Lao PDR 95.7 Malaysia 61.5 Marshall Islands 96.4 Micronesia, Fed. States of 71.6 Mongolia 100.0 Myanmar 100.0 Nepal 83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China		7,687.30	781.58	76.0
84.7 Indonesia 81.0 Kazakhstan 52.5 Kiribati 100.0 Korea, Rep. of 67.6 Kyrgyz Republic 76.6 Lao PDR 95.7 Malaysia 61.5 Maldives 86.0 Marshall Islands 96.4 Micronesia, Fed. States of 71.6 Mongolia 100.0 Myanmar 100.0 Nepal 83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China	75.2	22.83 128.11 94.50	0.08 4.49 -	102.4 86.0 100.0
52.5 Kiribati 100.0 Korea, Rep. of 67.6 Kyrgyz Republic 76.6 Lao PDR 95.7 Malaysia 61.5 Marshall Islands 96.4 Micronesia, Fed. States of 71.6 Mongolia 100.0 Myanmar 100.0 Nepal 83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China	84.7	6,386.59 13,061.54 362.99	576.47 1,000.50 7.46	73.6 80.0 85.5
100.0 Korea, Rep. of 67.6 Kyrgyz Republic 76.6 Lao PDR 95.7 Malaysia 61.5 Maldives 86.0 Marshall Islands 96.4 Micronesia, Fed. States of 71.6 Mongolia 100.0 Myanmar 100.0 Nauru 80.0 Nepal 83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China		7.07	0.81	78.9
95.7 Malaysia 61.5 Maldives 86.0 Marshall Islands 96.4 Micronesia, Fed. States of 71.6 Mongolia 100.0 Myanmar 100.0 Nepal 83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China	100.0	5,560.32 341.87	(0.01) 27.20	100.2 68.9
96.4 Micronesia, Fed. States of 71.6 Mongolia 100.0 Myanmar 100.0 Nepal 83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei, China	95.7	708.86 1,380.90 45.18	48.58 14.26 6.34	82.8 98.0 67.6
100.0 Nauru 80.0 Nepal 83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China	96.4	56.52 31.19 378.86	8.34 1.35 26.58	86.2 98.4 74.7
83.0 Pakistan 75.2 Papua New Guinea 81.7 Philippines 85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China	100.0	411.83 2.30 1,337.94	- - 28.20	101.7 100.0 78.2
85.9 Samoa 100.0 Singapore 83.4 Solomon Islands 71.8 Sri Lanka 100.0 Taipei,China	75.2	8,862.59 579.50 5,468.57	501.37 14.02 230.00	78.5 75.7 76.9
71.8 Sri Lanka 100.0 Taipei,China	85.9 100.0	95.34 144.44 54.07	0.81	89.4 90.2 84.6
32.8 Tajikistan	71.8 100.0	1,956.74 91.14	171.18	73.8 99.1
96.8 Thailand		39.22 4,096.43	14.10 75.80	49.4 97.5
- Timor-Leste		4,090.43	75.80	97.5
89.1 Tonga	89.1	46.17	5.00	100.5
- Turkmenistan	100.0	-	-	100.0
100.0 Tuvalu 36.4 Uzbekistan		3.97 147.00	28.03	100.0 39.7
100.0 Vanuatu		48.98	0.51	97.8
53.7 Viet Nam 79.2 Regional	53.7	1,228.40 98.96	238.43 4.44	58.9 -
81.0 TOTAL	81.0	66,370.11	4,202.06	80.0

Excludes private sector loans without government guarantee.

The cumulative disbursements may exceed the cumulative contracts awarded due to disbursed amount without procurement contract summary sheet, e.g., interest during construction, contingencies, and private sector loans that do not require procurement.

Private sector loans to Asian Finance and Investment Corporation, Ltd.

Table 16 DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a PROJECT AND PROGRAM LOANS COMBINED—ORDINARY CAPITAL RESOURCES

	1967-1	976	1977-1	986	1987-1	996	1997-20	002
	Goods and Related Services, and	Consulting	Goods and Related Services, and	Consulting	Goods and Related Services, and	Consulting	Goods and Related Services, and	Consulting
	Civil Works (%)	Services (%)	Civil Works (%)	Services (%)	Civil Works (%)	Services (%)	Civil Works (%)	Services (%
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1.15	3.91	1.43	2.46	1.90	4.09	1.45	11.21
Austria	2.38	0.84	0.57	0.30	0.28	0.31	0.42	0.02
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	0.00	0.00	0.00	0.03	0.00	0.00	0.12	0.00
Belgium	0.22	0.53	0.49	0.04	0.48	0.00	0.27	0.00
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cambodia	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00
Canada	2.19	2.29	0.00	6.79	0.81	4.48	0.56	1.89
China, People's Rep. of	0.00	0.00	0.00	0.00	9.39	0.00	19.11	0.36
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	0.13	1.94	0.29	2.91	0.15	1.89	0.22	1.17
iji Islands	0.09	0.00	0.24	0.00	0.16	0.03	0.05	0.06
inland	0.05	0.00	0.04	0.31	0.47	0.32	0.19	0.35
rance	3.78	6.05	2.02	2.98	2.27	4.39	1.22	5.02
Germany	7.57	10.36	4.79	4.34	5.66	6.21	2.90	1.81
long Kong, China	0.60	0.00	1.65	0.47	1.17	0.08	0.67	0.85
ndia	1.45	3.35	0.67	0.34	9.97	1.29	10.96	7.96
ndonesia	0.00	0.00	8.54	9.58	17.36	29.08	13.37	19.11
taly	3.36	11.06	1.35	4.08	3.82	2.27	0.99	2.21
apan	42.33	7.33	22.82	12.58	11.63	7.31	6.76	3.36
Kazakhstan	0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.02
iribati	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
lorea, Rep. of	9.67	1.31	16.74	4.06	6.40	0.79	12.26	0.78
Syrgyz Republic	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.00
ao PDR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
/lalaysia	3.32	0.17	4.86	0.88	3.42	1.20	2.90	0.32
/laldives	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Aicronesia, Fed. States of		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>M</i> yanmar	0.00	0.00	0.00	0.00	0.01	0.00	0.02	0.00
lauru	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
lepal	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
he Netherlands	2.17	2.20	0.90	2.60	0.61	5.60	0.40	3.60
lew Zealand	0.17	1.42	0.42	1.46	0.09	0.17	0.10	1.15
lorway	0.15	0.00	0.03	0.25	0.06	0.00	0.06	0.96
akistan	0.01	0.00	0.57	0.04	3.02	0.37	2.76	0.03
apua New Guinea	0.00	0.00	0.25	0.07	0.27	0.19	0.39	0.07
hilippines	1.14	0.94	8.43	1.59	3.36	4.14	1.44	6.95
ortugal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
amoa							0.00	
	0.00	0.00	0.00	0.00	0.00	0.00		0.00
ingapore	0.56	0.00	1.53	0.32	1.56	0.12	2.15	1.80
olomon Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
pain	0.00	0.00	0.00	0.00	0.19	0.00	0.23	0.00
ri Lanka	0.00	0.00	0.00	0.03	0.01	0.02	0.16	0.01
weden	0.57	0.13	0.54	0.04	0.81	0.15	0.26	0.22
witzerland	1.91	1.07	1.51	5.86	1.69	6.19	0.52	4.22
aipei,China	1.77	0.09	1.70	3.20	0.75	1.01	0.67	1.07
ajikistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
hailand	2.28	0.00	6.94	0.09	3.48	1.64	2.81	1.54
imor-Leste	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
onga	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
urkey	0.00	0.00	0.00	0.00	0.19	0.00	0.03	0.37
urkmenistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
uvalu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
nited Kingdom	4.03	3.61	2.76	11.08	1.53	6.90	1.49	10.41
nited States						9.76		
	6.94	41.40	7.01	21.26	6.55		7.08	10.91
Izbekistan Vanustu	0.00	0.00	0.00	0.00	0.02	0.00	0.32	0.20
anuatu	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00
/iet_Nam	0.00	0.00	0.00	0.00	0.04	0.00	0.09	0.00
legional	0.00	0.00	0.00	0.00	0.00	0.00	4.05	0.00
nternational Organizatio	ons 0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	1,151.81	65.59	5,006.38	327.46	17,780.48	825.74	19,819.179	490.508

^{0.00} Data negligible.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 17 DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a PROJECT AND PROGRAM LOANS COMBINED—ASIAN DEVELOPMENT FUND

	1967–1	976	1977-1	986	1987–1	996	1997-2	002
	Goods and Related Services, and Civil Works (%)	Consulting Services (%)	Goods and Related Services, and Civil Works (%)	Consulting Services (%)	Goods and Related Services, and Civil Works (%)	Consulting Services (%)	Goods and Related Services, and Civil Works (%)	Consulting Services (%
Afghanistan	0.00	0.00	0.37	0.00	0.00	0.00	1.71	0.00
Australia	4.89	6.10	0.83	3.75	1.18	5.64	0.74	8.78
Austria	0.12	0.00	0.34	0.00	0.16	0.00	0.32	0.01
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	0.20 0.18	0.00 0.00	5.80 0.58	0.94 0.05	14.03	3.73 0.00	14.21 0.26	4.44 0.07
Belgium Bhutan	0.16	0.00	0.00	0.05	0.36 0.18	0.00	0.26	0.07
Cambodia	0.00	0.00	0.00	0.00	0.13	0.00	1.84	0.12
Canada	0.61	18.30	0.51	7.39	0.40	3.11	0.28	5.63
China, People's Rep. of	0.00	0.00	0.00	0.00	5.68	0.00	5.59	0.01
Cook Islands	0.00	0.00	0.04	0.00	0.05	0.01	0.05	0.12
Denmark	0.02	0.93	0.79	0.00	0.33	1.68	0.36	2.55
Fiji Islands	0.12	0.00	0.05	0.00	0.02	0.02	0.05	0.00
Finland	0.01	0.00	0.07	1.34	0.18	0.20	0.19	1.54
France	0.13	0.00	1.37	2.57	1.43	4.01	1.75	4.94
Germany	14.61	22.63	5.08	1.68	3.69	5.35	1.62	5.88
Hong Kong, China	0.27	0.00	0.74	0.00	0.83	0.00	0.33	0.00
India	4.42	1.63	6.30	9.30	2.27	1.84	2.40	1.95
Indonesia	0.00	0.00	1.14	1.85	3.49	4.70	2.62	1.46
Italy	5.68	5.49	2.75	0.82	1.68	2.94	1.94	0.05
Japan	38.73	21.17	25.35	15.18	5.47	3.56	3.23	9.13
Kazakhstan	0.00	0.00	0.00	0.00	0.32	0.00	0.61	0.14
Kiribati	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Korea, Rep. of	5.66	1.84	5.31	2.01	6.79	1.70	4.54	0.79
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.44 0.79	0.00 0.08	0.91	0.74
Lao PDR	0.00 0.57	0.00 2.56	0.05 0.36	0.00 0.54	1.02	0.08	1.14 1.02	1.11 0.00
Malaysia Maldives	0.00	0.00	0.02	0.00	0.00	0.00	0.05	0.00
Marshall Islands	0.00	0.00	0.02	0.00	0.06	0.00	0.03	0.00
Micronesia, Fed. States (0.00	0.00	0.00	0.00	0.00	0.17	0.09
Mongolia	0.00	0.00	0.00	0.00	0.14	0.00	0.59	0.15
Myanmar	0.00	0.00	0.78	0.00	0.13	0.00	0.02	0.05
Nauru	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.82	0.00	2.28	0.50	3.27	1.16	2.30	3.16
The Netherlands	1.68	5.57	1.22	2.22	1.61	5.22	0.28	2.31
New Zealand	0.56	2.46	0.81	2.00	0.46	3.48	0.37	1.62
Norway	0.05	0.00	0.02	0.57	0.36	0.28	0.01	0.91
Pakistan	0.00	0.00	4.76	0.47	15.57	9.91	13.38	5.10
Papua New Guinea	2.60	0.00	1.52	0.19	1.16	0.39	0.29	0.23
Philippines	0.14	1.10	2.74	2.83	4.85	5.04	2.61	4.26
Portugal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Samoa	0.09	0.00	0.28	0.07	0.06	0.07	0.03	0.30
Singapore	4.83	0.00	1.85	0.11	4.02	0.16	2.80	0.18
Solomon Islands Spain	0.00 0.00	0.00 0.00	0.28 0.00	0.09 0.00	0.10 0.06	0.00 0.00	0.27 0.13	0.00
Sri Lanka	0.00	0.00	3.11	0.00	4.38	1.39	6.21	2.52
Sweden	0.00	0.12	1.64	0.28	0.57	2.19	0.14	1.03
Switzerland	0.33	0.00	2.64	6.18	0.93	2.19	0.31	0.55
Taipei,China	0.74	0.00	0.20	0.10	0.76	0.00	0.25	1.07
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00	0.61	0.60
Thailand	1.66	0.20	2.35	0.05	0.94	0.01	1.82	0.94
Timor-Leste	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tonga	0.00	0.00	0.15	0.00	0.07	0.06	0.08	0.00
Гurkey	0.00	0.00	0.00	0.00	0.30	0.00	3.03	0.23
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Γuvalu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jnited Kingdom	6.96	2.83	6.44	21.11	2.02	17.81	0.80	12.84
United States	3.30	6.82	8.98	15.96	6.28	11.68	3.50	11.07
Uzbekistan	0.00	0.00	0.00	0.00	0.05	0.00	0.72	0.00
Vanuatu	0.00	0.00	0.01	0.00	0.04	0.00	0.14	0.01
Viet Nam	0.00	0.00	0.08	0.00	0.68	0.00	10.58	1.04
Regional International Organization	0.00	0.00	0.00	0.00	0.00	0.00	0.28	0.00
International Organizatio		0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL VALUE (\$ million)	260.83	27.69	2,447.95	155.37	9,288.56	568.07	5,868.06	462.31

^{0.00} Data negligible.

Note: Total may not add due to rounding.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 18 CONTRACTS AWARDED BY COUNTRY OF ORIGIN, a 2002 PROJECT LOANS—ORDINARY CAPITAL RESOURCES (amounts in \$ million)

	Goods and Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded ^b	% Distribution
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1.22	0.07	3.82	5.37	5.04	0.27
Austria	4.88	0.27	0.00	0.00	4.88	0.26
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	10.87	0.60	0.00	0.00	10.87	0.58
Belgium	0.15	0.01	0.00	0.00	0.15	0.01
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00
Cambodia	0.00	0.00	0.00	0.00	0.00	0.00
Canada	6.34	0.35	0.00	0.00	6.34	0.34
China, People's Rep. of	629.57	34.64	0.49	0.69	630.06	33.36
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	1.27	0.07	0.30	0.42	1.57	0.08
Fiji Islands	4.37	0.24	0.00	0.00	4.37	0.23
Finland	0.37	0.02	1.12	1.57	1.49	0.08
France	7.73	0.43	0.00	0.00	7.73	0.41
Germany	13.80	0.76	0.81	1.14	14.61	0.77
Hong Kong, China	16.02	0.88	0.00	0.00	16.02	0.85
India	497.54	27.38	15.78	22.17	513.32	27.18
Indonesia		17.23				17.39
	313.14		15.17	21.31	328.31	
Italy	8.19	0.45	0.00	0.00	8.19	0.43
Japan	5.48	0.30	5.52	7.75	11.00	0.58
Kazakhstan	20.01	1.10	0.00	0.00	20.01	1.06
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	62.69	3.45	0.00	0.00	62.69	3.32
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.00	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	75.52	4.16	0.00	0.00	75.52	4.00
Maldives	0.00	0.00	0.00	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00
Micronesia, Fed. States of		0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.00	0.00	0.00	0.00	0.00	0.00
The Netherlands	0.33	0.02	0.38	0.53	0.70	0.04
New Zealand	1.11	0.06	1.34	1.89	2.45	0.13
Norway	6.34	0.35	0.00	0.00	6.34	0.34
Pakistan	0.58	0.03	0.17	0.24	0.75	0.04
Papua New Guinea	2.27	0.13	0.13	0.18	2.40	0.13
Philippines	54.17	2.98	8.21	11.53	62.38	3.30
Portugal	0.00	0.00	0.00	0.00	0.00	0.00
Samoa	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	1.45	0.08	0.00	0.00	1.45	0.08
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.44	0.02	0.00	0.00	0.44	0.02
Sri Lanka	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	1.60	0.09	0.00	0.00	1.60	0.08
Switzerland	9.56	0.53	0.85	1.19	10.40	0.55
Taipei,China	0.49	0.03	0.00	0.00	0.49	0.03
Гаjikistan	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	41.86	2.30	0.02	0.02	41.88	2.22
Timor-Leste	0.00	0.00	0.00	0.00	0.00	0.00
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	2.22	0.12	1.81	2.55	4.03	0.21
Turkmenistan	0.00	0.00	11.88	16.69	11.88	0.63
	0.00			4.77		0.03
Tuvalu		0.00	3.40		3.40	
Jnited Kingdom	2.60	0.14	0.00	0.00	2.60	0.14
Jnited States	12.85	0.71	0.00	0.00	12.85	0.68
Jzbekistan	0.22	0.01	0.00	0.00	0.22	0.01
/anuatu	0.00	0.00	0.00	0.00	0.00	0.00
Viet Nam	0.00	0.00	0.00	0.00	0.00	0.00
Regional	0.00	0.00	0.00	0.00	0.00	0.00
nternational Organization		0.00	0.00	0.00	0.00	0.00
international Organization	J U.UU	0.00	0.00	0.00	0.00	0.00
OTAL	1,817.23	100.00	71.19	100.00	1,888.43	100.00

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract. Total may not add due to rounding.

Table 19 CONTRACTS AWARDED BY COUNTRY OF ORIGIN, a 2002 PROJECT LOANS—ASIAN DEVELOPMENT FUND (amounts in \$ million)

	Goods and Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded ^b	% Distributior
Afahanistan	0.00	0.00	0.00	0.00	0.00	0.00
Afghanistan					0.00	
Australia	1.40	0.20	8.15	15.10	9.55	1.28
Austria	2.71	0.39	0.00	0.00	2.71	0.36
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	136.18	19.61	0.74	1.37	136.92	18.30
Belgium	0.00	0.00	0.18	0.33	0.18	0.02
Bhutan	6.93	1.00	0.03	0.06	6.96	0.93
Cambodia	26.60	3.83	0.37	0.69	26.97	3.60
Canada	0.70	0.10	2.23	4.13	2.93	0.39
China, People's Rep. of	28.89	4.16	0.00	0.00	28.89	3.86
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	0.23	0.03	0.00	0.00	0.23	0.03
						0.00
Fiji Islands	0.00	0.00	0.00	0.00	0.00	
inland	0.28	0.04	0.00	0.00	0.28	0.04
France	1.59	0.23	1.72	3.18	3.31	0.44
Germany	1.30	0.19	5.31	9.83	6.60	0.88
Hong Kong, China	0.33	0.05	0.00	0.00	0.33	0.04
ndia	9.95					
		1.43	0.13	0.24	10.08	1.35
ndonesia	34.44	4.96	3.60	6.66	38.03	5.08
taly	12.94	1.86	0.01	0.01	12.94	1.73
apan	9.72	1.40	2.27	4.20	11.99	1.60
Kazakhstan	0.19	0.03	0.03	0.05	0.21	0.03
Kiribati	0.05	0.01	0.00	0.00	0.05	0.01
Corea, Rep. of	10.19	1.47	0.00	0.00	10.19	1.36
(yrgyz Republic	10.40	1.50	1.90	3.53	12.30	1.64
ao PDR	21.48	3.09	0.47	0.88	21.95	2.93
Malaysia	3.11	0.45	0.00	0.00	3.11	0.42
//aldives	1.32	0.19	0.00	0.00	1.32	0.18
Marshall Islands	0.60	0.09	0.00	0.00	0.60	0.08
Micronesia, Fed. States of	0.32	0.05	0.00	0.00	0.32	0.04
Mongolia	2.11	0.30	0.00	0.01	2.11	0.28
Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
Vauru	0.00	0.00	0.00	0.00	0.00	0.00
Vepal	9.47	1.36	3.30	6.12	12.77	1.71
The Netherlands	0.00	0.00	0.52	0.96	0.52	0.07
lew Zealand	0.40	0.06	1.20	2.21	1.60	0.21
lorway	0.00	0.00	0.00	0.00	0.00	0.00
Pakistan	77.19	11.12	2.92	5.41	80.11	10.70
apua New Guinea	3.81	0.55	0.44	0.81	4.24	0.57
hilippines	18.16	2.61	2.23	4.14	20.39	2.72
ortugal	0.00	0.00	1.41	2.61	1.41	0.19
amoa	0.87	0.12	0.04	0.08	0.91	0.12
ingapore	1.18	0.17	0.00	0.00	1.18	0.16
				0.00		0.00
folomon Islands	0.00	0.00	0.00		0.00	
pain	0.78	0.11	0.00	0.00	0.78	0.10
ri Lanka	63.62	9.16	2.69	4.98	66.31	8.86
weden	0.40	0.06	1.08	2.00	1.48	0.20
witzerland	0.09	0.01	1.18	2.19	1.27	0.17
aipei,China	0.78	0.11	0.00	0.00	0.78	0.10
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ajikistan	7.91	1.14	1.67	3.10	9.58	1.28
hailand	10.53	1.52	0.00	0.00	10.53	1.41
imor-Leste	0.00	0.00	0.00	0.00	0.00	0.00
onga	0.00	0.00	0.00	0.00	0.00	0.00
urkey						
,	0.54	0.08	0.41	0.77	0.96	0.13
urkmenistan	0.00	0.00	0.00	0.00	0.00	0.00
uvalu	0.00	0.00	0.00	0.00	0.00	0.00
Inited Kingdom	4.10	0.59	3.83	7.09	7.92	1.06
Inited States	9.42	1.36	2.65	4.91	12.07	1.61
Izbekistan	4.24	0.61	0.00	0.00	4.24	0.57
'anuatu	0.15	0.02	0.00	0.00	0.15	0.02
iet Nam/	156.76	22.57	1.27	2.34	158.03	21.11
legional	0.12	0.02	0.00	0.00	0.12	0.02
nternational Organization		0.00	0.00	0.00	0.00	0.00
The Thational Organization	3 0.00	0.00	0.00	0.00	0.00	0.00
OTAL	694.44	100.00	53.98	100.00	748.42	100.00

a Represents the country of origin where the goods are mined, produced, grown and manufactured, based on US dollar value equivalent of contract. Total may not add due to rounding.

Table 20 CONTRACTS AWARDED BY COUNTRY OF ORIGIN, a 2002 PROJECT LOANS—ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED (amounts in \$ million)

	Goods and Related Services,	%	Consulting	% Distribution	Total Contracts	%
	and Civil Works	Distribution	Services	Distribution	Awarded ^b	Distribution ^t
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	2.62	0.10	11.97	9.57	14.59	0.55
Austria	7.58	0.30	0.00	0.00	7.58	0.29
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	147.06	5.85	0.74	0.59	147.80	5.61
Belgium	0.15	0.01	0.18	0.14	0.33	0.01
	6.93	0.28		0.03	6.96	
Bhutan			0.03			0.26
Cambodia	26.60	1.06	0.37	0.30	26.97	1.02
Canada	7.04	0.28	2.23	1.78	9.27	0.35
China, People's Rep. of	658.46	26.22	0.49	0.39	658.95	24.99
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	1.50	0.06	0.00	0.00	1.50	0.06
Fiji Islands	4.37	0.17	0.30	0.24	4.66	0.18
Finland	0.65	0.03	1.12	0.90	1.77	0.07
France	9.32	0.37	1.72	1.37	11.04	0.42
Germany	15.10	0.60	6.12	4.89	21.22	0.80
Hong Kong, China	16.35	0.65	0.00	0.00	16.35	0.62
India	507.50	20.21	15.91	12.71	523.40	19.85
Indonesia	347.57	13.84	18.77	14.99	366.34	13.89
Italy	21.13	0.84	0.01	0.01	21.13	0.80
Japan	15.20	0.61	7.79	6.22	22.99	0.87
Kazakhstan	20.20	0.80	0.03	0.02	20.22	0.77
Kiribati	0.05	0.00	0.00	0.00	0.05	0.00
Korea, Rep. of	72.88	2.90	0.00	0.00	72.88	2.76
Kyrgyz Republic	10.40	0.41	1.90	1.52	12.30	0.47
Lao PDR	21.48	0.86	0.47	0.38	21.95	0.83
Malaysia	78.63	3.13	0.00	0.00	78.63	2.98
Maldives	1.32	0.05	0.00	0.00	1.32	0.05
Marshall Islands	0.60	0.02	0.00	0.00	0.60	0.02
Micronesia, Fed. States of	0.32	0.01	0.00	0.00	0.32	0.01
Mongolia	2.11	0.08	0.00	0.00	2.11	0.08
Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	9.47	0.38	3.30	2.64	12.77	0.48
The Netherlands	0.33	0.01	0.90	0.72	1.22	0.05
New Zealand	1.51	0.06	2.54	2.03	4.05	0.15
Norway	6.34	0.25	0.00	0.00	6.34	0.24
Pakistan	77.77	3.10	3.09	2.47	80.87	3.07
Papua New Guinea	6.08	0.24	0.57	0.45	6.65	0.25
Philippines	72.33	2.88	10.45	8.34	82.77	3.14
Portugal	0.00	0.00	0.00	0.00	0.00	0.00
Samoa	0.87	0.03	1.41	1.12	2.27	0.09
Singapore	2.63	0.10	0.04	0.04	2.67	0.10
3 1						
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	1.21	0.05	0.00	0.00	1.21	0.05
Sri Lanka	63.62	2.53	2.69	2.15	66.31	2.51
Sweden	2.00	0.08	1.08	0.86	3.08	0.12
Switzerland	9.64	0.38	2.03	1.62	11.67	0.44
Taipei,China	1.26	0.05	0.00	0.00	1.26	0.05
Tajikistan	7.91	0.31	1.67	1.34	9.58	0.36
Thailand	52.40	2.09	0.02	0.01	52.41	1.99
Timor-Leste	0.00		0.02	0.00		0.00
		0.00			0.00	
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	2.76	0.11	2.23	1.78	4.99	0.19
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	6.70	0.27	15.71	12.55	22.40	0.85
United States	22.27	0.89	6.05	4.83	28.31	1.07
Uzbekistan	4.46	0.18	0.00	0.00	4.47	0.17
Vanuatu	0.15	0.01	0.00	0.00	0.15	0.01
Viet Nam	156.76	6.24	1.27	1.01	158.03	5.99
Regional	0.12	0.00	0.00	0.00	0.12	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00

a Represents the country of origin where the goods are mined, produced, grown and manufactured, based on US dollar value equivalent of contract. Total may not add due to rounding.

Table 21 ESTIMATES OF PAYMENT TO SUPPLYING COUNTRIES FOR FOREIGN PROCUREMENT UNDER PROGRAM LENDING, a 2002

	Ordinary Capi	tal Resources (OCR)	Asian Develo	pment Fund (ADF)	Combined	d OCR and ADF
	\$ Million	% Distribution	\$ Million	% Distribution	\$ Million	% Distributio
Afghanistan	0.03	0.00	100.25	29.82	100.28	5.91
Australia	34.60	2.55	5.86	1.74	40.46	2.39
Austria	2.48	0.18	0.17	0.05	2.65	0.16
Azerbaijan	0.01	0.00	0.08	0.00	0.08	0.00
Bangladesh	0.16	0.01	0.05	0.01	0.21	0.01
Belgium	12.98	0.95	0.82	0.24	13.80	0.81
Bhutan	0.08	0.01	1.48	0.44	1.56	0.09
Cambodia	0.03	0.00	0.05	0.01	0.08	0.00
Canada	8.20	0.60	0.27	0.08	8.47	0.50
China, People's Rep. of	44.76	3.29	19.70	5.86	64.46	3.80
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	1.87	0.14	0.24	0.07	2.11	0.12
iji Islands	0.01	0.00	0.00	0.00	0.01	0.00
inland	5.03	0.37		0.00	5.20	
			0.17			0.31
rance	17.66	1.30	1.97	0.59	19.63	1.16
Germany	49.61	3.65	9.96	2.96	59.57	3.51
long Kong, China	12.57	0.92	4.56	1.36	17.13	1.01
ndia	213.65	15.72	4.34	1.29	217.98	12.86
ndonesia	182.51	13.43	1.55	0.46	184.06	10.86
taly	13.79	1.01	0.87	0.26	14.66	0.86
apan	162.58	11.96	17.30	5.15	179.88	10.61
azakhstan	0.08	0.01	0.81	0.24	0.89	0.05
iribati	0.00	0.00	0.00	0.00	0.00	0.00
lorea, Rep. of	53.06	3.90	13.36	3.97	66.42	3.92
Lyrgyz Republic	0.00	0.00	0.07	0.02	0.07	0.00
ao PDR	0.35	0.03	0.51	0.15	0.86	0.05
Malaysia	32.88	2.42	9.11	2.71	41.99	2.48
Maldives	0.00	0.00	0.08	0.02	0.08	0.00
Marshall Islands	1.50	0.11	3.90	1.16	5.40	0.32
Aicronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00
/longolia	0.00	0.00	0.00	0.00	0.00	0.00
⁄lyanmar	1.09	0.08	0.00	0.00	1.09	0.06
lauru	0.00	0.00	0.00	0.00	0.00	0.00
lepal	0.39	0.03	0.01	0.00	0.40	0.02
he Netherlands	6.42	0.47	0.44	0.13	6.86	0.40
lew Zealand	3.60	0.26	0.40	0.12	3.99	0.24
lorway	1.02	0.07	0.04	0.01	1.05	0.06
akistan	147.76	10.87	47.22	14.05	194.98	11.50
apua New Guinea	0.03	0.00	0.00	0.00	0.03	0.00
hilippines	1.91	0.14	0.19	0.06	2.09	0.12
ortugal	0.01	0.00	0.00	0.00	0.01	0.00
amoa	0.03	0.00	0.00	0.00	0.03	0.00
ingapore	46.13	3.39	9.70	2.89	55.83	3.29
olomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
pain	5.54	0.41	0.21	0.06	5.75	0.34
ri Lanka	30.15	2.22	25.94	7.72	56.09	3.31
weden	4.85	0.36	0.21	0.06	5.06	0.30
witzerland	4.70	0.35	0.41	0.12	5.11	0.30
aipei,China	18.40	1.35	0.05	0.01	18.45	1.09
ajikistan	0.00	0.00	5.05	1.50	5.05	0.30
hailand	17.19	1.26	9.81	2.92	27.00	1.59
imor-Leste	0.00	0.00	0.00	0.00	0.00	0.00
onga	0.00	0.00	0.00	0.00	0.00	0.00
urkey	0.51	0.04	0.06	0.02	0.57	0.03
urkmenistan	0.01	0.00	0.00	0.00	0.01	0.00
uvalu	0.00	0.00	0.00	0.00	0.00	0.00
Inited Kingdom	28.17	2.07	7.70	2.29	35.87	2.12
Inited States	188.51	13.87	28.99	8.62	217.50	12.83
Jzbekistan ,	0.04	0.00	0.01	0.00	0.05	0.00
/anuatu	0.06	0.00	0.00	0.00	0.06	0.00
/iet Nam	2.38	0.18	2.18	0.65	4.55	0.27
Regional	0.00	0.00	0.00	0.00	0.00	0.00
nternational Organizations	0.00	0.00	0.00	0.00	0.00	0.00
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Note: Total may not add due to rounding.

^a Estimates are based on import data drawn from the latest information available on borrowers' trade statistics compiled by the International Monetary Fund Direction of Trade Statistics.

Table 22 CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a TECHNICAL ASSISTANCE OPERATIONS

(as of 31 December 2002; amounts in \$ million)

	ADB's Own Resources	% Distri- bution	Administered Trust Funds	% Distri- bution	Japan Special Fund	% Distri- bution	Total Contracts Awarded	% Distri- bution
Afghanistan	0.16	0.02	0.00	0.00	0.02	0.00	0.18	0.01
Australia	109.74	12.98	19.80	8.03	90.76	12.84	220.30	12.25
Austria	0.82	0.10	0.00	0.00	0.01	0.00	0.83	0.05
Azerbaijan	0.12	0.01	0.00	0.00	0.00	0.00	0.12	0.01
Bangladesh	7.01	0.83	2.60	1.05	3.39	0.48	13.00	0.72
Belgium	3.06	0.36	0.71	0.29	1.55	0.22	5.32	0.30
Bhutan	0.07	0.01	0.02	0.01	0.03	0.00	0.12	0.01
Cambodia	0.61	0.07	0.12	0.05	0.17	0.02	0.90	0.05
Canada	60.91	7.20	29.15	11.83	54.31	7.68	144.37	8.03
China, People's Rep. of	5.69	0.67	1.08	0.44	4.72	0.67	11.50	0.64
Cook Islands	0.02	0.00	0.19	0.08	0.00	0.00	0.21	0.01
Denmark	9.67	1.14	1.82	0.74	14.45	2.04	25.94	1.44
Fiji Islands	0.46	0.05	0.00	0.00	0.15	0.02	0.61	0.03
Finland	4.51	0.53	4.59	1.86	6.91	0.98	16.01	0.89
France	14.27	1.69	10.65	4.32	19.11	2.70	44.03	2.45
Germany	13.33	1.58	6.10	2.47	26.11	3.69	45.53	2.53
Hong Kong, China	14.19	1.68	3.35	1.36	18.94	2.68	36.47	2.03
India	28.99	3.43	4.49	1.82	11.99	1.70	45.46	2.03
Indonesia	11.53	1.36	1.46	0.59	8.29	1.70	21.28	1.18
Italy	4.57	0.54	0.66	0.39	2.56	0.36	7.79	0.43
3	18.72	2.21	5.71	2.32	18.54	2.62	42.97	2.39
Japan Kazakhstan	0.19	0.02	0.40	2.32 0.16	0.03	0.00	42.97 0.61	0.03
Kiribati Karaa Dan af	0.00	0.00	0.03	0.01	0.01	0.00	0.03	0.00
Korea, Rep. of	4.22	0.50	0.99	0.40	3.46	0.49	8.67	0.48
Kyrgyz Republic	0.25	0.03	0.01	0.00	0.03	0.00	0.28	0.02
Lao PDR	2.46	0.29	0.04	0.01	0.61	0.09	3.10	0.17
Malaysia	7.08	0.84	0.22	0.09	3.17	0.45	10.47	0.58
Maldives	0.07	0.01	0.00	0.00	0.02	0.00	0.09	0.01
Marshall Islands	0.07	0.01	0.00	0.00	0.00	0.00	0.07	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.56	0.07	0.05	0.02	0.41	0.06	1.02	0.06
Myanmar	0.72	0.08	0.53	0.21	0.00	0.00	1.25	0.07
Nauru	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	4.93	0.58	1.07	0.43	1.21	0.17	7.21	0.40
The Netherlands	18.47	2.19	20.49	8.31	25.05	3.54	64.01	3.56
New Zealand	47.26	5.59	8.66	3.51	45.22	6.40	101.14	5.62
Norway	2.51	0.30	3.16	1.28	3.36	0.48	9.03	0.50
Pakistan	10.70	1.27	0.51	0.21	1.64	0.23	12.84	0.71
Papua New Guinea	1.21	0.14	0.04	0.02	0.88	0.12	2.13	0.12
Philippines	52.27	6.18	10.64	4.32	24.90	3.52	87.81	4.88
Portugal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Samoa	0.73	0.09	0.01	0.00	0.86	0.12	1.59	0.09
Singapore	11.30	0.02	0.00	0.00	7.60	1.08	18.91	1.05
Solomon Islands	0.48	1.29	0.02	0.01	0.27	0.04	0.76	0.04
Spain	0.54	1.09	1.29	0.52	0.81	0.11	2.64	0.15
, Sri Lanka	9.70	2.90	1.09	0.44	2.69	0.38	13.47	0.75
Sweden	4.85	4.65	2.90	1.18	5.80	0.82	13.55	0.75
Switzerland	9.04	0.07	4.65	1.88	10.32	1.46	24.00	1.33
Taipei,China	1.06	0.00	0.07	0.03	2.05	0.29	3.18	0.18
Tajikistan	0.11	2.76	0.00	0.00	0.01	0.00	0.12	0.01
Thailand	9.51	0.00	2.76	1.12	9.50	1.34	21.77	1.21
Timor-Leste	0.10	0.01	0.00	0.00	0.00	0.00	0.10	0.01
Tonga	0.18	0.01	0.00	0.00	0.00	0.00	0.18	0.01
Turkey	0.15	0.02	0.00	0.00	0.00	0.00	0.18	0.01
Turkmenistan	0.01	0.02	0.00	0.00	0.00	0.00	0.23	0.01
Tuvalu	0.06	0.00	0.00	0.00	0.00	0.00	0.01	0.00
United Kingdom	125.92	14.90	39.98	16.22				
					111.63	15.79	277.53	15.43
United States	182.90	21.64	49.93	20.25	154.07	21.79	386.90	21.51
Uzbekistan	0.08	0.01	0.06	0.02	0.04	0.01	0.18	0.01
Vanuatu Viet Nem	0.74	0.09	0.00	0.00	1.20	0.17	1.94	0.11
Viet Nam	1.77	0.21	0.33	0.13	2.07	0.29	4.17	0.23
Regional International Organizations	1.52 23.21	0.18 2.75	0.00 4.07	0.00 1.65	1.25 4.90	0.18 0.69	2.77 32.18	0.15 1.79

0.00 Data negligible. Note: Total may not add due to rounding.

^a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 23 CONTRACTS AWARDED BY COUNTRY OF ORIGIN, a 2000–2002 TECHNICAL ASSISTANCE OPERATIONS (amounts in \$ million)

Value % Value		2000		2	001	2002 ^a		
Australia 20.99 13.54 17.99 12.91 20.38 15.79 Australia 0.00 0.00 0.67 0.48 0.01 0.01 Azerbaijan 0.00 0.00 0.05 0.03 0.05 0.04 0.05 0.03 0.05 0.04 0.05 0.03 0.05 0.04 0.05 0.03 0.05 0.04 0.05 0.03 0.05 0.04 0.05 0.03 0.05 0.04 0.05 0.03 0.05 0.04 0.05 0.03 0.05 0.04 0.05 0.03 0.05 0.04 0.05 0.04 0.05 0.04 0.05 0.04 0.05 0.04 0.05 0.04 0.05 0.04 0.05 0.04 0.05 0.04 0.05 0.04 0.05 0.04 0.05 0.04 0.05 0.05		Value	%	Value	%	Value	%	
Austria 0.00 0.00 0.67 0.48 0.01 0.01 0.01 0.01 0.02 0.03 0.05 0.03 0.05 0.04 8 8 1 0.01 0.01 0.01 0.01 0.02 0.03 0.05 0.03 0.05 0.04 8 8 1 0.01 0.03 0.02 0.06 0.04 8 1 0.01 0.03 0.02 0.00 0.06 0.04 8 1 0.01 0.03 0.02 0.00 0.00 0.05 0.03 0.02 0.00 0.00 0.00 0.00 0.00 0.00	Afghanistan	0.00	0.00	0.00	0.00	0.16	0.12	
Azerbaijan 0.00 0.00 0.05 0.03 0.05 0.04 8 angladesh 1.43 0.92 1.77 1.27 0.81 0.63 8 eligium 0.13 0.08 0.86 0.62 0.60 0.46 8 Bhutan 0.02 0.01 0.03 0.02 0.00 0.00 0.00 0.00 0.00 0.00	Australia	20.99	13.54	17.99	12.91	20.38	15.79	
Bangladesh 1.43 0.92 1.77 1.27 0.81 0.63 Belgium 0.13 0.08 0.86 0.62 0.60 0.46 Bhutan 0.02 0.01 0.03 0.02 0.00 0.00 0.00 Cambodia 0.07 0.04 0.14 0.10 0.36 0.28 Canada 12.13 7.82 11.01 7.90 7.65 5.93 China, People's Rep. of 1.28 0.83 0.65 0.46 1.64 1.27 0.05 1.38 0.05 0.04 0.00 0.00 0.00 0.00 0.00 0.00	Austria						0.01	
Belglum 0.13 0.08 0.86 0.62 0.60 0.04 0.04 0.03 0.02 0.00 0.00 0.00 0.00 0.00 0.00	Azerbaijan	0.00	0.00	0.05		0.05	0.04	
Bhutan	Bangladesh	1.43	0.92	1.77	1.27	0.81	0.63	
Cambodia	Belgium	0.13	0.08	0.86	0.62	0.60	0.46	
Canada 12.13 7.82 11.01 7.90 7.65 5.93 China, People's Rep. of 1.28 0.83 0.65 0.46 1.64 1.27 Cook Islands 0.01 0.01 0.01 0.01 0.01 0.01 0.99 Chemark 1.84 1.18 0.60 0.43 0.45 0.35 Fijl Islands 0.03 0.02 0.08 0.06 0.08 0.06 Finance 0.22 0.14 4.00 2.87 1.55 1.20 Germany 6.45 4.16 5.66 4.06 2.12 1.64 Hong Kong, China 4.61 2.97 2.94 2.11 6.11 4.73 India 1.91 1.23 4.13 2.96 3.16 2.44 Indonesia 0.68 0.44 1.30 0.93 3.39 2.63 Itlaly 0.95 0.61 0.27 0.20 0.13 0.10 Japan 2.64 1.70 1.35 0.97 2.54 1.97 Kiribath 0.00 0.00 0.00 0.00 0.00 0.00 0.00 Kiribath 0.00 0.00 0.00 0.00 0.00 0.00 0.00 Kiribath 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.	Bhutan	0.02	0.01	0.03	0.02	0.00	0.00	
China, People's Rep. of Cook Islands Cook Islands Denmark 1, 184	Cambodia	0.07	0.04	0.14	0.10	0.36	0.28	
Cook Islands	Canada	12.13	7.82	11.01	7.90	7.65	5.93	
Cook Islands	China, People's Rep. of	1.28	0.83	0.65	0.46	1.64	1.27	
Denmark				0.01	0.01	0.19		
Fiji Islands 0.03 0.02 0.08 0.06 0.08 0.07 Finand 1.54 0.99 0.00 0.00 0.00 .88 0.68 France 0.22 0.14 4.00 2.87 1.55 1.20 .68 .68 France 0.22 0.14 4.00 2.87 1.55 1.20 .69 .69 .60	Denmark							
Finland France 0.22 0.14 0.09 0.00 0.00 0.88 0.68 0.68 France 0.22 0.14 0.00 0.287 1.55 1.20 Germany 6.45 4.16 5.66 4.06 2.12 1.64 1.70 1.87 1.87 1.87 1.87 1.87 1.87 1.87 1.87								
France 0.22 0.14 4.00 2.87 1.55 1.20 Cermany 6.45 4.16 5.66 4.06 2.12 1.64 Hong Kong, China 4.61 2.97 2.94 2.11 6.11 4.73 India 1.91 1.23 4.13 2.96 3.16 2.44 Indonesia 0.68 0.44 1.30 0.93 3.39 2.63 1.61 1.81 1.81 1.81 1.81 1.81 1.81 1.81	,							
Germany 6.45 4.16 5.66 4.06 2.12 1.64 1.67 1.60								
Hong Kóng, China								
India								
Indonesia 0.68								
Italy								
Japan								
Kazakhstan	3							
Kiribatii 0.00 0.00 0.00 0.00 0.00 0.00 0.01 0.01 0.01 0.01 0.07 0.07	Japan	2.64	1.70	1.35	0.97	2.54	1.97	
Korea, Rep. of 0.12 0.08 0.31 0.22 0.17 0.13 Kyrgyz Republic 0.05 0.03 0.06 0.04 0.04 0.03 Lao PDR 2.01 1.30 0.07 0.05 0.20 0.16 Malaysia 0.62 0.40 0.37 0.27 0.45 0.35 Malcifures 0.03 0.02 0.02 0.01 0.02 0.02 Miscriperia ed. States of 0.00 0.00 0.00 0.00 0.00 0.00 Morconesia, Fed. States of 0.00	Kazakhstan	0.02	0.01	0.20	0.14	0.19	0.15	
Kyrgyx Republic 0.05 0.03 0.06 0.04 0.04 0.04 Lao PDR 2.01 1.30 0.07 0.05 0.20 0.16 Malaysia 0.62 0.40 0.37 0.27 0.45 0.35 Malrosall Islands 0.00 0.00 0.00 0.00 0.00 0.00 Micronesia, Fed. States of 0.00 0.00 0.00 0.00 0.00 0.00 Mongolia 0.17 0.11 0.18 0.13 0.14 0.11 Myanmar 0.09 0.06 0.05 0.04 0.05 0.04 Nauru 0.00 0.00 0.00 0.00 0.00 0.00 Nepal 0.32 0.20 0.55 0.04 0.05 0.04 New Zealand 6.89 4.44 9.07 6.51 8.79 1.46 Norway 0.69 0.45 0.03 0.02 0.18 0.14 Papua New Guinea 0.13	Kiribati	0.00	0.00	0.00	0.00	0.01	0.01	
Kyrgyz Republic 0.05 0.03 0.06 0.04 0.04 0.04 Lao PDR 2.01 1.30 0.07 0.05 0.20 0.16 Malaysia 0.62 0.40 0.37 0.27 0.45 0.35 Marshall Islands 0.00 0.00 0.00 0.00 0.00 0.00 Micronesia, Fed. States of 0.00 0.00 0.00 0.00 0.00 0.00 Mongolia 0.17 0.11 0.18 0.13 0.14 0.11 Myaru 0.09 0.06 0.05 0.04 0.05 0.04 Naru 0.09 0.06 0.05 0.04 0.05 0.04 Nebral 0.33 0.02	Korea, Rep. of	0.12	0.08	0.31	0.22	0.17	0.13	
Lao PR 2.01 1.30 0.07 0.05 0.20 0.16 Malaysia 0.62 0.40 0.37 0.27 0.45 0.35 Maldives 0.03 0.02 0.02 0.01 0.02 0.02 Micronesia, Fed. States of 0.00 0.00 0.00 0.00 0.00 0.00 Morgolia 0.17 0.11 0.18 0.13 0.14 0.11 Myanmar 0.09 0.06 0.05 0.04 0.05 0.04 Nauru 0.00 0.00 0.00 0.00 0.00 0.00 Nepal 0.32 0.20 0.555 0.39 0.51 0.39 The Netherlands 11.29 7.28 4.46 3.20 1.89 1.46 New Zealand 6.89 4.44 9.07 6.51 8.79 6.81 Norway 0.69 0.45 0.03 0.02 0.18 0.14 Palistan 0.52 0.34		0.05	0.03	0.06		0.04	0.03	
Malaysia 0.62 0.40 0.37 0.27 0.45 0.35 Maldives 0.03 0.02 0.02 0.01 0.02 0.02 Marshall Islands 0.00 0.00 0.00 0.00 0.00 0.00 0.00 Monogolia 0.17 0.11 0.18 0.13 0.14 0.11 Myanmar 0.09 0.06 0.05 0.04 0.05 0.04 Nauru 0.00 0.00 0.00 0.00 0.00 0.00 0.00 Nepal 0.32 0.20 0.55 0.39 0.51 0.39 The Netherlands 11.29 7.28 4.46 3.20 1.89 1.46 New Zealand 6.89 4.44 9.07 6.51 8.79 6.81 Norway 0.69 0.45 0.03 0.02 0.18 0.14 Palkistan 0.52 0.34 1.28 0.92 2.51 1.95 Palpilippines								
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Norway 0.69 0.45 0.03 0.02 0.18 0.14 Pakistan 0.52 0.34 1.28 0.92 2.51 1.95 Appua New Guinea 0.13 0.08 0.41 0.30 0.88 0.68 Philippines 8.68 5.60 8.62 6.18 7.87 6.10 Portugal 0.00 0.00 0.00 0.00 0.00 0.00 Samoa 0.34 0.22 0.11 0.08 0.05 0.04 Singapore 1.15 0.74 2.17 1.56 0.91 0.71 Solomon Islands 0.18 0.12 0.09 0.07 0.25 0.19 Sri Lanka 3.34 2.15 0.73 0.52 0.41 0.32 Sweden 0.63 0.41 0.93 0.67 0.20 0.15 Switzerland 2.18 1.40 0.90 0.65 1.98 1.53 Taipel, China 0.03 0.02 <td>The Netherlands</td> <td>11.29</td> <td>7.28</td> <td>4.46</td> <td>3.20</td> <td>1.89</td> <td>1.46</td>	The Netherlands	11.29	7.28	4.46	3.20	1.89	1.46	
Pakistan 0.52 0.34 1.28 0.92 2.51 1.95 Papua New Guinea 0.13 0.08 0.41 0.30 0.88 0.68 Philippines 8.68 5.60 8.62 6.18 7.87 6.10 Portugal 0.00 0.00 0.00 0.00 0.00 Samoa 0.34 0.22 0.11 0.08 0.05 0.04 Singapore 1.15 0.74 2.17 1.56 0.91 0.71 Solomon Islands 0.18 0.12 0.09 0.07 0.25 0.19 Spain 0.00 0.00 0.05 0.03 0.10 0.08 Sri Lanka 3.34 2.15 0.73 0.52 0.41 0.32 Sweden 0.63 0.41 0.93 0.67 0.20 0.15 Switzerland 2.18 1.40 0.90 0.65 1.98 1.53 Taipikistan 0.00 0.00 0.00	New Zealand	6.89	4.44	9.07	6.51	8.79	6.81	
Pakistan 0.52 0.34 1.28 0.92 2.51 1.95 Papua New Guinea 0.13 0.08 0.41 0.30 0.88 0.68 Philippines 8.68 5.60 8.62 6.18 7.87 6.10 Portugal 0.00 0.00 0.00 0.00 0.00 0.00 Samoa 0.34 0.22 0.11 0.08 0.05 0.04 Singapore 1.15 0.74 2.17 1.56 0.91 0.71 Solomon Islands 0.18 0.12 0.09 0.07 0.25 0.19 Spain 0.00 0.00 0.05 0.03 0.10 0.08 Sri Lanka 3.34 2.15 0.73 0.52 0.41 0.32 Sweden 0.63 0.41 0.93 0.67 0.20 0.15 Switzerland 2.18 1.40 0.90 0.65 1.98 1.53 Taijkikstan 0.00 0.00	Norway	0.69	0.45	0.03	0.02	0.18	0.14	
Papua New Guinea 0.13 0.08 0.41 0.30 0.88 0.68 Philippines 8.68 5.60 8.62 6.18 7.87 6.10 Portugal 0.00 0.00 0.00 0.00 0.00 Samoa 0.34 0.22 0.11 0.08 0.05 0.04 Singapore 1.15 0.74 2.17 1.56 0.91 0.71 Solomon Islands 0.18 0.12 0.09 0.07 0.25 0.19 Spain 0.00 0.00 0.05 0.03 0.10 0.08 Sri Lanka 3.34 2.15 0.73 0.52 0.41 0.32 Sweden 0.63 0.41 0.93 0.67 0.20 0.15 Switzerland 2.18 1.40 0.90 0.65 1.98 1.53 Taipei,China 0.03 0.02 0.00 0.00 0.00 0.00 0.02 0.02 Taikistan 0.00 <td></td> <td>0.52</td> <td>0.34</td> <td>1.28</td> <td>0.92</td> <td>2.51</td> <td>1.95</td>		0.52	0.34	1.28	0.92	2.51	1.95	
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International Organizations 0.01 0.01 0.00 0.00 0.00 0.00								
		0.48		1.12	0.80	0.65	0.51	
	International Organizations	0.01	0.01	0.00	0.00		0.00	
	TOTAL	155.05	100.00	139.34	100.00	129.09	100.00	

Note: Total may not add due to rounding.

^a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

TECHNICAL ASSISTANCE GRANTS BY COUNTRY AND REGIONAL ACTIVITIES, a 1967-2002, 2001, 2002 (amounts in \$ thousand)

	1 9 6 7 - 2 0 0 2 ^b										
	No.	Amount	%	No.	OCR Financing	TASF Financing	JSF Financing	ACCSF ^c Financing	Other Sources	Total	
Afghanistan	18	17,701.70	0.80	_	_	_	_	_	_	-	
Azerbaijan	6	2,652.00	0.12	5	150.00	1,062.00	740.00	-	-	1,952.00	
Bangladesh	280	149,878.33	6.75	12	525.00	1,000.00	3,340.00	-	-	4,865.00	
Bhutan	81	30,475.15	1.37	5	900.00	-	1,200.00	_	_	2,100.00	
Cambodia	99	66,619.60	3.00	8	-	1,750.00	4,050.00	-	1,000.00	6,800.00	
China, People's Rep. of	392	208,811.05	9.41	20	700.00	7,968.00	2,630.00	-	1,150.00	12,448.00	
Cook Islands	25	7,995.00	0.36	2	_	_	500.00	_	_	500.00	
Fiji Islands	67	20,876.80	0.94	_	_	_	_	_	_	_	
ndia	167	84,566.86	3.81	12	1,450.00	4,300.00	_	_	2,250.00	8,000.00	
Indonesia	433	200,077.27	9.02	19	2,090.00	700.00	2,590.00	8,953.00	1,600.00	15,933.00	
Kazakhstan	44	21,590.00	0.97	3	150.00	700.00	1,300.00	-	-	1,450.00	
Kiribati	32	10,310.70	0.46	1	-	_	500.00	_	_	500.00	
Korea, Rep. of	33	5,010.15	0.23	_		_	_	_	_	_	
Kyrgyz Republic	51	30,971.40	1.40	4	_	1,550.00	650.00	_	_	2,200.00	
Lao PDR	191	92,417.78	4.16	10	_	1,100.00	4,100.00	_	_	5,200.00	
Malaysia Maldives	92 44	25,202.30 15,158.00	1.14 0.68	- 3	-	-	700.00	_	-	700.00	
Marshall Islands	39	16,147.00	0.88	ა 1	950.00	_	700.00	_	_	950.00	
Micronesia, Fed. States of	33	20,595.00	0.93	2	-	900.00	-	-	333.00	1,233.00	
Mongolia	108	53,270.65	2.40 0.48	7	1,100.00	900.00	1,800.00	-	-	3,800.00	
Myanmar	38	10,716.00		-	-	-	_	_	-	_	
Vauru	5	1,244.00	0.06	-	-	-	-	-	-	-	
Vepal	228	104,469.70	4.71	5	300.00	1,525.00	2,175.00	-	-	4,000.00	
Pakistan	242	98,991.40	4.46	17	3,650.00	2,150.00	800.00	-	-	6,600.00	
Papua New Guinea	120	41,813.60	1.88	8	700.00	870.00	2,700.00	-	-	4,270.00	
Philippines	292	126,589.25	5.70	9	197.00	720.00	2,358.00	3,790.00	485.00	7,550.00	
Samoa	72	19,601.50	0.88	3	800.00	-	-	-	-	800.00	
Singapore	2	577.42	0.03	_	-	-	-	-	-	-	
Solomon Islands	51	10,900.24	0.49	_	-	-	-	-	-	-	
Sri Lanka	198	79,175.60	3.57	9	300.00	406.00	3,400.00	-	-	4,106.00	
Taipei,China	1	100.00	0.00	_	_	_	_	_	_	_	
Tajikistan	29	15,125.00	0.68	5	435.00	140.00	1,550.00	-	-	2,125.00	
hailand	142	52,443.60	2.36	7	-	350.00	750.00	1,565.00	-	2,665.00	
Γimor-Leste	20	8,600.90	0.39	6	150.00	120.00	2,100.00	_	_	2,370.00	
Tonga	45	12,126.50	0.55	1	650.00	_	-	_	_	650.00	
Turkmenistan	3	565.00	0.03	1	150.00	_	-	-	-	150.00	
Гuvalu	14	3,627.00	0.16	1	300.00	_	_	_	_	300.00	
Jzbekistan	42	23,980.00	1.08	5	150.00	980.00	600.00	_	570.00	2,300.00	
/anuatu	49	13,264.76	0.60	3	-	200.00	500.00	_	-	700.00	
Viet Nam	143	93,210.46	4.20	10	640.00	660.00	3,500.00	_	3,618.00	8,418.00	
		1 707 440 //						14 200 00	11.007.00		
Subtotal	3,971	1,797,448.66	81.00	204	16,437.00	29,351.00	44,533.00	14,308.00		115,635.00	
Regional	1,082	421,755.62	19.00	51	3,525.00	9,761.00	8,650.00	1,800.00	6,143.86	29,879.86	
TOTAL	5,053	2,219,204.28	100.00	255	19,962.00	39,112.00	53,183.00	16,108.00	17,149.86	145,514.86	

Excludes technical assistance financed under loans that are included in ADB's loan data.
 Cumulative data are adjusted to exclude technical assistance projects withdrawn by governments.
 Asian Currency Crisis Support Facility.

%	No.	OCR Financing	TASF Financing	JSF Financing	ACCSF ^c Financing	Other Sources	Total	%	
- 1.34 3.34	2 1 9	15,000.00 - 750.00	- - 3,000.00	700.00 1,100.00	- - -	136.00 - -	15,136.00 700.00 4,850.00	8.45 0.39 2.71	Afghanistan Azerbaijan Bangladesh
1.44 4.67 8.55	5 17 26	- 1,410.00 3,448.00	1,200.00 1,990.00 4,125.00	650.00 1,600.00 2,700.00	- - -	1,531.00 2,924.00	1,850.00 6,531.00 13,197.00	1.03 3.65 7.37	Bhutan Cambodia China, People's Rep. of
0.34 - 5.50	- 4 26	1,310.00 1,900.00	250.00 2,500.00	400.00 3,000.00	- - -	- - 5,840.00	1,960.00 13,240.00	1.09 7.40	Cook Islands Fiji Islands India
10.95 1.00 0.34	27 8 2	1,980.00 750.00 770.70	2,300.00 736.00 -	3,300.00 600.00 -	7,325.00 - -	4,194.00 - -	19,099.00 2,086.00 770.70	10.67 1.17 0.43	Indonesia Kazakhstan Kiribati
- 1.51 3.57	- 5 7	500.00 1,200.00	1,730.90 1,000.00	500.00 1,200.00	- - -	300.00	2,730.90 3,700.00	1.53 2.07	Korea, Rep. of Kyrgyz Republic Lao PDR
0.48 0.65	- 3 2	- - -	230.00 670.00	750.00 -	- - -	- - -	980.00 670.00	0.55 0.37	Malaysia Maldives Marshall Islands
0.85 2.61	2 9 -	- 1,450.00 -	360.00 1,050.00 -	650.00 600.00 -	- - -	400.00 -	1,010.00 3,500.00 -	0.56 1.95 -	Micronesia, Fed. States of Mongolia Myanmar
2.75 4.54	- 9 17	300.00 2,075.00	1,200.00 3,120.00	2,400.00 1,250.00	- - -	- - 1,225.00	3,900.00 7,670.00	2.18 4.28	Nauru Nepal Pakistan
2.93 5.19 0.55	4 12 3	800.00 270.00 700.00	2,700.00 -	1,500.00 1,000.00 300.00	2,250.00 -	242.00 375.00	2,542.00 6,595.00 1,000.00	1.42 3.68 0.56	Papua New Guinea Philippines Samoa
- - 2.82	- - 9	- - 950.00	- - 150.00	- - 3,435.00	- - -	- - 250.00	- 4,785.00	- - 2.67	Singapore Solomon Islands Sri Lanka
- 1.46 1.83	- 5 3	120.00 150.00	- - 600.00	2,060.00 -	- - -	480.00 150.00	2,660.00 900.00	- 1.49 0.50	Taipei,China Tajikistan Thailand
1.63 0.45 0.10	2 1 2	338.00 700.00 415.00	600.00 - -	350.00 - -	- - -	- - -	1,288.00 700.00 415.00	0.72 0.39 0.23	Timor-Leste Tonga Turkmenistan
0.21 1.58 0.48 5.78	1 7 2 15	150.00 200.00 1,368.00	2,650.00 250.00 2,700.00	291.00 600.00 - 3,600.00	- - -	580.00 - 1,609.00	291.00 3,980.00 450.00 9,277.00	0.16 2.22 0.25 5.18	Tuvalu Uzbekistan Vanuatu Viet Nam
79.47 20.53	247	39,004.70 16,993.00	35,111.90 11,593.00	34,536.00 1,900.00	9,575.00	20,236.00	138,463.60 40,576.00	77.34 22.66	Subtotal Regional
100.00	324	55,997.70	46,704.90	36,436.00	9,575.00	30,326.00	179,039.60	100.00	TOTAL

Table 25 TECHNICAL ASSISTANCE GRANTS, 2002 (\$ thousand)

	Project Preparatory	Advisory and Operationa
AFGHANISTAN		
Capacity Building for Reconstruction and Development Disaster Preparedness and Management Capacity Building		14,636.00 ^a 500.00
Subtotal		15,136.00
AZERBAIJAN	700 00h	
Flood Mitigation	700.00 ^b	
Subtotal	700.00	
BANGLADESH	b	
Second Participatory Livestock Development	500.00 ^b	
Small and Medium Enterprise Development and Export Expansion Program Teaching Quality Improvement in Secondary Education	600.00 ^b 600.00	
Corporatization of the Dhaka Electric Supply Authority	000.00	850.00
Secondary Towns Integrated Flood Protection II	900.00	000.00
Supporting Urban Governance Reform		400.00
Enhancing Capacity of Infrastructure Agencies in Management of Involuntary		450.00
Resettlement Efficiency Enhancement of Fiscal Management II		150.00 600.00
Strengthening Primary Education Development Program		250.00
Subtotal	2,600.00	2,250.00
BHUTAN		
Strengthening the Debt Management Capacity of the Department of Aid and		
Debt Management		116.00
Strengthening the Capacity of the Royal Monetary Authority and Royal Securities		334.00
Exchange of Bhutan Institutional Development of the Bhutan Development Finance Corporation		200.00
Industrial Estate and Dry Port Development	700.00	200.00
Housing Sector Reform		500.00
Subtotal	700.00	1,150.00
CAMBODIA		
Decentralization Support Program	500.00	
Economic Analysis for the Greater Mekong Subregion (GMS) Cambodia Road Improvement	150.00	
Environmental Assessment for the GMS Cambodia Road Improvement	60.00	
Resettlement Study and Social Impact Assessment for the GMS Cambodia Road	00.00	
Improvement	150.00	
Performance Management in the Education Sector		800.00
Improving Legal Infrastructure in the Financial Sector	400.00	800.00
Engineering Design Update for the GMS Cambodia Road Improvement Sustainable Employment Promotion for Poor Women	400.00	400.00
Integrated Social Sectors Study		150.00
Engagement of a Poverty Consultant at the Cambodia Resident Mission		15.00
Improving the Regulatory and Management Framework for Inland Fisheries		540.00
Chong Kneas Environmental Improvement	997.00 ^e	20.00
Reaching the Rural Poor with Primary Health Care Improving Insurance Supervision		39.00
Capacity Building of the Inland Fisheries Research and Development Institute		400.00 900.00
Private Sector Assessment		150.00
Dissemination of the National Poverty Reduction Strategy		80.00
Subtotal	2,257.00	4,274.00

Of this amount, \$136,000 is to be financed by the Government of Australia with ADB acting as executing agency.

d Of this amount, \$136,000 is to be financed by the Government of Australia with ADB acting as e
 b To be financed from the Japan Special Fund (JSF).
 c To be financed from the Poverty Reduction Cooperation Fund.
 d To be financed by the Government of the United Kingdom with ADB acting as executing agency.
 e To be financed by the Government of Finland with ADB acting as executing agency.
 f To be financed by the World Bank with ADB acting as executing agency.
 g To be financed from the Cooperation Fund for National Poverty Reduction Strategies.

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	Project Preparatory	Advisory and Operational
CHINA, PEOPLE'S REPUBLIC OF		
Coalbed Methane Demonstration (Supplementary)	398.00	
Wuhan Wastewater Treatment (Supplementary)	199.00 ^a	
Opportunities for the Clean Development Mechanism in the Energy Sector		775.00 ^b
Dryland Farming Project in the Northern Region	450.00	
Mudanjiang Water Supply	150.00	
Yichang-Wanzhou Railway	250.00	222.22
Banking Laws and Regulations		800.00
Study of Control and Management of Rural Nonpoint Source Pollution		600.00 ^c
Socioeconomic Assessment of Road Projects	750.00 ^d	250.00
Xi'an Urban Transport Liaoning Environmental Improvement	500.00°	
Hunan Roads Development	600.00 ^e	
Development of Small and Medium Enterprise Alternative Financing Mechanism	000.00	150.00
Establishing the National Electricity Regulatory Commission		500.00
Improving Corporate Governance and Financial Performance of State-Owned Enterprises		500.00
Improving Basic Education in Underdeveloped Areas Through Information and		000.00
Communication Technology		500.00
Study of the Carrying Capacity of Water Resources		600.00°
Hebei Provincial Development Strategy		600.00
Enforcement of World Trade Organization Rules by the Judicial System		400.00 ^c
Fiscal Management Reforms		875.00
Strengthening Public Debt Management		400.00
Strengthening the Involuntary Resettlement Practices in the Yichang-Wanzhou		
Railway	250.00	
Strengthening National Public Nutrition Planning		500.00
Sanjiang Plains Wetland Protection	600.00 ^c	
Fuzhou Environmental Improvement	600.00 ^f	
Songhua River Water Quality and Pollution Control Management		1,000.00
Subtotal	4,747.00	8,450.00
FIJI ISLANDS		
Alternative Livelihoods	650.00	
Intermediation of Sugar Sector Restructuring		660.00
Supporting Economic Management and Development Policies		250.00
Rural Electrification	400.00 ^c	
Subtotal	1,050.00	910.00
INDIA		
Madhya Pradesh State Road Development	1,000.00 ^g	
Value-Added Tax Reform: Capacity Building at the Postimplementation Stage	1,000.00	600.00
Secured Transactions Reform		500.00
Participative and Pro-Poor Fiscal and Administrative Reforms in Kerala		150.00 ^g
Strengthening State Government Effectiveness and Accountability in Kerala		150.00 ^g
Integrating Poverty Reduction in Programs and Projects		640.00 ^g
Development of a Transfer Scheme for Madhya Pradesh Power Sector Reform		400.00 ^c
Legal Support for Madhya Pradesh Power Sector Reform		150.00 ^c
Energy Efficiency Enhancement	600.00 ^c	
North Eastern Region Urban Sector Profile		150.00 ^g
Participatory Poverty Assessment at the State Level, Part II		750.00 ^g
Economic Studies for the Rural Roads Sector Development	150.00 ^g	
	150.00 ^g	
Engineering Studies for the Rural Roads Sector Development Environmental Analysis for the Rural Roads Sector Development	100.00 ^g	

To be financed by the Government of France with ADB acting as executing agency.

To be financed by the Government of France with ADB acting as executing agency.

To be financed by the Government of Canada with ADB acting as executing agency.

To be financed from the JSF.

Of this amount, \$500,000 is to be financed by the Government of Spain and \$250,000 by the Government of Italy with ADB acting as executing agency.

To be financed by the Government of Spain with ADB acting as executing agency.

To be financed by the Government of Spain with ADB acting as executing agency.

To be financed by the Government of the United Kingdom with ADB acting as executing agency.

	Project Preparatory	Advisory and Operational
INDIA		
Institutional and Policy Development Studies for the Rural Roads Sector Development Social Analysis for the Rural Roads Sector Development	150.00 ^a 150.00 ^a	
Developing the Enabling Environment for and Structuring Asset Reconstruction		000.00
Companies in India Assam Power Sector Development Program	800.00 ^b	800.00
Strengthening Consumer and Stakeholder Communication for Madhya Pradesh Power Sector Reform	000.00	150.00 ^b
Inland Waterway Sector Development Program	900.00 ^b	100.00
Chhattisgarh State Roads Sector Development	800.00 ^a	
Reform of the Mutual Funds Industry		800.00
Institutional Strengthening and Capacity Building for Madhya Pradesh State Road Sector	•	$1,500.00^{a}$
National Highway Corridor (Sector)	500.00	
Management Consulting Services to Indian Railways Policy Research Networking to Strengthen Policy Reforms		500.00 700.00
Subtotal	5,300.00	7,940.00
INDONESIA		
Urban Poverty Reduction (Supplementary)	160.00 ^a	
Developing Leading Indicators for Poverty Monitoring (Supplementary)		80.00
Strengthening Business Development Services for Small and Medium Enterprises		1,500.00 ^c
Improving the Environmental Performance of Small and Medium Enterprises by		500.00
Promoting Cleaner Production		500.00 ^c
Developing Proxy Indicators of Poverty Strongthoning the Canasity of the Ministry of Settlements and Regional		400.00 ^c
Strengthening the Capacity of the Ministry of Settlements and Regional Infrastructure to Combat Fraud and Corruption		625.00 ^c
Agriculture and Rural Development Strategy Study		900.00 ^c
Gender Equity in Policy and Program Planning		400.00°
Development of an Anti-Money Laundering Regime		1,500.00 ^c
Establishment of a Financial Services Authority		1,500.00 ^c
Water Supply and Sanitation Sector	150.00	•
Shelter Sector Project	1,000.00 ^d	
Support for Good Local Governance		100.00
Support for the Regional Government Borrowing System		500.00
Integration of Poverty Considerations in Decentralized Education Management		600.00 ^e
Local Government Provision of Minimum Basic Services for the Poor	ooo ooh	750.00 ^a
Community-Based Land Rehabilitation and Management	800.00 ^b 900.00 ^b	
Second Road Rehabilitation Improving the Climate for Investment and Productivity in Indonesia: An Approach	900.00	
to Long-Term Poverty Reduction		150.00
Monitoring System for Capacity Building		1,200.00 ^f
Financial Governance and Social Security Reform		1,000.00
Clean Vehicle Fuel for Blue Skies	600.00 ^b	.,000.00
Interisland Transport	1,000.00 ^b	
Small and Medium Enterprise Export Development		500.00
Power Welfare Scheme		800.00 ^g
Community Water Services and Health	1,000.00	
Managing Regional Disparity in Economic and Poverty Reduction Programs		
Under Decentralization (Phase 1)		484.00 ^a
Subtotal	5,610.00	13,489.00

^a To be financed by the Government of the United Kingdom with ADB acting as executing agency.

To be financed by the Government of the United Kingdom with ADB acting as executing agency.

To be financed from the JSF.

To be financed from the Asian Currency Crisis Support Facility (ACCSF).

Of this amount, \$500,000 is to be financed by the Government of the United Kingdom with ADB acting as executing agency.

Of this amount, \$300,000 is to be financed by the Government of the United Kingdom with ADB acting as executing agency.

To be financed by the Government of the Netherlands with ADB acting as executing agency.

^g To be financed by the Government of Denmark with ADB acting as executing agency.

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	Project Preparatory	Advisory and Operational
KAZAKHSTAN		
Forum on the Implementation of the Kazakhstan Development Strategy up to 2010: The Successful Experience of Asian Countries Participatory Rural Sector Planning and Development Education Sector Development Strategy		150.00 150.00 600.00 ^a
Feasibility Study of Borovoe-Petropavlovsk Road Rehabilitation Project in Kazakhstan Social Sector Expenditure Review Industrial Sector Review and Strategy Enhancing the Public Investment Programming Database System	150.00	150.00 150.00 60.00
Capacity Building of National and Local Governments to Implement the Poverty Reduction Program		676.00
Subtotal	150.00	1,936.00
KYRGYZ REPUBLIC Strengthening Capacity in the Office of the President, Phase Two Customs Modernization and Infrastructure Development	500.00 ^a	500.00
Strengthening the Capacity to Manage and Monitor Externally Assisted Projects Capacity Building in Savings and Credit Unions and Microfinancial Systems Financial Sector Reforms		580.90 550.00 600.00
Subtotal	500.00	2,230.90
KIRIBATI Community Development and Sustainable Participation Capacity Building to Support the Outer Island Development Program		420.70 350.00
Subtotal LAO PEOPLE'S DEMOCRATIC REPUBLIC Strengthening Decentralized Education Management Northern and Central Regions Water Supply and Sanitation	700.00 ^a	<u>770.70</u> 500.00
Northern Airports Improvement Northern Region Strategic Action Plan Strengthening Corporate Governance and Management of State-Owned	500.00 ^a	700.00
Commercial Banks II Agribusiness Support and Training Social Protection in the Lao People's Democratic Republic: Issues and Options		900.00 ^b 250.00 150.00 ^c
Subtotal MALDIVES	1,200.00	2,500.00
Regional Development Project (Phase II) Transport Master Plan Revenue Diversification	400.00 ^a	230.00 350.00 ^a
Subtotal	400.00	580.00
MARSHALL ISLANDS Mobilizing Land Improving the Delivery of Sea and Air Transport		420.00 250.00
Subtotal		670.00
MICRONESIA, FEDERATED STATES OF Capacity Building in Public Sector Financial Management Omnibus Infrastructure Development	650.00 ^a	360.00
Subtotal	650.00	360.00

To be financed from the JSF.

Of this amount, \$150,000 is to be financed from the Governance Cooperation Fund.

To be financed from the Poverty Reduction Cooperation Fund.

	Project Preparatory	Advisory and Operational
MONGOLIA		
Technical Assistance to Support Privatization in the Banking Sector		150.00
Capacity Building for Accounting and Auditing Professionals		500.00
Strengthening Public Sector Administration and Financial Management		650.00
Trade Policy Review		150.00
Civil Aviation Policy Development		300.00
Capacity Building for Integrated Regional Development Planning		600.00
Renewable Energy Development in Small Towns and Rural Areas	h	400.00 ^a
Third Roads Development	600.00 ^b	
Retraining of Legal Professionals in a Market Economy II		150.00
Subtotal	600.00	2,900.00
NEPAL		
Support for the Focal Point for Financial Sector Reforms		150.00
Community-Based Water Supply and Sanitation	750.00 ^b	
Capacity Building for Teacher Education	h	500.00 ^b
Empowerment of Women	450.00 ^b	
Privatization and Liquidation of Public Enterprise	b	150.00
Commercial Agriculture Development	700.00 ^b	
Skills for Employment	400.00	
Strengthening Institutional Capacity for Public Debt Management		400.00
Community Livestock Development	400.00	
Subtotal	2,700.00	1,200.00
PAKISTAN		
Fiscal Decentralization (Supplementary)		475.00°
Gender Reform Program		600.00 ^d
Small and Medium Enterprise Development Program	800.00	
Punjab Community Water Supply and Sanitation	125.00	
Balochistan Road Development Sector	550.00	
Support to the Implementation of Decentralization		450.00
Industrial Environmental Management	b	700.00
Early Childhood Development	500.00 ^b	
Strengthening Portfolio Performance and Monitoring	750 oob	650.00
Federally Administered Tribal Areas Rural Development	750.00 ^b	450.00
Debt Management Strengthening of the Economic Affairs Division		150.00
Enhancing Capacity for Resource Management and Poverty Reduction in Punjab		680.00°
Enhancing Access to Comprehensive Insurance Cover after September 11		150.00
Strengthening the National Accountability Bureau	100.00	120.00 ^f
Sindh Devolved Social Services	120.00	
Restructuring of Technical Education and Vocational Training System	150.00	
Agribusiness Development	700.00	
Subtotal	3,695.00	3,975.00
PAPUA NEW GUINEA		
Health Policy Support (Supplementary)		242.00 ^g
Improving Economic and Social Statistics	4 000 00h	800.00
Agriculture and Rural Development	1,000.00 ^b	
Health Sector Development Program	500.00 ^b	
Subtotal	1,500.00	1,042.00

^a To be financed by the Government of Denmark with ADB acting as executing agency.

To be financed from the JSF.

To be financed from the JSF.

To be financed by the Government of the United Kingdom with ADB acting as executing agency.

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To be financed from the JSF.

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To be financed from the JSF.

To be financed from the JSF.

To be financed by the Government of the United Kingdom with ADB acting as executing agency.

To be financed by the Government of the United Kingdom with ADB acting as executing agency. ADB acting as executing agency.

To be financed from the Government of Australia with ADB acting as executing agency.

ADB acting as executing agency.

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	Project Preparatory	Advisory and Operational
PHILIPPINES		
Development of Poor Urban Communities (Supplementary)	150.00	
Strengthening the Anti-Money Laundering Regime		1,000.00 ^a
Metro Manila Solid Waste Management		1,250.00 ^a
Promotion of Cleaner Production		775.00 ^b
Improving the Climate for Investment and Productivity in the Philippines:		100.00
An Approach to Long-Term Poverty Reduction Capacity Building of the Mindanao Economic Development Council to Enhance		120.00
Private Sector Activity in the Philippine East ASEAN Growth Area		200.00
Organizational Development of the Commission on Higher Education		500.00
Support for the Local Governance Performance Measurement System		200.00
Regional Capability Building and Governance for an Expanded Autonomous Region		
of Muslim Mindanao		600.00
Health Sector Development	600.00 ^c	
Program to Accelerate Small and Medium Enterprise Financing	400.00 ^c	
Transition to Competitive Electricity Market		800.00
Subtotal	1,150.00	5,445.00
SAMOA		
Implementation of the Urban Planning and Management Strategy		400.00
Strengthening of Economic Sectors Planning and Management	200.000	300.00
Savai'i Renewable Energy	300.00 ^c	
Subtotal	300.00	700.00
SRI LANKA		4 050 00d
Restructuring the Power Sector-Phase II	500.00 ^c	1,050.00 ^d
Public Sector Resource Management School Computerization	500.00°	
Investment Climate and Productivity Study for Sri Lanka: An Approach to	300.00	
Long-Term Poverty Reduction		150.00
Needs Assessment in Conflict-Affected Areas		150.00
Strengthening the Regulatory Framework for Water Supply and Sanitation		285.00 ^c
Delivering Natural Resource and Environmental Management Services Sector	800.00 ^c	
Feasibility Study of National Highways Development	850.00 ^c	
Passenger Transport Services Improvement		500.00 ^c
Subtotal	2,650.00	2,135.00
TAJIKISTAN		
Customs Modernization and Infrastructure Development	500.00 ^c	,00,000
Hydropower Development Strategy		600.00 ^c
Development of an Energy Conservation Program Strengthening Corporate and Financial Governance Reforms		120.00 480.00 ^e
Farm Debt Resolution and Policy Reforms		960.00°
Subtotal	500.00	2,160.00
THAILAND	300.00	2,100.00
Strengthening Revenue and Expenditure Management Systems in the Fiscal Policy Offic	e	150.00
Strengthening Accountability Mechanisms II	~	150.00 ^f
Pension System Design		600.00
Subtotal		900.00

To be financed from the ACCSF.

b Of this amount, \$75,000 is to be financed by the Government of Norway and \$300,000 by the Government of Spain with ADB acting as executing agency.

To be financed from the JSF.

Of this amount, \$250,000 is to be financed by the Government of Sweden with ADB acting as executing agency.

To be financed by the Government of Spain with ADB acting as executing agency.

To be financed from the Government of Spain with ADB acting as executing agency.

	Project Preparatory	Advisory and Operational
TIMOR-LESTE		
Capacity Building to Develop Public Sector Management and Governance Skills Integrated Water Resources Management		688.00 ^a 600.00
Subtotal		1,288.00
TONGA		700.00
Building a Performance-Based Public Service		700.00
Subtotal TURKMENISTAN		700.00
Rehabilitation of the Atamyrat-Imamnazar Road Improving the Statistical Methodology of the National Institute of State Statistics	150.00	
and Information		265.00
Subtotal	150.00	265.00
TUVALU Tuvalu Maritime Training Institute Strengthening		291.00 ^b
Subtotal		291.00
UZBEKISTAN		
Aral Sea Area Drought Relief Amu Zhang Water Resources Management	150.00 830.00 ^c	
Supporting Small and Microfinance Development Facility		400.00
Energy Needs Assessment Enterprise Postructuring and Corporate Covernance		600.00
Enterprise Restructuring and Corporate Governance Developing a Management Information System for Uzbek Telecom		1,000.00 400.00
Third Railway Development	600.00 ^b	
Subtotal	1,580.00	2,400.00
VANUATU		
Institutional Strengthening of the National Statistics Office Policy Framework and Capacity Building for Technical and Vocational Education		200.00
and Training		250.00
Subtotal		450.00
VIET NAM Assessment and Strengthening of Coastal Management Institutions		250.00 ^d
Gender Strategy and Implementation Plan for Agriculture and Rural Development		450.00
Housing Finance	400.00	
Making Health Care More Affordable for the Poor: Health Financing in Viet Nam		200.00
Eligibility of State-Owned Enterprises in ADB-Financed Projects Implementation of the Public Administration Reform Program	427.00 ^e	100.00
Second Lower Secondary Education Development	600.00 ^b	
Central Region Water Resources Sector	1,400.00 ^f	
Transport Services Networks for the Poor	L	350.00 ^g
Small- and Medium-Sized Enterprise Sector Development Program	650.00 ^h	
Central Region Transport Network Capacity Building for Nonbank Financial Institutions and the Capital Market	1,000.00 ^b	1,000.00
Kunming-Haiphong Transport Corridor Northern Power Transmission	1,000.00 ^b 700.00	1,000.00
Legal System Development up to Year 2010 and Capacity Building for Secured		
Transactions Registration		750.00
Subtotal	6,177.00	3,100.00
TOTAL	46,866.00	91,597.60

Of this amount, \$350,000 is to be financed from the JSF.

To be financed from the JSF.

To be financed from the JSF.

of this amount, \$580,000 is to be financed by the Government of Italy with ADB acting as executing agency.

of this amount, \$34,000 is to be financed by the Government of France and \$175,000 by the Government of New Zealand with ADB acting as executing agency.

of this amount, \$34,000 is to be financed by the Government of France and \$175,000 by the Government of the Netherlands with ADB acting as executing agency.

^g To be financed from the Poverty Reduction Cooperation Fund.

h Of this amount, \$400,000 is to be financed by the Government of Italy with ADB acting as executing agency.

Table 26 TECHNICAL ASSISTANCE GRANTS BY SECTOR, a 1967-2002, 2001, 2002

		1967–2002 ^b			2001			2002	
	No.	\$ Thousand	%	No.	\$ Thousand	%	No.	\$ Thousand	%
Agriculture and Natural Resources	1,053	481,424.14	26.78	31	22,206.00	19.20	24	15,790.00	11.40
Energy	417	178,350.05	9.92	15	9,128.00	7.89	21	11,493.00	8.30
Finance	346	148,898.36	8.28	17	13,200.00	11.42	31	17,480.00	12.62
Industry and Nonfuel Minerals	132	51,119.70	2.84	2	1,450.00	1.25	10	6,325.00	4.57
Social Infrastructure	740	324,918.67	18.08	30	19,315.00	16.70	47	22,061.70	15.93
Transport and Communications	508	224,705.95	12.50	26	10,498.00	9.08	36	16,240.00	11.73
Multisector	52	52,103.90	2.90	8	6,575.00	5.69	11	20,253.00	14.63
Others	723	335,927.90	18.69	75	33,263.00	28.77	67	28,820.90	20.81
TOTAL ^c	3,971	1,797,448.66	100.00	204	115,635.00	100.00	247	138,463.60	100.00

^a Excludes loan-financed technical assistance (which are included in loan data) and regional activities.

Table 27 TECHNICAL ASSISTANCE LOANS AND GRANTS BY SECTOR, 2002

	Loan	Grant ^a	Total	%
Agriculture and Natural Resources	36.94	15.79	52.73	13.18
Energy	17.76	11.49	29.25	7.31
Finance	22.88	17.48	40.36	10.09
Industry and Nonfuel Minerals	0.00	6.33	6.33	1.58
Social Infrastructure	34.85	22.06	56.91	14.22
Transport and Communications	76.29	16.24	92.53	23.13
Multisector	0.50	20.25	20.75	5.19
Others	72.39	28.82	101.21	25.30
TOTAL ^b	261.62	138.46	400.08	100.00

^{0.00} Data negligible.

b Cumulative data adjusted to exclude technical assistance grants withdrawn by governments.

Total may not add due to rounding.

a Excludes regional technical assistance grants.
 b Total may not add due to rounding.

	\$ Thousand
CONFERENCE	
ADB Participation in the Boao Forum for Asia	50.00
Fourth Asia Development Forum	400.00 ^a
Eighth Joint ADB-Organisation for Economic Co-operation and Development (OECD) Forum on Asian Perspectives -	
Asia and Europe: Services Liberalization	120.00
Support to the Greater Mekong Subregion (GMS) Summit of Leaders and Related Activities	500.00
Capacity Building for Developing Member Countries (DMCs) on the World Trade Organization Trading System	450.00 ^b
Twelfth Tax Conference	100.00 ^b
Asian Development Outlook Conference	200.00
Regional Public Goods and Regional Development	100.00
Fourth Asia Roundtable on Corporate Governance	50.00
Seminar on Regional Challenges to Governance: Experiences of Asia and Latin America	75.00
Subtotal	2,045.00
RESEARCH	
Fifth Agriculture and Natural Resources Research at Consultative Group on International Agricultural Research	
(CGIAR) Centers-Breeding for Iron-Rich Rice to Reduce Iron Deficiency Anemia in Asia (Supplementary)	280.00 ^c
Seventh Agriculture and Natural Resources Research at International Agricultural Research Centers	3,818.00
National Performance Assessment and Subregional Strategic Environment Framework in the GMS	1,600.00 ^d
Preparing a Pacific Governance Strategy	490.00
Strengthening and Collection of Purchasing Power Parity Data in Selected DMCs	400.00
Subtotal	6,588.00
STUDY	
Thematic Evaluation Studies of Asian Development Bank Operations in DMCs	1,600.00
Regional Gas Transmission Improvement Project in the Central Asian Republics	900.00
Study on Subregional Issues in the Agriculture Sector in the GMS	150.00
Private Sector Development Strategy for the Pacific	300.00
Formulation of the Pacific Region Environmental Strategy	400.00 ^e
Regional Initiative to Eliminate Micronutrient Malnutrition in Asia through Public-Private Partnership (Supplementary)	200.00
Promoting Good Governance in East and Central Asia	595.00
Reassessment of the Regional Transport Sector Strategy	150.00
Exploring Afghanistan's Subregional Economic Cooperation Potential	75.00
Exploring Pakistan's Regional Economic Cooperation Potential	75.00
Trade Facilitation and Customs Cooperation	2,000.00
Prioritizing Strategic Directions for Brunei Darussalam, Indonesia, Malaysia, and Philippines (BIMP)-	2,000.00
East ASEAN Growth Area (EAGA)	400.00
Pacific Fund for Strategic Poverty Analysis	50.00 ^f
Climate Change Adaptation Program for the Pacific	800.00 ^g
Assessing Community Perspectives on Governance in the Pacific	200.00 ^h
Feasibility Studies of the Turkmenistan-Afghanistan-Pakistan Natural Gas Pipeline Project	1,000.00
Prevention and Control of Dust and Sandstorms in Northeast Asia	1,000.00 ⁱ
Good Practice on Pro-Poor Service Delivery by Local Governments	250.00
Development of a Framework for Small- and Medium-Sized Enterprise Support	400.00
Policies, Institutions and Resources for Accelerating Growth in the Central Asian Republics	150.00
Road Safety in the Association of Southeast Asian Nations (ASEAN)	500.00
Rural Finance in Central Asia	600.00
Exploring Sri Lanka's Subregional Economic Cooperation Potential	60.00
Exploring the Maldives' Subregional Economic Cooperation Potential	60.00
Supporting Country-Driven Private Sector Development Strategies	500.00
Supporting Country-Driven Private Sector Development Strategies	500.00

Of this amount, \$250,000 is to be financed by the World Bank with ADB acting as executing agency.

of this amount, \$250,000 is to be financed by the world balls with ADB acting as executing agency.

To be financed from the Japan Special Fund (JSF).

To be financed by the Government of Denmark with ADB acting as executing agency.

Of this amount, \$800,000 is to be financed by the Global Environment Facility with ADB acting as executing agency.

Of this amount, \$100,000 is to be financed by the Government of New Zealand with ADB acting as executing agency.

To be financed by the Government of the United Kinadom with ADB acting as executing agency.

To be financed by the Government of the United Kingdom with ADB acting as executing agency.

⁹ To be financed by the Government of Canada with ADB acting as executing agency.

h To be financed from the Governance Cooperation Fund.

Of this amount, \$500,000 is to be financed from the JSF and \$500,000 by the Global Environment Facility with ADB acting as executing agency.

	\$ Thousand
Small- and Medium-Sized Enterprise Growth and Development in the South Asia Region	750.00
Strengthening Results-Based Management for Sector Agencies	250.00
Private Sector Cooperation in the South Asia Subregional Economic Cooperation Subregion	150.00
Capacity Building for Resettlement Risk Management	500.00 ^a
Subtotal	14,065.00
TRAINING	
A Framework for ADB-NGO Cooperation	550.00 ^b
Upgrading Accounting Education (Training the Trainers) in Selected DMCs	100.00
Capacity Building of Selected Credit Rating Agencies in Asia	150.00 ^a
Workshop on Diagnostic Study of Accounting and Auditing Practice in Selected DMCs-Phase III	50.00
Strengthening the Regional Training Capability of the South Pacific Association of Supreme Audit Institutions	500.00
National Poverty Reduction Strategies in Pacific DMCs	500.00 ^c
Youth and Gender Sensitive Public Expenditure Management in the Pacific (Supplementary)	50.00
Pacific Financial Technical Assistance Centre 2002	433.00
Government Accounting Standards (Second Phase)	245.00
Training Workshops on Financial Governance and Management of Investment Projects Financed by ADB	150.00
GMS Phnom Penh Plan for Development Management	800.00
Coordinating the Revival of Cooperation Activities in BIMP-EAGA	600.00
Capacity Building for Implementing Early Warning Systems in ASEAN+3 Countries	250.00
Technical Training and Capacity Building in Support of the ASEAN Economic Surveillance Process Phase III Technical Monograph on Participatory Development	300.00
Information and Communication Technology and HIV/AIDS Preventive Education in the Cross-Border	150.00
Areas of the GMS	1,000.00
Subtotal	5,828.00
	5,626.00
OTHERS Pagingal Cooperation in Transport Projects in Control Asia	050.00
Regional Cooperation in Transport Projects in Central Asia Promoting Urban Poverty Reduction through Participation in the Cities Alliance	850.00 670.00
Promoting Effective Water Management Policies and Practices	4,000.00 ^d
Networking with the Asian Institute of Technology	150.00
ADB-OECD Anticorruption Action Plan for Asia and the Pacific, 2002–2003	200.00 ^a
Regional Consultations for the Third World Water Forum (Supplementary)	330.00 ^e
Poverty Mapping in Selected DMCs	150.00
Networking with the Asian Institute of Management	150.00
Greater Silk Road Initiative	950.00
Network of Public Administration Institutes of the Asia and Pacific Region	300.00
Facilitating Business Information Exchange for Small- and Medium-Sized Enterprises in the BIMP-EAGA Region	
Public Opinion Surveys on Judicial Independence and Accountability	100.00 ^f
Developing Tools for Assessing the Effectiveness of ADB Operations in Reducing Poverty	600.00 ^g
Promoting Subregional Cooperation Among the Kingdom of Cambodia, People's Republic of China, Lao People	
Democratic Republic, Union of Myanmar, Kingdom of Thailand, and Socialist Republic of Viet Nam (Phase 5)	1,000.00
Public-Private Infrastructure Advisory Facility	500.00
	1,600.00 ^h
Enhancing Gender and Development Capacity in DMCs (Phase 2)	
Subtotal	12,050.00

^a To be financed from the JSF.

b Of this amount, \$220,000 is to be financed by the Government of the United Kingdom and \$160,000 by the Government of Australia with ADB acting as executing agency.

To be financed from the Cooperation Fund for National Poverty Reduction Strategies.

d To be financed from the Cooperation Fund for the Water Sector.

e Of this amount, \$300,000 is to be financed by the Japan Water Resources Association, \$20,000 by the Government of the Netherlands, and \$10,000 by the Government of Denmark with ADB acting as executing agency.

To be financed from the Governance Cooperation Fund.

To be financed from the Poverty Reduction Cooperation Fund.

h Of this amount, \$1,200,000 is to be financed by the Government of Denmark with ADB acting as executing agency.

Table 29 NET TRANSFER OF RESOURCES (ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND), a,b 2000-2002 (\$ million)

		OCR			ADF	
	2000	2001	2002	2000	2001	2002
Afghanistan Azerbaijan	<u>-</u>	-	-	- -	- -	82.99
Bangladesh	2.35	19.39	21.71	158.38	84.94	50.25
Bhutan Cambodia	(0.07)	(0.13)	(0.11)	5.83 49.29	5.69 46.42	12.82 76.40
China, People's Rep. of	400.53	555.26	(246.41)	-	-	-
Cook Islands Fiji Islands Hong Kong, China	- (2.90) -	(2.74) -	- (2.98) -	0.11 - -	0.21 - -	(0.33) - -
India Indonesia Kazakhstan	(137.91) 18.11 0.74	(218.21) (48.62) (17.26)	(122.96) 114.76 (27.01)	- 11.28 3.92	- 4.36 2.16	- 1.02 0.51
Kiribati Korea, Rep. of	- (320.69)	(268.83)	(136.36)	0.97	1.32	0.72
Kyrgyz Republic	_	_	-	19.02	55.83	24.17
Lao PDR Malaysia Maldives	(20.05) -	(49.30) -	(49.42) -	41.75 - 0.70	34.61 - 2.16	37.65 - 5.59
Marshall Islands Micronesia, Fed. States of Mongolia	- - -	2.00	1.30	9.53 4.14 29.94	5.87 2.25 27.46	6.30 1.08 22.67
Myanmar Nauru Nepal	- (0.07) 3.20	_ (0.07) (5.08)	- - (6.62)	- - 64.38	- - 30.63	- - (2.64)
Pakistan Papua New Guinea Philippines	(39.79) (15.05) (191.59)	(48.58) 19.02 (91.13)	(59.27) (12.96) (188.81)	117.92 (2.54) 13.74	121.19 (5.73) 10.56	117.48 (3.99) (7.90)
Samoa Singapore Solomon Islands	- -	- - -	- -	(2.09) - (0.46)	1.61 - (0.80)	(1.22)
Sri Lanka Taipei,China	6.10	10.96 -	54.15 -	40.40	54.07	71.11 -
Tajikistan	-	-	-	12.22	2.75	13.81
Thailand Timor-Leste	(574.92) -	(69.30) -	(1,459.34)	(2.71)	(2.74)	(3.08)
Tonga	_	-	_	2.16	(0.61)	4.14
Turkmenistan Tuvalu Uzbekistan	- - 55.41	- - 26.03	- - 9.65	(0.02) 1.19	- 1.14 4.44	(0.04) 6.70
Vanuatu Viet Nam Regional	- 38.15 0.06	(5.00) (2.54)	- 21.24 (8.23)	9.94 193.08 -	2.13 166.54 -	(0.24) 201.79
						717.75
TOTAL	(778.40)	(194.12)	(2,097.67)	782.07	658.44	717.75

⁻ Data not applicable.

Note: Figures may not add due to rounding.

^() Negative.

a Net transfer of resources for the OCR defined as loan disbursements less principal repayments/prepayments and interest/charges received. Includes private

sector loans and net equity investments.

b Net transfer of resources for the ADF defined as loan disbursements less principal repayments and interest/charges received. Includes private sector loans.

Table 30 NET TRANSFER OF RESOURCES (ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED), a 1993-2002 (\$ million)

	1993–1997 Average	1998	1999	2000	2001	2002
Afghanistan Azerbaijan	-		_ _	- -	-	82.99
Bangladesh	210.48	145.91	184.31	160.73	104.33	71.96
Bhutan Cambodia China, People's Rep. of	2.93 18.86 415.27	3.39 28.42 515.56	1.63 24.86 444.18	5.76 49.29 400.53	5.57 46.42 555.26	12.71 76.40 (246.41)
Cook Islands Fiji Islands Hong Kong, China	1.69 (6.00) -	1.72 (4.85)	0.55 (5.39) -	0.11 (2.90) -	0.21 (2.74) -	(0.33) (2.98)
India Indonesia Kazakhstan	254.99 (337.86) 30.67	293.70 583.26 114.55	216.73 677.90 (4.76)	(137.91) 29.39 4.66	(218.21) (44.26) (15.10)	(122.96) 115.78 (26.50)
Kiribati Korea, Rep. of Kyrgyz Republic	0.01 310.19 22.20	(0.07) 1,498.26 42.10	(0.08) (257.35) 77.82	0.97 (320.69) 19.02	1.32 (268.83) 55.83	0.72 (136.36) 24.17
Lao PDR Malaysia Maldives	54.23 (83.18) 3.17	59.16 (30.86) (0.08)	38.53 (47.93) (0.02)	41.75 (20.05) 0.70	34.61 (49.30) 2.16	37.65 (49.42) 5.59
Marshall Islands Micronesia, Fed. States of Mongolia	3.56 2.35 35.99	7.75 6.14 29.94	3.57 4.76 44.47	9.53 4.14 29.94	7.87 2.25 27.46	7.59 1.08 22.67
Myanmar Nauru Nepal	(15.44) - 56.57	(0.31) - 97.25	(0.05) 2.25 50.85	(0.07) 67.58	- (0.07) 25.56	- - (9.26)
Pakistan Papua New Guinea Philippines	199.57 (4.03) (73.79)	181.19 (1.05) (17.96)	13.31 5.67 (277.07)	78.13 (17.59) (177.85)	72.61 13.29 (80.57)	58.21 (16.95) (196.71)
Samoa Singapore	1.11 (0.57)	2.38	(2.05)	(2.09)	1.61	(1.22)
Solomon Islands	0.29	13.12	(0.98)	(0.46)	(0.80)	-
Sri Lanka Taipei,China Tajikistan	89.92 - -	92.22	71.34 - 9.79	46.50 - 12.22	65.03 - 2.75	125.26 - 13.81
Thailand	79.48	381.88	206.61	(577.63)	(72.05)	(1,462.42)
Timor-Leste Tonga	3.08	- 4.31	- 1.52	2.16	(0.61)	4.14
Turkmenistan Tuvalu Uzbekistan	- - -	- - 1.82	2.80 15.67	(0.02) 56.60	- 1.14 30.47	(0.04) 16.35
Vanuatu Viet Nam Regional	0.49 40.88 5.52	11.02 124.04 48.68	5.85 188.27 21.46	9.94 231.23 0.06	2.13 161.54 (2.54)	(0.24) 223.03 (8.23)
TOTAL	1,322.63	4,232.59	1,719.02	3.66	464.32	(1,379.92)

⁻ Data not applicable.

⁽⁾ Negative.

Note: Figures may not add due to rounding.

^a Net transfer of resources defined as loan disbursements less principal repayments/prepayments and interest/charges received. Includes private sector loans and net equity investments.

FINANCIAL RESOURCES

Table 31 ASIAN DEVELOPMENT FUND (ADF) RESOURCES AND COMMITMENT AUTHORITY

ADF-CONTRIBUTED RESOURCES

(\$ million; as of 31 December 2002)

			Change in 2002			
	Valued as of 31 December 2001 (US\$ equiv.)	Addition (US\$ equiv.)	Exchange Rate Adjustment (US\$ equiv.)	Net Change (US\$ equiv.)		as of mber 2002 (SDR ^a equiv.)
Australia	714.31	41.15	84.85	126.00	840.32	620.35
Austria	130.41	8.92	24.89	33.81	164.22	121.23
Belgium	113.25	9.24	22.38	31.62	144.87	106.95
Canada	1,021.93	30.52	10.57	41.09	1,063.02	784.76
Denmark	123.36	11.00	25.37	36.37	159.73	117.92
Finland	68.00	6.81	13.18	19.99	87.99	64.96
France	648.04	49.17	123.12	172.29	820.34	605.60
Germany	981.48	97.96	193.62	291.58	1,273.07	939.83
Hong Kong, China	24.34	4.07	_	4.07	28.41	20.97
Indonesia	14.96	_	_	_	14.96	11.04
Italy	407.73	_	75.50	75.50	483.23	356.74
Japan	9,315.00	234.63	993.71	1,228.34	10,543.34	7,783.48
Korea, Rep. of	73.12	19.16	5.84	25.00	98.11	72.43
Malaysia	5.03	1.17	_	1.17	6.20	4.58
Nauru	1.93	_	_	_	1.93	1.42
The Netherlands	381.67	20.23	71.91	92.14	473.81	349.78
New Zealand	45.53	4.64	12.87	17.51	63.04	46.54
Norway	101.12	7.30	30.45	37.75	138.87	102.52
Portugal	_	39.32	5.44	44.76	44.76	33.04
Singapore	0.91	0.94	0.09	1.03	1.94	1.43
Spain	70.69	13.80	14.13	27.93	98.61	72.80
Sweden	150.79	8.79	31.38	40.17	190.95	140.97
Switzerland	226.88	8.59	48.59	57.18	284.06	209.70
Taipei,China	32.40	3.54	_	3.54	35.95	26.54
Thailand	2.29	1.20	0.02	1.22	3.50	2.58
Turkey	101.64	1.25	_	1.25	102.89	75.96
United Kingdom	626.93	32.37	68.05	100.42	727.35	536.96
United States	2,796.75	98.02	_	98.02	2,894.77	2,137.02
TOTAL	18,180.49	753.79	1,855.96	2,609.75	20,790.25	15,348.10

ADF COMMITMENT AUTHORITY

(\$ million; as of 31 December 2002)

	2002	2001
ADF VIII Contributions	1,072.94	417.28
ADF VII Contributions	310.01 ^b	120.63
ADF VI Contributions	0.02 ^c	_
Expanded Advance Commitment Authority ^d	1,600.00	800.00
Total ADF Resources ^e	2,982.97	1,337.91
Less: Loans Committed	2,229.47 ^f	712.87 ^g
Carryover of Conditional Loans Committed ^h	630.91	584.82
Provision for Disbursement Risk	89.89	34.96
TOTAL	32.70	5.26

⁻ Data not applicable.

Note: Total may not add due to rounding.

- ^a Refers to special drawing rights (SDR) valued at the rate of \$1.35458 per SDR as of 31 December 2002.
- ADF VII contributions released for operational commitments during the ADF VIII period.

 ADF VII contributions released for operational commitments during the ADF VIII period.

 Incorporates additional resources.
- Excludes pre-ADF VIII amounts for determining ADF commitment authority under the new financial planning framework for managing ADF resources as approved by the Board of Directors on 15 April 1997.
- Excludes loans that were conditionally approved in October–December 2002.
- g Excludes loans that were conditionally approved in November-December 2001.
 h Loans that were conditionally approved in the previous year.

⁽⁾ Negative.

Table 32 TECHNICAL ASSISTANCE SPECIAL FUND (\$ thousand equivalent; as of 31 December 2002)^a

	Total Contributions	Amount Utilized
Direct Voluntary Contributions		
Australia	2,484	2,484
Austria	159	159
Bangladesh	47	47
Belgium	1,394	1,394
Canada	3,346	3,346
China, People's Rep. of	1,600	934
Denmark	1,963	1,963
Finland	237	237
France	1,697	1,697
Germany	3,315	3,315
Hong Kong, China	100	100
India	2,857	2,810
Indonesia	250	250
Italy	774	774
Japan	47,710	47,710
Korea, Rep. of	1,900	1,900
Malaysia	909	909
Nauru	-	-
Netherlands	1,338	1,338
New Zealand	1,096	1,096
Norway	3,279	3,279
Pakistan	1,526	1,526
Singapore	1,100	1,100
Spain	190	190
Sri Lanka	6	6
Sweden	861	861
Switzerland	1,035	1,035
Taipei,China	200	200
Turkey	-	-
United Kingdom	5,617	5,617
United States	1,500	1,500
Subtotal	88,490	87,777
egularized Replenishment Contributions	238,039	238,039
ransfer to Asian Development Fund	(3,472)	(3,472)
Illocation from OCR Net Income ^b	596,560	528,935
Subtotal	831,127	763,502
otal	919,617	851,279

⁻ Data not applicable.

⁽⁾ Negative.

a Represents Technical Assistance Special Fund (TASF) portion of contributions to the replenishment of the Asian Development Fund and the TASF authorized by Governors' Resolution Nos. 182 and 214.
 b Represents income, repayments, and reimbursements accruing to the TASF since 1980, including unrealized investment holding gains.

Table 33 JAPAN SPECIAL FUND—REGULAR AND SUPPLEMENTARY CONTRIBUTIONS Statement of Activities and Change in Net Assets (\$ million)

	1988-1996ª	1997	1998	1999	2000	2001	2002	Total
Contributions Committed	633.9	_	62.5	48.6	37.6	30.9	22.5	836.0
Revenue	53.2	2.4	16.5	17.2	19.6	14.2	5.9	129.0
Total	687.1	2.4	79.0	65.8	57.2	45.1	28.4	965.0
Expenses	376.8	73.8	96.8	57.2	60.8	65.9	35.9	767.2
Exchange Gain (loss)	(12.3)	(10.1)	(1.6)	0.5	(0.1)	(1.0)	(0.6)	(25.2)
Translation Adjustments	16.9	(29.0)	(1.8)	(0.1)	1.5	-	-	(12.5)
Change in Net Assets	314.9	(110.5)	(21.2)	9.0	(2.2)	(21.8)	(8.1)	160.1

Data not applicable.

Table 34 JAPAN SPECIAL FUND—ASIAN CURRENCY CRISIS SUPPORT FACILITY Statement of Activities and Change in Net Assets (\$ million)

	1999	2000	2001	2002	Total
Contributions Committed	104.4 ^a	136.6 ^a	_	_	241.0
Revenue	_	0.4	0.3	1.4	2.1
Total	104.4	137.0	0.3	1.4	243.1
Transfer to Japan Fund for Poverty Reduction	_	_	_	(90.0)	(90.0)
Interest Payment Assistance written back	_	_	_	33.2	33.2
Expenses	95.7	9.6	8.8	16.2	130.3
Exchange Gain (loss)	_	_	(0.2)	(1.5)	(1.7)
Translation Adjustments	17.4	(16.5)	(28.4)	1.2	(26.3)
Change in Net Assets	26.1	110.9	(37.1)	(71.9)	28.0

Data not applicable.

⁽⁾ Negative.

^a Prior years' amounts have been restated to conform with the 1995 presentation.

⁽⁾ Negative.

^a A guarantee facility is provided under the ACCSF for which the Government of Japan has made available noninterest-bearing, nonnegotiable notes in the amount of 360 billion yen, encashable by ADB at any time to meet a call on any guarantee. In the absence of any concluded guarantee, the note was returned to Japan on 25 March 2002.

Table 35 JAPAN FUND FOR POVERTY REDUCTION ASSISTANCE, 2002

	\$ Thousand
AFGHANISTAN	
Community-Based Gender Sensitive Basic Education for the Poor	4,000
Road Employment Project for Settlement and Integration of Returning Refugees and Displaced Persons	15,000
Primary Health Care Partnership for the Poor	3,000
AZERBAIJAN	
Integration of Internally Displaced Persons in Mingechevir Rayon	2,500
CAMBODIA	
Community-Based Livelihood Enhancement for the Rural Poor	1,800
Income for the Poor Through Community-Based Environmental Improvements in Phnom Penh	1,000
Improving the Livelihood of Poor Farmers in Southern Cambodia	1,800
Targetted Assistance for Education of Poor Girls and Indigenous Children	3,000
INDIA	
Rainwater Harvesting and Slum Development in Rajasthan	1,900
Sustaining Income and Basic Human Needs of the Poor in Disaster-Prone Areas of Gujarat	3,400
INDONESIA	
Supporting the Community-Based Basic Education for the Poor	3,200
MONGOLIA	
Expanding Employment Opportunities for Poor Disabled Persons	1,000
Improving the Living Environment of the Poor in Ger Areas of Mongolia's Cities	2,200
PHILIPPINES	
Social Protection for Poor Women Vendors in Mindanao Cities	1,000
Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila	3,600
SRI LANKA	
Infrastructure Maintenance to Reduce Rural Poverty	900
TOTAL	49,300

Table 36 JAPAN FUND FOR INFORMATION AND COMMUNICATION TECHNOLOGY, 2002

	\$ Thousand
VIET NAM	
Electronic Health Insurance Membership Card	500
REGIONAL	
Development of a Business Plan for a Center for Learning, Information, Communication, and Knowledge for Asia and the Pacific	180
TOTAL	680

ECONOMIC DATA

Table 37
ESTIMATES OF REAL GROSS DOMESTIC PRODUCT GROWTH RATE, 1992–2002
AND PER CAPITA GROSS NATIONAL INCOME, 2001

		G	DP Growth Rate (%))	Per Capita GNI ^a
	Annual Average (1992–1999)	2000	2001	2002 ^b	(\$) 2001
Afghanistan	(11.7) ^c				^d
Azerbaijan ^e	(5.4)	11.1	9.9	10.6	650
Bangladesh ^f	4.8	5.9	5.3	4.4	370
Bhutan ^e	6.4	5.3	6.6	7.7	640
Cambodia	6.6	7.7	6.3	4.5	270
China, People's Rep. of	10.5	8.0	7.3	8.0	890
Cook Islands ^f	0.6	7.9	5.1	0.3	
Fiji Islands ^e	3.7	(3.2)	4.3	4.4	2,130
Hong Kong, China	4.9	10.2	0.6	2.3	25,920 ^g
India ^{e,f}	6.1	4.4	5.6	4.4	460
Indonesia	3.8	4.8	3.3	3.7	680
Kazakhstan	(4.7)	9.8	13.5	9.5	1,360
Kiribati	4.2	0.2	1.5	2.8	830
Korea, Rep. of	5.5	9.3	3.1	6.3	9,400
Kyrgyz Republic	(3.9)	5.4	5.3	(0.5)	280
Lao PDR	6.5	5.9	5.7	5.8	310
Malaysia	6.7	8.3	0.4	4.2	3,640
Maldives	7.9	4.8	3.5	4.3	2,040
Marshall Islands f	(2.1)	0.7	2.1	4.0	2,190
Micronesia, Fed. States of f	0.3	4.4	1.1	0.8	2,150
Mongolia	1.2	1.1	1.1	3.9	400
Myanmar ^f	7.4	13.7	11.1		d
Nauru Nepal ^{e,f}	4.6	6.0	4.6	(0.6)	250
Pakistan ^{e,f}	4.3	3.9	2.5	3.6	420
Papua New Guinea	5.3	(1.2)	(3.4)	(0.5)	580
Philippines	3.2	4.4	3.2	4.6	1,050
Samoa	1.5	6.9	6.2	1.3	1,520
Singapore	7.6	9.4	(2.4)	2.2	24,740 ^g
Solomon Islands ^e	4.6	(13.3)	(10.1)	(4.0)	580
Sri Lanka	5.2	6.0	(1.4)	3.0	830
Taipei,China	6.4	5.9	(2.2)	3.5	13,380
Tajikistan	(8.1)	8.3	10.2	9.1	170
Thailand	4.1	4.6	1.9	5.2	1,970
Timor-Leste		15.4	18.3	(1.1)	
Tonga ^f	2.0	6.5	0.5	1.6	1,530
Turkmenistan		17.6	20.5	8.6	950
Tuvalu ^e	5.5	3.0	4.0	2.0	
Uzbekistan	(0.4)	4.0	4.5	4.2	550
Vanuatu	2.7	2.7	(2.7)	(0.3)	1,050
Viet Nam	7.7	6.1	5.8	6.4	410
Weighted Average ^h	6.5	7.1	4.1	5.6	

^{...} Data not available.

Sources: Country sources; ADB data file; World Bank, World Development Indicators (WDI) On-line (http://publications.worldbank.org/WDI); and World Bank, official communication, 24 January 2003.

⁽⁾ Negative

^a Based on the World Bank Atlas methodology except for Hong Kong, China. Fluctuations in prices and exchange rates are smoothened by averaging the exchange rates for the period 1999–2001, after adjusting for differences in inflation rates between the country and the G-5 countries (France, Germany, Japan, United Kingdom, and United States).

b Preliminary estimates from country sources.

^c Refers to 1991–1993.

d Estimated to be low income (\$755 or less).

e Refers to GDP growth at factor cost.

f Refers to fiscal year.

^g Per capita GNI refers to 2000 figure.

h GNI (Atlas Method) figures in current US dollar were used as weights to derive the averages. Respective GNI figures were used as weights for 2000–2001. For 2002, GNI for 2001 was used as the weight. For 1992–1999 annual average, the weights used were the average of GNI for 1995 and 1996. Myanmar was excluded in the calculation of the weighted average.

Table 38 GROSS DOMESTIC SAVING, GROSS CAPITAL FORMATION, AND RESOURCE GAP AS PERCENTAGE OF GROSS DOMESTIC PRODUCT, 2000–2002

	Gross Domestic Saving as Percentage of GDP			Capital Fo			source Ga		
	2000	2001	2002 ^a	2000	2001	2002 ^a	2000	2001	2002 ^a
Afghanistan Azerbaijan Bangladesh	 24.6 17.9	 18.0	 18.0	 22.0 23.0	 22.4 23.1	35.5 23.2	 (2.6) 5.1	 5.1	 5.2
Bhutan Cambodia China, People's Rep. of	27.4 9.8 38.9	11.4 38.5	 38.7	43.8 13.5 36.3	17.9 39.0	 38.5	16.4 3.7 (2.6)	6.5 0.5	 (0.2)
Cook Islands Fiji Islands Hong Kong, China	8.6 32.9	 31.6	 33.9	 12.6 28.1	 26.5	 24.2	4.1 (4.8)	 (5.1)	 (9.7)
India Indonesia Kazakhstan	23.4 25.2 22.9	24.0 24.9 24.9	24.5 21.1	24.0 14.6 17.9	23.7 17.4 25.8	23.9 14.3	0.6 (10.6) (5.0)	(0.3) (7.4) 0.9	(0.6) (6.9)
Kiribati Korea, Rep. of Kyrgyz Republic	32.6 14.3	30.1 17.7	 29.2 	28.2 20.0	 26.7 18.0	 26.1 	 (4.4) 5.7	(3.4) 0.3	(3.1)
Lao PDR Malaysia Maldives	15.1 47.1 44.2	15.4 42.2 44.9	16.1 41.8 45.8	20.5 27.1 26.3	21.0 23.8 28.1	21.2 24.4 24.1	5.4 (20.0) (17.9)	5.6 (18.4) (16.9)	5.1 (17.4) (21.7)
Marshall Islands Micronesia, Fed. States of Mongolia									
Myanmar Nauru Nepal	12.3 15.2	11.3 14.9	 11.6	12.4 24.3	11.3 24.0	 24.4	0.1 9.1	0.0 9.1	 12.8
Pakistan Papua New Guinea Philippines	14.4 25.3 16.1	14.6 16.8	13.6 18.2	16.0 13.0 18.4	15.9 17.0	13.9 16.6	1.6 (12.3) 2.2	1.3 0.2	0.3 (1.5)
Samoa Singapore Solomon Islands	47.9 	43.6 	44.2 	32.3 	24.2 	20.6	(15.7) 	 (19.3) 	(23.5)
Sri Lanka Taipei,China Tajikistan	17.4 25.2 8.8	15.3 23.4 	15.8 24.3	28.0 22.9 11.6	22.0 17.7 	22.5 17.2 	10.6 (2.3) 2.8	6.7 (5.7)	6.7 (7.1)
Thailand Timor-Leste Tonga	32.7 (10.6)	31.6	32.3 	22.7 21.8	22.1	22.2	(9.9) 32.4	(9.5) 	(10.1)
Turkmenistan Tuvalu Uzbekistan	 19.4	 19.9		 19.6	 20.2		 0.2	 0.3	
Vanuatu Viet Nam	19.3 27.1	19.1 28.8	28.8	22.3 29.6	21.0 30.9	20.9	3.0 2.5	1.9 2.1	(8.0)

^{...} Data not available.
0.0 Data negligible.

Sources: Country sources and ADB data file.

⁽⁾ Negative.

^a Preliminary estimates.

Table 39 CHANGES IN CONSUMER PRICES, a 2000-2002 (%)

	2000	2001	2002 ^b
Afghanistan Azerbaijan Bangladesh ^c	 1.8 3.4	 1.5 1.6	2.8 2.4
Bhutan ^{c, d}	3.6	3.6	2.7
Cambodia ^e	(0.8)	0.2	
China, People's Rep. of	0.4	0.7	(0.8)
Cook Islands ^{c, d, e}	1.7	9.4	3.9
Fiji Islands	1.1	4.3	0.9
Hong Kong, China	(3.8)	(1.6)	(3.0)
India ^{c, f} Indonesia Kazakhstan	3.8 9.3 13.2	4.3 12.5 8.4	10.0 5.9
Kiribati ^e	0.4	6.0	5.1
Korea, Rep. of	2.2	4.1	2.7
Kyrgyz Republic	18.7	6.9	2.0
Lao PDR	27.1	7.8	10.6
Malaysia	1.5	1.4	1.8
Maldives	(1.2)	0.7	0.9
Marshall Islands ^e Micronesia, Fed. States of ^c Mongolia	1.6	1.7	2.0
	1.8	2.0	0.0
	8.1	8.0	1.6
Myanmar ^e	(0.2)	21.2	56.8 ^d 2.9
Nauru			
Nepal	3.5	2.4	
Pakistan ^c Papua New Guinea Philippines	3.5	4.4	3.5
	15.6	9.3	11.8
	4.4	6.1	3.1
Samoa	1.0	3.8	5.5
Singapore	1.3	1.0	(0.4)
Solomon Islands ^e	8.6	8.0	9.0
Sri Lanka ^{c, e}	1.5	12.1	10.2
Taipei,China	1.3		(0.2)
Tajikistan	32.9	38.6	14.5
Thailand	1.6	1.6	0.7
Timor-Leste	3.0		1.0
Tonga ^{c,d}	5.3	6.9	10.4
Turkmenistan	7.4	6.0	8.8
Tuvalu ^e	5.3	1.8	2.6
Uzbekistan	28.0	27.4	27.6
Vanuatu	1.9	3.5	2.0
Viet Nam	(1.7)	(0.3)	3.8
Weighted Average ^g	1.9	2.5	0.9

Data not available.

Sources: Country sources and ADB data file.

^{0.0} Data negligible.

⁽⁾ Negative.

a Unless otherwise indicated, data refer to changes in average consumer prices of the country.
 b Preliminary estimates from country sources.

^c Data refer to fiscal year.

d Data refer to end of period.

Data refer to capital city.
 Discussion in text is based on wholesale price index (WPI). For WPI, growth rates are 7.2 and 3.6 for fiscal years 2000 and 2001, respectively.
 GNI (Atlas Method) figures in current US dollar were used as weights to derive the averages. For 2000–2002, GNI for 2000 was used as the weight. Myanmar was excluded in the calculation of the weighted average.

Table 40 MERCHANDISE TRADE, a 2000-2002 (\$ million)

	E	kports (FOB) b	lı	mports (FO	B) ^b	Bala	ance of Tr	ade
	2000	2001	2002 ^c	2000	2001	2002 ^c	2000	2001	2002 ^c
Afghanistan									
Azerbaijan	1,877	2,046	2,305	1,539	1,465	1,823	338	581	482
Bangladesh ^d	5,701	6,419	5,929	7,566	8,430	7,697	(1,865)	(2,011)	(1,768)
Bhutan ^{d, e}	114	99	98	185	196	188	(71)	(97)	(90)
Cambodia	1,091	1,199	1,270	1,354	1,438	1,532	(263)	(239)	(262)
China, People's Rep. of	249,131	266,075	325,410	214,657	232,057	280,789	34,474	34,018	44,621
Cook Islands ^{d, e}	5	10	6	45	51	46	(40)	(41)	(41)
Fiji Islands	584	535	554	825	790	867	(241)	(255)	(313)
Hong Kong, China	202,697	190,928	200,221	210,891	199,259	205,353	(8,194)	(8,331)	(5,132)
India ^{d, e}	44,894	44,915	50,035	59,264	57,618	61,248	(14,370)	(12,703)	(11,213)
Indonesia	65,407	57,364	57,342	40,365	34,669	34,250	25,042	22,695	23,092
Kazakhstan	9,288	9,025	10,108	6,848	7,850	8,007	2,440	1,175	2,101
Kiribati	6	4	4	40	32	36	(33)	(28)	(32)
Korea, Rep. of	175,948	151,371	162,554	159,076	137,979	148,374	16,872	13,392	14,180
Kyrgyz Republic	511	480	498	507	440	552	4	40	(54)
Lao PDR ^e	329	330	320	456	453	428	(126)	(123)	(108)
Malaysia	98,430	87,981	93,383	77,602	69,598	75,248	20,828	18,383	18,135
Maldives	109	110	130	342	346	338	(233)	(236)	(208)
Marshall Islands ^d Micronesia, Fed. States of ^d Mongolia ^e	9 13 502	10 16 523	 16 586	51 107 632	49 103 693	93 805	(42) (94) (129)	(39) (87) (170)	(77) (219)
Myanmar ^d Nauru Nepal ^d	1,961 722	2,549 754	 619	2,321 1,573	2,735 1,568	 1,390	(360) (851)	(186) (814)	 (772)
Pakistan ^d	8,190	8,934	9,133	9,602	10,202	9,493	(1,412)	(1,268)	(360)
Papua New Guinea	2,106	1,817	1,551	1,007	1,100	960	1,099	717	591
Philippines	37,295	31,243	35,066	33,480	31,986	33,471	3,815	(743)	1,595
Samoa ^e	14	15	14	106	129	135	(93)	(114)	(121)
Singapore	139,866	124,445	128,373	127,567	109,676	109,824	12,299	14,769	18,549
Solomon Islands	69	47	50	92	81	60	(23)	(34)	(9)
Sri Lanka	5,522	4,817	4,699	7,320	5,974	6,105	(1,798)	(1,158)	(1,406)
Taipei,China	147,548	122,079	129,882	133,529	101,898	105,184	14,019	20,181	24,698
Tajikistan	788	652	723	834	773	819	(46)	(121)	(96)
Thailand ^e	67,889	63,190	66,886	62,423	60,665	63,433	5,466	2,525	3,453
Timor-Leste	5	4	5	205	238	170	(200)	(234)	(165)
Tonga ^d	11	12	18	63	62	61	(52)	(50)	(44)
Turkmenistan ^{e, f}	2,513	2,632	2,866	1,723	2,097	1,866	790	535	1,000
Tuvalu									
Uzbekistan	2,816	3,170	2,988	2,440	3,137	2,712	376	33	276
Vanuatu	26	20	21	77	78	80	(51)	(58)	(59)
Viet Nam	14,449	15,389	16,530	14,072	14,916	17,825	377	473	(1,295)
TOTAL	1,288,435	1,201,208	1,310,193	1,180,783	1,100,831	1,181,262	107,652	100,378	128,930

Data not available.

Sources: Country sources and ADB data file.

⁽⁾ Negative.

a Unless otherwise indicated, data are from the balance-of-payments statistics.
b FOB refers to free on board.
c Preliminary estimates from country sources.
d Refers to fiscal year.

^e Refers to imports, cost, insurance, and freight.

f Refers to data from external trade.

Table 41 INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS, 2000-2002

	Int	ernational Rese (\$ million)	erves ^a		Ratio to Impor (months)	ts ^b
	2000	2001	2002 ^c	2000	2001	2002 ^c
Afghanistan Azerbaijan ^d Bangladesh	 680 1,516	 897 1,306	 722 1,683	 5.3 2.4	7.3 1.9	 4.7 2.6
Bhutan ^d	295	285	275	19.2	17.4	17.6
Cambodia ^d	502	587	777	4.4	4.9	6.1
China, People's Rep. of	168,856	218,698	272,962	9.4	11.3	11.7
Cook Islands Fiji Islands ^d Hong Kong, China	 412 107,560	 367 111,174	359 111,921	 6.0 6.1	 5.6 6.7	5.0 6.5
India	40,155	48,200	70,377	8.1	10.0	13.8
Indonesia	29,268	28,018	31,577	8.7	9.7	11.1
Kazakhstan	2,096	2,508	3,136	3.7	3.8	4.7
Kiribati Korea, Rep. of Kyrgyz Republic	 96,198 262	 102,821 287	 121,414 317	7.3 6.2	 8.9 7.8	9.8 6.9
Lao PDR	140	133	195	3.7	3.5	5.5
Malaysia	29,576	30,526	34,277	4.6	5.3	5.5
Maldives ^d	123	93	133	4.3	3.2	4.7
Marshall Islands Micronesia, Fed. States of Mongolia	 113 202	 98 257	116 399	 12.7 3.8	 11.4 4.4	14.9 6.0
Myanmar	234	411	461	1.2	1.8	
Nauru						
Nepal	952	1,044	1,024	7.3	8.0	8.8
Pakistan	2,056	4,235	8,762	2.6	5.0	11.1
Papua New Guinea	296	430	350	3.5	4.7	4.4
Philippines	15,024	15,659	16,179	5.4	5.9	5.8
Samoa ^d	64	57	63	7.2	5.3	5.6
Singapore ^d	80,132	75,375	82,021	7.5	8.2	9.0
Solomon Islands ^d	31	21	32	4.1	3.1	6.5
Sri Lanka	1,043	1,290	1,527	1.7	2.6	3.0
Taipei,China	111,370	126,572	163,514	10.0	14.9	18.7
Tajikistan ^e	87			1.3		
Thailand	32,661	33,041	38,915	6.3	6.5	7.4
Timor-Leste						
Tonga ^d	27	26	28	5.2	5.1	5.4
Turkmenistan Tuvalu Uzbekistan ^e	 1,100	 		 5.4		
Vanuatu ^d	39	38	37	6.0	5.8	5.5
Viet Nam	3,510	3,765	4,070	3.0	3.0	2.7
TOTAL	726,577	808,218	967,622	7.4	8.9	9.9

^{...} Data not available.

Sources: Country sources and IMF, International Financial Statistics on CD-ROM, March 2003.

^a Consists of gold, special drawing rights, reserve position with International Monetary Fund (IMF), and foreign exchange holdings; year-end figures, unless otherwise specified.

b Merchandise imports from the balance-of-payments statistics were used for computing the ratio.

c Preliminary estimates.

d Refers to total reserves minus gold.

e Refers to gross official reserves of the country.

Table 42 NET FLOWS OF FINANCIAL RESOURCES, 1999-2001 (\$ million)

	Lo	ng-Term	Debt	Foreig	n Direct Ir	nvestment		Total Flow	s ^a
	1999	2000	2001	1999	2000	2001	1999	2000	2001
Afghanistan Azerbaijan Bangladesh	 227 372	 214 374	 77 652	 510 180	130 280	 227 78	 790 1,225	395 1,248	346 1,304
Bhutan	3	30	75	0	0	0	41	51	104
Cambodia	34	72	91	144	112	113	299	384	390
China, People's Rep. of	549	(3,171)	(1,861)	38,753	38,399	44,241	43,501	56,979	45,633
Cook Islands Fiji Islands Hong Kong, China	 47 	 (16) 	(13) 	(33) 5,251	(69) 2,537	(3)	 28 35,414	 (76) 31,918	 (11)
India	(443)	3,867	(1,872)	2,169	2,315	3,403	4,517	8,267	3,804
Indonesia	(3,633)	(3,254)	(3,592)	(2,745)	(4,550)	(3,278)	(6,740)	(8,461)	(6,450)
Kazakhstan	462	905	2,162	1,587	1,283	2,763	2,078	2,250	5,008
Kiribati Korea, Rep. of Kyrgyz Republic	 (14,925) 167	(1,990) 76	(4,317) 13	9,333 44	9,283 (2)	3,198 5	6,483 261	20,387 117	9,046 51
Lao PDR	61	59	77	52	34	24	257	228	191
Malaysia	1,768	1,632	3,092	3,895	3,788	554	5,824	3,536	3,003
Maldives	5	(0)	4	12	13	12	35	23	31
Marshall Islands									
Micronesia, Fed. States of									
Mongolia	98	53	54	30	54	63	178	189	185
Myanmar	(1)	(56)	(61)	253	255	208	282	244	207
Nauru									
Nepal	76	89	60	4	(1)	19	228	232	251
Pakistan	396	54	511	532	308	383	1,191	521	1,628
Papua New Guinea	(45)	58	17	297	96	63	347	252	149
Philippines	4,288	273	(338)	573	1,241	1,792	5,548	1,488	2,014
Samoa	(3)	3	(0)	2	(2)	1	4	6	21
Singapore									
Solomon Islands	2	(3)	13	10	1	(5)	24	47	51
Sri Lanka	89	287	255	176	173	172	377	569	521
Taipei,China									
Tajikistan	75	9	74	21	22	22	151	81	178
Thailand Timor-Leste Tonga	(3,408)	(4,945) 2	(6,859) 1	6,213	3,366	3,820 1	3,818	(641) 11	(2,979) 12
Turkmenistan Tuvalu Uzbekistan	 1,111	 163	 238	 121	 73	 71	 1,257	 269	345
Vanuatu	5	9 305	2	13	20	18	26	41	28
Viet Nam	58		383	1,412	1,298	1,300	1,732	1,839	1,946
TOTAL	(12,565)	(4,904)	(11,063)	68,812	60,459	59,264	109,189	122,391	67,006

⁻⁻ Not reporting.

⁽⁾ Negative.

⁰ Magnitude is less than half of the unit employed.

^a Refer to the sum of net resource flows on long-term debt (excluding the International Monetary Fund) plus net foreign direct investment, portfolio equity flows, and official grants (excluding technical cooperation).

Sources: World Bank, Global Development Finance On-line (http://publications.worldbank.org), 24 January 2003; and Hong Kong Monetary Authority, official communication, 3 April 2002.

Table 43 TOTAL EXTERNAL DEBT AND DEBT SERVICE RATIO, 1999-2001 (\$ million)

	De	bt Outsta	nding ^a	Se	ervice Payr	ment ^b	Debt	Service Ra	tio ^b (%)
	1999	2000	2001	1999	2000	2001	1999	2000	2001
Afghanistan Azerbaijan Bangladesh	1,038 16,569	 1,274 15,679	1,219 15,216	 85 718	 181 796	132 672	6.3 9.2	8.1 9.2	5.3 7.3
Bhutan	184	203	265	7	7	6	5.0	4.2	3.3
Cambodia	2,519	2,635	2,704	33	31	21	2.9	2.0	1.3
China, People's Rep. of	152,085	145,706	170,110	26,862	27,092	24,297	11.7	9.3	7.8
Cook Islands Fiji Islands Hong Kong, China	236 	209 	 188 	39 	32 	26 	3.5 	2.7 	2.1
India	98,313	99,433	97,071	10,107	10,868	9,282	15.3	14.0	11.7
Indonesia	150,991	144,057	135,704	17,665	16,681	15,530	30.0	22.5	23.6
Kazakhstan	6,122	11,805	14,372	1,362	3,338	3,331	19.4	31.4	31.4
Kiribati Korea, Rep. of Kyrgyz Republic	130,508 1,736	 128,396 1,827	 110,109 1,717	43,020 110	 23,217 173	 26,040 177	24.6 20.4	10.9 27.4	13.9 29.8
Lao PDR	2,527	2,502	2,495	37	41	44	7.7	7.9	9.0
Malaysia	41,903	41,797	43,351	4,775	6,445	6,229	4.9	5.6	5.9
Maldives	219	206	235	18	20	22	4.0	4.2	4.6
Marshall Islands									
Micronesia, Fed. States of									
Mongolia	914	896	885	22	39	45	4.0	6.1	7.7
Myanmar	6,004	5,928	5,670	97	87	84	5.0	3.7	3.1
Nauru									
Nepal	2,970	2,823	2,700	107	100	89	7.3	5.6	4.9
Pakistan	33,899	32,791	32,020	2,935	2,855	2,958	29.4	26.8	25.8
Papua New Guinea	2,701	2,597	2,521	213	306	268	9.7	12.9	12.7
Philippines	53,014	50,382	52,356	6,424	6,758	7,776	13.6	13.7	18.6
Samoa	192	197	204	7	9	7	5.1	10.8	
Singapore									
Solomon Islands	165	155	198	11	9	8	4.8	6.9	
Sri Lanka	9,732	9,019	8,529	738	777	716	10.9	10.1	9.7
Taipei,China									
Tajikistan	1,282	1,041	1,086	78	62	80	11.5	7.8	9.1
Thailand	96,769	79,695	67,384	16,210	14,015	20,073	21.8	16.3	25.1
Timor-Leste									
Tonga	69	66	63	4	4	2			2.8
Turkmenistan									
Tuvalu									
Uzbekistan	4,773	4,373	4,627	552	851	833	17.7	25.0	25.4
Vanuatu	65	69	66	2	2	2	1.1	1.2	1.0
Viet Nam	23,260	12,835	12,578	1,410	1,303	1,216	9.9	7.5	6.8
TOTAL	840,757	798,595	785,642	133,644	116,098	119,967	16.5	11.8	12.6

⁻⁻ Not reporting.

Source: World Bank, Global Development Finance On-line (http://publications.worldbank.org), 24 January 2003.

^a Debt outstanding is as of end of year, covering long- and short-term debt of public and private entities in the country, and the use of International Monetary

b Service payments include yearly payments on principal and interest on long-term debt, IMF repurchases and charges, and interest payments on short-term debt. Debt service ratio is the percentage of service payments to exports of goods and services (including workers' remittances).

SOCIAL AND ENVIRONMENT INDICATORS

Table 44 POVERTY AND INEQUALITY INDICATORS

	P	opulation in	Poverty (%) a		ome ^b Ratio ighest 20%	Gini	
	Total	Urban	Rural			owest 20%	Coefficient	
Afghanistan Azerbaijan Bangladesh	 68.1 49.8	 36.6	 53.1	(1995) (2000)	 6.3 4.9	(1995) (2000)	0.36 0.45	
Bhutan Cambodia China, People's Rep. of	25.3 ^d 35.9 4.6	25.2 ^e 2.0	40.0 4.6	(2000) (1999) (1998)	7.4 4.7 7.9	(2000) (1999) (1998)	0.34 0.40 0.37	
Cook Islands Fiji Islands Hong Kong, China	 				 18.0	(2001)	 0.53	
ndia ndonesia Kazakhstan	26.1 23.4 31.8	23.6 19.5 30.0	27.1 26.1 34.2	(1999–2000) (1999) (2000)	5.7 4.0 6.3	(1997) (1999) (1996)	0.38 0.31 0.35	
Kiribati Korea, Rep. of Kyrgyz Republic	 7.4 52.0	 43.9	 56.4	(1995) (2000)	 5.3 7.1	(2000) (2000)	0.32 0.32	
ao PDR Malaysia ^f Maldives	38.6 8.1 43.0	26.9 3.8 20.0	41.0 13.2 50.0	(1997–1998) (1999) (1998)	5.9 12.3 	(1997) (1997)	0.37 0.49 	
Marshall Islands Micronesia, Fed. States of ^g Mongolia	39.5 35.6	 34.1 ^h	 32.6	(1998) (1998)		(1998) (1998)	 0.41 0.35	
Myanmar Nauru Nepal	 42.0	 23.0	 44.0	(1996)	 5.9	(1995–1996)	 0.37	
Pakistan ^f Papua New Guinea Philippines	33.5 21.7 34.0			(1999–2000) (1996) (2000)	4.3 12.6 12.5	(1997) (1996) (2000)	0.31 0.51 0.45	
Samoa ^f Singapore Solomon Islands	48.0 ⁱ 	 		(1997)	17.0 9.3 	(1997) (1997–1998)	0.39 	
Sri Lanka ^f Taipei,China Tajikistan	26.7 0.7 ^j 83.0	13.4 	28.7 	(1995–1996) (2001) (1999)	11.4 6.4 5.0	(1995–1996) (2001) (1998)	0.48 0.35 0.35	
rhailand ^k Fimor-Leste Fonga	12.9 	1.5 	17.2 	(1998)	8.6 ¹ 	(2001)	0.42	
urkmenistan uvalu Jzbekistan	 22.0 ^m			(1996)	7.8 12.3	(1998)	0.41 0.45	
Vanuatu Viet Nam	 37.0	 9.0	 45.0	(1998)	 5.5	(1998)	 0.35	

^{...} Data not available.

Sources: Country sources; United Nations Development Programme, web site (http://www.undp.org); and World Bank, World Development Indicators 2002 on CD-ROM.

a Refers to headcount ratio or proportion of the population falling below the poverty line (in each country) to total population unless otherwise specified.

b Refers to income or expenditure.

c Refers to the same year as that of the income ratio and calculated based on income or expenditure. A value of zero implies perfect equality while a value of 1 implies perfect inequality.

d Based on pilot study, using lower poverty line.

e Urban areas do not include Phnom Penh where poverty incidence in 1999 is 9.7%.

f Data on population in poverty refer to percentage of poor households.

^g ADB estimate. Government may have its own estimate.

h Refers to Ulaanbaatar (capital city) only. Poverty incidence in aimag (provincial) capitals is 45.1%.

Refers to food poverty.

Defined as percent of low-income population to total population.

Urban and rural areas refer to municipal areas and villages, respectively. Poverty incidence in sanitary districts is 7.2%.

Data collection period was from March-May and August-October 2001.

 $^{^{\}rm m}$ Based on weighted calculation using equivalence scales.

Table 45 HUMAN DEVELOPMENT INDICATORS

	Ac	lult Lite	racy Rate	e ^a			Gross	Enrollm	nent Ratio	o (%)		
		(%	6)		1	Primary	School		Se	econda	ry School	
	19	85 ^b	20	00°	198	35 ^b	200	00°	198	35 ^b	200	O c
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Afghanistan					13	27	34	69	5	11	12	32
Azerbaijan Bangladesh	20	42	98 31	100 53	52	 72	99 105	97 108	95 11	99 27	80 56	80 52
Bhutan			37	57	14	26	19	22	1	6	8	10
Cambodia China, People's Rep. of	44 63	76 84	61 77	83 92	174 114	209 132	118 108	132 105	22 33	37 46	17 60	28 66
Cook Islands			94	93			100	100			49	42
Fiji Islands Hong Kong, China	83 78	90 94	91 89	95 96	122 105	122 106	110 101	111 101	52 74	51 69	35 80	37 75
India	31	58	46	69	80	111	86	105	26	48	40	59
Indonesia Kazakhstan	66 98	83 99	83 99	92 100	114 	120	96 96	96 96	35 104	47 102	80 87	79 87
Kiribati			91	94			78	76			47	42
Korea, Rep. of Kyrgyz Republic	91 	98 	97 98	99 99	98 122	96 123	99 95	98 98	91 107	93 111	97 82	97 81
Lao PDR	38	67	59	82	100	121	106	124	19	28	29	42
Malaysia Maldives	69 93	84 94	84 99	92 99	100	101	100 126	102 129	53 12	53 9	104 99	94 87
Marshall Islands			97	97			79	78			51	47
Micronesia, Fed. States of Mongolia	96	 98	66 99	77 99	102	99	83 101	82 99	95	 87	43 84	45 72
Myanmar	70	86	81	89	96	101	91	91	22	24	35	35
Nauru Nepal	10	43	95 35	95 63	50	108	95 112	96 140	 12	38	37 45	32 62
Pakistan	17	45	37	61	30	56	74	117	10	24	32	46
Papua New Guinea Philippines	44 89	61 91	58 95	71 96	60 107	71 108	80 113	88 113	8 65	15 64	18 79	24 73
Samoa	97	98	80	82	107	102	101	104	71	63	80	73
Singapore Solomon Islands	78 	93 	89 20	96 39	106 71	110 86	96 36	97 41	61 14	63 24	73 18	75 30
Sri Lanka	82	92	89	95	101	104	104	107	66	60	74	70
Taipei,China Tajikistan	85 96	96 99	92 99	99 100	100	99	101 101	100 109	91 	89	101 70	98 82
Thailand	87	94	94	97			91	96	28	30	80	78
Timor-Leste Tonga			 99	 99			 91	 90	3	5 	 71	 64
Turkmenistan			100	100			49	51			112	112
Tuvalu Uzbekistan	 97	 99	95 99	95 100	 85	 88	88 85	87 86	 97	 117	35 89	31 100
Vanuatu			30	37			122	113	11	17	26	31
Viet Nam	85	94	92	96	100	106	104	111	41	44	61	68

^{...} Data not available.

Sources: Country sources; Economic and Social Commission for Asia and the Pacific, Asia-Pacific in Figures 2001 and past issues; United Nations Development Programme, Human Development Report 2002; United Nations Educational, Scientific and Cultural Organization Institute for Statistics web site (http://www.uis.unesco.org); United Nations Children's Fund, The State of the World's Children 2003; World Bank, World Development Indicators (WDI) On-line (http://publications.worldbank.org/WDI) and World Bank, World Development Indicators database (http://devdata.worldbank.org).

 $_{\cdot}^{a}$ Adult literacy rate refers to population of 15 years old and over.

b Data may refer to a year from 1980 to 1989 other than, but nearest to, the reference year.

^c Data may refer to a year from 1990 to 2001 other than, but nearest to, the reference year.

d Data refer to the most recent estimates reported by the national authorities, and which were not adjusted for underreporting or misclassification of maternal deaths.

e Data refer to the most recent year available during the period specified.

Life I	Expecta (yea	ncy at Bi ars)	irth	Mortalit (per 1,000		Maternal Mortality Ratio ^d	Contraceptive Prevalence	Skilled Attendant at Delivery	
198	5 ^b	200)1 ^c	20	01	(per 100,000 live births)	Rate (%)	(%)	
Female	Male	Female	Male	Infant	Under 5	1985-2001 ^e	1995-2001 ^e	1995-2001 ^e	
40	40	43	43	165	257				Afghanistan
73	66	75	69	74	105	80	55	88	Azerbaijan
51	52	60	59	51	77	400	54	12	Bangladesh
43	44	63	61	74	95	380	31		Bhutan
49	46	61	57	97	138	440	24	32	Cambodia
70	67	73	69	31	39	55	91	89	China, People's Rep. of
 68 79	 64 73	74 71 85	71 67 78	19 18 3	23 21 	 38 2		100 100 	Cook Islands Fiji Islands Hong Kong, China
57	57	64	63	67	93	540	47	43	India
60	57	68	64	33	45	380	55	56	Indonesia
73	64	70	59	61	76	65	66	99	Kazakhstan
56	52	65	59	51	69			85	Kiribati
72	66	79	71	5	5	20	81	100	Korea, Rep. of
70	62	72	63	52	61	65	60	98	Kyrgyz Republic
49	46	61	57	87	100	650		21	Lao PDR
71	67	75	70	8	8	41		96	Malaysia
58	60	71	71	20		350	32	70	Maldives
66	62	67	64	54	66			95	Marshall Islands
70	66	70	66	20	24			93	Micronesia, Fed. States of
62	59	66	60	61	76	150	60	97	Mongolia
55	51	59	54	77	109	230	33		Myanmar
		65	57	25	30				Nauru
50	52	61	61	66	91	540	39	11	Nepal
58	57	60	60	84	109		17	20	Pakistan
54	52	58	56	70	94		26	53	Papua New Guinea
66	61	72	67	29	38	170	47	56	Philippines
65 76 63	63 70 61	73 80 70	66 75 67	20 3 20	25 4 24	 6 	30 	100 100 85	Samoa Singapore Solomon Islands
71	67	75	70	17	19	90	71	97	Sri Lanka
76	71	78	73	6		7			Taipei,China
72	67	71	65	53	72	65	34	77	Tajikistan
68	63	72	68	24	28	44	72	85	Thailand
				85	124		27	26	Timor-Leste
67	63	73	69	17	20			92	Tonga
68	61	70	63	76	99	65	62	97	Turkmenistan
		70	64	38	52			99	Tuvalu
71	65	72	66	52	68	21	67	96	Uzbekistan
 64	60	70	67	34	42			89	Vanuatu
65	61	71	66	30	38	95	74	70	Viet Nam

Table 46 ENVIRONMENT INDICATORS

	Total Forest (as % of land area) 2000	Average Annual Rate of Deforestation ^a (as % of forest area) 1990-2000	National Protected Areas ^b (as % of total land area) 1999	Carbon Dioxide Emissions ^c (per capita metric tons) 1998	GDP per Unit of Energy Use ^d (constant 1995 \$ per kg of oil equivalent) 1998	Population Using Improved Drinking Water Sources (%) 2000
Afghanistan	2.1		0.3	0.0 ^e		13
Azerbaijan	12.6	(1.3)	5.5	4.9	0.3	78
Bangladesh	10.2	(1.3)	0.7	0.2	2.2	97
Bhutan	64.2	•••	21.2	0.5		62
Cambodia	52.9	0.6	15.8	0.1		30
China, People's Rep. of	17.5	(1.2)		2.5	0.9	75
Cook Islands			•••	•••	•••	100
Fiji Islands	44.6		1.1	0.9		47
Hong Kong, China	16.6 ^f	$0.0^{e,f}$	33.7 ^f	5.4	8.3	100 ^f
India	21.6	(0.1)	4.4	1.1	0.9	84
Indonesia	58.0	1.2	10.1	1.1	1.6	78
Kazakhstan	4.5	(2.2)	2.7	8.2	0.5	91
Kiribati	38.4	•••	•••	0.3		48
Korea, Rep. of	63.3	0.1	6.9	7.8	3.1	92
Kyrgyz Republic	5.2	(2.6)	3.5	1.3	1.4	77
Lao PDR	54.4	0.4	0.0 ^e	0.1		37
Malaysia	58.7	1.2	4.6	5.4	2.2	
Maldives	3.3			1.3		100
Marshall Islands						
Micronesia, Fed. States of		•••	•••	•••	•••	•••
Mongolia	6.8	0.5	11.5	3.3		60
Myanmar	52.3	1.4	0.3	0.2		72
Nauru				•••	•••	•••
Nepal	27.3	1.8	7.6	0.1	0.6	88
Pakistan	3.2	1.1	4.7	0.7	1.1	90
Papua New Guinea	67.6	0.4	< 0.1	0.5	•••	42
Philippines	19.4	1.4	4.8	1.0	2.1	86
Samoa	37.1			0.8		99
Singapore	3.3		4.7	21.0	4.0	100
Solomon Islands	90.6		0.0 ^e	0.4		71
Sri Lanka	30.0	1.6	13.3	0.4		77
Taipei,China	58.1	(1.2)	13.6			91 ^g
Tajikistan	2.8	(0.5)	4.1	0.8		60
Thailand	28.9	0.7	13.8	3.2	2.3	84
Timor-Leste						
Tonga	5.6		***	1.2		100
Turkmenistan	8.0		4.1	5.7		
Tuvalu		•••			•••	100
Uzbekistan	4.8	(0.2)	1.8	4.5	0.4	85
Vanuatu	36.7			0.3		88
Viet Nam	30.2	(0.5)	3.0	0.6	0.7	77

^{...} Data not available.

Sources: United Nations Children's Fund, State of the World's Children 2003; World Bank, World Development Indicators 2002 print and CD-ROM versions; World Resources Institute, World Resources 2000–2001; Directorate-General of Budget, Accounting and Statistics (DGBAS), Statistical Yearbook 2002 and past issues; DGBAS, Social Indicators 2000 for Taipei, China; and Hong Kong Monetary Authority, official communication, 4 April 2002 and past communication.

⁽⁾ Negative.

< Less than.

^a Positive figures indicate deforestation rates while negative figures indicate reforestation rates.

b Refers to all protected areas at least 1,000 hectares listed in categories I-V of the World Conservation Union (IUCN).

c Refers to carbon dioxide emissions from fossil fuel burning and cement manufacturing.

d Two years ago, data for GDP per unit of Energy Use were expressed in purchasing power parity (PPP) \$ per kg of oil equivalent (kgoe). Since there maybe problems associated with PPP, the major of which is that there is no price data collection since 1993, the indicator expressed in constant 1995 \$ per kgoe is deemed more appropriate.

^e The number 0.0 means the magnitude is zero or is less than half of the unit employed and not known more precisely.

For Hong Kong, China figure for total forest refers to 1995, average rate of deforestation refers to 1990–1995, national protected areas refers to 1997 and population using improved drinking water sources refers to 1999.

^g Refers to percentage of population served by tap water.

APPENDIXES

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Appendix 1

RESOLUTIONS OF THE BOARD OF GOVERNORS ADOPTED IN 2002

RESOLUTION NO.	SUBJECT	DATE ADOPTED
282	Amendment to Section 7(B)(a) of the By-Laws	15 January
283	Membership of the Republic of Palau	5 May
284	Financial Statements and Independent Auditors' Reports	12 May
285	Allocation of Net Income	12 May
286	Membership of East Timor ¹	17 July
287	Place and Date of Thirty-Seventh Annual Meeting	2 November
288	Seventh Replenishment of the Asian Development Fund: Access of Afghanistan to ADF Resources	14 November
289	Decisions Relating to Section 5 of the By-Laws	26 November
290	Amendment to Section 7(B)(a) of the By-Laws	26 November
291	Membership of Luxembourg and Increase in Authorized Capital Stock	8 December

¹ Changed name from East Timor to the Democratic Republic of Timor-Leste, effective 18 November 2002.

Appendix 2

BOARD OF GOVERNORS

(as of 30 April 2003)

Chairperson (to be advised)

LYONPO YESHEY ZIMBA (Bhutan) (Vice-Chairperson)

BIKENIBEU PAENIU (Tuvalu) (Vice-Chairperson)

MEMBER	COVERNOR	ALTERNATE COVERNOR
MEMBER	GOVERNOR	ALTERNATE GOVERNOR
AFGHANISTAN	Ashraf Ghani Ahmadzai ¹	Sami Wali
AUSTRALIA	Peter Costello	Chris Gallus
AUSTRIA	Karl-Heinz Grasser	Thomas Wieser
AZERBAIJAN	Farhad Aliyev ²	Avaz Alekperov ³
BANGLADESH	M. Saifur Rahman	Anisul Huq Chowdhury
BELGIUM	Didier Reynders	Gino Alzetta
BHUTAN	Lyonpo Yeshey Zimba	Sonam Wangchuk
CAMBODIA	Keat Chhon	Ouk Rabun
CANADA	William Graham	Bruce Montador
CHINA, PEOPLE'S REPUBLIC OF	Jin Renqing ⁴	Jin Liqun
COOK ISLANDS	Terepai Maoate ⁵	Kevin Carr
DENMARK	Carsten Staur	Ove Ullerup
FIJI ISLANDS	Jone Yavala Kubuabola	Savenaca Narube
FINLAND	Suvi-Anne Siimes ⁶	Pertti Majanen
FRANCE	Francis Mer ⁷	Jean-Pierre Jouyet
GERMANY	Uschi Eid	Rolf Wenzel
HONG KONG, CHINA	Antony Leung Kam Chung	Joseph Yam
INDIA	Jaswant Singh ⁸	S. Narayan ⁹
INDONESIA	Dr. Boediono	Syahril Sabirin
ITALY	Antonio Fazio	Lorenzo Bini Smaghi
JAPAN	Masajuro Shiokawa	Toshihiko Fukui ¹⁰
KAZAKHSTAN	Zeynulla Khalidollovich Kakimzhanov ¹¹	Arman Galiaskarovich Dunayev
KIRIBATI	Beniamina Tinga	Tebwe Ietaake
KOREA, REPUBLIC OF	Jin-Pyo Kim ¹²	Seung Park ¹³
KYRGYZ REPUBLIC	Bolot Abildaev	Sabyrbek Moldokulov ¹⁴
LAO PEOPLE'S		·
DEMOCRATIC REPUBLIC	Chansy Phosykham ¹⁵	Phoupheth Khamphounvong
MALAYSIA	Dato Seri Dr. Mahathir bin Mohamad	Tan Sri Dr. Samsudin bin Hitam
MALDIVES	Ismail Shafeeu	Riluwan Shareef
MARSHALL ISLANDS	Brenson S. Wase ¹⁶	Amon Tibon

- Succeeded Hedayat Amin Arsala in October 2002.

- Succeeded Hedayat Amin Arsaia in October 2002.
 Succeeded Avaz Alekperov in February 2003.
 Succeeded Vadim Khabanov in February 2003.
 Succeeded Xiang Huaicheng in April 2003.
 Succeeded Geoffrey A. Henry in March 2003. Geoffrey A. Henry succeeded Terepai Maoate in April 2002.
 Succeeded Satu Hassi in August 2002.

- Succeeded Laurent Fabius in May 2002.
 Succeeded Yashwant Sinha in July 2002.

- ⁹ Succeeded C. M. Vasudev in August 2002.

- Succeeded C. M. Vasudev in August 2002.

 Succeeded Masaru Hayami in March 2003.

 Succeeded Mazhit Yessenbayev in October 2002.

 Succeeded Yun-Churl Jeon in March 2003. Yun-Churl Jeon succeeded Nyum Jin in April 2002.
- 13 Succeeded Chol-Hwan Chon in April 2002.
- ¹⁴ Succeeded Kurmanbek Ukulov in March 2003.
- Succeeded Nathanbek Okarov III Match 2003.
 Succeeded Soukanh Mahalath in January 2003.
 Succeeded Michael Konelios in November 2002.

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
MICRONESIA,		
FEDERATED STATES OF	John Ehsa	Lorin Robert
MONGOLIA	Chultemiin Ulaan	Ochirbat Chuluunbat
MYANMAR	Hla Tun ¹⁷	Daw Than Nwe ¹⁸
NAURU	Aloysius Amwano	Alexander Deiye
NEPAL	Badri Prasad Shrestha ¹⁹	Bhanu Prasad Acharya ²⁰
THE NETHERLANDS	Hans Hoogervorst ²¹	Agnes van Ardenne-van der Hoeven ²²
NEW ZEALAND	Michael Cullen	John Whitehead ²³
NORWAY	Olav Kjørven	Age Grutle
PAKISTAN	Shaukat Aziz	Waqar Masood Khan ²⁴
PAPUA NEW GUINEA	Bart Philemon ²⁵	Koiari Tarata ²⁶
PHILIPPINES	Jose Isidro N. Camacho	Rafael Buenaventura
PORTUGAL	Maria Manuela Dias Ferreira Leite ²⁷	Miguel Jorge Reis Antunes Frasquilho ²⁸
SAMOA	Misa Telefoni Retzlaff	Hinauri Petana
SINGAPORE	BG Lee Hsien Loong	Lim Siong Guan
SOLOMON ISLANDS	Laurie Chan	Lloyd Powell ²⁹
SPAIN	Rodrigo de Rato y Figaredo	Juan Costa Climent
SRI LANKA	K. N. Choksy	Charitha Ratwatte
SWEDEN	Annika Soder ³⁰	Gunilla Olsson
SWITZERLAND	Oscar Knapp	Adrian Schlaepfer ³¹
TAIPEI,CHINA	Fai-nan Perng	Susan S. Chang ³²
TAJIKISTAN	G. D. Boboev	H. K. Buriev ³³
THAILAND	Suchart Jaovisidha ³⁴	Somchainuk Engtrakul
TIMOR-LESTE, DEMOCRATIC REPUBLIC OF	Maria Madalena Brites Boavida ³⁵	Aicha Bassarewan ³⁶
TONGA	Siosiua T.T. 'Utoikamanu	Aisake Eke
TURKEY	to be advised ³⁷	Aydin Karaöz
TURKMENISTAN	Yazguly Kakalyev ³⁸	Seitbay Kandymov
TUVALU	Bikenibeu Paeniu ³⁹	Solofa Uota
UNITED KINGDOM	Clare Short	Sally Keeble ⁴⁰
UNITED STATES	John W. Snow ⁴¹	Alan P. Larson
UZBEKISTAN	Rustam Azimov	Mamarizo Nurmuratov
VANUATU	Sela Molisa ⁴²	George Andrews ⁴³
VIET NAM	Le Duc Thuy	Phung Khac Ke ⁴⁴

Succeeded Khin Maung Thein in February 2003.
 Succeeded Soe Lin in March 2003.
 Succeeded Bharat Kumar Shah in October 2002. Bharat Kumar Shah succeeded Ram Sharan Mahat in July 2002.

Succeeded Bimal P. Koirala in October 2002.

Succeeded Gerrit Zalm in August 2002.
Succeeded Eveline L. Herfkens in August 2002.
Succeeded Alan Bollard in October 2002.
Succeeded Nawid Ahsan in August 2002.

Succeeded Mekere Morauta in October 2002.

Succeeded Robert Igara in October 2002.

Appointed in April 2002.
Appointed in April 2002.
Appointed in April 2002.
Succeeded Shadrach Fanega in May 2002.
Succeeded Gun-Britt Andersson in January 2003.

³¹ Succeeded Rudolph Dannecker in January 2003.

Succeeded Chun Chen in March 2002.
 Succeeded Iskandar Davlatov in August 2002.
 Succeeded Somkid Jatusripitak in February 2003.

Succeeded Somkid Jatusriphak in Teerdary 2008.
 Appointed in July 2002.
 Appointed in July 2002.
 Faik Öztrak resigned in April 2003.
 Succeeded Enebay Geldiyevna Atayeva in February 2003.
 Succeeded Saufatu Sopoanga in August 2002.
 Succeeded Hilary Benn in March 2003.
 Succeeded Paul H. O'Neill.
 Succeeded Ioe Bomal Carlo in October 2002.

Succeeded Joe Bomal Carlo in October 2002.
 Succeeded Joe Bomal Carlo in October 2002.
 Succeeded Jeffery Wilfred in October 2002.
 Succeeded Duong Thu Huong in September 2002.

Appendix 3 ANNUAL MEETINGS OF THE BOARD OF GOVERNORS

YEAR		CITY	DATE
1966	Inaugural	Tokyo	24 Nov-26 Nov
1968	First Annual Meeting	Manila	4 Apr–6 Apr
1969	Second Annual Meeting	Sydney	10 Apr–12 Apr
1970	Third Annual Meeting	Seoul	9 Apr–11 Apr
1971	Fourth Annual Meeting	Singapore	15 Apr–17 Apr
1972	Fifth Annual Meeting	Vienna	20 Apr–22 Apr
1973	Sixth Annual Meeting	Manila	26 Apr–28 Apr
1974	Seventh Annual Meeting	Kuala Lumpur	25 Apr–27 Apr
1975	Eighth Annual Meeting	Manila	24 Apr–26 Apr
1976	Ninth Annual Meeting	Jakarta	22 Apr–24 Apr
1977	Tenth Annual Meeting	Manila	21 Apr–23 Apr
1978	Eleventh Annual Meeting	Vienna	24 Apr–26 Apr
1979	Twelfth Annual Meeting	Manila	2 May–4 May
1980	Thirteenth Annual Meeting	Manila	30 Apr–2 May
1981	Fourteenth Annual Meeting	Honolulu	30 Apr–2 May
1982	Fifteenth Annual Meeting	Manila	28 Apr–30 Apr
1983	Sixteenth Annual Meeting	Manila	4 May–6 May
1984	Seventeenth Annual Meeting	Amsterdam	25 Apr–27 Apr
1985	Eighteenth Annual Meeting	Bangkok	30 Apr–2 May
1986	Nineteenth Annual Meeting	Manila	30 Apr–2 May
1987	Twentieth Annual Meeting	Osaka	27 Apr–29 Apr
1988	Twenty-First Annual Meeting	Manila	28 Apr–30 Apr
1989	Twenty-Second Annual Meeting	Beijing	4 Мау–6 Мау
1990	Twenty-Third Annual Meeting	New Delhi	2 May–4 May
1991	Twenty-Fourth Annual Meeting	Vancouver	24 Apr–26 Apr
1992	Twenty-Fifth Annual Meeting	Hong Kong, China	4 May–6 May
1993	Twenty-Sixth Annual Meeting	Manila	4 Мау–6 Мау
1994	Twenty-Seventh Annual Meeting	Nice	3 Мау–5 Мау
1995	Twenty-Eighth Annual Meeting	Auckland	3 Мау–5 Мау
1996	Twenty-Ninth Annual Meeting	Manila	30 Apr–2 May
1997	Thirtieth Annual Meeting	Fukuoka	11 May–13 May
1998	Thirty-First Annual Meeting	Geneva	29 Apr–1 May
1999	Thirty-Second Annual Meeting	Manila	30 Apr–2 May
2000	Thirty-Third Annual Meeting	Chiang Mai	6 Мау-8 Мау
2001	Thirty-Fourth Annual Meeting	Honolulu	9 May–11 May
2002	Thirty-Fifth Annual Meeting	Shanghai	10 May–12 May

Appendix 4

BOARD OF DIRECTORS AND VOTING GROUPS

(as of 30 April 2003)

DIRECTOR	ALTERNATE DIRECTOR	MEMBERS REPRESENTED
Jusuf Anwar	Richard Stanley ¹	Cook Islands, Fiji Islands, Indonesia, Kyrgyz Republic, New Zealand, Samoa, Tonga
Frank Black ²	Rolf Eckermann ³	Austria, Germany, Turkey, United Kingdom
Ju Kuilin ⁴	Yang Shaolin ⁵	People's Republic of China
M. Akram Malik ⁶	Dante Canlas ⁷	Kazakhstan, Maldives, Marshall Islands, Mongolia, Pakistan, Philippines
P. G. Mankad	M. Saiful Islam ⁸	Bangladesh, Bhutan, India, Lao People's Democratic Republic, Tajikistan
Michele Miari Fulcis ⁹	Pascal Gregoire	Belgium, France, Italy, Portugal, Spain, Switzerland
Othman Jusoh	Ram Binod Bhattarai	Malaysia, Myanmar, Nepal, Singapore, Thailand
Julian H. Payne	Tryggve Gjesdal ¹⁰	Canada, Denmark, Finland, The Netherlands, Norway, Sweden
Stephen Sedgwick ¹¹	Miranda Rawlinson	Australia; Azerbaijan; Cambodia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Solomon Islands; Tuvalu
Paul W. Speltz ¹²	Lori A. Forman ¹³	United States
Osamu Tsukahara	Masaichiro Yamanishi ¹⁴	Japan
Jeung-Hyun Yoon	(vacant) ¹⁵	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei,China; Uzbekistan; Vanuatu; Viet Nam

¹ Succeeded John Austin on 1 November 2002.

Succeeded Uwe Henrich on 1 July 2002.
 Succeeded Frank Black on 1 July 2002.

Succeeded Zhao Xiaoyu on 20 September 2002.
 Succeeded Ju Kuilin on 20 September 2002.

Succeeded Kh. Zaheer Ahmed on 9 September 2002.
 Succeeded Cayetano W. Paderanga, Jr. on 16 April 2003.
 Succeeded M. Faizur Razzaque on 1 April 2002.

Succeeded Patrick Thomas on 1 October 2002.
 Succeeded Maarten Verwey on 1 September 2002.

¹¹ Succeeded John S. Lockhart on 1 April 2002.

Succeeded N. Cinnamon Dornsife on 19 August 2002.
 Succeeded Chantale Yok-Min Wong on 14 September 2002.

¹⁴ Succeeded Yasuro Narita on 26 June 2002.

¹⁵ S.L. Seneviratne resigned on 24 December 2002.

Appendix 5

COMMITTEES OF THE BOARD OF DIRECTORS

(as of 31 December 2002)

STANDING COMMITTEES		
AUDIT COMMITTEE	BUDGET REVIEW COMMITTEE	
Othman Jusoh (Chairperson)	Jeung-Hyun Yoon (Chairperson)	
Michele Miari Fulcis	Ju Kuilin	
Cayetano W. Paderanga, Jr.	P. G. Mankad	
Miranda Rawlinson	Michele Miari Fulcis	
Paul W. Speltz	Julian H. Payne	
Richard Stanley	Osamu Tsukahara	
Menara Stanley	Obdilia Ibakanala	
DEVELOPMENT EFFECTIVENESS COMMITTEE	INSPECTION COMMITTEE	
Jusuf Anwar (Chairperson)	Stephen Sedgwick (Chairperson)	
Frank Black	Ram Binod Bhattarai	
Lori A. Forman	Rolf Eckermann	
P. G. Mankad	Tryggve Gjesdal	
Osamu Tsukahara	M. Saiful Islam	
Yang Shaolin	M. Akram Malik	
WORKING COMMITTEE		
WORKING GROUP ON ANNUAL REPORT 2002		
Frank Black (Chairperson)		
Jusuf Anwar		
Pascal Gregoire		
Miranda Rawlinson		
Masaichiro Yamanishi		
Yang Shaolin		

Appendix 6

ADB INSTITUTE ADVISORY COUNCIL

(as of 31 December 2002)

Magnus Blomström	Sweden
Ronald Duncan	Australia
William P. Fuller	United States
Yujiro Hayami	Japan
N. C. Saxena	India
Zhang Xiaoqiang	People's Republic of China
Ifzal Ali	Asian Development Bank

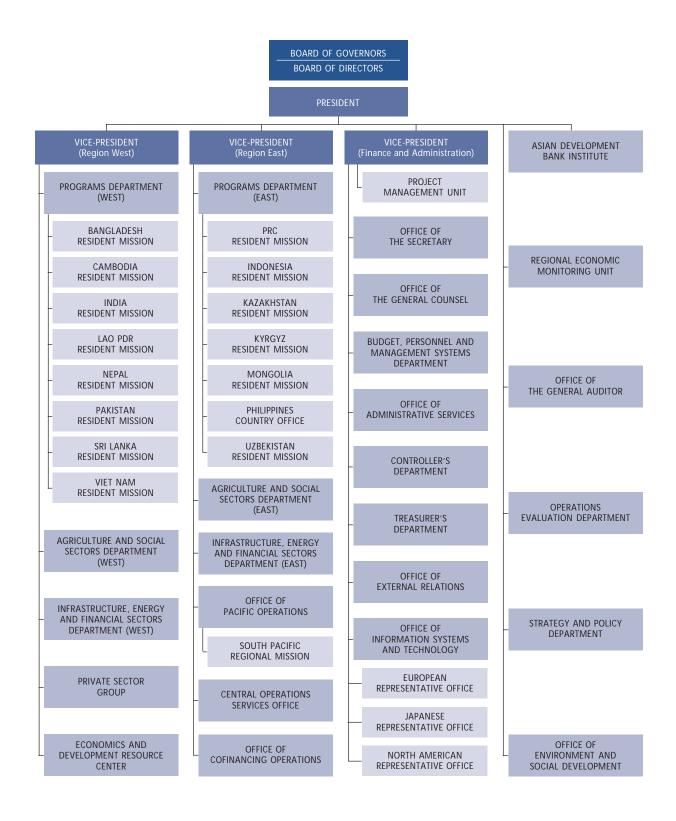
ADB INSTITUTE DEAN

(appointed September 2002, assumed office in January 2003)

Peter	McCaw]	ley

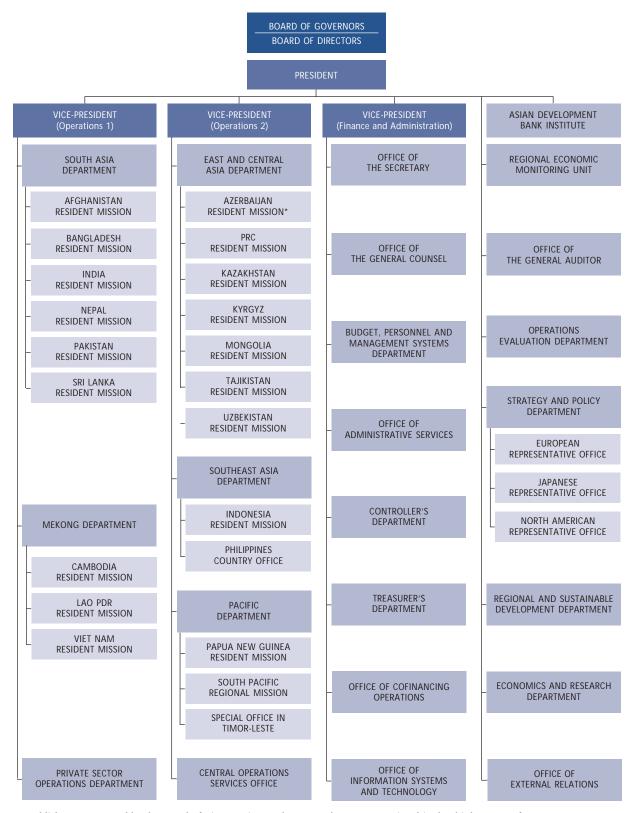
ORGANIZATIONAL STRUCTURE—Before the Reorganization

(as of 31 December 2001)



ORGANIZATIONAL STRUCTURE—After the Reorganization

(since 1 January 2002 and updated as of 31 March 2003)



 $^{^{*}}$ Establishment approved by the Board of Directors in March 2003, to become operational in the third quarter of 2003.

MANAGEMENT, SENIOR STAFF, AND RESIDENT/COUNTRY DIRECTORS (as of 31 March 2003)

OFFICE OF THE PRESIDENT	
President	Tadao Chino
Special Advisor to the President	Eisuke Suzuki ¹
Special Advisor to the President	G.H.P.B. van der Linden
Head, Regional Economic Monitoring Unit	Yoshihiro Iwasaki
Director, Regional Economic Monitoring Unit	Pradumna B. Rana
OFFICES OF THE VICE-PRESIDENTS	
Vice-President (Operations 1)	Myoung-Ho Shin
Vice-President (Finance and Administration)	John Lintjer
Vice-President (Operations 2)	Joseph B. Eichenberger
Director, INTEGRA	Silvio R. Cattonar
OFFICE OF THE SECRETARY	
The Secretary	B. N. Lohani
Assistant Secretary	Amarjit Singh Wasan
OFFICE OF THE GENERAL COUNSEL	, ,
The General Counsel	Arthur M. Mitchell
Deputy General Counsel	(vacant)
Assistant General Counsel	Philip Daltrop
Assistant General Counsel	Eveline Fischer
Assistant General Counsel	Hamid L. Sharif
OFFICE OF THE GENERAL AUDITOR	
General Auditor	Peter E. Pedersen
Director, Financial, Administrative, and Information Systems Division	Rakesh Gupta
OPERATIONS EVALUATION DEPARTMENT	1
Director General	Eisuke Suzuki ¹
Advisor	M. G. Quibria
Director, Operations Evaluation Division 1	Graham M. Walter
Director, Operations Evaluation Division 2	David Edwards
STRATEGY AND POLICY DEPARTMENT	David Dawards
Director General	Kunio Senga
Director, Strategic Planning, Policy, and Interagency Relations Division	Christopher MacCormac
Director, Management Support Division	Shyam P. Bajpai
Resident Director, European Representative Office	Yuejiao Zhang
Resident Director, Japanese Representative Office	Jungsoo Lee
Resident Director, North American Representative Office	Karti Sandilya
REGIONAL AND SUSTAINABLE DEVELOPMENT DEPARTMENT	Karti Sandiiya
Director General	Jan P. M. van Heeswijk
Chief Compliance Officer and Deputy Director General	Rolf Zelius
Senior Advisor	Asavin Chintakananda
Director, Environment and Social Safeguard Division	J. Warren Evans
Director, Poverty Reduction and Social Development Division	Brahm Prakash
· · · · · · · · · · · · · · · · · · ·	Jak Jabes
Director, Governance and Regional Cooperation Division	
Director, Finance and Infrastructure Division	Rita Nangia
Director, Agriculture, Natural Resources, and Social Sectors Division	Bradford R. Philips
ECONOMICS AND RESEARCH DEPARTMENT Chief Economics	TC1 A1:
Chief Economist	Ifzal Ali
Assistant Chief Economist, Macroeconomics and Finance Research Division	Jean-Pierre A. Verbiest
Assistant Chief Economist, Development Indicators and Policy Research Division	(vacant)
Assistant Chief Economist, Economic Analysis and Operations Support Division	Xianbin Yao
OFFICE OF EXTERNAL RELATIONS	n 1 1
Principal Director	Robert H. Salamon
Director	Ann Quon

 $^{^{\}rm 1}$ $\,$ Effective 10 April 2003. Also in concurrent capacity as Special Advisor to the President.

SOUTH ASIA DEPARTMENT	,
(Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lank	
Director General	Yoshihiro Iwasaki
Deputy Director General	Jin Koo Lee
Senior Advisor	Frank J. Polman
Director, Operations Coordination Division	Sultan H. Rahman
Director, Infrastructure Division ²	Tadashi Kondo ³
Director, Agriculture, Environment, and Natural Resources Division	Frederick C. Roche
Director, Social Sectors Division	Edward M. Haugh, Jr.
Director, Governance, Finance, and Trade Division	Klaus Gerhaeusser
Country Director, Afghanistan Resident Mission	V. N. Gnanathurai
Country Director, Bangladesh Resident Mission	Toru Shibuichi
Country Director, India Resident Mission	T. L. de Jonghe
Country Director, Nepal Resident Mission	Richard A. Vokes
Country Director, Pakistan Resident Mission	Marshuk Ali Shah
Country Director, Sri Lanka Resident Mission	John R. Cooney
IEKONG DEPARTMENT	
(Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam	n)
Director General	Rajat M. Nag
Deputy Director General	Kazu Sakai
Senior Advisor	Philippe Benedic
Senior Advisor	Kuniki Nakamori
Advisor	Arjun Thapan
Director, Operations Coordination Division	(vacant)
Director, Infrastructure Division	Khalid I. Rahman
Director, Agriculture, Environment, and Natural Resources Division	C. R. Rajendran
Director, Social Sectors Division	Young Baek Lee
Director, Governance, Finance, and Trade Division	Robert S. Boumphrey
Country Director, Cambodia Resident Mission	Urooj Malik
Country Director, Lao PDR Resident Mission	Paul V. Turner
Country Director, Viet Nam Resident Mission	John Samy
RIVATE SECTOR OPERATIONS DEPARTMENT	
Director General	Robert M. Bestani
Senior Advisor	Woo Chull Chung
Director, Private Sector Operations Division	Alfredo E. Pascual
Director, Infrastructure Finance Division	(vacant)
AST AND CENTRAL ASIA DEPARTMENT	,
(Azerbaijan; People's Republic of China; Hong Kong, China; Kazakhstan; Rep	public of Korea;
Kyrgyz Republic; Mongolia; Taipei, China; Tajikistan; Turkmenistan; Uzbekista	
Director General	M. E. Tusneem
Deputy Director General	(vacant)
Director, Operations Coordination Division	Adrian Ruthenberg
Director, Infrastructure Division	H. Satish Rao
Director, Agriculture, Environment, and Natural Resources Division	Katsuji Matsunami
Senior Director, Social Sectors Division	William M. Fraser
Director, Governance, Finance, and Trade Division	(vacant)
Country Director, Azerbaijan Resident Mission ⁴	(vacant)
Country Director, Azerbaijan Resident Mission Country Director, People's Republic of China Resident Mission	Bruce Murray
Country Director, Recopie's Republic of China Resident Mission	Kazuhiko Higuchi
•	J. C. Alexander
Country Director, Kyrgyz Resident Mission	
Country Director, Mongolia Resident Mission	Barry J. Hitchcock
Country Director, Tajikistan Resident Mission	Kazuko Motomura ⁵
Country Director, Uzbekistan Resident Mission	Sean M. O'Sullivan

South Asia Infrastructure Division will be split into South Asia Transport and Communications Division, and South Asia Energy Division effective 1 April 2003.
Will be Director, South Asia Transport and Communications Division effective 1 April 2003.
Establishment approved by the Board of Directors in March 2003, to become operational in the third quarter of 2003.
Effective upon assumption of office.

COUTUEACT ACIA DEDADTMENT	
SOUTHEAST ASIA DEPARTMENT (Independent Melaysia Philippines Singapore)	
(Indonesia, Malaysia, Philippines, Singapore)	V II Mainuddin
Director General	K. H. Moinuddin Shamshad Akhtar ⁶
Deputy Director General	
Senior Advisor	Masato Miyachi
Advisor	Bruce A. Purdue
Director, Infrastructure Division	Patrick C. Giraud
Director, Agriculture, Environment, and Natural Resources Division	Muhammad A. Mannan
Director, Social Sectors Division	Peter L. Fedon
Director, Governance, Finance, and Trade Division	Ayumi Konishi
Country Director, Indonesia Resident Mission	David Jay Green
Country Director, Philippines Country Office	Thomas Crouch
PACIFIC DEPARTMENT	
(Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micr	ronesia,
Nauru, Papua New Guinea, Samoa, Solomon Islands, Democratic Republic of	f Timor-Leste,
Tonga, Tuvalu, Vanuatu)	
Director General	Jeremy H. Hovland
Director, Pacific Operations Division, Area A	Robert Y. Siy, Jr.
Director, Pacific Operations Division, Area B	Peter N. King
Country Director, Papua New Guinea Resident Mission	(vacant)
Country Director, South Pacific Regional Mission	Jeffry R. Stubbs
Resident Representative, Special Office in Timor-Leste	Mee-ja Hamm
CENTRAL OPERATIONS SERVICES OFFICE	,
Principal Director	James E. Rockett
Director, Consulting Services Division	Sarojkumar Thuraisingham
Director, Project Coordination and Procurement Division	Ferdinand P. Mesch
BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT	7 07 411 411 11 11 11 11 11
Director General	Hideo Nakajima
Advisor	Thelma A. Diaz
Director, Budget and Management Services Division	Robert C. Y. Yeung
Director, Compensation and Benefits Division	Roger A. Burston
Director, Human Resources Division	Robert L. T. Dawson
OFFICE OF ADMINISTRATIVE SERVICES	Robert L. 1. Dawson
Principal Director	Asad Ali Shah
Director, Facilities Management Division	Farrokh E. Kapadia
Director, General Services Division	Normin S. Pakpahan
CONTROLLER'S DEPARTMENT	Normin 3. Fakpanan
Controller	Ping-Yung Chiu
	~ ~
Assistant Controller, Accounting Division	Ronny E. Budiman
Assistant Controller, Loan Administration Division	Byung-Wook Park
TREASURER'S DEPARTMENT	This was do I au su au au
The Treasurer	Thierry de Longuemar
Deputy Treasurer	(vacant)
Advisor (Financial Policy)	Hinahon L. Domingo
Assistant Treasurer, Risk Management Division	(vacant)
Assistant Treasurer, Funding Division	Juanito Limandibrata
Assistant Treasurer, Investments Division	Jelle C. Mann
Assistant Treasurer, Treasury Services Division	David R. Parker
OFFICE OF COFINANCING OPERATIONS	
Principal Director	Philip C. Erquiaga
Director	(vacant)
OFFICE OF INFORMATION SYSTEMS AND TECHNOLOGY	
Principal Director	Pamela G. Kruzic
Director	Christian E. Perez
Director	Yoo Jin Yoon

⁶ Effective 1 April 2003.

Appendix 9

FORMER ADB PRESIDENTS AND VICE-PRESIDENTS

(as of 31 December 2002)

PRESIDENTS	
Takeshi Watanabe	24 November 1966–24 November 1972
Shiro Inoue	25 November 1972–23 November 1976
Taroichi Yoshida	24 November 1976–23 November 1981
Masao Fujioka	24 November 1981–23 November 1989
Kimimasa Tarumizu	24 November 1989–23 November 1993
Mitsuo Sato†	24 November 1993–15 January 1999
VICE-PRESIDENTS	
C. S. Krishna Moorthi	19 December 1966-31 March 1978
A. T. Bambawale	1 April 1978–28 October 1985
M. Narasimham	1 November 1985–31 July 1988
S. Stanley Katz	1 April 1978–28 September 1990
In Yong Chung	1 August 1988–31 July 1993
William R. Thomson	1 October 1990–30 June 1994
Günther G. Schulz	1 April 1983–30 June 1995
Bong-Suh Lee	1 August 1993–31 July 1998
Pierre Uhel	1 July 1995–24 November 1998
Peter H. Sullivan	6 July 1994–20 September 2000

[†] Mr. Mitsuo Sato died of heart failure in Tokyo on 20 October 2002. He was 69.

Appendix 10

SUMMARY OF BUDGET FOR 2003 **Internal Administrative Expenses** (\$ thousand)

	2002			
	Budget	After Transfers ^a	Actual	2003 Budget
I. BOARD OF GOVERNORS ^b	696	696	506	959
II. BOARD OF DIRECTORS	9,611	9,611	9,079	10,530
III. OPERATIONAL EXPENSES	185,316	185,316	183,990	198,918
Salaries	99,085	97,711	97,253	105,297
Benefits	47,858	49,232	49,232	53,061
Staff Development	2,350	2,350	2,024	2,350
Relocation	3,493	3,493	3,113	3,500
Consultants	15,700	15,947	15,947	16,074
Business Travel	16,500	15,705	15,587	18,286
Representation	330	330	286	350
Special Activity		548	548	
IV. ADMINISTRATIVE EXPENSES	41,993	41,993	40,729	45,771
Communications	6,467	6,770	6,770	7,058
Office Occupancy	9,001	9,001	8,733	9,416
Library	914	914	905	914
Office Supplies	1,860	1,860	1,518	1,896
Office Equipment	4,236	4,389	4,389	4,699
Contractual Services	8,034	8,200	8,200	7,665
Insurance	440	522	522	569
Depreciation	10,724	10,020	9,393	13,155
Miscellaneous	317	317	299	399
V. TOTAL BEFORE GENERAL CONTINGENCY	237,616	237,616	234,304	256,178
VI. GENERAL CONTINGENCY	2,376	2,376	_	2,562
TOTAL	239,992	239,992	234,304	258,740

a Transfers were made between budget items within each budget category without exceeding the original amount of each category.

Annual Meeting expenses.

Excludes the following items reconciling with financial statements to conform with generally accepted accounting principles: (i) provisions for future liabilities with respect to severance pay (\$2,206,000), accumulated compensated absences (\$269,000), and accrued resettlement/repatriation allowances (\$112,000); (ii) adjustments of actuarially determined assessment of benefit obligations with respect to pension costs (\$4,349,000) and postretirement medical benefits (\$15,693,000); and (iii) bank charges pertaining directly to Asian Development Fund (ADF), Japan Special Fund (JSF), and Japan Scholarship Program (JSP) (\$42,000). Total administrative expenses amounted to \$256,975,000. After deducting \$1,140,000 directly charged to the Trust Fund for East Timor (\$905,000), JSP (\$69,000), and Japan Fund for Poverty Reduction (\$166,000), total administrative expenses were distributed, as shown in the financial statements: ordinary capital resources (OCR)—\$90,553,000 (Ref. OCR-2) net of \$19,440,000 as a frontend fee offset against loan origination costs and recognized as a reduction in administrative expenses; ADF—\$144,405,000 (Ref. ADF-2); and JSF— \$1,437,000 (Ref. JSF-2).

advisory and operational technical assistance: support to developing member countries, without condition of repayment, for institutional strengthening, sector and policy studies, nonproject-related human resource development, and operational purposes

Asia Recovery Information Center (ARIC): a clearinghouse for information relating to recovery from the Asian financial crisis

Asian Currency Crisis Support Facility (ACCSF): established in March 1999 as an independent component of the Japan Special Fund for countries in the region most affected by the Asian financial crisis; its modalities comprised interest payment assistance, technical assistance grants, and guarantees; terminated on 23 March 2002

Asian Development Fund (ADF): ADB's soft-lending window for developing member countries with low per capita gross national product and weak debt repayment capacity

channel financing: a mode of financing wherein funds are coursed through ADB by a cofinancier that prefers an indirect financial relationship with a developing member country

civil society: a wide array of nongovernment organizations that have a presence in public life, expressing the interests and values of their members, often exist outside of the state and the market

cofinancing: from ADB's perspective, financing mobilized from sources other than the borrower or project sponsors to fund ADB-assisted projects or programs; provided either jointly or in parallel with ADB's own direct assistance

complementary financing scheme (CFS): a credit enhancement arrangement under which ADB, in addition to a direct loan from its own resources, makes a complementary loan on market-based terms, funded entirely by market institutions (commercial lenders), without recourse to ADB for debt service

contract award ratio: the ratio of contracts awarded during the year over the value available for contract awards at the beginning of the year

country office: an external office in the country hosting the ADB headquarters, has the functions of a resident mission—government, civil society, and private sector relations; policy dialogue and support; country reporting; aid coordination; and external relations and information dissemination

country strategy and program (CSP): ADB's most important planning and programming document at the country level, prepared every 5 years to identify the country's development needs, priorities, and strategies

credit line: government-guaranteed loan provided to selected financial intermediaries in a developing member country for onlending to small- and medium-sized enterprises

developing member country (DMC): a member of ADB; does not imply any view on the part of ADB as to the member's sovereignty or independent status

digital divide: the gap between groups in terms of the ready access to computer knowledge and products

disbursement ratio: the ratio of total disbursements during the year over the net loan amount available at the beginning of the year plus the loan amounts of newly approved loans that have become effective during the year; excludes private sector loans

empowerment: the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable, institutions that affect their lives

environmental assessment: a generic term for a process of environmental analysis, management, and planning to address environmental impacts of development policies, strategies, programs, and projects; ADB requires an environmental assessment of all project loans, program loans, sector loans, sector development program loans, financial intermediation loans, and private sector investment operations

extended mission: a nonformal ADB presence in a DMC to address the specific needs of that country; consists of headquarters-based staff temporarily residing in the DMC to undertake specific assignments

external offices: ADB offices other than the headquarters; consists of resident and regional missions, representative offices, country office, liaison offices, and extended missions

governance: the manner in which power is exercised in managing a country's social and economic resources for development

grant: financing for a project or program made without expectation of goods or services in return

guarantee: a written undertaking by a guarantor to pay a stated amount if the borrower fails to meet certain commitments, such as the payment of principal or interest; ADB offers two types of guarantees: a *partial credit guarantee*, and a *political risk guarantee* (each of which is described under separate headings in this *Glossary*)

indigenous peoples: people with a social or cultural identity distinct from the dominant or mainstream society, which makes them vulnerable to being disadvantaged in the development process; also ethnic minorities

information: data put into context; not the same as knowledge but often information and knowledge are used interchangeably because the process of converting information into knowledge is not readily apparent

INTEGRA: integrated financial management and human resource management information system; an integrated webenabled information system

Japan Fund for Information and Communication Technology (JFICT): a trust fund established in July 2001 to help developing member countries reduce poverty by bridging the growing digital divide in Asia and the Pacific

Japan Fund for Poverty Reduction (JFPR): a trust fund established in May 2000 to support poverty reduction and social development activities that can add substantive value to ADB-financed projects

Japan Scholarship Program (JSP): established in 1988 to provide an opportunity for well-qualified citizens of ADB's developing member countries to undertake postgraduate studies in economics, management, science and technology, and other development-related fields at selected educational institutions in Asia and the Pacific

Japan Special Fund (JSF): established in March 1988 and administered by ADB to help developing member countries restructure their economies and broaden the scope for new investments

just-in-time training: providing staff training when, where, and how it is needed; responds to the specific area of skills development and knowledge needed, and is delivered as soon as possible after the need has been identified

knowledge: understanding the why, what, how, who, when, and where relative to taking some action; applies reasoning to information; knowledge is held by people (tacit knowledge) but some can be converted and made accessible to others through documentation, presentations, computer systems, decision rules, training, and mentoring (explicit knowledge)

knowledge products and services (KPS): analytical work, project preparation, capacity building, and institutional development, irrespective of funding source

liaison office: an external office to coordinate ADB operations in a country or subregion

loan: type of financing of investment projects and programs bearing interest rates, commitment charges over a maturity period, and repayment terms depending on the source of funding, i.e. ordinary capital resources or the Asian Development Fund

Long-Term Strategic Framework (LTSF): provides an agenda for ADB's poverty reduction and growth-financing activities to 2015; implemented through medium-term strategies, each covering a 5-year period; core areas of the long-term intervention include sustainable economic growth, inclusive social development, and governance for effective policies and institutions

Medium-Term Strategy (MTS): the bridge between the Long-Term Strategic Framework and the activities that ADB undertakes in its developing member countries; a plan to help ADB achieve its vision of an Asia and Pacific region free of poverty; an integral part of ADB's operational planning framework; geared to the most immediate and pressing development needs of the region

Millennium Development Goals (MDGs): a set of significant, measurable objectives that would indicate an improvement in people's lives; a result of the Millennium Declaration, adopted by 147 heads of state and government during the Millennium Summit in September 2000, reaffirming their commitment toward sustaining development and eliminating poverty; at the Monterrey Conference in March 2002, multilateral development banks, including ADB, reached a consensus to relate their long-term strategic frameworks to the MDGs

nongovernment organization (NGO): a special interest group

ordinary capital resources (OCR): the interest-bearing window for ADB's ordinary lending operations

others: the term "Others" in sector tables on loans and technical assistance grants includes projects outside ADB's economic sector classification system; these projects pertain to, among others, central government administration, operation and regulation, customs operations, public sector reform programs, judicial and legislative operations, public finance management, fiscal reforms, environment projects, gender, governance, and tourism

partial credit guarantee (PCG): a credit enhancement product used to facilitate commercial cofinancing by providing lenders to ADB-assisted projects with comprehensive coverage against all commercial and political risks for a specified portion of a borrower's debt service obligation

participatory development: a process through which stakeholders can influence and share control over development initiatives and decisions, and resources that affect their lives

participatory poverty assessment: a product of consultations with the poor to understand the nature of poverty and help formulate poverty reduction programs

performance-based allocation (PBA): a system of earmarking a loan depending on the use of previous loans and a country's capacity to pay

political risk guarantee (PRG): a credit enhancement product used to facilitate commercial cofinancing by providing lenders to ADB-assisted projects with cover against specifically defined political risks

postconflict: the period when hostilities have ceased in large parts of a country, a central authority is in place to deal with governance issues and enter into contracts with international donors and others, relief activities are gaining momentum, and rehabilitation activities have been initiated as displaced persons begin to return home

poverty partnership agreement (PPA): an agreement signed between ADB and governments of its developing member countries that specifies targets and measures for reducing poverty, and ADB's support toward achieving these objectives

Poverty Reduction Cooperation Fund (PRF): a grant facility from the Department for International Development of the Government of the United Kingdom to help ADB reduce structural poverty in its developing member countries

program loan: a loan that supports policy and institutional reform in a developing member country to enhance economic efficiency in a sector

project loan: loan provided to finance a specific project

project completion report (PCR): a concise history of a project from identification to completion, evaluates the thoroughness and adequacy of project design, reviews implementation factors affecting project performance, suggests follow-up actions required during operations, and makes recommendations to improve operations, policies, and procedures; usually prepared within 12–24 months of project completion

project preparatory technical assistance (PPTA): a grant assistance for analyzing sector and thematic issues; assessing feasibility; and designing investment, reform, or sector development activities

project/program performance audit report (PPAR): a study that evaluates the effectiveness of the project in achieving its intended objectives; includes an analytical commentary and an audit of the adequacy and integrity of the completion report; focuses on specific issues meriting close attention; and analyzes the causes of deviations from appraisal designs and assesses their significance; generally prepared 3 years after project completion to ensure the availability of adequate data relating to the benefits and costs including operation and maintenance costs

public good: a good which, when consumed by an individual, does not detract from the consumption by another, and which is impossible or at least very difficult to exclude anybody from consuming

real economy or sector (economics): activities in the economy that produce goods and services, excluding financial and monetary activities

Regional Economic Monitoring Unit (REMU): established in 1999 to support the Association of Southeast Asian Nations in its surveillance of economic developments; provides inputs relating to the Asian financial crisis through the Asia Recovery Information Center

regional mission: an external office of ADB that is responsible for a group of countries in a subregion with functions similar to that of a resident mission—government, civil society, and private sector relations; policy dialogue and support; country reporting; aid coordination; and external relations and information dissemination

regional technical assistance: a grant given to address issues of interest to the region, a subregion, or a group of individual DMCs; regional activities include conferences, research, studies, training, and other development-related activities

representative office: an external office of ADB in a nonborrowing member country that is involved in resource mobilization; liaises with other multilateral and bilateral development agencies and other organizations, both intergovernment and nongovernment

resident mission: an external office of ADB in a developing member country with standard functions—government, civil society, and private sector relations; policy dialogue and support; country reporting; aid coordination; and external relations and information dissemination, and certain specific functions as delegated by ADB headquarters

safeguard policy compliance: a process to ensure that standards stipulated in contract documents are met for improved project quality

sector development program loan: a combination of an investment (project or sector) and a policy-based (program) loan, as well as, where appropriate, an accompanying technical assistance, to meet sector needs in a comprehensive and integrated manner; not a separate lending modality, but represents the combination, under appropriate circumstances, of policy and investment-based assistance

sector loan: a loan provided to develop a specific sector or subsector; finances a large number of subprojects in a single sector or subsector

special funds: funds administered by ADB such as the concessional Asian Development Fund, Technical Assistance Special Fund, Japan Special Fund (including the Asian Currency Crisis Support Facility), and the ADB Institute Special Fund

special office: an external office to facilitate coordination with other donors in a developing economy or to provide urgent development assistance to a DMC whose work program with ADB has yet to be formalized

technical assistance: resources given to a developing member country to help them identify, formulate, and implement development projects, enhance institutional capabilities, formulate and undertake development plans and strategies, foster regional cooperation, and promote the consideration of vital development policy issues. Technical assistance operations are funded either by a loan or by a grant, or by a combination of the two. The three types of technical assistance are project preparatory technical assistance (to identify, formulate, and implement projects); advisory and operational technical assistance (to improve institutional capabilities, formulate development strategies, and promote technology transfer); and regional technical assistance (to foster regional cooperation)

Technical Assistance Special Fund (TASF): a consolidated account under ADB's Special Funds resources to finance its grant-financed technical assistance operations and related activities

trust funds: funds that are managed and administered by ADB but are not part of ADB's own resources, such as the Japan Fund for Information and Communication Technology, Japan Fund for Poverty Reduction, Japan Scholarship Program, and channel financing of grants provided by bilateral donors to support technical assistance and soft components of loans

ADB'S CONTACT ADDRESSES

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Resident/Regional Missions

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