



# ANNUAL REPORT

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VOLUME 1

Asian Development Bank

ADB

**ANNUAL  
REPORT  
2 0 1 0**

VOLUME 1

Asian Development Bank

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The ADB *Annual Report 2010* comprises two separate volumes: Volume 1 is the main report and Volume 2 contains the financial statements and statistical annexes.



## THE RECORD

(\$ million)

	1966–2010	2007	2008	2009	2010
<b>OPERATIONAL ACTIVITIES</b>	201,392	11,090	12,173	19,156	17,513
I. ORDINARY CAPITAL RESOURCES (OCR) AND SPECIAL FUNDS RESOURCES (amount) (A + B + C + D + E + F) <sup>a, b</sup>	181,626	10,557	10,898	15,738	13,845
A. Loans (amount) (1 + 2)	167,116	9,516	9,899	13,216	11,462
Disbursements	117,233	6,852	8,515	10,099	7,516
1. OCR (amount) (a + b + c)	126,367	7,623	8,135	11,006	9,250
Disbursements	86,345	5,234	6,472	7,898	5,945
a. Sovereign	120,369	6,972	6,839	10,568	8,197
Disbursements	82,348	4,743	5,878	7,449	5,272
b. Nonsovereign Public	294	10	75	134	—
Disbursements	160	30	54	—	75
c. Nonsovereign Private	5,703	640	1,222	304	1,053
Disbursements	3,837	461	540	449	598
2. Asian Development Fund (ADF) Loans (amount) (a + b)	40,749	1,893	1,764	2,210	2,213
Disbursements	30,888	1,618	2,043	2,201	1,571
a. Sovereign	40,735	1,893	1,764	2,210	2,213
Disbursements	30,873	1,618	2,043	2,201	1,571
b. Nonsovereign Public	15	—	—	—	—
Disbursements	15	—	—	—	—
B. Grants (amount) (1 + 2)	4,359	549	707	924	982
1. ADF	3,624	519	707	911	967
Disbursements	981	63	177	347	358
2. Other Special Funds <sup>c</sup>	736	30	—	13	15
Disbursements	678	130	130	135	102
C. Guarantees (amount) (1 + 2)	4,066	251	—	325	982
1. Sovereign	2,987	—	—	325	432
2. Nonsovereign	1,079	251	—	—	550
D. Trade Finance Program (amount) <sup>d</sup>	1,000	—	—	850	— <sup>e</sup>
E. Equity (amount)	1,937	80	103	220	243
F. Technical Assistance Grants (amount) (1 + 2)	3,147	161	189	203	175
1. Technical Assistance Special Funds (TASF)	1,912	110	119	137	147
2. Other Special Funds	1,235	51	70	66	28
II. COFINANCING (amount) (A + B) <sup>a, f</sup>	19,766	534	1,275	3,418	3,669
A. Project					
1. Loans (amount) (a + b)	16,840	321	1,090	3,164	3,360
a. Official	14,042	121	665	2,768	2,850
b. Commercial	2,798	200	425	396	510
2. Grants (amount)	1,938	123	101	190	157
B. Technical Assistance Grants (amount) <sup>g</sup>	988	90	84	64	151
TOTAL (I + II)	201,392	11,090	12,173	19,156	17,513
I. OCR AND SPECIAL FUNDS RESOURCES (number) <sup>a, b</sup>					
A. Loans					
Number of Projects <sup>h</sup>	2,328	80	81	92	106
Number of Loans (1 + 2 + 3)	2,679	91	91 <sup>i</sup>	110 <sup>i</sup>	118
1. Sovereign	2,530	74	80 <sup>i</sup>	104 <sup>i</sup>	105
2. Nonsovereign Public	5	1	1	2	—
3. Nonsovereign Private	144	16	10	4	13
B. Grants <sup>h</sup>	163	24	27	33	40
C. Guarantees	33	3	—	1	5
D. Trade Finance Program	1	—	—	1	—
E. Equity Investments	169	5	6	5	8
F. Technical Assistance Grants <sup>h</sup>	6,503	203	246	260	243
II. COFINANCING (number) <sup>a, f</sup>					
1. Official Loans, Grants, and Technical Assistance <sup>g</sup>	1,620	84	109	133	152
2. Commercial Loans and Syndications	50	1	2	4	4
RESOURCES (as of period end)					
Ordinary Capital Resources					
Authorized Capital	163,843	55,978	54,890	166,179	163,843
Subscribed Capital	143,950	55,978	54,890	60,751	143,950
Borrowings (gross) (for the period)	108,655	8,854	9,372	10,359	14,940
Outstanding Debt	51,822	31,569	35,672	42,063 <sup>j</sup>	51,822
Ordinary Reserve	10,030	9,245	9,532	9,790	10,030
Special Reserve	230	203	210	219	230
Gross Revenue (for the period)	1,142	2,208	2,064	1,472	1,142
Net Income (loss) after Appropriation of Guarantee Fees to Special Reserve (for the period)	14,728 <sup>k</sup>	760	1,119	(37)	614
Special Funds Resources					
Asian Development Fund Total Resources	32,651	31,950	33,479	31,973 <sup>l</sup>	32,651
Technical Assistance Special Fund Total Resources	1,760	1,361	1,403	1,716	1,760
Japan Special Fund Total Resources					
Regular and Supplementary Contributions	974	956	974	974	974
Asian Currency Crisis Support Facility	151 <sup>m</sup>	151	151	151	151
ADB Institute Special Fund Total Resources	166	133	141	149	166
Asian Tsunami Fund Total Resources	587	617	626	587	587
Pakistan Earthquake Fund Total Resources	145	137	142	144	145
Regional Cooperation and Integration Fund Total Resources	53	41	43	43	53
Climate Change Fund Total Resources	51	—	41	41	51
Asia Pacific Disaster Response Fund Total Resources	40	—	—	40	40

— = nil.

Note: Totals may not add up because of rounding.

a Adjustments and terminations prior to signing are reflected (for 2010: loan = \$239.3 million; guarantee = \$71.7 million; grant = \$0.6 million; technical assistance = \$0.2 million).

b Includes loans/grants/guarantees arising from multilending facilities.

c Includes Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

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

e 2010 Trade Finance Program transactions were conducted subject to the 2009 Board approval.

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

g Includes reimbursable TA for Brunei Darussalam amounting to \$0.6 million and \$0.8 million in 2008 and 2010, respectively.

h Projects with multiple loans, or with combination of public and private lending are counted once. Cumulative number of projects excludes supplementary loans. Grants and technical assistance with multiple fund source are counted once.

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

j From 2009 onwards, amount includes unamortized discounts/premiums, transition adjustment, translation adjustment, and ASC 815 adjustment on swapped borrowings.

k Includes cumulative effect of ASC 820/825 adoption amounting to \$227.5 million, as an adjustment to the 1 January reserves.

l Includes reclassification relating to Due from Contributors of \$2,185.6 million as of 31 December 2009 from Assets to Fund Balances under Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Contribution.

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

# MESSAGE FROM THE PRESIDENT



If Asia's vast potential is to be fulfilled, it must rebalance growth to reduce reliance on external markets, which will strengthen resilience against future crises. Developing Asia must also promote public–private partnerships to meet infrastructure needs and to ensure that development is both inclusive and environmentally sustainable.

**D**eveloping Asia moved beyond the economic crisis to emerge as a new engine of global growth in 2010. Our estimates show that the region's gross domestic product increased by 9.0% in 2010, more than double the global growth rate during the same period and well above the 5.9% rate recorded in the region a year earlier.

While the speed and strength of its economic recovery surprised many, the region still faces daunting challenges. Asia and the Pacific remains home to millions of the absolute poor. Widening income and non-income disparities among and within countries further accentuated the contrast between the two faces of Asia—one that has emerged as a beacon of hope and one that is being left behind. While the region as a whole is likely to achieve the Millennium Development Goal (MDG) of halving extreme poverty by 2015, several countries are lagging on the non-income MDG targets.

As the region moves beyond economic recovery to sustained growth, it must ensure that the evolving growth paradigm becomes more inclusive to benefit as many people as possible. According to an ADB study, 14 out of 20 developing Asian economies saw their Gini coefficients—a measure of inequality—increase in recent years as economic growth accelerated. Ensuring growth is inclusive will require greater investment in education and health, particularly for the poor; expanded social protection, including in the informal sector and rural households; and developing rural infrastructure to connect the poor to markets and enable them to participate in the growth process.

Asia also needs to focus on environmentally sustainable growth. In a world of scarce and finite resources, it is critical to ensure that we leave a sustainable environment and development legacy to future generations. Climate change and climatic volatility are serious threats to the region's development. Rising sea levels and higher temperatures can have dramatic effects, forcing large numbers of mostly poor to migrate. Sustainability cannot be achieved unless the region moves onto a low-carbon, climate-resilient development path that embraces both mitigation and adaptation.

ADB is committed to supporting these efforts. In 2010, ADB prepared plans to guide operations in climate change, sustainable transport, and education. ADB's operations totaled \$17.5 billion, including

\$3.7 billion from cofinancing partners. In addition, ADB's ongoing Trade Finance Program supported \$2.8 billion in trade. Business processes were simplified and restrictions lifted on additional financing so that well-performing projects can be prioritized and expanded—reflecting ADB's focus on operations that deliver the best results. In addition, a midterm review of the Asian Development Fund concluded that solid progress had been made on implementing its strategic agenda. This included stronger assistance for countries in fragile and conflict-affected situations, as well as increased support for regional cooperation and integration to reap the benefits of increased intra-regional trade and commerce.

Of course, much remains to be done to reduce disparities within and among the region's developing economies. Massive investments will be necessary in both the social sector and—crucially—infrastructure. We estimate that \$8 trillion will be needed to support infrastructure development during the coming decade, according to the ADB–ADBI publication, *Infrastructure for a Seamless Asia*. That figure far exceeds current investment levels; it will require innovative methods of resource mobilization from development partners across the region.

Given the several years of high growth Asia has enjoyed and its increasing influence in the global economy, many are saying that the 21st century belongs to Asia. But I always stress that success is never preordained. If Asia's vast potential is to be fulfilled, it must rebalance growth to reduce reliance on external markets, which will strengthen resilience against future crises. Developing Asia must also promote public–private partnerships to meet infrastructure needs and to ensure that development is both inclusive and environmentally sustainable.

The historic Millennium Declaration of 2000 promised a better life for millions of poor in Asia and the Pacific. How well this promise is fulfilled depends on our steadfast efforts. ADB remains committed to working tirelessly with its developing member countries and development partners to ensure greater progress in the years ahead.



Haruhiko Kuroda  
President and Chairman  
Board of Directors

# BOARD OF DIRECTORS



Asian Development Bank (ADB) approvals, including cofinancing, totaled \$17.51 billion in 2010. The Board of Directors continued to seek new ways for ADB to assist its developing member countries in addressing challenges and making progress toward the Millennium Development Goals. The Board undertook wide-ranging strategic initiatives, including the appointment of a vice-president for private sector and cofinancing operations. The Board also endorsed a comprehensive new human resources policy, assessed a proposal to streamline additional funding to successful projects, and endorsed country partnership strategies for Kiribati, Papua New Guinea, and Tajikistan.

## OVERVIEW OF THE BOARD'S ACTIVITIES IN 2010

The Board of Directors is responsible for the overall direction of ADB operations, including the approval of policies, loans, technical assistance, grants, and guarantees. The Board also approves the annual budget and borrowing program. As their representative, the Board plays a vital role in seeing ADB shareholders' guidance is implemented.

In 2010, the Board of Directors addressed the challenges facing Asia and the Pacific by continuing to guide and support the implementation of Strategy 2020, while overseeing execution of the reform agenda that emerged from the fifth general capital increase and the ninth replenishment of the Asian Development Fund. The Board took steps to position ADB to improve its development effectiveness, especially in the core areas of Strategy 2020, and to strengthen institutional governance.

To support the strategic objective of expanding private sector operations, the Board approved the appointment of Lakshmi Venkatachalam to the newly created post of vice-president for private sector and cofinancing operations.

A Board–Management working group was set up to review the Accountability Mechanism, which was established in 2003 to give people affected by ADB-assisted projects a forum to seek solutions to problems. The review is expected to be completed in 2011.

The Board discussed the *2009 Development Effectiveness Review*, the third annual assessment of ADB's corporate performance. Executive directors also discussed a proposal to refine ADB's results framework, which is at the core of the annual review, to make it a better management tool in guiding the implementation of Strategy 2020. The Board continued to monitor ADB's performance through its oversight of the Independent Evaluation Department (IED).

The Board reviewed a proposal to streamline additional financing to projects that are being successfully implemented in order to boost ADB's development effectiveness. Executive directors also discussed and provided feedback on the review of ADB's policy-based lending program.

The Board approved the capital expenditure for a new risk management system intended to more efficiently

measure, consolidate, and evaluate market and credit risk exposures—a key area as ADB expands private sector operations.

To improve ADB's institutional effectiveness and accountability, the Board continued to focus on internal reforms. The executive directors discussed and endorsed Our People Strategy, a comprehensive plan to recruit, retain, and develop the staff ADB needs to carry out its mission of reducing poverty. This followed an ADB-wide consultation process guided by the Human Resources Committee of the Board.

The Board discussed the comprehensive review of salaries and benefits of international staff, the first such appraisal in 5 years. Executive directors also guided the review of ADB's Public Communications Policy (2005); the review was launched in February 2010 and is expected to be completed by mid-2011.

In 2010, total approvals by the Board, including loans, grants, technical assistance, credit enhancements, and cofinancing, exceeded \$17.51 billion. The Board also approved 12 new multitranche financing facilities totaling \$4.4 billion.

The Board deliberated on ADB's budget and borrowing program for 2011; the rolling Work Program and Budget Framework (WPBF), 2011–2013; and the 3-year rolling work program and 2011 budget of the Asian Development Bank Institute (ADBI).

It approved loan charges and the allocation of 2009 net income, and reorganized its work to improve sequencing of key elements of ADB's work program and budget cycle.

In addition, the Board endorsed country partnership strategies for Kiribati, Papua New Guinea, and Tajikistan. The country partnership strategy maps out ways for ADB to most effectively assist its developing member countries, given each country's challenges and priorities. It also enables ADB to evaluate their development performance over the strategy period.

## BOARD GROUP VISITS AND OTHER MEETINGS

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

From 27 January to 10 February, a group visited India and the Maldives. Another group visited Nauru and Timor-Leste from 5 to 15 June. A third group went to Armenia, Azerbaijan, and Georgia from 22 September to 6 October. These visits strengthened ADB's relationship with development partners and generated valuable feedback.

In September, the Board and Management participated in a 1-day retreat covering two important topics: Asia's water crisis and public-private partnerships.

## BOARD COMMITTEES

### Audit Committee

The committee assists the Board with oversight of financial reporting and audits, including internal controls and audits, risk management, and ADB-related anticorruption and integrity efforts. In 2010, the Board approved revisions to the committee's terms of reference to reflect its expanded role in risk management and to strengthen its oversight of internal audit and investigation functions.

The committee closely monitored the separation of ADB's internal integrity function from the Office of the Auditor General (OAG) and the establishment of the Office of Anticorruption and Integrity. It was also regularly briefed on the work of those two offices, as well as on the work of the Office of Risk Management.

The committee made recommendations to the Board on the principles for selection of an outside auditor, a commitment made during discussions on the fifth general capital increase. The committee reviewed the key findings of the outside auditor and OAG.

The committee reviewed ADB's financial statements and attestation process. It sharpened its focus on information technology audits. The committee also discussed the audits of resident missions and representative offices.

The committee met 14 times.

### Budget Review Committee

The committee discussed the President's planning directions to prepare the WPBF, 2011–2013, and noted the imperative for ADB to refocus on key long-term challenges

for Asia and the Pacific—inclusive growth, environmentally sustainable growth, and regional integration—while continuing to monitor the impacts of the financial crisis on poverty and social aspects. The committee also discussed the progress of 2010 programs of operations.

The committee met with the vice-presidents on the highlights of the draft WPBF, 2011–2013. The committee acknowledged the need for further work and additional funds for climate change mitigation and adaptation operations in the Pacific, and welcomed the significant increase in resources for education. It recommended that ADB focus more on achieving the target of having private sector development and private sector operations account for 50% of annual operations by 2020. The committee also recommended support for mainstreaming gender initiatives, and suggested more attention be paid to the health sector, where needed.

The committee discussed in detail for the first time the draft WPBF, 2011–2013, and appreciated more in-depth discussion on issues concerning the Millennium Development Goals. The committee discussed the 2011 draft budget document and noted that ADB has strongly pursued efficiency. The committee confirmed that the 2011 budgets for ADB, IED, and ADBI are consistent with the work plans and appropriate for consideration by the Board.

The committee met 11 times.

### Compliance Review Committee

The committee consists of six Board members: four regional members, at least three of whom are from borrowing countries, and two nonregional members. It is responsible for clearing the Compliance Review Panel's proposed terms of reference and the schedule for each review authorized by the Board, as well as the panel's draft reports monitoring the implementation of any remedial actions approved by the Board. During 2010, the committee cleared the fifth and final annual monitoring report for the Chashma Right Bank Irrigation Project (Stage III) in Pakistan and the fourth such report for the Southern Transport Development Project in Sri Lanka.

The committee considered the content of its 2008–2009 annual report, and it convened a meeting with the Compliance Review Panel and another with external

experts assisting the ongoing review of the Accountability Mechanism (see also Chapter 4). The chair of the committee also leads the joint Board–Management working group conducting that review.

The committee met three times.

## Development Effectiveness Committee

The committee continued to support the Board of Directors in assessing the quality and impact of ADB's country and sector operations by discussing selected major evaluation reports produced by IED. At the country level, the committee deliberated on IED's recommendations on assistance to Bhutan and the Lao People's Democratic Republic. For a more comprehensive assessment, it also discussed related sector assistance program evaluations for energy and transport. These discussions aimed to provide inputs for the preparation of the next country partnership strategies.

The committee remained focused and supportive of the priorities of Strategy 2020, discussing IED evaluation of crosscutting issues related to gender and development, and climate change. It also discussed special evaluations of operations in fragile and conflict-affected situations, and on water policy and related operations, with the view that ADB should continue to improve its policies and strategies in these areas.

To ensure that ADB's policies and procedures, and projects and programs, reflect the lessons learned from evaluation activities, the committee noted IED's annual report on 2009 portfolio performance. To supplement this, the committee discussed IED's evaluation of the sustainability of ADB's projects after completion. In monitoring how IED recommendations are implemented, the committee noted IED's 2010 annual evaluation review, and its 2009 annual report concerning actions taken on its advice.

The committee met nine times.

## Ethics Committee

The Board established the committee, in compliance with the Code of Conduct adopted in September 2006, to address matters of ethics under the code. The code's provisions apply to directors, alternate directors, temporary alternate directors, and the President. The committee is responsible for advising them when they request guidance on actual or potential conflicts of interest or other ethical aspects of conduct. The committee also considers allegations of misconduct relating to the performance of directors in official duties, and recommends appropriate action to the Board of Directors.

The committee met twice.

## Human Resources Committee

In its second year of operation, the committee successfully established its role and relationship with Management in ensuring that the human resources of ADB are managed according to the organization's goals and staff welfare.

In its first annual report to the Board of Directors, the committee noted the significant milestones of ADB in improving human resources management. The committee monitored the implementation of Our People Strategy and noted timely updates to the Human Resources Strategic Function and Action Plan.

The committee extensively monitored and made recommendations on two major human resources activities completed in 2010: the comprehensive review of the professional staff compensation and benefits, and the 2010 staff engagement survey. Further, the committee continued to monitor major developments in various human resources functions.

The committee met seven times.

# BOARD OF DIRECTORS

PRESIDENT AND CHAIRMAN  
OF THE BOARD OF DIRECTORS



Haruhiko Kuroda

EXECUTIVE DIRECTORS



Phil Bowen



Howard Brown



Richard Edwards



Marwanto  
Harjowiryono



Ashok K. Lahiri

ALTERNATE EXECUTIVE DIRECTORS



Dereck  
Rooken-Smith



Jacob A.  
Rooimans



Eduard  
Westreicher



C.J. (Stan)  
Vandersyp



Bounleua  
Sinxayvolavong



Michele  
Miari Fulcis

Robert M. Orr

Masakazu  
Sakaguchi

Siraj S.  
Shamsuddin

Jaejung Song

Chaiyuth  
Sudthitanakorn

Yingming Yang



Jose  
Miguel Cortes

Maureen Grawe

Yasuto  
Watanabe

Gaudencio S.  
Hernandez, Jr.

Wilson Kamit

Govinda  
Bahadur Thapa

Xiuzhen Guan

## MANAGEMENT



C. Lawrence  
Greenwood, Jr.

Ursula  
Schaefer-Preuss

Bindu N. Lohani

Xiaoyu Zhao

Lakshmi  
Venkatachalam

Rajat M. Nag

Robert L. T.  
Dawson

# POLICY AND STRATEGY OVERVIEW



ADB's timely response to the global economic crisis and progress in driving internal reforms were among topics discussed at the midterm review of the 10th cycle of the Asian Development Fund (ADF) in November. To guide the implementation of Strategy 2020, ADB approved operational plans for climate change mitigation, sustainable transport, and education. ADB is continuing efforts to upgrade and widen its menu of financing instruments, including support to help develop local-currency bond markets as an alternative source of funding to bank loans.

## ADF X MIDTERM REVIEW

The midterm review of the 10th cycle of the Asian Development Fund (ADF X) was held in Manila, Philippines, on 18–19 November 2010. Representatives from ADF donors, and recipient countries, ADB Management and staff, and observers from ADB's Board of Directors and other international development institutions met to review the progress made in implementing ADF X.

Participants expressed satisfaction with the performance of the ADF X in its first 2 years. They appreciated ADB's proactive and timely response to the global economic crisis, with significantly increased levels of approvals and disbursements. They acknowledged that resources had been allocated effectively through the performance-based allocation system, which balances country needs and performance. Under the system, ADB has been able to simultaneously allocate a greater share of resources to the poorest countries and the stronger performers.

ADB has also made good progress in implementing the ADF X strategic agenda, particularly in promoting inclusive economic growth, prioritizing efforts to combat climate change, supporting regional cooperation and integration, and strengthening its support for conflict-affected countries.

ADB has implemented many initiatives to improve its operational effectiveness and has made significant progress on all internal reforms agreed with ADF donors—such as managing for development results, responding more efficiently and quickly to clients, and better management of human resources.

Deputies confirmed the decision to temporarily finance the additional allocation to Afghanistan for 2011–2012 as a result of the suspension of the post-conflict phaseout from internal resources. They supported ADB's proposal to continue with the agreed approach to the post-conflict phaseout in Timor-Leste and the proposal to postpone the release of the remaining usable liquidity. These issues will be revisited during the ADF XI replenishment.

Overall, there was broad support for ADB's proposal to further study how the institution could respond even better to crises, learning from its recent experience with economic crises and natural disasters. Participants recognized the difficulties faced by ADF countries after the global economic crisis. According to recent data, as many as 26 of the 28 ADF countries could fail to achieve at least one-fourth of the non-income Millennium Development

Goals (MDGs). Therefore, demand for ADF resources will continue to be strong to the end of ADF X and beyond. ADB must continue to play an important role in helping ADF countries address their medium- and longer-term development needs.

## ACCOUNTABILITY MECHANISM

At the 43rd Annual Meeting of the Board of Governors of ADB in Tashkent in May, the ADB President announced that ADB would undertake a review of its Accountability Mechanism. (See Chapter 4, page 21.) A joint Board of Directors and Management Working Group was formed to undertake the review, with two international experts engaged to provide independent advice. A wide-ranging public consultation process took place, including face-to-face discussions with stakeholders and gathering of comments from the public through a dedicated website.<sup>1</sup> In-country and regional consultations were conducted between September and November 2010 in Germany, Indonesia, Japan, the Philippines, Sri Lanka, and the United States. A workshop was held with Canadian participants via videoconference. The experts' final report was submitted in December 2010 and posted on the ADB website. A revised policy paper is scheduled to be presented to the Board for approval in 2011.

The Accountability Mechanism review seeks to assess the accessibility, credibility, efficiency, and effectiveness of the Accountability Mechanism, taking into account ADB's experience since 2003 and those of similar mechanisms in other multilateral and financial institutions. The review covers a wide range of issues, such as the approach to site visits, the level of independence of the mechanism, accessibility of the mechanism by affected people, eligibility criteria for filing a complaint, the effectiveness of public outreach, cost implications for bringing projects into compliance, and benefits of the Accountability Mechanism to project-affected people, ADB, and developing member countries. Ultimately, the review will recommend improvements in the policies, functions, and operations of the Accountability Mechanism.

## PUBLIC COMMUNICATIONS POLICY

The 2005 policy requires a comprehensive review to be conducted 5 years after its effective date. Accordingly, ADB launched a review in February 2010 to assess its

<sup>1</sup> See <http://www.adb.org/AM-Review/>

## Millennium Development Goals and Infrastructure Development in Asia and the Pacific

The scale of the task of achieving the Millennium Development Goals (MDGs) is daunting. The region is home to more than 900 million poor comprising more than two-thirds of the world's population in extreme poverty. It contains 470 million people who have no clean water, which is more than half of the world's population without clean water. It also has 70% of the developing world's people who have no basic sanitation, two-thirds of the world's undernourished children, and more than 60% of people infected with tuberculosis.

Overcoming such huge challenges will require stronger basic infrastructure, particularly road transport, water supply, sanitation, electricity, information technology, telecommunications, and urban low-income housing. The MDG framework has no specific goals or targets for basic infrastructure except for water and sanitation, and information and communication technology.

However, a number of empirical studies have validated the direct connection between basic infrastructure and MDG outcomes. Access to water and sanitation can substantially reduce infant and child mortality rates, access to electricity allows more study time and improves education outcomes, and better transportation and all-weather roads increase school attendance and access to health services.<sup>a</sup>

Yet the availability of basic infrastructure remains relatively poor in Asia and the Pacific. Bridging the infrastructure gaps will require about \$8 trillion over the period

2010–2020. More than half of this would be required to supply energy, and about 30% would be for roads.<sup>b</sup>

While scaling up infrastructure spending to achieve the MDGs is essential, three issues need special attention:

First, the region must raise quality and maintenance standards for infrastructure. A recent World Economic Forum business survey (with scores of 1–7) found the Asia and Pacific region to be 2 points or more behind the G7 countries<sup>c</sup> in infrastructure quality.

Second, infrastructure design must consider environmental impacts and climate change. Basic infrastructure must be designed with the environment and climate change in mind. Roads and bridges may have to be built to withstand more frequent floods. In addition, environmentally-friendly technology and options must be promoted and encouraged, including propagation of clean energy technologies, energy conservation, and demand management.

Finally, potential benefits exist for regional cooperation in infrastructure, including basic infrastructure. It has been estimated that regional connectivity in energy, transport, and telecommunications can bring about an increase in Asia's net income of \$13 trillion over the 2010–2020 period and beyond.<sup>d</sup> For poverty-stricken areas in adjacent countries, cooperation in building basic infrastructure can help expand their economies and bring mutual benefits through trade.

### Comparing Infrastructure between Asia and the Rest of the World, 2005

Country Grouping	Paved Roads (km/10,000 people)	Railways (route km/ 10,000 people)	Household Electrification Rate, 2008 (%)	Access to Improved Water Sources (% of total)	Access to Improved Sanitation (% of total)	Mobile and Telephone Subscribers (per 100 people)	Broadband Internet Subscribers (per 100 people)	Urban Slum Population (%)
Northeast Asia	13.72	0.49	99.34	88.11	64.97	5.96	0.366	32.97
Central Asia	16.48	2.55	—	88.66	95.31	2.31	0.003	—
South Asia	12.78	0.51	61.03	88.06	32.83	1.20	0.010	40.10
Southeast Asia	10.51	0.27	71.69	86.39	67.50	3.53	0.031	34.15
Pacific Islands	3.69	—	—	46.19	48.74	0.77	0.043	—
Asia-Pacific	<b>12.83</b>	<b>0.53</b>	<b>77.71</b>	<b>87.72</b>	<b>52.05</b>	<b>3.47</b>	<b>0.154</b>	<b>35.73</b>
Industrialized countries	207.10	—	—	99.58	99.85	13.76	1.553	—
OECD	211.68	5.21	99.80	99.63	99.94	13.87	1.608	—
Latin America	14.32	2.46	92.70	91.37	78.26	6.11	0.150	25.35
Africa	—	0.95	28.50	58.38	30.83	1.42	0.003	62.72

= nil, km = kilometers, OECD = Organisation for Economic Co-operation and Development.

a ADB, JBIC, and World Bank. 2005. *Connecting East Asia: A New Framework for Infrastructure*. Manila: ADB.

b ADBI and ADB. 2009. *Infrastructure for a Seamless Asia*. Tokyo: ADBI.

c G7 includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

d ADBI and ADB. 2009. *Infrastructure for a Seamless Asia*. Tokyo: ADBI.

efficacy and recommend changes as necessary to strengthen it. The 2010 review of the policy was guided by a steering committee chaired by the Managing Director General.

ADB solicited views from its staff on their experiences with the policy and how it could be improved. The review also engaged interested individuals, organizations, and other external stakeholders to provide feedback and suggestions

for enhancements. In addition to seeking written comments on the current PCP and two consultation drafts that were released in June and November 2010, ADB held 20 in-country consultation workshops in 12 member countries within and outside Asia and the Pacific to seek the views of a broad range of stakeholders. These included government officials, civil society organizations, the private sector,

academia, media, international organizations, and project-affected people. More than 500 people participated in the workshops. The review also took on board the findings of two global surveys of its stakeholders in 2006 and 2009 to gauge their perceptions of ADB's performance and communications.

The review concluded that the policy is fundamentally sound and has been well implemented. While its thrust will not change, the review identified five areas in which changes to the policy are needed to keep ADB at the forefront of best practices.

A revised policy addressing key issues raised during the review will be considered by ADB's Board of Directors in mid-2011.

## OPERATIONAL PLANS

To facilitate the implementation of Strategy 2020, ADB is gradually introducing operational plans to guide ADB operations in specific sectors and thematic areas. In 2010, ADB approved three operational plans for climate change,<sup>2</sup> sustainable transport,<sup>3</sup> and education.<sup>4</sup> (See Chapter 13 for more details.) ADB also started developing new operational plans for the finance, urban, and water sectors, as well as environment and public-private partnerships, which will be completed in 2011.

## ENHANCING ADB'S FINANCING INSTRUMENTS

Efforts are continuing to offer ADB's borrowing clients a wider menu of financing instruments. In 2010, ADB reviewed the role of supplementary financing as a way to improve the development effectiveness of its operations. The review proposed renaming "supplementary financing" as "additional financing" and introduced policy changes to reduce the processing time and incremental costs of repetitive processes for projects. The potential to scale up well-performing projects was enhanced by the introduction of simple business processes and the easing of restrictions on the use of additional financing for such projects.

Second, a differentiation was made between cost overruns resulting from external reasons and those due to design and implementation problems and between projects that are performing well and those that are not. Third, the additional financing policy was linked with ADB

policies on emergency assistance, cofinancing, and changes of scope.

The new policy was approved by the Board in December and will become effective in February 2011. It should improve services to developing member countries, harmonize ADB's financing policies with those of its development partners, and contribute to ADB's shift toward results-focused operations.

Work is also ongoing to update and/or develop business instruments on policy-based lending, project development, cross-border investment (for regional cooperation and investment), and results-based lending.

## REGIONAL COOPERATION INITIATIVE: CREDIT GUARANTEE AND INVESTMENT FACILITY

The 1997 Asian financial crisis accentuated the need for local currency bond markets as an alternative to then-dominant bank loans. With inadequate hedging, banks were vulnerable to foreign exchange vagaries, and much short-term borrowing was done for long-term investments. A regional bond market would help to ensure availability of long-term domestic currency funding, to prevent maturity and currency mismatches, and to better channel the region's savings into regional investment.

For those reasons, the Association of Southeast Asian Nations (ASEAN) and the People's Republic of China, Japan, and Republic of Korea—or ASEAN+3—launched the Asian Bond Markets Initiative (ABMI) in 2002 to foster local-currency bond markets. Though the ABMI has achieved much—local currency denominated bonds in emerging East Asia grew to nearly \$5 trillion in 2010 from less than \$1 trillion in 2001—much more needs to be done to give corporations better access to bond markets and to offer a variety of maturities to meet issuers' financing needs.

To address these issues, ADB worked with ASEAN+3 in 2010 to establish a credit guarantee and investment facility (CGIF) as a trust fund of ADB to guarantee bonds in the region. Access to local bond markets will make corporations less dependent on short-term foreign loans and less vulnerable to foreign exchange risks. CGIF also promotes harmonization of standards and practices for bond issuance within ASEAN+3, paving the way for regional financial market integration.

<sup>2</sup> ADB. 2010. *Addressing Climate Change in Asia and the Pacific: Priorities for Action*. Manila.

<sup>3</sup> ADB. 2010. *Sustainable Transport Initiative Operational Plan*. Manila.

<sup>4</sup> ADB. 2010. *Education by 2010 – A Sector Operations Plan*. Manila.

# DELIVERING AN EFFECTIVE ORGANIZATION



ADB continued to sharpen its focus on results in all aspects of its performance in 2010. ADB's corporate results framework is used as a management tool to monitor its performance and promote continuous institutional improvements to expand its development effectiveness. While continuing to ensure accountability and compliance throughout its operations, ADB has introduced streamlined business processes for country partnership strategies and loan delivery, tightened its integrity and anticorruption protocols, and improved the dissemination of high-quality knowledge.

## OVERVIEW

**S**ound business practices, more efficient use of resources, better aid delivery, and good governance have been areas of special focus for ADB in 2010. ADB's corporate results framework continues to shape its performance and to promote improvement in its activities.

In-depth assessment of strategies, policies, and operations by the Independent Evaluation Department (IED) continued during the year, while ADB's Accountability Mechanism continued to provide an independent forum for affected parties seeking to resolve problems arising from ADB projects. A joint Board–Management working group initiated a review of the 2003 Accountability Mechanism Policy, which will be completed in 2011.

As in previous years, ADB has stepped up support for its promotion of knowledge, such as incorporating knowledge components in new partnership agreements. In 2010, demonstrating a commitment to greater transparency, ADB began a review of its Public Communications Policy, seeking new ways to improve its effectiveness. In addition to streamlining business processes, ADB boosted its risk-management, integrity, and anticorruption protocols.

## MANAGING FOR DEVELOPMENT RESULTS

Guided by its managing for development results (MfDR) action plan for 2009–2011, ADB sharpened its focus on results in managing its entire business. It continued to use its Strategy 2020 results framework regularly to monitor its performance, identify issues, and take action.

During the year, ADB completed its third Development Effectiveness Review to report its performance, and used the findings to prepare its work plans and budgets. (See box on page 20.) In addition, ADB refined its results framework in early 2011 to increase its value as a management tool, and cascaded the Strategy 2020 goals to work priorities at all levels of the organization.

ADB refined its guidelines on country and sector results frameworks to better align these with the objectives

of developing member countries and to improve the ways results are monitored. Eleven development effectiveness briefs<sup>1</sup> were produced to describe ADB's contributions to countries' development outcomes.

ADB upgraded its MfDR learning and development program and implemented a new communications plan to systematically disseminate messages on MfDR.

Throughout the year, ADB worked closely with several of its developing member countries—Bangladesh, Bhutan, Cambodia, the Lao People's Democratic Republic, and Viet Nam—to strengthen their capacities in MfDR. It also supported the Asia-Pacific Community of Practice on MfDR, the first regional network on results management.

## PROGRESS ON AID EFFECTIVENESS AGENDA

ADB monitors the progress of its commitments in the Paris Declaration on Aid Effectiveness through regular annual surveys. In January, ADB conducted its fourth annual survey incorporating 2009 data from 25 developing member countries. The results showed that ADB continued to meet the targets for five of the nine quantitative indicators in 2009. These were (i) aligning aid with national priorities, (ii) coordinating technical assistance, (iii) using country public financial management systems, (iv) reducing the number of parallel project implementation units, and (v) coordinating missions.

The joint country analytical work ADB undertook grew in 2009 and is on track to meet the target by the 2010

**As in previous years, ADB has stepped up support for its promotion of knowledge, such as incorporating knowledge components in new partnership agreements**

<sup>1</sup> These cover Afghanistan, Armenia, Bangladesh, Cambodia, Georgia, the Lao People's Democratic Republic, Mongolia, Nepal, Papua New Guinea, Samoa, and Tajikistan.

## 2009 Development Effectiveness Review

ADB's third Development Effectiveness Review monitored progress made in 2009 on the corporate results framework. The report was discussed by the Board of Directors in April 2010 and presented to ADB's Board of Governors in the Annual Meeting in May.

At Level 1, the review assessed only development outcomes preceding the 2008 global economic crisis, as there was insufficient current data on poverty to properly analyze the impact of the crisis in 2009. While some progress was noted in reducing income poverty, there was too little improvement in the performance of most of the non-income poverty indicators. This suggests it is unlikely that the non-income Millennium Development Goal targets will be met in 2015 (see 2009 Development Effectiveness Review Summary of Performance below).

The corporate performance report noted areas in which ADB results are on track or not. ADB made good progress toward its targets in many areas, including sustaining the quality of its operations, delivering funds and services to its clients efficiently, and aligning its operations with Strategy 2020 priorities.

ADB worked closely with other development partners to maximize benefits to its developing member countries. However, a few areas failed to improve significantly, an indication of the challenges involved in each case. Human resource and budget constraints remained a concern, given ADB's expansion in operations. Gender mainstreaming results achieved over the past 3 years, though improving, are still below the level of those of the baseline year. Knowledge management progress continued to lag, as did cofinancing of Asian Development Fund operations. New concerns emerged with regard to the outcomes of completed projects.

ADB's action plan commits to a number of remedial steps, notably expediting improved reporting systems on the performance of projects; introducing a pilot results scheme linking budget allocations to performance in cofinancing, education, and gender mainstreaming; and increasing staff resources and intensifying efforts to improve ADB's gender balance. ADB also significantly increased its staff and budget in 2010 to strengthen organizational capacity.

### 2009 Development Effectiveness Review Summary of Performance

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

(G) Green: "Made progress" (More than half of the indicators in the group have shown improvements over baselines or previous periods.)

(A) Amber: "Progress beginning to stall or regress" (Results are mixed: equal number of indicators improving or beginning to stagnate or regress.)

(R) Red: "Progress stalled or regressed" (More than half of the indicators in the group stagnating or regressing over two or more previous review periods.)

deadline. However, ADB must improve its performance in the use of country procurement systems, in program-based approaches, and in aid predictability to meet the Paris Declaration targets in these areas.

While the level of ADB assistance disbursed through program-based approaches was below target in 2009, the number of new projects employing such approaches increased over 2008. The decline in the aid predictability indicator was mostly attributable to approvals for major crisis response operations, which are by nature unpredictable. To improve the use of country procurement systems, ADB is facilitating policy dialogue, knowledge sharing, and capacity development, and strengthening of national procurement systems through the Asia Pacific Procurement Partnership Initiative.

## ENSURING ACCOUNTABILITY AND COMPLIANCE

The ADB Accountability Mechanism provides an independent forum for people adversely affected by ADB-assisted projects to voice complaints and seek resolution of problems. This takes place through consultation and facilitation. Affected people may also request an investigation into allegations of noncompliance by ADB with its operational policies and procedures. The mechanism is designed to contribute to ADB's development effectiveness and help improve project quality.

The mechanism has two phases: consultation and problem-solving conducted by the Special Project Facilitator, and compliance review led by the independent Compliance Review Panel (CRP).

The Office of the Special Project Facilitator received seven new complaints in 2010, of which two met its eligibility criteria. Four previous complaints were closed. The Office of the Compliance Review Panel received five inquiries for compliance review in 2010. All were considered to be outside the scope of the CRP's mandate and had been referred to the concerned operations department.

The CRP completed the first full 5-year annual monitoring program (for the Chashma Right Bank Irrigation

## The ADB Accountability Mechanism provides an independent forum for people adversely affected by ADB-assisted projects to voice complaints and seek resolution of problems

Project in Pakistan) and conducted the fourth annual monitoring for the Southern Transport Development Project in Sri Lanka. The CRP reported<sup>2</sup> to the Board that it was unable to complete the compliance review and make any determination as to ADB's accountability for the Fuzhou Environmental Improvement Project in the People's Republic of China due to the government's lack of consent to the CRP to visit the project site.

The Office of the Special Project Facilitator and the Office of the Compliance Review Panel finalized the first formal strategy for Accountability Mechanism outreach, an annual program to promote awareness of the Accountability Mechanism, and continued to work together to disseminate information about the Accountability Mechanism, both internally in ADB and externally. As part of that strategy, ADB approved the first funding for Accountability Mechanism outreach in the form of a small-scale regional technical assistance to pilot outreach on a regional basis.<sup>3</sup> The first program will be conducted in the Pacific developing member countries in early 2011.

ADB initiated a review of the Accountability Mechanism Policy in 2010. (See Chapter 3, page 15.)

## INDEPENDENT EVALUATION FOR DEVELOPMENT EFFECTIVENESS

IED's 2010 work program was driven by four main considerations: (i) aligning with ADB's strategic priorities and providing input for the formulation of future policies, strategies, and programs; (ii) providing real-time

<sup>2</sup> CRP/R1-10. Compliance Review Panel Request No. 2009/1 for the Fuzhou Environmental Improvement Project – ADB Loan 2176-PRC: CRP Final Report. Manila.

<sup>3</sup> ADB. 2010. Technical Assistance for Good Governance and Development Effectiveness through the Accountability Mechanism (RETA 7572).



Complaint-handling training for Indonesian village facilitators

feedback during loan processing and implementation; (iii) building capacity of developing member countries to evaluate development projects and train ADB staff on self-evaluation of ADB projects and programs; and (iv) contributing to knowledge solutions. In 2010, IED delivered the planned program of evaluations, knowledge products, and capacity development.

IED evaluations aim to promote accountability for results and learning. To promote accountability, evaluations assess whether ADB is allocating and using resources properly and achieving planned outcomes. IED relies on a number of evaluations of sector assistance programs and individual projects to evaluate country partnership strategies. These evaluations contribute to the formulation of country strategies and provide timely feedback on what worked and what did not, and why.

In 2010, IED evaluated the country partnership strategies for Bhutan and the Lao People's Democratic Republic to

assess their performance. The strategy for Bhutan was rated *successful*. The evaluation found, for example, that ADB has made major contributions to rural electrification and the development of basic infrastructure in two major centers.

In the Lao People's Democratic Republic, too, the ADB country strategy was rated *successful* in achieving its objectives. ADB helped the country in its transition to a market-based economy and assisted the government to formulate development strategies and plans, though it could have done better to strengthen public sector management and the finance sector.

To add value to the quality of new ADB projects, programs, and country partnership strategies, IED provided detailed comments on project design at the early stages of their preparation during the year. It commented on about 462 operational documents and participated in 65 management review meetings.

IED collaborates with other evaluation agencies mainly through the Evaluation Cooperation Group to improve its own effectiveness. In 2010, IED led the subgroup on good practice standards for evaluation of policy-based lending and contributed to good practice standards for evaluation of sovereign and private sector operations. It also participated and/or remained abreast of the evaluation network activities of the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

## LEARNING FROM INDEPENDENT EVALUATION

IED produced higher-level evaluations and knowledge products in a number of strategically important areas to promote learning. The products relate to a diverse set of issues, including special evaluation studies of ADB support to countries in fragile and conflict-affected situations, financing partnership facilities, and gender and development.

IED also evaluated the sustainability of ADB projects and programs after completion of their implementation. The study found that about 65% of ADB-funded projects are rated likely sustainable at completion. A project producing its rated output efficiently at the time of its completion does not guarantee its long-term sustainability. Making projects sustainable during their entire lifetime is a complex process and depends on many factors. It takes collective efforts of stakeholders in ADB and governments at different stages of the project cycle to ensure project sustainability. Good project design, proper implementation, and efficient operation are essential.

The regulatory and managerial environment should be conducive to support rational output pricing and adequate operations and maintenance. Dependence on government for operations and maintenance and a weak political will for cost recovery generally make projects unsustainable. In the case of non-revenue earning projects, fiscal affordability of operations and maintenance is an imperative for their sustainability. ADB needs to pay particular attention to ensure post-completion project sustainability. It should assess the risks to project outputs and outcomes and mitigate them during project preparation and implementation, and monitor them during operation working closely with the client governments.

## ADB assistance contributed to water policy development in Asia in areas including governance, tariff reforms, and water conservation

Using rigorous methods, IED assessed development outcomes of two ADB-funded rural electrification projects in Bhutan on quality of life in rural areas, and the sustainability of the projects. (See “Electrification Study Sheds New Light on Bhutan Households” on page 24.)

In addition, IED published an evaluation knowledge brief on reducing carbon emissions from transport projects and suggested measures to reduce the carbon footprint of ADB’s transport sector assistance. The study developed tools to monitor and evaluate the carbon footprint of ADB’s transport sector projects. The study estimated gross carbon dioxide emissions from the construction and operations of ADB-funded transport projects approved during 2000–2009 at 792 million tons. That would be an average of 39.6 million tons/year in a project’s 20-year lifetime. Transport sector investments and strategies that reduce carbon footprint also help reduce local air pollution. Hence, investments in railways and public transport could reduce both carbon dioxide emissions and air pollution over the long term. The study recommended that ADB adopt carbon emissions as a consideration for project design, review, and appraisal.

The evaluation of ADB technical assistance to India, Indonesia, the Philippines, and Sri Lanka for building capacity to manage the environment has found that continued ADB assistance is required for strengthening country environment safeguard systems, with particular attention given to provincial environment offices.

After carrying out a special evaluation study to assess the implementation of ADB’s 2001 Water Policy and related operations, IED found the policy to be relevant to ADB’s corporate strategy and developing member countries’ national priorities. It found, moreover, that ADB assistance contributed to water policy development in Asia in areas including governance, tariff reforms, and water conservation. However, the study found that more remains to be done, particularly in integrated water resources management.

# Electrification Study Sheds New Light on Bhutan Households

An investigation by ADB's Independent Evaluation Department of households in the kingdom provides insights into how electricity improves the lives of rural people

The Independent Evaluation Department examined two of the five rural electrification projects ADB has carried out in Bhutan since 1996. The study, which assessed the projects' impact on economic, environmental, and social aspects of rural people's quality of life, found that electrification has had quantifiable, visible, and positive results.

Households electrified under the two projects and villages where electrification is planned were compared in the study. To allow conditions in disparate and diverse communities to be assessed, 106 villages from 10 of 15 districts (*dzonkhags*) in the project area were carefully selected. The sample included more than 2,000 households, representing about 18% of households in the 10 study districts. On average, the electrified households had received electricity for 4 years.

The assessment found that while the flow of benefits is slowly emerging, electrified households enjoy a better quality of life and earn more. However, most economic, social, and environmental outcomes are modest because household consumption of electricity is limited to lighting, cooking, and water boiling. The use of electricity for generating incomes is confined to weaving in central and western Bhutan and poultry production in the south.

Evaluation capacity development in developing member countries and in ADB is an important mandate of IED. In 2010, the department supported training of government officials from selected countries in Central Asia and Southeast Asia at the Shanghai International Program for Development Evaluation Training. IED also organized training and learning events for ADB staff on preparing project completion reports and related self-evaluation.

Members of electrified households devote less time to collecting firewood, spend less on fossil fuel, and enjoy substantially fewer smoke-induced health problems—and fewer sick days—than those burning solid fuels. Children, particularly girls, in electrified households complete comparatively more years of schooling. Women play more significant roles in decisions regarding the education and health of household members and tend to be better informed on these issues than their male counterparts.

Although electrification benefits are mostly realized in the long run, the study saw a modest positive impact of electrification on fertility, migration, and food security. It concluded that Bhutan should build on the success achieved so far and strive to enhance electricity use for activities that raise incomes.



Ganesh Rauniar  
Empowered: newly installed equipment in a Bhutan rural business

In addition, a survey to be completed in 2011 will probe users' perceptions of IED work with the goal of using the results to improve its products and services in the future.

IED will continue to proactively disseminate evaluation findings through workshops, presentations to communities of practice, and publications in a timely manner. IED's website ([www.adb.org/evaluation](http://www.adb.org/evaluation)) was streamlined and its knowledge content improved.

## TRANSFORMING ADB'S KNOWLEDGE AGENDA

Knowledge underpins development effectiveness. In 2004, the Knowledge Management Framework signaled ADB's concerted efforts to become a learning organization. The framework pursues two mutually supportive outcomes: (i) increased assimilation of and dissemination by ADB of relevant, high-quality knowledge to developing member countries and other stakeholders, and (ii) enhanced learning within ADB.

Prominent among ADB's efforts was the establishment or strengthening of knowledge management units in IED and regional departments. Strategy 2020 boosted this commitment by indicating that ADB should play a bigger role in putting the potential of knowledge solutions to work in the region. Specifically, the Knowledge Management Action Plan 2009–2011 identified four desired outcomes: a sharpened knowledge focus in ADB's operations, empowered communities of practice (CoPs), strengthened external knowledge partnerships, and enhanced staff learning and skills development. In 2010, ADB stepped up supportive actions.

To sharpen the focus on knowledge in ADB's operations, new sector peer review procedures were incorporated into ADB's business processes for country partnership strategies and lending products, including Asian Development Fund grants. ADB strengthened the terms of reference of its knowledge management champions and conducted an assessment of the demand for knowledge products through resident and regional missions. Efforts to transform sector- and theme-related information into knowledge were boosted, and ADB's drive to broaden understanding of tools, methods, and approaches for knowledge management and learning continued through the *Knowledge Solutions* and *Knowledge Showcases* series.

**To empower CoPs, ADB added staff positions and increased tenfold the budgets allotted for their activities**

In 2010, ADB hosted 13 communities of practice:

- Agriculture, rural development, and food security
- Education
- Energy
- Environment
- Financial sector development
- Gender equity
- Social development and poverty
- Public management and governance
- Health
- Regional cooperation and integration
- Transport
- Urban
- Water

Communities of practice are groups of like-minded individuals who keep know-how in sector and thematic domains alive by continuously sharing what they know, building on that, and adapting knowledge to specific applications.

To empower CoPs, ADB added staff positions and increased tenfold the budgets allotted for their activities. This helped them design and deliver customized courses for their members, conduct self-assessments of their effectiveness, participate in global conferences and other forums, and collaborate with fellow CoPs and external partners in joint research undertakings and knowledge sharing.

New collaboration mechanisms for cross-departmental and multi-disciplinary knowledge generation and sharing were set up, among them the CoP web pages in ADB's intranet and links to sector and thematic resources, such as urban and energy portals.

To foster stronger partnerships, ADB began to incorporate knowledge components in new partnership agreements,

such as those with Agence Française de Développement, the Australian Agency for International Development, and the United Nations Children's Fund. It also built a database of strategic partnerships for use across ADB and is now designing a platform to enable ADB-wide management and monitoring of partnerships. A new course on learning in partnerships was developed for delivery in 2011, and *Guidelines for Knowledge Partnerships* were formulated.

Courses to promote awareness of, and action on, knowledge generation and sharing were delivered under the Knowledge Management and Learning Series and Learning for Change Primers, with e-learning applications planned for 2011. The Budget, Personnel, and Management Systems Department (BPMSD) reviewed and enhanced its program for staff learning and development to better cater to the needs of CoP and regional departments. This provided CoPs with the opportunity to develop their members' technical capacity. The Water CoP, together with BPMSD, developed and delivered 10 training courses.

As in previous years, ADB promoted further understanding of knowledge management and learning. In June 2010, it introduced the *Learning for Change Survey* to collect staff feedback on four drivers of learning (organization, people, knowledge, and technology). This survey complemented the Most Admired Knowledge Enterprises (MAKE) survey, conducted annually the past 6 years, which reveals fast-improving staff perceptions of knowledge management. The 2010 MAKE survey attracted a greater number of respondents and highlighted ADB's improvements in developing and delivering client knowledge-based projects and services, creating a collaborative knowledge sharing environment, and promoting individual and organizational learning and sharing.

## DISCLOSURE AND TRANSPARENCY

**Experience with 2005 policy.** When adopted in April 2005, the Public Communications Policy was considered progressive and at the forefront of best practices among multilateral development banks. Since then, ADB has made significant strides in its public communications. The policy brought about a major cultural change within

ADB such that disclosure is now considered standard operating procedure for all ADB projects. In general, ADB has successfully adopted a presumption in favor of disclosure.

Disclosure compliance, including timeliness of disclosure and handling of external requests, has continually improved. In the 2007 Global Accountability Report published by One World Trust, ADB received a score of 100% on transparency good practice. ADB's external relations strategy, which supports the policy, has led to more proactive and targeted efforts to raise ADB's profile and share information about its work. ADB has significantly raised its profile in top-tier media through outreach activities and public speaking engagements by Management and staff at major international forums and conferences.

In addition, most of the information required to be posted on the ADB website is now available: the number of documents posted on the ADB website has increased by 125% since 2005. Accessibility to information on the website also increased. Of the nearly 5,000 external requests for information received since 2005, the information was provided in 95% of the cases. Overall, staff recognize the many benefits of transparency and are conscientious about disclosure.

The review of the 2005 policy in 2010 has shown that overall ADB's Public Communications Policy remains relevant and that ADB compares well against other multilateral development banks in terms of information disclosure good practices. While internal and external reviews have generally found that the aim and direction of the policy is good and it has served ADB and its members well, ADB is committed to even greater transparency in future.

## IMPROVING HUMAN RESOURCE MANAGEMENT

A milestone in 2010 was the approval in January of Our People Strategy, which sets out ADB's employee value proposition (or what ADB offers of value to its staff). Three key goals were highlighted in this paper, summarized by the words: good people, capable managers, and a supportive work environment.

The paper was followed by the preparation of its implementation plan—the Human Resource Function Strategic Framework and Action Plan, completed in April. These two documents serve as the medium-term road map for improving human resource management in ADB.

This was also the first full year of operation of the Human Resources Committee of the Board, which met seven times and provided practical and timely guidance on human resource policies and programs. At the end of the year, the Human Resources Committee issued its first annual report. A key theme was diversity and inclusiveness, with gender balance in international staff and increased value placed on the role of resident mission staff remaining important goals.

## STREAMLINING BUSINESS PROCESSES

To improve service delivery and increase internal efficiency, ADB introduced new streamlined business processes for country partnership strategies<sup>4</sup> and loan delivery<sup>5</sup> on 1 January 2010.

Under the new business processes, ADB introduced several important changes in the way it conducts its business, including more concise and streamlined documentation for product delivery, and stronger quality assurance processes. In 2010, three country partnership strategies were finalized using the new streamlined business process for Kiribati, Papua New Guinea, and Tajikistan.

For loan delivery, reforms included (i) enhanced quality assurance through risk-based project categorization of operations, (ii) more strategic and sector-focused peer reviews, (iii) greater focus on implementation and project readiness, and (iv) simplified documentation. With the introduction of these reforms, ADB expects the average time for loan processing to be reduced significantly while improving the quality at entry.

Along with business process improvements, ADB has been strengthening the use of information technology.

It upgraded its information technology system, especially the one used for preparing country partnership strategies and projects and portfolio management. This means ADB can now more effectively monitor project information throughout project cycles.

In response to the 2009 Development Effectiveness Review, which revealed a downward trend in project quality indicators (the success rates of completed investment and technical assistance operations), Management established in June a project implementation working group with a mandate to identify key issues and regional department good practices that could be replicated or applied more widely. The working group made recommendations under three headings: (i) achieving total project readiness; (ii) enhancing organization, staff skills, and incentives; and (iii) ensuring effective project implementation.

## STRENGTHENING RISK MANAGEMENT

In line with Strategy 2020, which envisages a greater role for ADB in financing private sector development, ADB has made a concentrated effort to strengthen its risk management capabilities further. This is essential to allow ADB to manage the higher risks associated with additional private sector lending operations.

In 2010, ADB's Board of Directors approved a special capital expenditure budget for developing a comprehensive risk management system that will provide an information technology platform to monitor and manage risk more efficiently. Acquisition and implementation will be ongoing during 2011 and 2012.

Meanwhile, ADB has continued to increase staffing for the Office of Risk Management and has initiated steps to develop an operational risk management framework. Significant methodological developments during 2010 included the introduction of a pricing tool that provides a reference point for the pricing of nonsovereign transactions.

<sup>4</sup> See Country Partnership Strategy: Responding to the New Aid Architecture (November 2009) at <http://www.adb.org/Documents/Reports/cps-responding-to-the-new-aid-architecture.pdf>

<sup>5</sup> See *Better and Faster Loan Delivery* (November 2009) at <http://www.adb.org/Documents/Reports/better-and-faster-loan-delivery.pdf>

## AUDIT

The Office of the Auditor General (OAG) conducts independent audits of ADB's loan, grant, and technical assistance operations; financial, accounting, risk management, and administrative processes; and information systems. The audits are based on risk assessments and geared to strengthen internal control, risk management, resource utilization, and governance processes; ensure compliance with ADB policies, procedures, and regulations; and enhance effectiveness, efficiency, and economy.

OAG completed 22 audits in 2010. Audits of loan, grant, and technical assistance portfolios were conducted in selected headquarters departments, resident missions, and representative offices. Treasury and nonsovereign reviews included borrowings and associated hedge swaps, and commercial and official cofinancing guarantee operations. Financial and administrative audits included audits of selected consultant contracts and commissary operations. Information system reviews covered the mainframe, data center, and projects under the Information Systems and Technology Strategy II program. Audit management software has similarly been implemented in OAG to automate internal audit processes.

Based on an internal assessment, OAG was found to be broadly compliant with the Institute of Internal Auditors' International Professional Practices Framework. The office has started a phased realignment approach to further improve its processes, reporting formats, and communications, and is establishing a quality assurance program.

OAG coordinated its work with ADB's outside auditors (Deloitte & Touche) to ensure effective planning and

**Audits of loan, grant, and technical assistance portfolios were conducted in selected headquarters departments, resident missions, and representative offices**

implementation of audit activities. OAG provided support to Deloitte & Touche in line with the fiscal year 2010 audit of ADB's financial statements and the attestation process, and agreed procedures on three ADB bond offerings. OAG also collaborated with Deloitte & Touche and PricewaterhouseCoopers on the audits of 32 technical assistance trust/grant funds undertaken at the request of the Office of Cofinancing Operations. Several consultant contracts were audited by OAG to ensure the authenticity of consultant claims. The principles for the selection of the outside auditor were approved by the Board.

OAG monitors the progress of its outstanding recommendations, and those made by the outside auditor, with an emphasis on high-risk items.

## INTEGRITY AND ANTICORRUPTION ACTIVITIES

The ADB Office of Anticorruption and Integrity (OAI) receives and investigates allegations of fraud, corruption, coercion, collusion, obstructive practices, conflict of interest, misconduct, and abuse (collectively known as integrity violations) in ADB-financed activity. The office also conducts project procurement-related reviews of ongoing ADB-financed projects, to confirm compliance with ADB's policies, guidelines, and loan agreements, with a focus on preventing and detecting integrity violations. Working with other offices, OAI also improves staff and stakeholder awareness of Anticorruption Policy requirements.

During the year, OAI facilitated ADB's signing of the Agreement for Mutual Enforcement of Debarment Decisions (the Cross-Debarment Agreement) with participating multilateral development banks (African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and the World Bank Group). The agreement enforces each other's prospective debarment actions with respect to corruption, fraud, coercion, and collusion. ADB has cross debarred six firms and two individuals sanctioned by the World Bank since the agreement came into force. ADB has submitted requests for the cross-debarment of 4 firms and 10 individuals.

ADB publishes on its website the names of firms and individuals who have been sanctioned for having breached any earlier sanction imposed by ADB, who have been

sanctioned for second or subsequent integrity violations, whom OAI could not notify of sanction after reasonable efforts, and who are cross-debarred by ADB under the Cross-Debarment Agreement. The complete list of firms and individuals, which includes first-time violators, is also published on ADB's website, restricted to authorized users with a demonstrated need to know.

ADB received 188 new allegations related to ADB-financed projects and ADB staff members, and sanctioned 47 individuals and 37 firms. Five project procurement-

related reviews were carried out on projects in Bangladesh, the People's Republic of China, Indonesia, Kazakhstan, and Nepal. OAI held anticorruption training sessions in Cambodia, Nepal, and Uzbekistan under two regional technical assistance projects. The office also conducted 27 mandatory briefings to ADB staff, 17 orientation seminars, and 9 fraud and corruption awareness workshops as part of ADB's continuing endeavors to ensure that all ADB staff members observe the highest standards of integrity and ethics.

# SECTOR AND THEMATIC HIGHLIGHTS



Fresh initiatives in education, health, clean energy, governance and anticorruption, and sustainable transport helped maintain the momentum of ADB's Strategy 2020. This long-term agenda focuses on priority sectors and thematic areas that align with the commitment to eradicate poverty through inclusive, environmentally sustainable economic growth and regional integration. ADB also worked to raise awareness of the region's progress in achieving the Millennium Development Goals (MDGs).

## POVERTY REDUCTION AND MDGs

Under its overarching goal of poverty reduction, Strategy 2020 aims to ensure operations focus on sectors that align best with ADB's long-term agenda for inclusive growth, environmental sustainability, and regional cooperation and integration. ADB continued to oversee the implementation of strategies for each sector, to promote learning and knowledge management, and to encourage the uptake of innovative practices in ADB operations. Selected work is reported.

**Millennium Development Goals.** With the United Nations Economic and Social Commission for Asia and the Pacific and the United Nations Development Programme, ADB worked to disseminate knowledge, promote policy advocacy, and build capacity for statistics programs. Several events were held, including a forum on improving vital statistics and civil registration and regional ministerial-level meetings in Southeast Asia and the Pacific. The tripartite partnership produced a number of publications, one of which, *Paths to 2015*, was launched by President Kuroda at the UN World Summit on the Millennium Development Goals. ADB also engaged in strategic discussion with development partners and governments in the context of projects to fast-track MDG achievements by 2015.

## GENDER EQUITY

Guidelines for the Gender Mainstreaming Categories of ADB Projects were also updated. The increase in gender mainstreaming—the inclusion of gender-related analyses in the design of programs and projects—continued for the third year. ADB reached its 2012 numerical targets for gender mainstreaming of 40% of all ADB public sector and 50% of Asian Development Fund projects.

The Gender and Development Plan of Action 2008–2010 ended with progress in core areas, including infrastructure, environment, and education. To further improve ADB's performance, the plan will be continued through 2011–2012. Meanwhile, the number of gender specialists

nearly doubled to 25 staff and staff consultants. More than 200 staff members were trained in gender-responsive project design and implementation.

## HUMAN DEVELOPMENT

**Education.** ADB finalized *Education by 2020: A Sector Operations Plan*. The plan addresses challenges in human resource development confronting Asia and the Pacific, and presents ADB's response in meeting them, including increased support for workforce skills development and higher education. The plan stresses the importance of inclusive, equitable education and pro-poor public–private partnerships. ADB also prepared knowledge products in these areas. Eight loans and grants (\$611.7 million) included, among others, ADB's response to the demand for workforce skills development in the Lao People's Democratic Republic and Viet Nam. The Higher Education in Dynamic Asia Project focused on improving knowledge and capacity for developing member countries to plan and implement critical higher education reforms.

**Health.** Sector-specific health programs and projects were supported in eight countries. ADB produced studies and held policy dialogue on the implications for human health of climate change as it affects the agriculture and water sectors and disaster-risk reduction, and on the health impacts of traffic-related air pollution. The regional AIDS data hub disseminated best practices, and ADB supported efforts at controlling communicable diseases, including HIV/AIDS and dengue fever, in the Greater Mekong Subregion. New information was provided to back investment in maternal, newborn, and child health; and the Asia Pacific Health Observatory was initiated.

**Social protection, inclusive growth, and the environments of the poor.** Loans were provided to expand the conditional cash transfer program in the Philippines (\$400 million) and to sustain expenditure on social services and social protection in Georgia (\$100 million). Grants (\$3 million) were made to alleviate the impact of the global economic crisis on vulnerable individuals in three Pacific countries. Technical assistance was provided to devise an

action plan for ADB's involvement in social protection. ADB also prepared several knowledge products, including *The Environments of the Poor in the Context of Climate Change and the Green Economy*.

## FINANCE SECTOR DEVELOPMENT

Sovereign lending of \$893.4 million supported general finance sector and capital market development for microfinance, small and medium-sized enterprises, and regulatory reforms. Nonsovereign investment reached \$1,035 million, largely supporting housing finance, microfinance, and regional guarantees. Most technical assistance was for preparing lending programs/projects, and implementing policy reforms and building capacity, while the remainder backed efforts by developing member countries to promote regional economic and financial integration. An operational plan for Finance Sector Development was being prepared and approval is expected in 2011.

## GOVERNANCE AND CAPACITY DEVELOPMENT

Since the approval of the Second Governance and Anti-corruption Action Plan (GACAP II) in 2006, risk assessments and risk management plans have been implemented in 20 countries and across seven sectors. Two sector guidance notes (education and road transport) were prepared to help staff identify governance risks. Detailed capacity assessments were implemented with procurement agencies in three developing member countries and with an anti-corruption agency. In 2010, a Stocktake and Strategic Review of ADB's Governance and Public Sector Management Policies and Operations was initiated.

## SUSTAINABLE INFRASTRUCTURE

**Energy.** ADB incorporated its Energy Efficiency Initiative into the Clean Energy Program to double an annual clean-energy-investment target of \$1 billion (2008–2012) to \$2 billion from 2013. Clean energy investments in 2010 reached \$1.76 billion, which is expected to result in

additional 1,871 MW renewable energy generation capacity, 3,246 GWh electricity savings per year, and annual greenhouse gas emission reduction of 13 million tons carbon dioxide equivalent. Investments in access-to-energy projects exceeded \$950 million, from \$418 million in 2009. The investment will provide access to electricity and modern fuels for 1.5 million households, adding to 1.27 million households connected during 2003–2009.

**Transport.** Approval of the Sustainable Transport Initiative Operational Plan placed ADB at the forefront of sustainable transport in developing member countries. The ADB Transport Forum 2010 discussed issues related to urban transport, mainstreaming climate change, cross-border transport and logistics, and road safety, and social sustainability. The Kathmandu Sustainable Urban Transport Project was approved, serving as a showcase for support in urban transport.

**Urban development.** Urban Day 2010, held in Manila, stimulated discussion on core areas of the Urban Operational Plan, for which approval is expected in 2011. Implementation guidelines for the Urban Financing Partnership Facility, established in late 2009, were finalized to make the facility operational. The Cities Development Initiative for Asia (CDIA) approved applications from 23 cities in 13 countries—with a target of 50 cities by the end of 2012. These interventions used \$7.7 million of initiative funding and \$1.6 million in counterparty contributions. These are leading to an estimated \$4.4 billion in additional urban infrastructure investments, which may come from government funds, CDIA official partners (including ADB), international private sector infrastructure finance organizations, external international development organizations and foundations (e.g., Global Environment Facility), and existing strategic partners.

**Clean energy investments reached \$1.76 billion, against a target of \$1 billion. Doubling that goal from 2013 will boost renewable energy generation**

**Water.** The Water Financing Program 2006–2010 delivered \$11.44 billion in investments as of the end of 2010, exceeding the \$10.0 billion target. Approvals for water loans in 2010 totaled \$2.32 billion. The Water Financing Partnership Facility, which was established to support the Water Financing Program implementation, continued to provide resources during the year. The Water Financing Program will continue beyond 2010, guided by priorities set out in the Water Operational Framework 2011–2020, for which approval is expected in 2011. Increased support for sanitation and wastewater management remained a priority, with loans to the People’s Republic of China, Indonesia, Nepal, and Sri Lanka, among others. Support for climate change adaptation in the sector was boosted with the approval of two regional technical assistance projects.

## ENVIRONMENT, CLIMATE CHANGE, AND SAFEGUARDS

**Environment.** Fifty-one projects with environmental sustainability as a theme and totaling about \$5 billion were approved—representing a 55% increase over 2009 in terms of projects, and the highest since 1995. Environmental lending in 2010 pushed up the proportion of projects supporting environmental sustainability to 37% from 2008 to 2010, exceeding ADB’s target for a 3-year rolling average of 25% in 2010–2012. More than 63 technical assistance projects totaling about \$79 million, and 19 grants totaling nearly \$188 million, were approved with environmental sustainability as a theme.

**Climate change.** An institution-wide plan was approved to help developing member countries address climate change. It covers five priorities: expanding the use of clean energy; encouraging sustainable transport and urban development; managing land use and forests for carbon sequestration; promoting climate-resilient development; and strengthening related policies, governance, and capacity.

ADB strengthened collaboration with development partners in mobilizing additional resources for climate actions, such as through the Climate Investment Funds and Clean Energy Financing Partnership Facility. A \$10 million replenishment of ADB’s own Climate Change Fund was approved. ADB was formally accredited by the Adaptation

Fund Board in June of 2010 as one of the Multilateral Implementing Entities for the Fund.

ADB allocated \$1.76 billion to clean energy investments. New initiatives to promote technology innovation, transfer, and diffusion were advanced, including the Asia Clean Technology Exchange, the Asia Climate Change and Clean Energy Venture Capital Initiative, the Climate Public–Private Partnership Fund, the Asia Solar Energy Initiative, and Quantum Leap in Wind Power. Its Carbon Market Program continued to help developing member countries access financing and technology for low-carbon investments through the Kyoto Protocol’s Clean Development Mechanism.

ADB expanded efforts to climate-proof projects, including those for road improvements in Cambodia, Solomon Islands, Timor-Leste, and Viet Nam; for water projects in Bangladesh; and for port facilities in the Cook Islands. It stepped up policy, research, knowledge, and capacity building, to build climate resilience, as exemplified by a climate impact assessment for Ho Chi Minh City, which identifies alternative solutions to flooding threats due to climate change. The Asia Pacific Adaptation Network was launched in 2010. ADB, a founding member of the network, is collaborating with partners to enhance knowledge generation and dissemination on climate change adaptation in the Asia and the Pacific region.

**Safeguards.** Under the Safeguard Policy Statement that came into effect in January 2010, ADB screened all projects for potential impacts related to the environment, involuntary resettlement, and indigenous peoples, and assisted borrowers and clients to adopt safeguards to address environmental and social risks. To ensure sound implementation of the Safeguard Policy Statement, an operations manual section aligned with new business processes was issued. Workshops were attended by 680 staff, 19 new staff were recruited, more than 10 in-country briefings were held, technical assistance projects totaling \$11.3 million were implemented to strengthen country safeguard systems, and several ADB–World Bank country safeguard reviews were conducted.

## CROSSCUTTING INITIATIVES

**Public–private partnership (PPP).** The PPP Practice Group, which functions as the community of practice for all PPP-related matters within and outside ADB,

was established, and a PPP Operational Plan was being prepared for which approval is expected in 2011. The Multilateral Public–Private Partnership for Infrastructure Capacity Development (MP3IC) Program partners, a joint initiative of ADB, Inter-American Development Bank, and World Bank Institute, continued to develop learning products for PPP practitioners.

**Agriculture and food security.** Investments and technical assistance projects for food security of \$2.2 billion were approved, against a \$2 billion target. The Investment Forum for Food Security in Asia and the Pacific resulted

in regional and country partnerships toward food security among ADB, the International Fund for Agricultural Development, and the Food and Agriculture Organization of the United Nations. ADB led the initiative to expand rice trading and establish an emergency rice reserve in Asia through its support for ASEAN+3. In coordination with other multilateral development banks, ADB engaged in technical discussions on actions to address increasing volatility in the global food market.

**Emergency assistance and disaster risk management.** An integrated disaster risk management framework was

**Table 1a Sovereign and Nonsovereign Operations by Sector, 2009–2010 (\$ million)**

	Loans			
	2009		2010	
	\$ million	%	\$ million	%
Agriculture and				
Natural Resources	443.5	3.4	613.9	5.4
Education	85.0	0.6	70.0	0.6
Energy	2,120.9	16.0	2,454.0	21.4
Finance	510.0	3.9	1,263.4	11.0
Health and Social Protection	93.1	0.7	177.0	1.5
Industry and Trade	101.0	0.8	—	—
Public Sector Management	5,306.4	40.2	894.5	7.8
Transport and ICT	2,338.5	17.7	3,831.1	33.4
Water Supply and Other Municipal				
Infrastructure and Services	808.5	6.1	607.0	5.3
Multisector	1,409.0	10.7	1,551.4	13.5
<b>Total</b>	<b>13,215.9</b>	<b>100.0</b>	<b>11,462.3</b>	<b>100.0</b>

— = nil, ICT = Information and communication technology.

Note: Totals may not add up because of rounding.

	Grants			
	2009		2010	
	\$ million	%	\$ million	%
Agriculture and				
Natural Resources	133.9	14.5	114.8	11.7
Education	136.3	14.8	23.0	2.3
Energy	87.2	9.4	211.2	21.5
Finance	—	—	17.1	1.7
Health and Social Protection	20.0	2.2	39.0	4.0
Industry and Trade	—	—	—	—
Public Sector Management	55.0	6.0	29.0	3.0
Transport and ICT	316.8	34.3	466.5	47.5
Water Supply and Other Municipal				
Infrastructure and Services	102.6	11.1	21.6	2.2
Multisector	72.3	7.8	59.5	6.1
<b>Total</b>	<b>924.0</b>	<b>100.0</b>	<b>981.7</b>	<b>100.0</b>

— = nil, ICT = Information and communication technology.

Note: Totals may not add up because of rounding.

	Equity Investments			
	2009		2010	
	\$ million	%	\$ million	%
Agriculture and				
Natural Resources	—	—	—	—
Education	—	—	—	—
Energy	80.0	36.4	48.0	19.8
Finance	140.0	63.6	165.0	67.9
Health and Social Protection	—	—	—	—
Industry and Trade	—	—	—	—
Public Sector Management	—	—	—	—
Transport and ICT	—	—	—	—
Water Supply and Other Municipal				
Infrastructure and Services	—	—	30.0	12.3
Multisector	—	—	—	—
<b>Total</b>	<b>220.0</b>	<b>100.0</b>	<b>243.0</b>	<b>100.0</b>

— = nil, ICT = Information and communication technology.

Note: Totals may not add up because of rounding.

	TA Grants			
	2009		2010	
	\$ million	%	\$ million	%
Agriculture and				
Natural Resources	20.7	10.2	21.9	12.5
Education	4.8	2.4	3.6	2.0
Energy	26.5	13.1	17.5	9.9
Finance	21.7	10.7	11.7	6.7
Health and Social Protection	6.5	3.2	3.4	2.0
Industry and Trade	3.9	1.9	4.6	2.6
Public Sector Management	44.2	21.8	43.0	24.5
Transport and ICT	28.7	14.2	18.4	10.5
Water Supply and Other Municipal				
Infrastructure and Services	8.7	4.3	8.8	5.0
Multisector	37.3	18.4	42.6	24.3
<b>Total</b>	<b>203.0</b>	<b>100.0</b>	<b>175.5</b>	<b>100.0</b>

— = nil, ICT = Information and communication technology, TA = technical assistance.

Note: Totals may not add up because of rounding.

**Table 1b Sovereign and Nonsovereign Operations by Sector, 2009–2010**  
(\$ million)

**Grant Cofinancing**

	2009		2010	
	\$ million	%	\$ million	%
<b>Agriculture and</b>				
Natural Resources	40.7	21.5	25.7	16.3
Education	37.4	19.7	3.0	1.9
Energy	8.1	4.3	5.0	3.2
Finance	3.5	1.8	8.5	5.4
Health and Social Protection	15.0	7.9	3.0	1.9
Industry and Trade	1.6	0.8	3.0	1.9
Public Sector Management	2.0	1.1	8.8	5.6
Transport and ICT	34.4	18.2	73.2	46.5
Water Supply and Other Municipal				
Infrastructure and Services	7.8	4.1	—	—
Multisector	39.1	20.6	27.2	17.3
<b>Total</b>	<b>189.5</b>	<b>100.0</b>	<b>157.3</b>	<b>100.0</b>

— = nil, ICT = Information and communication technology.

Note: Totals may not add up because of rounding.

**TA Cofinancing**

	2009		2010	
	\$ million	%	\$ million	%
<b>Agriculture and</b>				
Natural Resources	12.2	19.0	23.7	15.7
Education	1.1	1.7	51.7	34.2
Energy	8.5	13.2	20.4	13.5
Finance	3.1	4.9	7.0	4.6
Health and Social Protection	0.1	0.2	0.3	0.2
Industry and Trade	1.1	1.7	3.2	2.1
Public Sector Management	8.6	13.5	6.3	4.2
Transport and ICT	4.6	7.2	7.3	4.8
Water Supply and Other Municipal				
Infrastructure and Services	9.7	15.2	12.7	8.4
Multisector	14.9	23.3	18.4	12.2
<b>Total</b>	<b>64.0</b>	<b>100.0</b>	<b>151.0</b>	<b>100.0</b>

— = nil, ICT = Information and communication technology, TA = technical assistance.

Note: Totals may not add up because of rounding.

**Guarantees**

	2009		2010	
	\$ million	%	\$ million	%
<b>Agriculture and</b>				
Natural Resources	—	—	—	—
Education	—	—	—	—
Energy	325.0	100.0	482.3	49.1
Finance	—	—	500.0	50.9
Health and Social Protection	—	—	—	—
Industry and Trade	—	—	—	—
Public Sector Management	—	—	—	—
Transport and ICT	—	—	—	—
Water Supply and Other Municipal				
Infrastructure and Services	—	—	—	—
Multisector	—	—	—	—
<b>Total</b>	<b>325.0</b>	<b>100.0</b>	<b>982.3</b>	<b>100.0</b>

— = nil, ICT = Information and communication technology.

Note: Totals may not add up because of rounding.

**Loan Cofinancing**

	2009		2010	
	\$ million	%	\$ million	%
<b>Agriculture and</b>				
Natural Resources	28.7	0.9	50.0	1.5
Education	—	—	—	—
Energy	421.2	13.3	1,021.6	30.4
Finance	—	—	—	—
Health and Social Protection	30.0	0.9	—	—
Industry and Trade	—	—	—	—
Public Sector Management	316.0	10.0	100.0	3.0
Transport and ICT	2,320.6	73.3	2,031.8	60.5
Water Supply and Other Municipal				
Infrastructure and Services	32.7	1.0	157.0	4.7
Multisector	15.0	0.5	—	—
<b>Total</b>	<b>3,164.2</b>	<b>100.0</b>	<b>3,360.3</b>	<b>100.0</b>

— = nil, ICT = Information and communication technology.

Note: Totals may not add up because of rounding.

devised to protect development gains, particularly for poor and vulnerable urban communities. A regional inventory of risk data and a disaster risk reduction projects portal, hosted by the Asian Disaster Preparedness Center and the UN International Strategy for Disaster Reduction, was developed. Immediate disaster response through the Asia Pacific Disaster Response Fund was provided to Indonesia (\$3 million), Mongolia (\$2.5 million), and Pakistan (\$3 million).

**Information and communication technology (ICT).** ADB financed 5 loans and 11 technical assistance projects for building infrastructure and integrating ICT applications into projects to improve public services and government administration, and introduce disaster warning systems for the poor. Using PPPs, ADB is financing broadband internet connections and telecommunications infrastructure to increase rural access.

# FINANCING OPERATIONS



In 2010, ADB raised \$14.9 billion in medium- and long-term funds, with public bond offerings and private placements amounting to \$10.7 billion and \$4.2 billion, respectively. ADB also issued thematic bonds for the first time. Financing operations totaled \$17.51 billion, of which \$13.84 billion was financed by ADB and Special Funds and \$3.67 billion came from cofinancing partners. There was an overall net transfer of \$3.7 billion from ADB to its developing member countries.

**A**uthorized and subscribed capital stock amounted to \$163.8 billion and \$143.9 billion, respectively. Other resources in ordinary capital resources (OCR) in the form of revenue and net realized gains amounted to \$1.2 billion, \$0.7 billion of which was generated from the loan portfolio, \$401.3 million from the investment portfolio, and \$140.4 million from equity investment and other sources.

Resources in the form of contributions and revenue during 2010 in ADB's Special Funds totaled about \$0.6 billion. These included the Asian Development Fund (ADF) of \$0.5 billion, Technical Assistance Special Fund of \$43.5 million, Japan Special Fund of \$0.4 million, ADB Institute Special Fund of \$17.5 million, Asian Tsunami Fund of \$0.1 million, Pakistan Earthquake Fund of \$1.4 million, Regional Cooperation and Integration Fund of \$10.1 million, Climate Change Fund of \$10.2 million, and Asia Pacific Disaster Response Fund of \$0.1 million.

## BORROWINGS

ADB raised \$14.9 billion in medium- and long-term funds through public bond issues and private placements. Public offerings amounted to \$10.7 billion, of which \$5.5 billion was raised through two US dollar global benchmarks. Private placements totaled \$4.2 billion. In 2010, ADB also issued thematic bonds for the first time, raising \$638 million in Water Bonds and \$244 million through Clean Energy Bonds. For its local currency bond, ADB launched its inaugural CNY1.2 billion Global CNY bond in Hong Kong, China.

## OVERVIEW OF OPERATIONS

In 2010, ADB's operations totaled \$17.51 billion, of which \$13.84 billion was financed by ADB and Special Funds and \$3.67 billion came from cofinancing partners. The \$13.84 billion consists of (i) \$11.46 billion in 118 loans, (ii) \$243.0 million in 8 equity investments, (iii) \$981.7 million in 40 grant projects, (iv) \$982.3 million in 5 guarantees, and (v) \$175.5 million in 243 technical assistance. The difference in 2010 operations compared to 2009 is partly due to the 2009 Countercyclical Support

**Table 2 Approvals by Financing Source, 2009–2010 (\$ million)**

	2009	2010
Ordinary Capital Resources	12,401	10,475
Loans	11,006	9,250
Guarantees	325	982
Equity Investments	220	243
Trade Finance Program (TFP)	850	— <sup>a</sup>
Special Funds Resources	3,337	3,370
Asian Development Fund (ADF)	3,122	3,180
Loans	2,210	2,213
Grants	911	967
Technical Assistance Special Fund (TASF)	137	147
Other Special Funds	79	43
Grants <sup>b</sup>	13	15
Technical Assistance Grants	66	28
Subtotal	15,738	13,845
Cofinancing	3,418	3,669
Loans and Grants	3,354	3,518
Technical Assistance Grants	64	151 <sup>c</sup>
<b>TOTAL</b>	<b>19,156</b>	<b>17,513</b>

— = nil.

Note: Totals may not add up because of rounding.

a 2010 TFP transactions were conducted subject to the 2009 Board approval.

b Includes both investment and policy-based grants.

c Includes the reimbursable technical assistance for Brunei Darussalam.

Facility (CSF) of \$2.5 billion to alleviate the impact of the global financial crisis on DMCs.

Eighty-eight percent of total OCR operations are in the form of loans. Loans and grants combined accounted for 95% of total assistance from ADB's Special Funds and the rest went in the form of technical assistance. Cofinancing accounted for 21% of total ADB operations.

Top recipients of financing operations are provided in Table 3 and Table 4. Including cofinancing, the top five recipients are Bangladesh (\$2.97 billion), India (\$2.40 billion), the People's Republic of China (\$1.95 billion), Viet Nam (\$1.25 billion), and Pakistan (\$1.09 billion). Excluding cofinancing, the top five recipients remain the same except for the ranking that changes as follows: India (\$2.38 billion), the People's Republic of China (\$1.61 billion), Bangladesh (\$1.25 billion), Viet Nam (\$1.10 billion), and Pakistan (\$904 million).

**In 2010, ADB also issued thematic bonds for the first time**

**Table 3 Top Recipients by Approval Including Cofinancing, 2010**  
(\$ million)

	ADB Special Funds										
	OCR			ADF			Other Special Funds		Cofinancing		
	Loans	Guarantees	Equity Investments	Loans	Grants	TASF	Grants	TA Grants	Project	TA	Total
Bangladesh	800.0	—	—	449.0	—	5.4	—	—	1,710.9	2.2	2,967.5
India	2,119.6	250.0	—	—	—	10.6	—	—	6.0	9.1	2,395.2
China, People's Republic of	1,577.5	—	10.0	—	—	19.3	6.0	—	332.2	2.9	1,947.9
Viet Nam	510.0	—	—	580.0	—	8.3	—	—	145.4	2.8	1,246.5
Pakistan	378.8	250.0	—	270.0	—	2.2	3.0	—	190.0	—	1,094.0
Uzbekistan	390.0	—	—	265.0	—	2.4	—	—	300.0	—	957.4
Indonesia	785.0	—	—	—	—	1.0	3.0	2.6	54.8	55.3	901.6
Philippines	600.0	—	—	—	—	1.2	—	0.7	100.0	6.1	708.0
Kazakhstan	606.0	—	—	—	—	0.7	—	—	68.0	—	674.7
Georgia	338.0	—	—	85.0	—	1.7	—	—	170.0	1.7	596.4
Regional	—	250.0	225.0	—	—	64.3	—	21.2	3.0	48.1	611.6
Other DMCs <sup>a</sup>	1,144.8	232.3	8.0	563.6	967.2	30.3	2.5	3.9	437.4	22.9	3,412.9
<b>Total</b>	<b>9,249.7</b>	<b>982.3</b>	<b>243.0</b>	<b>2,212.6</b>	<b>967.2</b>	<b>147.1</b>	<b>14.5</b>	<b>28.4</b>	<b>3,517.6</b>	<b>151.0</b>	<b>17,513.4</b>

— = nil, ADF = Asian Development Fund, DMC = developing member country, OCR = ordinary capital resources, TA = technical assistance, TASF = Technical Assistance Special Fund.

a Includes reimbursable technical assistance for Brunei Darussalam.

**Table 4 Top Recipients by Approval Excluding Cofinancing, 2010**  
(\$ million)

	OCR			ADF			ADB Special Funds		
	Loans	Guarantees	Equity Investments	Loans	Grants	TASF	Grant	TA	Total
India	2,119.6	250.0	—	—	—	10.6	—	—	2,380.1
China, People's Republic of	1,577.5	—	10.0	—	—	19.3	6.0	—	1,612.8
Bangladesh	800.0	—	—	449.0	—	5.4	—	—	1,254.4
Viet Nam	510.0	—	—	580.0	—	8.3	—	—	1,098.3
Pakistan	378.8	250.0	—	270.0	—	2.2	3.0	—	904.0
Indonesia	785.0	—	—	—	—	1.0	3.0	2.6	791.6
Uzbekistan	390.0	—	—	265.0	—	2.4	—	—	657.4
Kazakhstan	606.0	—	—	—	—	0.7	—	—	606.7
Philippines	600.0	—	—	—	—	1.2	—	0.7	601.9
Thailand	504.3	—	—	—	—	2.3	—	—	506.6
Regional	—	250.0	225.0	—	—	64.3	—	21.2	560.5
Other DMCs <sup>a</sup>	978.5	232.3	8.0	648.6	967.2	29.7	2.5	3.9	2,870.7
<b>Total</b>	<b>9,249.7</b>	<b>982.3</b>	<b>243.0</b>	<b>2,212.6</b>	<b>967.2</b>	<b>147.1</b>	<b>14.5</b>	<b>28.4</b>	<b>13,844.8</b>

— = nil, ADF = Asian Development Fund, DMC = developing member country, OCR = ordinary capital resources, TA = technical assistance, TASF = Technical Assistance Special Fund.

a Includes reimbursable technical assistance for Brunei Darussalam.



This Cambodia Power Transmission Lines (CPTL) Project benefited from a \$7 million private sector loan

## SOVEREIGN AND NONSOVEREIGN APPROVALS

Sovereign approvals amounted to \$15.16 billion in 2010, a decrease of \$2.10 billion (12%) from 2009. On the other hand, nonsovereign approvals rose by \$454 million (24%) largely due to a more than doubling in lending to the private sector and an increase in guarantee approvals.

**Table 5 Sovereign and Nonsovereign Approvals, 2009–2010 (\$ million)**

	2009	2010
<b>Sovereign</b>	<b>17,251</b>	<b>15,156</b>
Loans	12,778	10,410
Grants	924	982
Guarantees	325	432
Technical Assistance	203	175
Cofinancing		
Loans and Grants	2,957	3,006
Technical Assistance	64	151 <sup>a</sup>
Grants		
<b>Nonsovereign</b>	<b>1,904</b>	<b>2,358</b>
Loans	438	1,053
Equity Investments	220	243
Trade Finance Program (TFP)	850	— <sup>b</sup>
Guarantees	—	550
Cofinancing		
Syndications	276	320
Loans and Grants	120	192
<b>Total</b>	<b>19,156</b>	<b>17,513</b>

— = nil.

<sup>a</sup> Includes reimbursable technical assistance for Brunei Darussalam.

<sup>b</sup> 2010 TFP transactions were conducted subject to the 2009 Board approval.

## APPROVALS BY MODALITY INCLUDING COFINANCING

Of the \$17.51 billion approved in 2010, \$15.50 billion (89%) was for investment support, \$1.68 billion (10%) was for policy-based support, and \$327 million (2%) was for technical assistance.

**Table 6 Approvals by Modality, 2009–2010 (\$ million)**

	2009	2010
Investment Support	12,444	15,504
OCR	7,297	9,462
ADF	2,127	2,611
Other <sup>a</sup>	3,020	3,430
Policy-Based Support <sup>b</sup>	3,945	1,683
OCR	2,604	1,013
ADF	995	568
Other <sup>a</sup>	346	103
Other Budget Support (Countercyclical Support Facility)	2,500	—
OCR	2,500	—
ADF	—	—
Technical and Advisory Support	267	327
<b>Total</b>	<b>19,156</b>	<b>17,513</b>

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

Note: Totals may not add up because of rounding.

a Refers to other special funds and cofinancing for loans and grants.

b Refers to programs.

## NONSOVEREIGN OPERATIONS

Of the \$2.36 billion nonsovereign approvals in 2010, \$2.11 billion (89%) went to the private sector in the form of loans, guarantees, equity investments, syndications, and commercial loans. The remaining \$250 million (11%) went to guarantees for the nonsovereign public sector. Of the \$2.11 billion private sector approvals, ADB financed \$1.6 billion (76%).

**Of the \$17.51 billion approved in 2010, \$15.50 billion (89%) was for investment support**

**Table 7 Nonsovereign Approvals, 2009–2010 (\$ million)**

	2009	2010
Public <sup>a</sup>	191	250
Loans	134	—
Guarantees	—	250
Cofinancing (Syndications)	56	—
Private	1,714	2,108
Loans	304	1,053
Equity Investments	220	243
Trade Finance Program	850	—
Guarantees	—	300
Cofinancing		
Syndications	220	320
Loans and Grants	120	192
<b>Total</b>	<b>1,904</b>	<b>2,358</b>

— = nil.

a Refers to nonsovereign loans, syndications, and guarantees to or for enterprises that are majority owned by public parties (defined as entities with more than 50% of their capital held publicly).

**Table 8 Cumulative Nonsovereign Operations by Top Countries, 1983–2010<sup>a, b</sup> (\$ million)**

	\$ million	%
China, People's Republic of	2,775	21.7
India	2,379	18.6
Indonesia	1,219	9.5
Pakistan	908	7.1
Philippines	768	6.0
Thailand	525	4.1
Kazakhstan	375	2.9
Sri Lanka	280	2.2
Viet Nam	280	2.2
Bangladesh	242	1.9
Afghanistan	206	1.6
Georgia	113	0.9
Lao People's Democratic Republic	100	0.8
Azerbaijan	93	0.7
Nepal	59	0.5
Armenia	40	0.3
Papua New Guinea	25	0.2
Regional	2,350	18.4
Other DMCs	62	0.5
<b>Total</b>	<b>12,799</b>	<b>100.0</b>

DMC = developing member country.

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

Regional operations departments started nonsovereign operations in 2007.

b Net of facilities canceled in full before signing.

## COFINANCING OPERATIONS

Total direct value-added (DVA) cofinancing for investment and technical assistance projects amounted to \$3.67 billion for 155 projects (Tables 9a and 9b). An additional \$3.36 billion in discrete (non-DVA) cofinancing was realized in the form of parallel loans for 11 ADB-assisted projects and programs. ADB projects with cofinancing are in Statistical Annexes 7 and 27.

In addition to project-specific cofinancing, additional resources in the form of grant contributions from external partners to trust funds totaled \$147.4 million in 2010, comprising \$40.5 million in new contributions<sup>1</sup> and \$106.9 million in replenishments<sup>2</sup> to existing trust funds. Trust funds are key instruments to mobilize and channel grants to finance technical assistance and components of investment projects to complement ADB's own resources in various sectors or for specific themes, for example,

**Table 9a Direct Value-Added Cofinancing Arrangements,<sup>a</sup> 2009–2010 (\$ million)**

	2009			2010		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Project Cofinancing	2,957.48	396.20	3,353.68	3,155.89	512.00	3,517.65
Official	2,957.48	–	2,957.48	3,005.65	2.00	3,007.65
Loans	2,768.00	–	2,768.00	2,850.30	–	2,850.30
Grants	189.51	–	189.50	155.35	2.00	157.35
Commercial	–	396.20	396.20	–	510.00	510.00
Syndications	–	276.20	276.20	–	320.00	320.00
Loans	–	120.00	120.00	–	190.00	190.00
Technical Assistance Cofinancing	64.00	–	64.00	150.25	–	150.25 <sup>b</sup>
<b>Total DVA Cofinancing</b>	<b>3,021.48</b>	<b>396.20</b>	<b>3,417.68</b>	<b>3,306.14</b>	<b>512.00</b>	<b>3,667.89</b>

– = nil, DVA = direct value-added.

Note: Totals may not add up because of rounding.

a Cofinancing under administrative or collaborative arrangements with ADB.

b Excludes reimbursable technical assistance for Brunei Darussalam.

**Table 9b Direct Value-Added Cofinancing Arrangements,<sup>a</sup> 2009–2010 (number of projects<sup>b</sup>)**

	2009			2010		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Project Cofinancing	47	4	51	38	5	43
Official	47	–	47	38	1	39
Loans	10	–	10	19	–	19
Grants	39	–	39	22	1	23
Commercial	–	4	4	–	4	4
Syndications	–	3	3	–	3	3
Loans	–	1	1	–	1	1
Technical Assistance Cofinancing	86	–	86	112	–	112 <sup>c</sup>
<b>Total DVA Cofinancing</b>	<b>133</b>	<b>4</b>	<b>137</b>	<b>150</b>	<b>5</b>	<b>155</b>

– = nil, DVA = direct value-added.

Note: Totals may not add up because of rounding.

a Cofinancing under administrative or collaborative arrangements with ADB.

b A project with more than one source of cofinancing is counted once.

c Excludes reimbursable technical assistance for Brunei Darussalam.

<sup>1</sup> New contributions amounting to \$0.8 million were provided by Australia to the Gender and Development Cooperation Fund; \$35.0 million for the Future Carbon Fund from partners from the private sector, namely, POSCO (Republic of Korea) and Eneco Energy Trade B.V. (The Netherlands); and \$4.7 million from the World Bank as trustee for the Climate Investment Fund.

<sup>2</sup> Replenishments were provided by the following: \$8.0 million from Australia for the Pacific Region Infrastructure Facility; \$84.8 million from Japan for the Japan Fund for Poverty Reduction, Japan Scholarship Program, Asian Clean Energy Fund under the Clean Energy Financing Partnership Facility, and Investment Climate Facilitation Fund under the Regional Cooperation and Integration Financing Partnership Facility; \$6.37 million from the Republic of Korea for the e-Asia and Knowledge Partnership Fund; \$2.0 million from Luxembourg for the Financial Sector Development Partnership Fund; \$0.7 million from Spain for its Cooperation Fund for Technical Assistance; and \$5.12 million from Sweden for the Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific.

gender and development, good governance, clean energy, finance, regional integration and cooperation, and urban development. In 2010, ADB established the Afghanistan Infrastructure Trust Fund to support infrastructure projects in Afghanistan.

ADB also continued efforts in integrating cofinancing upstream in its operations, including early and regular engagement of cofinanciers in the planning and processing stages. Through the establishment of framework agreements with its cofinancing partners, ADB aims to effectively create a pipeline of future cofinancing operations: such a programmatic approach gives predictability to ADB's cofinancing operations, and allows the use of standardized, project-specific cofinancing agreement templates that streamline cofinancing operations.

There are now seven cofinancing framework agreements<sup>3</sup> signed with ADB for a program of up to \$9.6 billion for sovereign and nonsovereign operations within the next 3 years. In March 2010, the ADB–Agence Française de Développement (AFD) Partnership Framework Agreement and the Framework Cofinancing Agreement were signed to provide assistance for development projects through programmatic cofinancing and stronger linkages with the private sector, along with new research and knowledge-based activities. In addition to framework agreements, a memorandum of understanding between ADB and the Japan Bank for International Cooperation (JBIC) was signed in May 2010 to facilitate cofinancing under JBIC's new initiative: the Global Action for Reconciling Economic Growth and Environment Preservation (GREEN).

To further promote ADB's commercial cofinancing products, ADB continued its knowledge management efforts in 2010 under the regional capacity building technical assistance on Strengthening Capacity of DMCs for

**Through the establishment of framework agreements with its cofinancing partners, ADB aims to effectively create a pipeline of future cofinancing operations**

Managing Credit Enhancement Products. Nine workshops have been conducted in eight developing member countries, and attended by more than 400 national and subnational officials. These workshops introduced the participants to the use and availability of credit enhancement products from ADB, other multilateral development banks, export credit agencies, export-import banks, and private insurance companies. In addition, ADB facilitated the Asian EXIM Banks (AEB) Forum training program on risk management. This was aimed at helping the AEBs to take a harmonized approach to credit risk assessments and to gain a common understanding on the underlying transaction risk and risk pricing.

## RESOURCE TRANSFERS

During the year, there was an overall net transfer of \$3.7 billion from ADB to its developing member countries, including loans, equity investments, and grants. Of these, net resource transfers of \$2.9 billion (\$4.9 billion in 2009)

**Table 10 Resource Transfers to Developing Member Countries (\$ million)**

	2009	2010
<b>Loan and Equity Investments</b>		
OCR		
Loan Disbursements	7,898	5,944
Principal Repayments <sup>a</sup>	(1,891)	(2,344)
Payments of Interest/Charges	(1,126)	(766)
Net Equity Investment	13	63
Net	4,894	2,897
ADF		
Loan Disbursements	2,201	1,571
Principal Repayments <sup>a</sup>	(845)	(906)
Payments of Interest/Charges	(261)	(286)
Net	1,095	379
Subtotal	5,989	3,276
<b>Grants<sup>b</sup></b>		
ADF Grant Disbursements	347	358
ADB Other Special Funds Grants <sup>c</sup>	135	102
Subtotal	482	460
<b>Total</b>	<b>6,471</b>	<b>3,736</b>

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

<sup>a</sup> Includes prepayments of \$33.5 million (\$6.7 million in 2009).

<sup>b</sup> Grants include both investments and policy-based grants.

<sup>c</sup> ADB Other Special Funds grants includes grants provided from the Asian Tsunami Fund, Pakistan Earthquake Fund, Regional Cooperation and Integration Fund, Climate Change Fund, and Asia Pacific Disaster Response Fund, but excludes grants provided from the trust funds.

<sup>3</sup> Accelerated Cofinancing Scheme with ADB under Japan International Cooperation Agency, Japan; Agence Française de Développement, France; Export-Import Bank of China; Export-Import Bank of Korea; Islamic Development Bank; Korea Development Bank; and the Republic of Korea's Ministry of Strategy and Finance.

went to OCR borrowers and/or investors, \$0.4 billion (\$1.1 billion in 2009) went to ADF borrowers, and \$0.4 billion (\$0.4 billion in 2009) and \$0.1 billion (\$0.1 billion in 2009) were provided from ADF grants and other ADB Special Funds, respectively. The four countries with the largest net resource transfers were India, the People's Republic of China, Viet Nam, and Pakistan.

Loan disbursements totaled \$7.5 billion, compared with \$10.1 billion in 2009. Of that total, OCR loan

disbursements were \$5.9 billion (79%) and ADF loan disbursements amounted to \$1.6 billion (21%). Loan service payments totaled \$4.3 billion in 2010, compared with \$4.1 billion in 2009.

Grant disbursements totaled \$0.5 billion, of which \$0.4 billion (78%) was from the ADF and \$0.1 billion (22%) was from ADB's Other Special Funds.

**During the year, there was an overall net transfer of \$3.7 billion from ADB to its developing member countries, including loans, equity investments, and grants**

## MULTITRANCHE FINANCING FACILITY (MFF) AND TRANCHE APPROVALS

Twelve MFFs totaling \$4.44 billion and 28 tranches totaling \$4.05 billion were approved in 2010, compared with 12 MFFs (\$6.19 billion) and 23 tranches (\$3.57 billion) in 2009. This represents a decrease of 28% (\$1.75 billion) for MFFs and an increase of 13% (\$478 million) for tranches.

# CENTRAL AND WEST ASIA

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



Improved connectivity through investments in transport and logistics, energy security and efficiency, upgraded urban services, and public sector reforms are at the heart of the ADB strategy in the subregion. More than \$1.2 billion has been directed at energy supply and transmission, with the same amount for transport infrastructure. The Central Asia Regional Economic Cooperation Program reached major milestones in 2010.

## OVERVIEW

**F**ocus and selectivity characterize ADB's strategy in Central and West Asia. This targets investments in transport and logistics, energy security and efficiency, urban services, and public financial management and reforms. ADB is also active in private sector development work, including reforms, public-private initiatives, and the opening up of access to credit for people and businesses and for building infrastructure.

The strategy is delivered through debt and equity financing operations, guarantees, and grants, in tandem with technical assistance, to train client staff on planning, project management, monitoring, and reporting. ADB has a strong operational emphasis on regional cooperation and integration, environmental sustainability, and climate change mitigation.

Total new lending and grants to the public sector reached \$2.9 billion in 2010, reflecting growing demand from Kazakhstan, Uzbekistan, and the Caucasus, compared with \$2.6 billion of lending and grant approvals in 2009. Contract awards reached \$1.6 billion and disbursements \$1.5 billion. Private sector finance totaled almost \$350 million, from zero in 2009.

## PORTFOLIO MANAGEMENT

The quality of the ADB portfolio in the subregion continued to improve, mainly due to renewed commitment to effective and efficient project management and stronger cooperation and engagement with clients. A “workout” function is in place for transactions in need of restructuring or at risk. Project extensions are based on agreed milestones. Simplification of design features, the use of stricter readiness filters, and advance actions on procurement and safeguards also help. ADB continues to use programmatic funding modalities, including multitranche financing. Because these involve up-front analytical work and a sharper focus on project implementation, their use has resulted in quality due diligence, high client responsiveness, financing predictability, and longer-term partnerships across different sectors.

## REGIONAL COOPERATION

The Central Asia Regional Economic Cooperation (CAREC) Program achieved yet again significant milestones in 2010.

## HIGHLIGHTS

- More than \$1.2 billion invested in energy supply and transmission, including \$442 million under multitranche financing for energy efficiency in Pakistan, and \$350 million for the Talimarjan Power Project in Uzbekistan
- About \$1.3 billion provided for transport infrastructure, mostly under multitranche financing, including a \$340 million regional road project in Afghanistan, and \$456 million for CAREC corridors in Kazakhstan and \$115 million in Uzbekistan
- Presentation of a 10-year stocktaking of CAREC Program achievements to the Ninth CAREC Ministerial Conference, which will serve as the basis for refining the program's strategic directions for the next 10 years
- Improved portfolio quality, with 26 sovereign loans, 4 grants, and 32 technical assistance projects closed; contract awards were \$1.6 billion, while disbursements reached \$1.5 billion

ADB and its partners—including the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank, and the World Bank—approved subregional transport and energy projects worth \$2 billion. These covered the CAREC Corridor (Zhambyl Oblast Section) in Kazakhstan and the Talimarjan Power Project in Uzbekistan. Under an agreement signed by the Kyrgyz Republic and Tajikistan in December to facilitate the cross-border transport of goods and people, trade facilitation bodies were established, including the CAREC Federation of Carrier and Forwarder Association. At their ninth conference held in Cebu, Philippines, in November, CAREC ministers discussed possible strategic directions for subregional cooperation in the next decade. Pakistan and Turkmenistan joined CAREC, bringing membership to 10 countries.

## KNOWLEDGE MANAGEMENT

Knowledge management activities informed and supported ADB's strategies and operations. Analytical work on strengthening of competitiveness and on structural transformation that began in Pakistan was extended to Kazakhstan and Uzbekistan. A regional technical assistance was approved to bring innovation to the construction of country-specific and regional sector road maps in key

infrastructure sectors. Technical assistance to support a new welfare improvement strategy in Uzbekistan and prepare background analytical assessments for a new country partnership strategy was also approved. The Central and West Asia Department (CWRD) continued to invest in a range of knowledge products, including those on climate change and the country development effectiveness briefs. Regular monitoring of and reporting on the region's economies continued with resident missions in a lead role. A macroeconomic model for Pakistan was operationalized to project key economic variables and assess the impact of specific policy measures. A workshop in Almaty, Kazakhstan, brought together CWRD economists to debate important regional economic developments, share lessons on key knowledge products such as country performance assessments, and agree on systematic frameworks for analyzing economies in the region.

The CAREC Institute invested significantly in capacity building and research programs to enhance knowledge and skills for promoting regional cooperation. Its website continued to serve as a knowledge and information hub on economic cooperation in the CAREC region.

## COUNTRY HIGHLIGHTS

### Afghanistan

**Partnership priorities.** ADB is strongly committed to the Afghanistan-owned development agenda endorsed at conferences in 2010 in London (January) and in Kabul (July). Development partners agreed to align financing behind Afghanistan-led priority programs, and to increasingly implement them through the country's own systems. The Board of Directors agreed to temporarily suspend the planned phaseout of the exceptional Asian Development Fund country allocation to Afghanistan in 2011 and 2012 in order to continue supporting the assistance program, which covers mainly transport, energy, and irrigation. The 2009–2013 country partnership strategy focuses on solving one of the government's key problems—the infrastructure deficit. ADB provides all its financing through Afghanistan's budget system. ADB approved the ADB-managed Afghanistan Infrastructure Trust Fund to secure harmonized cofinancing for core infrastructure projects. Work on the final segment

### Progress of the MDGs in Central and West Asia

- **Environment.** The first tranche under the multitranche financing facility for energy efficiency (Pakistan), the Talimaran Power Project (Uzbekistan), and the Janub Power Project (Azerbaijan) will improve energy efficiency and reduce carbon emissions. The Sindh Cities Project (Pakistan) advanced recycling and waste disposal will improve water quality. The Bishkek–Torugart Road Project and Issyk Kul Water Supply and Sanitation Project (Kyrgyz Republic) and the Aktau–Beyneu Road Project (Kazakhstan) include internationally recognized natural resource management components that will improve ecosystem protection and management.
- **Gender.** ADB helped its developing member countries move toward gender equality by mainstreaming gender in projects to create jobs for women and improve their participation in development and decision making. ADB's technical assistance improved sex-disaggregated data collection of national statistics offices, which is important for gender-sensitive planning.

of the ADB-financed Ring Road will start in 2011. ADB is also completing work on a north–south corridor and has advanced the preparation of a road project between Kabul and Jalalabad. In energy, ADB is completing a transmission line from Tajikistan and extending distribution in and around Kabul. ADB also advanced the preparation of projects in Helmand, and technical assistance is planned to increase commercial bank lending in rural areas.

**Impact of operations.** ADB is the largest development partner in infrastructure. Its portfolio consists of 19 sovereign loan and grant projects for a total \$2.01 billion. Despite security threats, ADB completed a flagship 75-kilometer (km) railway line from Hairatan on the Afghanistan border with Uzbekistan to Mazar-e-Sharif. It will become operational in early 2011. The CAREC Program continues to underpin investment in transport connectivity. The same goes for energy security. In the meantime, CAREC is promoting regional trade between Central Asia, South Asia, and the Middle East. Afghanistan is fast becoming a “transit country” for the region. This will create security and, ultimately, jobs and development.

**Table 11a Central and West Asia: Portfolio Performance Indicators for Sovereign Lending, 2009–2010**

Country	No. of Ongoing Loans (as of 31 Dec 2010)	Contract Awards/ Commitments <sup>a</sup>		Disbursements <sup>a</sup>		Loans at Risk	
		2010 (\$ million)	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (% )	2009 (% )
Afghanistan	10	18.1	37.1	65.9	74.3	20.0	18.2
Armenia	5	22.7	117.0	22.3	119.1	—	—
Azerbaijan	8	169.4	149.0	47.0	58.5	—	—
Georgia	5	185.6	111.1	138.3	111.4	—	—
Kazakhstan	5	122.5	700.9	90.3	542.5	—	—
Kyrgyz Republic	6	25.0	14.1	7.8	24.0	—	—
Pakistan	31	833.3	1,178.9	799.1	1,093.3	19.4	21.4
Tajikistan	7	2.8	40.5	37.8	67.1	14.3	—
Uzbekistan	20	149.0	137.8	81.8	125.9	5.0	—
<b>Total</b>	<b>97</b>	<b>1,528.5</b>	<b>2,486.3</b>	<b>1,290.2</b>	<b>2,216.1</b>	<b>10.3</b>	<b>9.9</b>

— = nil.

Note: Totals may not add up because of rounding.

a Includes closed loans that had contract awards or disbursements during the year.

**Table 11b Central and West Asia: Portfolio Performance Indicators for Grants from ADF and Special Funds Resources,<sup>a</sup> 2009–2010**

Country	No. of Ongoing Grants (as of 31 Dec 2010)	Contract Awards/ Commitments <sup>a,b</sup>		Disbursements <sup>a,b</sup>		Grants at Risk	
		2010 (\$ million)	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (% )	2009 (% )
Afghanistan	14	29.1	194.4	170.1	45.1	28.6	15.4
Armenia	—	—	—	—	—	—	—
Azerbaijan	—	—	—	—	—	—	—
Georgia	—	—	—	—	—	—	—
Kazakhstan	—	—	—	—	—	—	—
Kyrgyz Republic	11	27.7	26.7	20.4	21.2	—	—
Pakistan	2	0.6	4.4	22.3	15.9	—	50.0
Tajikistan	6	17.2	46.2	12.2	44.2	16.7	—
Uzbekistan	—	—	—	—	—	—	—
<b>Total</b>	<b>33</b>	<b>74.5</b>	<b>271.7</b>	<b>225.0</b>	<b>126.4</b>	<b>15.2</b>	<b>9.7</b>

— = nil, ADF = Asian Development Fund.

Note: Totals may not add up because of rounding.

a Includes grants funded by Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

b Includes closed grants that had contract awards or disbursements during the year.

## Armenia

**Partnership priorities.** ADB focuses on transport, infrastructure, and urban services. The partnership's scope includes a \$500 million multitranche financing facility to support a regional transport corridor. The 7-year program will build 550 km of high-speed road from south to north, connecting the country to Georgia's highway, reaching Black Sea ports. Work continued on an urban transport network in Yerevan. This will be expanded to the rest of the country. Trade finance and financing of banks for activities with high potential for development impact are also being considered.

**Impact of operations.** ADB prepared an \$80 million crisis recovery loan in 2009 to help the government maintain its core public expenditure program, particularly its social safety-net needs.

## Azerbaijan

**Partnership priorities.** ADB focused on transport, energy, and urban services. A master plan was drawn up to improve power transmission and distribution networks. The first tranche under a \$600 million facility for a water supply and sanitation project was implemented.

**Table 12a Central and West Asia: Sovereign Approvals by Country,<sup>a</sup> 2010**  
(\$ million)

Country	OCR	ADF	Other Sources	Total
Afghanistan	–	352.0	–	352.0
GRANTS				
Regional Power Transmission Interconnection	–	12.0	–	12.0
Road Network Development Investment Program – Tranche 2	–	340.0	–	340.0
Armenia	170.0	–	–	170.0
LOAN				
North-South Road Corridor Investment Program – Tranche 2	170.0	–	–	170.0
Azerbaijan	232.3	–	178.7	411.0
GUARANTEE				
Janub Gas-Fired Power Plant	232.3	–	178.7	411.0
Georgia	250.0	85.0	–	335.0
LOANS				
Road Corridor Investment Program – Tranche 2	150.0	–	–	150.0
Social Services Delivery Program	100.0	–	–	100.0
Sustainable Urban Transport Investment Program – Tranche 1	–	85.0	–	85.0
Kazakhstan	606.0	–	68.0	674.0
LOANS				
CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People's Republic of China International Transit Corridor] Investment Program – Tranche 3	173.0	–	68.0	241.0
Central Asia Regional Economic Cooperation Corridor 2 (Mangystau Oblast Sections) Investment Program – Project 1	283.0	–	–	283.0
Small and Medium Enterprise Investment Program – Tranche 1	150.0	–	–	150.0
Kyrgyz Republic	–	167.8	–	167.8
LOANS				
CAREC Regional Road Corridor Improvement (Supplementary)	–	23.0	–	23.0
Emergency Assistance for Recovery and Reconstruction	–	48.5	–	48.5
Power Sector Improvement	–	16.7	–	16.7
GRANTS				
Emergency Assistance for Recovery and Reconstruction	–	51.5	–	51.5
Power Sector Improvement	–	28.1	–	28.1
Pakistan	442.0	270.0	3.0	715.0
LOANS				
Power Distribution Enhancement Investment Program – Tranche 2	242.0	–	–	242.0
Punjab Millennium Development Goals Program (Subprogram 2)	–	150.0	–	150.0
Sindh Growth and Rural Revitalization Program (Subprogram 2)	–	120.0	–	120.0
GRANT				
National Flood Emergency Response	–	–	3.0	3.0
GUARANTEE				
Renewable Energy Development Sector Investment Program – Tranche 2	200.0	–	–	200.0
Tajikistan	–	122.0	–	122.0
GRANT				
Regional Power Transmission	–	122.0	–	122.0
Uzbekistan	390.0	265.0	300.0	955.0
LOANS				
Central Asia Regional Economic Cooperation Corridor 2 Road Investment Program – Tranche 1	–	115.0	–	115.0
Second Small and Microfinance Development	50.0	–	–	50.0
Talimaran Power	340.0	10.0	300.0	650.0
Water Supply and Sanitation Services Investment Program – Tranche 2	–	140.0	–	140.0
<b>Total</b>	<b>2,090.3</b>	<b>1,261.8</b>	<b>549.7</b>	<b>3,901.8</b>

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

<sup>a</sup> Excludes cofinancing for projects approved in previous years, technical assistance grants, and multitranche financing facilities.

**Table 12b Central and West Asia: Nonsovereign Approvals by Country,<sup>a</sup> 2010 (\$ million)**

Country	OCR			Cofinancing		
	Loans	Guarantees	Equity Investments	Project	Commercial	Total
Afghanistan	—	—	8.0	—	—	8.0
Sungas LLC for the LPG Distribution Development	—	—	8.0	—	—	8.0
Armenia	40.0	—	—	—	—	40.0
Zvartnots Airport Expansion (Phase 2)	40.0	—	—	—	—	40.0
Azerbaijan	27.0	—	—	—	—	27.0
Garadagh Cement Expansion and Energy Efficiency	27.0	—	—	—	—	27.0
Georgia	88.0	—	—	—	—	88.0
Bank Republic, Joint-Stock Company	20.0	—	—	—	—	20.0
Joint-Stock Company Bank of Georgia	50.0	—	—	—	—	50.0
Poti Sea Port Corporation	18.0	—	—	—	—	18.0
Pakistan	136.8	50.0	—	—	190.0	376.8
Uch II Power	100.0	50.0	—	—	190.0	340.0
Zorlu Enerji Power	36.8	—	—	—	—	36.8
<b>Total</b>	<b>291.8</b>	<b>50.0</b>	<b>8.0</b>	<b>—</b>	<b>190.0</b>	<b>539.8</b>

— = nil, OCR = ordinary capital resources.

a Excludes cofinancing for projects approved in previous years, technical assistance grants, and trade finance program.

**Table 13 Central and West Asia: Cumulative Lending and Disbursements by Country as of the end of 2010<sup>a, b</sup> (\$ million)**

Country	Lending	Disbursements
Afghanistan	952.3	736.3
Armenia	433.9	174.2
Azerbaijan	687.4	193.4
Georgia	786.8	369.5
Kazakhstan	2,309.6	1,251.8
Kyrgyz Republic	736.2	584.0
Pakistan	20,894.6	16,217.9
Tajikistan	372.5	328.0
Uzbekistan	1,945.9	741.7
Regional	20.0	3.0
<b>Total</b>	<b>29,139.3</b>	<b>20,599.9</b>

Note: Totals may not add up because of rounding.

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

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

## Kazakhstan

**Partnership priorities.** ADB continued to focus on transport, private sector financing, and regional cooperation. Two multitranche financing facilities totaling \$1.3 billion were approved for Small and Medium-Sized Enterprise (SME) Development and CAREC Corridor 2 (Mangystau Oblast). Loan approvals amounted to \$606 million for the first tranches of these two facilities and the third tranche of CAREC Corridor 1 (Zhambyl Oblast). The latter attracted \$68 million in cofinancing from the Japan International Cooperation Agency.

**Impact of operations.** The East–West Highway Improvement Project was completed. It will increase traffic and improve transport efficiency, accelerate economic development in six administrative districts, and support regional cooperation. Three transport projects were implemented, two funded under a \$500 million multitranche financing facility.

## Georgia

**Partnership priorities.** Since Georgia joined ADB in 2007, loans worth \$524 million have been approved for urban transport, municipal services, and economic crisis support. ADB approved an \$85 million loan under a \$300 million multitranche financing facility to improve urban transport services and the environment, and a \$100 million loan to maintain government funding for essential social services. Private sector financing of \$88 million was also approved.

**Impact of operations.** A \$70 million loan for the Municipal Services Development Project, approved in two phases in 2008 and 2009, improved the quality and coverage of water supply and sanitation, and road rehabilitation. The capacity of municipal governments to implement projects increased significantly as a result.

**Table 14 Central and West Asia: Cumulative Grants Approved by Country as of the end of 2010 (\$ million)**

Country	ADF	Other Special Funds	Cofinancing	Total
Afghanistan	1,315.1	—	149.5	1,464.6
Armenia	—	—	—	—
Azerbaijan	—	—	2.5	2.5
Georgia	—	—	—	—
Kazakhstan	—	—	—	—
Kyrgyz Republic	246.6	—	6.0	252.6
Pakistan	5.0	140.5	97.0	242.5
Tajikistan	264.6	—	19.8	284.4
Uzbekistan	—	—	10.0	10.0
Regional	—	—	8.9	8.9
<b>Total</b>	<b>1,831.3</b>	<b>140.5</b>	<b>293.6</b>	<b>2,265.4</b>

— = nil, ADF = Asian Development Fund.

**Table 15 Central and West Asia: Cumulative Grant Disbursements by Country as of the end of 2010 (\$ million)**

Country	ADF	Other Special Funds <sup>a</sup>	Total
Afghanistan	264.1	—	264.1
Armenia	—	—	—
Azerbaijan	—	—	—
Georgia	—	—	—
Kazakhstan	—	—	—
Kyrgyz Republic	67.9	—	67.9
Pakistan	2.5	114.0	116.5
Tajikistan	59.0	—	59.0
Uzbekistan	—	—	—
Regional	—	—	—
<b>Total</b>	<b>393.5</b>	<b>114.0</b>	<b>507.5</b>

— = nil, ADF = Asian Development Fund.

<sup>a</sup> Includes grants funded by Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

**Impact of operations.** ADB assistance is expected to show significant development impact. At the macro level, a risk management system—a central bank inflation-targeting model developed with ADB technical assistance—helped the government manage inflation during the recent global financial and economic crisis. The \$500 million loan was approved in September 2009 under the Counter-cyclical Support Facility. Transport and urban services also improved as a result of ADB assistance.

## The Kyrgyz Republic

**Partnership priorities.** Public infrastructure—transport, energy, and urban services—remained a priority, as did public sector management and regional cooperation. ADB approved

\$45 million in assistance to improve transparency and efficiency in energy and \$100 million in emergency assistance to help with recovery and reconstruction in Osh, following political disturbances in April and a conflict in June.

**Impact of operations.** ADB financing has improved transport infrastructure, urban services, tax collection, and customs services. ADB completed 78 km of the Osh–Gulcha road and supported policies to reduce barriers to investment, lowering compliance costs and increasing access to finance in the process. ADB upgraded rural drinking water supply systems.

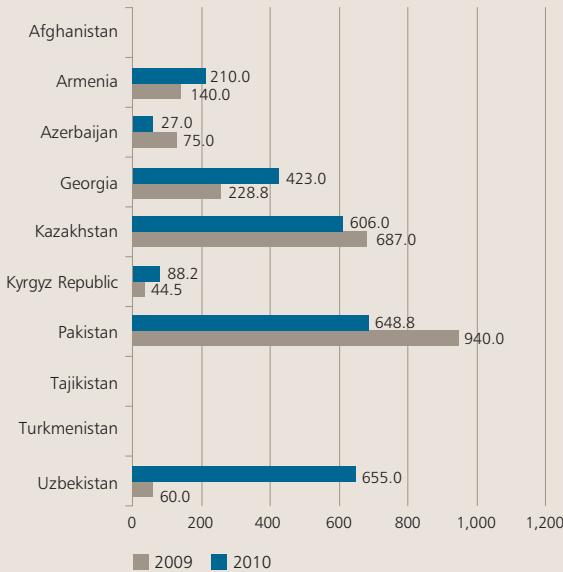
## Pakistan

**Partnership priorities.** Energy, transport, urban services, irrigation, and the finance sector remained priority areas. To increase energy efficiency and energy security, ADB financed various transmission and generation projects. It also led the formation of the Energy Sector Task Force, which is preparing an integrated energy sector recovery plan. ADB mobilized international financing for Pakistan's first private sector wind farm and expanded lending to the Uch Power Project. The first tranche of \$60 million under the Energy Efficiency Investment Program will cut losses and reduce consumption. At the provincial level, ADB supported public management efficiency measures, including improvements to social service delivery and the role of the private sector in manufacturing and trade. The Punjab Millennium Development Goals (MDGs) Program for \$150 million focused on health-related MDG targets.

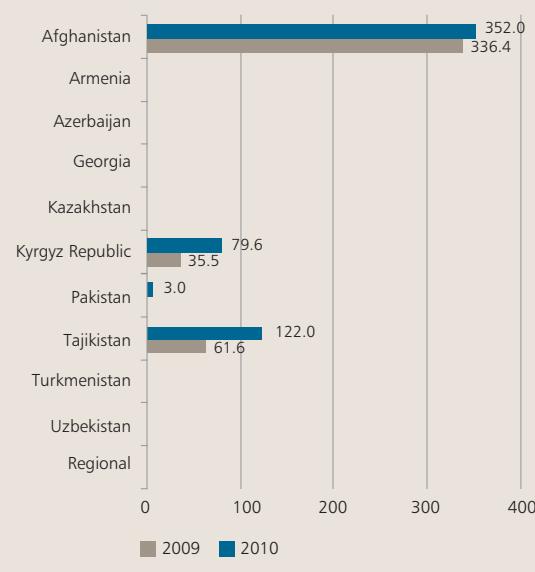
A post-crisis needs assessment helped the government develop a strategy for Khyber Pakhtunkhwa and the Federally Administered Tribal Areas. With the World Bank, ADB led an assessment of damages and needs after the floods of July. To ease a potential post-flood surge in imports of critical items, ADB increased Pakistani bank limits under the Trade Finance Facilitation Program by \$500 million.

**Impact of operations.** A series of long-term investments in electricity generation, transmission, and distribution have begun to improve energy efficiency. Reliability and quality have increased, and service coverage has been raised. Two road sector projects rehabilitated national and provincial highways and rural links in the provinces of Khyber Pakhtunkhwa and Balochistan, improving people's access to markets and basic services. A rural development

**FIGURE 1 Central and West Asia:  
ADB Lending by Country, 2009–2010  
(Sovereign and Nonsovereign)**  
(\$ million)



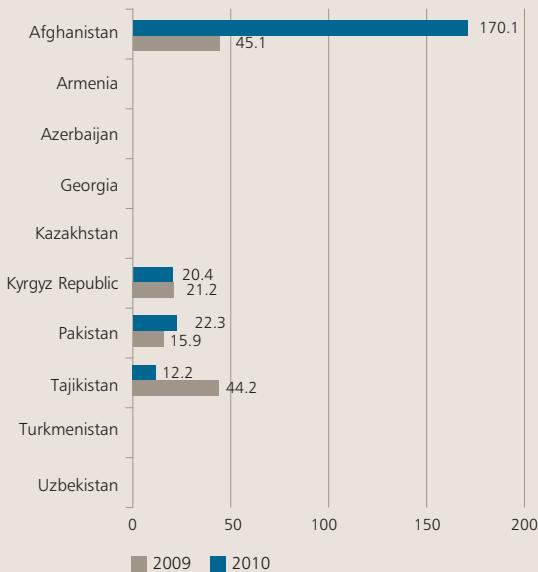
**FIGURE 2 Central and West Asia:  
Grants Approved by Country, 2009–2010  
(Sovereign and Nonsovereign)**  
(\$ million)



**FIGURE 3 Central and West Asia:  
ADB Loan Disbursements by Country, 2009–2010  
(Sovereign and Nonsovereign)**  
(\$ million)



**FIGURE 4 Central and West Asia:  
Grant Disbursements by Country,<sup>a</sup> 2009–2010  
(Sovereign)**  
(\$ million)



<sup>a</sup> Includes grants funded by Asian Development Fund (ADF), Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

## Bitter Fruits Turn into Sweet Harvest

**Farmers affected by water shortages in Tajikistan have doubled their incomes thanks to an ADB initiative to upgrade irrigation systems**

**W**hen a scarcity of water blighted the quality of his crops, Sohboi Dodoboев saw yields from his 75-hectare (ha) farm in Tajikistan sink to a quarter of normal output and he was forced to sell his produce at prices barely covering costs.

Times of desperate shortage for his mixed crops of cotton, apricots, and vegetables are now a thing of the past. ADB's Agriculture Rehabilitation Project, implemented during 2003–2010, has brought vast improvements to the lives of Tajikistan's rural poor by improving water supply infrastructure. The project benefited an irrigation area of 85,000 ha with a population of 471,500, and indirectly improved another 67,500 ha, helping a further 359,000 people. At the same time, reconstruction of potable water supply systems in selected communities was supported for another 87,000 beneficiaries who, previously, had no safe source of water.

Of the \$43.75 million cost of the project, ADB provided \$35 million in an Asian Development Fund loan while the government and beneficiaries contributed the rest.

Part of the project was undertaken in the Sughd Region on Kayrakum Reservoir, where floating pontoon

stations pump water up to a storage area for irrigation for over 25,000 ha of farms.

Construction of the floating pump stations and other infrastructure has brought about some dramatic changes, ensuring that Dodoboев and his neighbors have all the water they need.

Now Dodoboев plans to buy apricot-drying equipment, which will bring four times the price of his fresh crop in added value. He sees the money farmers are spending on improving their businesses and homes filtering out into other sectors of the community. "Our incomes have doubled," he says. "I was able to build our son and his wife a home last year."



This pump station supplies precious water for rural poor

project improved rural livelihoods and increased agricultural productivity. ADB project implementation and administration seminars helped more than 35 representatives from various executing agencies build capacity in the procurement of goods, services, and works.

The Punjab Devolved Social Services Programme contributed to improved health and education indicators for equality and access and introduced public-private partnerships in social service delivery in Punjab. Literacy rates for the age of 10 years and above in the province of Punjab improved from 47% in 2001–2002 to 59% in 2008–2009.

### Tajikistan

**Partnership priorities.** The country partnership strategy for 2010–2014 focuses on transport connectivity, energy security, and private sector development. Regional cooperation is

a binding theme. A major electricity transmission project approved for the period will increase system reliability and ensure greater efficiency and energy security. A new road project cofinanced with EBRD will improve connectivity between Dushanbe, the capital city, and the Uzbekistan border.

**Impact of operations.** The Crisis Recovery Support Program provided a \$40 million grant in 2009–2010 to maintain pre-crisis level budget financing for key social expenditures. An ADB project will make power trade possible between Tajikistan and Afghanistan.

### Turkmenistan

**Partnership priorities.** The North–South Railway Project, connecting Bereket to Buzhun, was prepared in 2010, as ADB's first project in Turkmenistan. It will increase

## Urban Fixes Transform Georgian Towns

**Rehabilitation of dilapidated water and road infrastructure has brought relief for many citizens**

**D**amage caused by sewage leaking onto the street contributed to making the 2-kilometer (km) stretch of road in the Georgian town of Akhaltsikhe impassable, while in the nearby town of Keda, dilapidated roads and poor drainage made transportation difficult.

ADB intervention has transformed these thoroughfares. Rehabilitation of the road and sewage pipes in Akhaltsikhe has significantly improved living conditions by increasing access and producing savings in fuel and car repairs. The ADB-financed rehabilitation of about 2 km of roads in Keda under the same Municipal Sector Development Project included replacing a muddy track and a broken asphalt surface with a modern road and drainage system. Today, residents have easy access to the local hospital and kindergarten.

Meanwhile, ADB assistance has helped upgrade roads elsewhere in Georgia. In the town of Adigeni, for instance, the main 3 km access road was in such bad condition that cars could hardly pass through it. A new road, built thanks to ADB funds for municipal infrastructure, has effectively reopened the community to the outside world.

In the city of Ambrolauri, the water system had been in a state of complete dysfunction. Pipes leaked and water was contaminated. About a third of the people had no access to supplies while the rest were receiving unsafe water 3 hours a day. ADB-funded repairs have brought safe supplies to the population of about 3,200 and leaks have been minimized. Now everyone in the city receives good quality water 14 hours a day.



ADB has supported infrastructure upgrades in Adigeni

accessibility to neighboring countries and trade. ADB opened the resident mission in Ashgabat in September. Turkmenistan joined CAREC. A heads of state agreement was signed in December for a gas pipeline into Pakistan and India via Afghanistan. ADB is the project's secretariat.

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

### Uzbekistan

**Partnership priorities.** ADB provided \$655 million in new loans and a \$600 million multitranche financing facility to support power generation, regional highway corridors, water supply and sanitation, and access to credit for small businesses. ADB signed agreements with local banks to expand trade finance. ADB supported the preparation of a welfare improvement strategy for 2011–2014

and began work on a new country partnership strategy for 2012–2016.

**Impact of operations.** A \$36 million loan for the Urban Water Supply Project brought drinking water to the cities of Djizzak, Gulistan, and Karshi. ADB's first project in the Uzbekistan health sector, the Woman and Child Health Development Project, with a \$40 million loan, reduced the national maternal mortality rate by retraining 1,600 doctors and 20,000 nurses nationwide. The CAREC Regional Road Project, in its advanced stage with a \$75 million loan, introduced international road construction standards and cost-efficient maintenance practices. The Ak Altin Agricultural Development Project, with a \$36 million loan, created jobs and raised incomes in rural areas by improving water and soil management. The ongoing Amu-Zang Irrigation Rehabilitation Project, with a \$73 million loan, is reducing siltation in the Amu Darya River.

# EAST ASIA

The People's Republic of China, Mongolia



ADB's operations in East Asia are aimed at sustainable development and inclusive growth. In the People's Republic of China (PRC), increased lending for energy conservation and clean energy, urban environment improvement, and natural resource protection has achieved a greener portfolio. In Mongolia, investments in basic infrastructure and social services are being supported.

## OVERVIEW

In the PRC during the year, a strategic reorientation—based on the Country Partnership Strategy (CPS) 2008–2010—facilitated inclusive and environmentally sustainable development with increased lending for energy conservation and clean energy, and urban and rural development. For Mongolia, the CPS under preparation for 2011–2015 builds on sustainable, regionally integrated growth and inclusive social development focusing on support in transport, energy, urban development, and social services.

In both countries, ADB continued to provide technical assistance to increase access to financial services, support fiscal priorities and social services, promote clean technology, facilitate trade among neighboring countries, and enhance regional cooperation.

Total lending operations (Table 19) in the PRC consisted of 11 sovereign loans for \$1,320.88 million. Nonsovereign approvals for the PRC totaled \$586.6 million, which included \$10 million in equity investments and \$320 million in B-loans. For Mongolia, financial assistance included two loans for \$48 million and four Asian Development Fund grants totaling \$50 million, including the supplementary funding for the Regional Road Development Project.

Mongolia also received \$2.5 million from the Japan Fund for Poverty Reduction and \$2.5 million from the Asia Pacific Disaster Response Fund to mitigate the devastating impact of *dzud*, an extreme weather phenomenon. ADB provided \$34.32 million in technical assistance, including supplementary financing, consisting of \$22.17 million for the PRC, \$7.38 million for Mongolia, and \$4.78 million for regional technical assistance.

## PORTFOLIO MANAGEMENT

ADB continued its efforts to promote development effectiveness and portfolio management that focuses on results in East Asia. Project readiness was improved by aligning ADB's procedures with government procurement and approval processes. The environmental and social safeguards assurance process was enhanced to respond more effectively to ADB's Safeguard Policy Statement.

ADB further strengthened its resident missions to assume increased portfolio management responsibilities. Meanwhile, within ADB, the East Asia Department pioneered the delegation of technical assistance projects to selected executing agencies. The portfolio continued to perform well, with projects at risk kept below 3% of ongoing loans. Loan contract awards and disbursement targets were met. Efforts were made to ensure timely closure of technical assistance projects. As of end 2010, the portfolio included 28 ongoing grants, 16 of which were from ADF and SF resources.

## KNOWLEDGE MANAGEMENT

Knowledge management is an integral part of operations in East Asia. Priority themes for the PRC are macroeconomic management, energy efficiency and environmental

### HIGHLIGHTS

- A \$66 million loan and mobilization of about \$12.2 million in grants for the PRC's integrated renewable biomass energy development and rural environment improvement
- Equity and loans of up to \$146.6 million to a company to improve water supply and wastewater treatment facilities in the PRC's Songhua River Basin
- The first international renminbi-denominated bond of CNY1.2 billion to develop the offshore renminbi bond market and support ADB's nonsovereign operations
- A grant of \$2.5 million from the Asia Pacific Disaster Response Fund to mitigate the devastating impact of extreme weather conditions in Mongolia
- A \$15 million grant to help Mongolia improve urban infrastructure and services in the booming mining and border towns in the province of Southeast Gobi
- An additional \$10 million grant from the Education for All – Fast Track Initiative to fill the funding gap for the implementation of Mongolia's Education Master Plan

## Progress of the MDGs in East Asia

### The People's Republic of China

- ADB is helping the PRC ensure environmental sustainability. In energy, investments in advanced technology (Tianjin Integrated Gasification Combined Cycle Power Plant Project) and renewable energy (Gansu Heihe Hydropower Project) will reduce carbon dioxide emissions and promote energy efficiency. Natural resource management projects will conserve one of the world's most important wetlands, the Sanjiang Plain Wetlands in Heilongjiang; improve biodiversity conservation and management in Shaanxi Qinling Mountains; and prevent further pollution and improve the quality of key bodies of water, such as the Hai River and Chao Lake.
- To promote gender equality and empower women, new economic opportunities for women from poor ethnic minority villages are being created through technical assistance associated with the Yunnan Integrated Road Network Development Project.
- The PRC has met its national goal of poverty reduction but a large number of rural poor are still found mainly in the inland provinces. Agriculture projects, such as the Henan Sustainable Agriculture and Productivity Improvement Project, Dryland Sustainable Agriculture Project, and Shanxi Integrated Agricultural Development Project, will assist the government in improving life for the rural poor.

### Mongolia

- The Third Education Development Project and Education Sector Reform Project have helped develop an effective 12-year education system. ADB also provided a grant for the Education for the Poor—Financial Crisis Response Project to help safeguard achievements, including universal primary education.
- Several ADB projects include measures to promote gender equality and empower women. The Third Education Development Project includes gender and development training for executing/implementing agencies and local consultants on gender sensitization in textbooks and in curricula for training teachers.

protection, poverty reduction, and inter-provincial cooperation. In Mongolia, the focus is on inclusive economic growth (especially increasing productivity) and poverty reduction (including food security). Measures for quality assurance were sustained such as screening of knowledge proposals at entry, peer reviews, and joint programming of knowledge products and services (KPS). Focus was on policy advisory support to the PRC and Mongolia. The KPS program included two policy studies for the preparation of the PRC's 12th Five-Year Plan, and policy research support for the advisory team at Mongolia's National Development and Innovation Committee.

Under its knowledge-sharing platform, ADB set up knowledge hubs on the urban development and transport sectors to facilitate cooperation between the PRC and other developing member countries. In 2010, 44 KPS were completed. These were widely disseminated through the annual KPS Compendium of the East Asia Department, 29 workshops, 3 book launches, and 18 international conferences. A partnership on a regional knowledge hub for sustainable urban development was established with Tongji University in Shanghai to improve knowledge exchange and capacity development in response to rapid urbanization in Asia and the Pacific.

## REGIONAL COOPERATION

Regional cooperation remains a key priority in the country program strategies of the PRC and Mongolia. Trade and economic cooperation was facilitated among countries participating in the Central Asia Regional Economic Cooperation (CAREC) and the Greater Mekong Subregion regional initiatives. ADB also continued to make progress in building cross-border infrastructure and through a transport agreement to foster trade. The implementation of the CAREC trade facilitation program is on track. Notable progress included strengthened customs cooperation between Mongolia and the PRC, institution-building through the newly established CAREC regional joint transport and trade facilitation committee, and effective transport corridor performance monitoring.

Regional research on the economics of climate change and low-carbon strategies covering the PRC, Japan, the

**Table 16 East Asia: Portfolio Performance Indicators for Sovereign Lending, 2009–2010**

Country	No. of Ongoing Loans (as of 31 Dec 2010)	Contract Awards/ Commitments <sup>a</sup>		Disbursements <sup>a</sup>		Loans at Risk	
		2010 (\$ million)	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (%)	2009 (%)
China, People's Republic of	69	1,377.7	1,122.9	1,341.7	1,341.7	1.4	1.5
Mongolia	8	21.7	53.2	15.1	56.7	12.5	20.0
<b>Total</b>	<b>77</b>	<b>1,399.4</b>	<b>1,176.1</b>	<b>1,356.8</b>	<b>1,398.4</b>	<b>2.6</b>	<b>3.9</b>

Note: Totals may not add up because of rounding.

a Includes closed loans that had contract awards or disbursements during the year.

**Table 17 East Asia: Portfolio Performance Indicators for Grants from ADF and Special Funds Resources,<sup>a</sup> 2009–2010**

Country	No. of Ongoing Grants (as of 31 Dec 2010)	Contract Awards/ Commitments <sup>a, b</sup>		Disbursements <sup>a, b</sup>		Grants at Risk	
		2010 (\$ million)	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (%)	2009 (%)
China, People's Republic of	3	0.6	—	0.2	—	—	—
Mongolia	13	24.5	16.8	18.3	19.1	7.7	12.5
<b>Total</b>	<b>16</b>	<b>25.1</b>	<b>16.8</b>	<b>18.5</b>	<b>19.1</b>	<b>6.3</b>	<b>11.1</b>

— = nil, ADF = Asian Development Fund.

Note: Totals may not add up because of rounding.

a Includes grants funded by Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

b Includes closed grants that had contract awards or disbursements during the year.

Republic of Korea, and Mongolia is being pursued through technical assistance, partly financed by the Korea International Cooperation Agency.

## COUNTRY HIGHLIGHTS

### The People's Republic of China

**Partnership priorities.** The current country partnership strategy focuses on inclusive growth, environmental protection, private sector development, and regional cooperation, while emphasizing innovation, knowledge cooperation, and capacity development to add value and enhance development impacts. All lending and nonlending support has been screened through the lens of environmental protection (including climate change) and social impacts to respond to PRC's redoubled efforts to promote environmentally sustainable and inclusive growth. ADB and the PRC jointly launched the preparation of the next CPS for 2011–2015, which will support priorities of the PRC's 12th Five-Year Plan that are aligned with ADB's Strategy 2020.

**Impact of operations.** Further greening of the PRC portfolio was achieved with the approval of eight sovereign and three nonsovereign projects covering energy efficiency, environmental improvement, and urban development. ADB continued its strategic reorientation to facilitate inclusive and environmentally sustainable development with increased lending for energy conservation and clean energy, urban development, and agriculture and rural development.

The technical assistance program supported analytical work on issues pertaining to fiscal and tax reform, urbanization, environment, and climate change. Capacity development was pursued through showcase workshops that disseminated lessons learned from past and ongoing projects, and through extensive training programs for new counterpart agencies and project staff.

### Mongolia

**Partnership priorities.** Following an extensive consultative process, the CPS (2011–2015) is expected to be approved mid-2011. It is aligned with Mongolia's National Development Strategy and builds on two strategic pillars:

**Table 18a East Asia: Sovereign Approvals by Country,<sup>a</sup> 2010  
(\$ million)**

Country	OCR	ADF	Other Sources	Total
China, People's Republic of	1,320.9	–	18.2	1,339.1
<b>LOANS</b>				
Chongqing Urban–Rural Infrastructure Development Demonstration	100.0	–	–	100.0
Guangxi Southwestern Cities Development	150.0	–	–	150.0
Inner Mongolia Autonomous Region Environment Improvement Project (Phase II)	150.0	–	–	150.0
Integrated Renewable Biomass Energy Development Sector	66.1	–	–	66.1
Jiangxi Sustainable Forest Ecosystem Development	40.0	–	–	40.0
Railway Energy Efficiency and Safety Enhancement Investment Program – Tranche 2	100.0	–	–	100.0
Risk Mitigation and Strengthening of Endangered Reservoirs in Shandong Province	29.8	–	–	29.8
Second Heilongjiang Road Network Development	200.0	–	–	200.0
Tianjin Integrated Gasification Combined Cycle Power Plant	135.0	–	–	135.0
Wuhan Urban Environmental Improvement	100.0	–	–	100.0
Yunnan Integrated Road Network Development	250.0	–	–	250.0
<b>GRANTS</b>				
Integrated Renewable Biomass Energy Development Sector	–	–	12.2	12.2
Jiangxi Sustainable Forest Ecosystem Development	–	–	1.0	1.0
Tianjin Integrated Gasification Combined Cycle Power Plant	–	–	5.0	5.0
Mongolia	–	98.0	5.0	103.0
<b>LOANS</b>				
Regional Logistics	–	40.0	–	40.0
Regional Road Development (Supplementary)	–	8.0	–	8.0
<b>GRANTS</b>				
Dzud Disaster Response Project	–	–	2.5	2.5
Fourth Health Sector Development	–	14.0	–	14.0
Promoting Inclusive Financial Services for the Poor	–	–	2.5	2.5
Regional Logistics Development	–	5.0	–	5.0
Regional Road Development	–	16.0	–	16.0
Southeast Gobi Urban and Border Town Development	–	15.0	–	15.0
<b>Total</b>	<b>1,320.9</b>	<b>98.0</b>	<b>23.2</b>	<b>1,442.1</b>

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

a Excludes cofinancing for projects approved in previous years, technical assistance grants, and multitranche financing facilities.

**Table 18b East Asia: Nonsovereign Approvals by Country,<sup>a</sup> 2010  
(\$ million)**

Country	OCR			Cofinancing		
	Loans	Guarantees	Equity Investments	Project	Commercial	Total
China, People's Republic of	256.6	–	10.0	320.0	–	586.6
Jilin Wind Power	120.0	–	–	120.0	–	240.0
Municipal Natural Gas Infrastructure Development (Phase 2)	100.0	–	–	100.0	–	200.0
Songhua River Basin Water Pollution Control and Management Project Private Sector Facility	36.6	–	10.0	100.0	–	146.6
<b>Total</b>	<b>256.6</b>	<b>–</b>	<b>10.0</b>	<b>320.0</b>	<b>–</b>	<b>586.6</b>

– = nil, OCR = ordinary capital resources.

a Excludes cofinancing for projects approved in previous years, technical assistance grants, and trade finance program.

**Table 19 East Asia: Cumulative Lending and Disbursements by Country as of the end of 2010<sup>a, b</sup> (\$ million)**

Country	Lending	Disbursements
China, People's Republic of	24,536.6	16,366.1
Mongolia	774.7	653.2
<b>Total</b>	<b>25,311.3</b>	<b>17,019.3</b>

a Loan component of regional projects distributed to the countries whenever possible.  
b Includes nonsovereign (public and private) sector loans specific to the region.

**FIGURE 5 East Asia: ADB Lending by Country, 2009–2010 (Sovereign and Nonsovereign) (\$ million)**

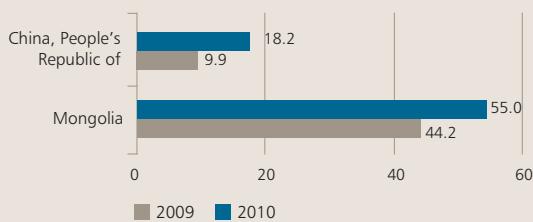


**Table 20 East Asia: Cumulative Grants Approved by Country as of the end of 2010 (\$ million)**

Country	Other			Total
	ADF	Special Funds	Cofinancing	
China, People's Republic of	–	7.2	60.1	67.3
Mongolia	172.2	2.5	36.0	210.7
<b>Total</b>	<b>172.2</b>	<b>9.7</b>	<b>96.1</b>	<b>278.0</b>

– = nil, ADF = Asian Development Fund.

**FIGURE 6 East Asia: Grants Approved by Country, 2009–2010 (Sovereign and Nonsovereign) (\$ million)**



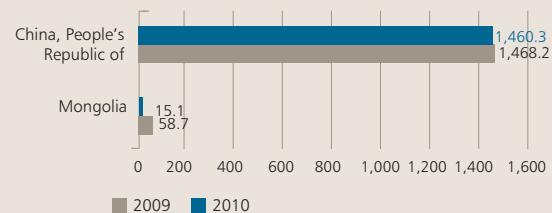
**Table 21 East Asia: Cumulative Grant Disbursements by Country as of the end of 2010 (\$ million)**

Country	Other		Total
	ADF	Special Funds <sup>a</sup>	
China, People's Republic of	–	0.2	0.2
Mongolia	35.3	2.5	37.8
<b>Total</b>	<b>35.3</b>	<b>2.7</b>	<b>38.0</b>

– = nil, ADF = Asian Development Fund.

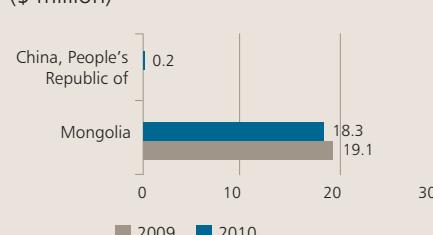
a Includes grants funded by Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

**FIGURE 7 East Asia: ADB Loan Disbursements by Country, 2009–2010 (Sovereign and Nonsovereign) (\$ million)**



(i) competitive, sustainable, and regionally integrated growth; and (ii) inclusive social development. It will focus on creating a more enabling environment for the private sector through policy and institutional reforms and capacity building. Selective investments in transport, energy, urban development emphasizing public–private partnerships, regional cooperation, and energy efficiency are envisaged. ADB will maintain its leadership in the education sector and a selective role in health, focusing ADB's involvement to supporting hospital rationalization, drug safety, and institutional reforms.

**FIGURE 8 East Asia: Grant Disbursements by Country,<sup>a</sup> 2009–2010 (Sovereign) (\$ million)**



a Includes grants funded by Asian Development Fund (ADF), Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

## Grant Gives Children a Chance in Mongolia

**Quick distribution of funds, textbooks, and essential learning materials have helped poor parents keep their children in school**

**E**ven before the global financial crisis hit the country, the parents of Chuluun, a 9th grader in Mongolia's Zavkhan province, could purchase textbooks for only three of the 18 subjects taught at a middle school.

"Last year we bought textbooks for math, Mongolian, and English, but this year, with the prices for food commodities and school items increasing, we are unable to afford even three textbooks," said Chuluun's parents in 2009.

School surveys revealed that textbooks were considered the most important determinant of student performance and were the largest school expense for most parents.

Chuluun's story is an all-too familiar one in this part of Asia. The poverty rate in Zavkhan, 1,000 kilometers from Ulaanbaatar, has risen to 51%, well above the 35.2% national average. Chuluun's parents were worried that he might have to work as a store clerk, cobbler, or collector of cans and plastic bottles—like some other teenagers had—to supplement the family's rapidly declining real wages.

Mongolia is among the nearly one-third of developing countries in which poverty rates climbed rapidly in the financial crisis, partly due to its reliance on volatile mining revenues and the large percentage of existing poor people. The crisis followed severe spikes in food and oil prices in 2008 that triggered inflation as high as 33%. Poor households coped by cutting down on food and, in some cases, withdrawing children from school.

Maintaining vulnerable citizens' access to quality education during the financial crisis became a major

challenge. However, ADB responded quickly to help the government ease the pressure. Under a \$17 million grant from ADB to support the Education for the Poor—Financial Crisis Response Project, about 150,000 preschoolers received free meals, about 100,000 were allocated free secondary textbooks in school years 2009/10 and 2010/11, and over 300 schools got block grants so parents wouldn't have to fill gaps in the budget.

Quick disbursements addressed immediate needs, helping reduce malnutrition among children and prevent an increase in school dropouts.



Kevin Hamdorf

Quick action is addressing Mongolia children's needs

**Impact of operations.** ADB operations in Mongolia contributed to restoring fiscal stability with support for the new fiscal stability law; restoring primary education enrollment rates; improving transport connectivity; providing access to essential municipal services in secondary cities; improving water supply infrastructure; supporting agro-enterprises; and supporting the social protection

system during the financial crisis. In the health sector, ADB assisted the preparation of draft legislation to reform the state health insurance and helped with the introduction of a network of primary health care providers, improvements in the efficiency of rural health facilities and in strengthening the governance of public hospitals.

## Win-win as Wetlands Go Back to Nature

**Efforts to revert farmland back to nature in the PRC's largest wetlands have raised incomes in local communities and spread the message that conservation is good**

**S**ong Yubo can never forget the severe drought that affected northeast Heilongjiang province, home to the Sanjiang plain wetlands, in 2007.

In Jixian County, it was so dry that corn leaves could easily be lit. "But the neighboring county, Baoqing was barely affected, because the wetlands created a small wet climate in this area," says 48-year-old Yubo, who has made daily patrols for many years to help prevent damage to the Sanjiang wetlands which at 11 million hectares are the largest in the PRC.

Wetlands—some call them kidneys of the earth—are natural reservoirs critical for counterbalancing floods and droughts and, ultimately, mitigating climate change. In the PRC, they are shrinking dramatically, mostly because of global warming, agricultural development, and exploitation of rivers. According to the Chinese Academy of Sciences, nearly 30% of the PRC's wetlands vanished between 1990 and 2000, with huge losses in the Sanjiang plains.

Guided by the National Wetland Conservation Action Plan, Heilongjiang issued the PRC's first wetland regulations in 2003. Wetland restoration was then a new concept in the PRC. But from 2005, the Sanjiang Plain Wetlands Protection Project helped entrench the practice and integrate efforts to improve the well-being of local communities with conservation plans.

ADB supported the project with a \$15 million loan and assisted Heilongjiang in obtaining a \$12.14 million grant from the Global Environment Facility.

As farmland was being restored to wetland, several models for creating new ecologically sustainable livelihoods, such as the introduction of greenhouse farming and clean-energy biomass plants, were implemented, boosting farmers' profits. Meantime, ecotourism projects are also producing income and raising awareness in local communities of the role they can play in protecting an important natural resource.

Liaoning, Inner Mongolia, Hunan, Guangdong, Shaanxi, Gansu, and Ningxia have followed Heilongjiang's example. By 2010, the PRC had placed 18 million hectares of natural wetland—almost half the wetlands area in the country—under protection and established 550 reserves holding over 2.7 trillion tons of fresh water.



Kan Lei

Today in the People's Republic of China, wetlands are being protected

## CHAPTER 9

# PACIFIC

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



ADB's assistance for the 14 developing member countries in the Pacific continues to be shaped by the Pacific Approach 2010–2014. This is helping to raise living standards, build economic resilience, promote the growth of private companies, and improve public sector efficiency. Meanwhile, stronger regional cooperation has resulted from stepping up high-level consultations among development partners and government agencies.

## OVERVIEW

**A**DB continues to help the 14 Pacific developing member countries raise living standards and build resilience by developing economic and social infrastructure, strengthening public sector management and governance, and promoting private sector growth.

The Pacific Approach 2010–2014 emphasizes the fragile nature of the Pacific, continued strengthening of policies and institutional settings in support of growth and development, the strengthening of core government functions and outsourcing of services delivery where feasible, and further enhancement to the effectiveness of ADB's operations in the region. ADB's approach to fragile and conflict-affected situations helps ADB to respond to the special circumstances of the region.

## REGIONAL COOPERATION

Regional cooperation and coordination continue to be strengthened through regular high-level consultations with development partners and engagement with major technical agencies in the work of ADB. This includes an ongoing commitment to implementing the Cairns Compact.

## HIGHLIGHTS

- New regional operations business plan prepared to implement the Pacific Approach 2010–2014
- New country partnership strategies for Kiribati and Papua New Guinea have been approved
- Economic recovery and public sector reform program loans and grants approved for the Marshall Islands, Samoa, and Solomon Islands in 2010
- The Climate Change Implementation Plan for the Pacific gave member countries a framework for developing and implementing climate change investments and action plans to 2015

## PORTFOLIO MANAGEMENT

With the increasing capacity of regional and resident missions in the Pacific region, another three loans, two grants, and one piggyback technical assistance project were delegated to them, raising the delegated portfolio to more than 60% of the total. This enabled better engagement with Pacific developing member countries, closer monitoring of projects, and improved likelihood of achieving expected

Table 22 Pacific: Portfolio Performance Indicators for Sovereign Lending, 2009–2010

Country	No. of Ongoing Loans (as of 31 Dec 2010)	Contract Awards/ Commitments <sup>a</sup>		Disbursements <sup>a</sup>		Loans at Risk	
		2010 (\$ million)	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (%)	2009 (%)
Cook Islands	2	23.9	1.6	10.6	(0.3)	—	25.0
Fiji	4	23.0	17.0	16.7	5.3	—	25.0
Kiribati	1	—	—	—	—	—	—
Marshall Islands	1	10.0	—	10.0	—	—	—
Micronesia, Federated States of	2	2.3	0.8	1.1	0.8	—	—
Nauru	—	—	—	—	—	—	—
Palau	2	—	—	—	—	—	—
Papua New Guinea	14	30.0	23.6	27.9	17.4	—	—
Samoa	4	29.4	5.1	25.6	6.3	—	—
Solomon Islands	—	—	—	—	—	—	—
Timor-Leste	—	—	—	—	—	—	—
Tonga	—	—	—	—	—	—	—
Tuvalu	2	0.02	0.1	0.3	0.4	100.0	—
Vanuatu	—	—	—	—	—	—	—
Regional	—	0.002	0.05	0.2	0.4	—	—
<b>Total</b>	<b>32</b>	<b>118.6</b>	<b>48.2</b>	<b>92.3</b>	<b>30.4</b>	<b>6.3</b>	<b>6.7</b>

— = nil, ( ) = negative.

Note: Totals may not add up because of rounding.

a Includes closed loans that had contract awards or disbursements during the year.

results. Portfolio performance improved significantly in 2010 as annual targets were surpassed. Contract awards and disbursements for sovereign loans achieved 115% and 147% of annual projections. This is more than twice the amounts achieved in 2009. For grants from the Asian Development Fund and Asia Pacific Disaster Response Fund, the contract awards and disbursements were 102% and 92% of the 2010 projection, respectively. Seventy-one active technical assistance projects financed through \$120 million in grants covered project preparatory, policy and advisory, and capacity development activities.

## COUNTRY HIGHLIGHTS

### The Cook Islands

**Partnership priorities.** ADB has aligned its country partnership strategy with *Te Kavenga Nui*, the National Sustainable Development Plan (2007–2010), by focusing on environmentally sustainable economic development. The intended country partnership strategy outcomes are improved economic and social infrastructure, and better public sector service delivery.

**Impact of operations.** An ADB technical assistance is supporting the government in implementing the infrastructure governance framework to improve delivery of infrastructure services to the whole country. The design for the Avatiu Port Development Project was completed and the contract awarded in 2010. Through the Economic Recovery Support Program, ADB supported structural and governance improvements and maintenance of fiscal responsibility, while plans to boost economic activity through increased government capital works in the water sector will commence soon, maintaining the delivery of essential public services to the poor and vulnerable. Regional technical assistances have enabled the Cook Islands to strengthen its financial management capabilities through the development of the Financial Management Model and improved internal auditing.

### Fiji

**Partnership priorities.** All ADB operations are guided by the April 2007 Approach to Reengagement. Ongoing projects are in roads, water supply, and emergency response.

## Progress of the MDGs in the Pacific

- With the Secretariat of the Pacific Community and other development partners, ADB has helped the Pacific developing member countries manage progress toward achievement of the Millennium Development Goals (MDGs). Household income and expenditure surveys and demographic and health surveys across the Pacific have helped policy makers monitor achievement of the MDGs. The survey reports also provided key policy guidance on how to improve the health and well-being of the islanders and particularly of the most vulnerable.
- In Timor-Leste, ADB has contributed to MDG7 by rehabilitating (i) Dili's water supply system and improving the access of approximately 35,000 people to 24-hour water supply services; and (ii) two towns' water supply systems and improving the access of up to 30,000 people to water and sanitation services. For MDG1, ADB has contributed by increasing job opportunities for approximately 4,000 people in fish farming and small-scale dam construction and maintenance.
- In Tonga, ADB is contributing to MDG7 by improving the quality of urban water, sanitation, and drainage systems in Nuku'alofa and improving the access of approximately 35,000 people to such services.
- In Samoa, ADB is contributing to MDG7 by (i) establishing the first sewage system and wastewater treatment plant serving Apia's central business district and improving flood mitigation and drainage in Apia, a city of approximately 60,000 people; and (ii) supporting the implementation of the water supply, sanitation, and drainage master plan for Apia and improving residents' access to such services. For MDG1, ADB is providing subsidized on-site sanitation solutions to approximately 1,000 low-income households.
- HIV prevalence, however, remains a problem in Papua New Guinea and here ADB is also providing assistance.

**Impact of operations.** The Suva–Nausori Water Supply and Sewerage Project continued to improve service provision. In an effort to reduce losses from water leakage, 56 kilometers (km) of mains, 8,000 service connections, and 10,000 water meters have been either repaired or replaced.

**Table 23 Pacific: Portfolio Performance Indicators for Grants from ADF and Special Funds Resources,<sup>a</sup> 2009–2010**

Country	No. of Ongoing Grants (as of 31 Dec 2010)	Contract Awards/ Commitments <sup>a, b</sup>		Disbursements <sup>a, b</sup>		Grants at Risk	
		2010 (\$ million)	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (%)	2009 (%)
Cook Islands	—	—	—	—	—	—	—
Fiji	—	—	—	—	—	—	—
Kiribati	—	—	—	—	—	—	—
Marshall Islands	—	—	—	—	—	—	—
Micronesia, Federated States of	—	—	—	—	—	—	—
Nauru	—	—	—	—	—	—	—
Palau	—	—	—	—	—	—	—
Papua New Guinea	1	1.4	2.0	3.6	2.6	—	—
Samoa	3	4.2	4.4	2.5	3.9	—	—
Solomon Islands	6	21.2	3.7	10.4	1.0	—	—
Timor-Leste	2	6.6	1.0	1.5	3.3	—	—
Tonga	2	14.0	0.7	5.7	1.0	—	—
Tuvalu	1	0.0	3.2	0.0	1.2	—	—
Vanuatu	—	—	—	—	—	—	—
Regional	1	0.3	0.7	0.9	2.2	—	—
<b>Total</b>	<b>16</b>	<b>47.6</b>	<b>15.7</b>	<b>24.6</b>	<b>15.2</b>	<b>—</b>	<b>—</b>

— = nil; ADF = Asian Development Fund.

Note: Totals may not add up because of rounding.

a Includes grants funded by Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

b Includes closed grants that had contract awards or disbursements during the year.

## Kiribati

**Partnership priorities.** The country partnership strategy for 2010–2014 between ADB and the government supports improved public financial management and improved delivery of sustainable infrastructure services.

**Impact of operations.** Technical assistance is building capacity to improve the management and performance of public enterprises, and enhance fiscal planning through the adoption of the Medium-Term Fiscal Framework. This is helping improve the delivery of public services to over 42% of the population. Project assistance will rehabilitate and upgrade the road network from the airport through the administrative capital of Bairiki and to the port of Betio.

## The Marshall Islands

**Partnership priorities.** The government cleared its loan arrears with ADB in March 2009 and has maintained subsequent repayments. The approved country operations business plan 2010–2012 includes one program loan, and technical assistance projects to support macroeconomic and fiscal management, development of the private sector

and human capacity, and environment protection and climate change mitigation.

**Impact of operations.** An ADB program loan supported the Marshalls Energy Company with its recovery plan by repaying a high-interest loan with a commercial bank. This gave the company fiscal breathing space to carry out much-needed repairs and maintenance, thereby maintaining and improving electricity services to the majority of households on the main island of Majuro. ADB provided financial and technical support for a development partners' meeting in December 2010.

## The Federated States of Micronesia

**Partnership priorities.** Economic management and accountability, including public sector capacity building, and community consultation and participation programs to promote public sector reform, remained priorities. ADB increased dialogue at the federal and state levels to strengthen the focus on infrastructure, for energy and renewable energy in particular, in the states of Yap and Chuuk. The approved country operations business plan 2011–2013 includes a loan to support energy sector development in those states and

**Table 24 Pacific: Sovereign Approvals by Country,<sup>a</sup> 2010  
(\$ million)**

Country	OCR	ADF	Other Sources	Total
Kiribati	–	12.0	20.6	32.6
LOAN				
Road Rehabilitation	–	12.0	20.6	32.6
Marshall Islands	–	9.5	1.8	11.3
LOAN				
Public Sector Program (Subprogram 1)	–	9.5	–	9.5
GRANT				
Improved Energy Supply for Poor Households	–	–	1.8	1.8
Palau	12.6	3.4	–	16.0
LOAN				
Water Sector Improvement Program	12.6	3.4	–	16.0
Papua New Guinea	40.9	29.4	6.0	76.3
LOANS				
Microfinance Expansion	–	13.0	–	13.0
Town Electrification Investment Program – Tranche 1	40.9	16.4	–	57.3
GRANT				
Microfinance Expansion	–	–	6.0	6.0
Samoa	–	16.0	–	16.0
LOAN				
Economic Recovery Support Program (Subprogram 1)	–	16.0	–	16.0
Solomon Islands	–	17.0	60.6	77.6
GRANTS				
Economic Recovery Support Program (Subprogram 1)	–	5.0	–	5.0
Second Road Improvement (Sector) (Supplementary)	–	–	0.6	0.6
Transport Sector Development	–	12.0	60.0	72.0
Regional	–	–	3.0	3.0
GRANT				
Social Protection of the Vulnerable in the Pacific (Cook Islands, Marshall Islands, and Tonga)	–	–	3.0	3.0
<b>Total</b>	<b>53.5</b>	<b>87.3</b>	<b>92.0</b>	<b>232.8</b>

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

a Excludes cofinancing for projects approved in previous years, technical assistance grants, and multitranche financing facilities.

technical assistance for capacity building, while continuing to enhance policy dialogue.

**Impact of operations.** The Omnibus Infrastructure Development Project helped to restore critical water supply, sanitation, and power infrastructure. Technical assistance in support of improved economic management and accountability provided training to Finance Department staff in all four states, strengthening the government's ability to manage its financial and budgetary performance. As a result of technical assistance, the Chuuk Department of Education is leading all stakeholders in a concerted program to reform the state's education system. Consultation and participation in support of public sector and education reforms have included community groups and school children on the island of Weno.

## Nauru

**Partnership priorities.** After its reengagement in May 2008, ADB stepped up activities in improving infrastructure and public sector management, areas closely aligned with the updated National Sustainable Development Strategy.

**Impact of operations.** The technical assistance program strengthened the government's ability to manage its financial and budgetary performance, improve the service delivery of state-owned enterprises, and prioritize infrastructure needs.

## Palau

**Partnership priorities.** The country partnership strategy between ADB and the government works to improve

**Table 25 Pacific: Cumulative Lending and Disbursements by Country as of the end of 2010<sup>a, b</sup> (\$ million)**

Country	Lending	Disbursements
Cook Islands	55.0	38.2
Fiji	317.3	214.5
Kiribati	27.1	13.7
Marshall Islands	87.6	74.1
Micronesia, Federated States of	75.1	48.2
Nauru	5.0	2.3
Palau	16.0	—
Papua New Guinea	1,342.3	773.9
Samoa	175.4	140.2
Solomon Islands	79.3	65.8
Timor-Leste	—	—
Tonga	57.8	52.3
Tuvalu	7.8	7.9
Vanuatu	51.3	49.0
Regional <sup>c</sup>	1.5	1.6
<b>Total</b>	<b>2,298.5</b>	<b>1,481.8</b>

— = nil.

Note: Totals may not add up because of rounding.

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

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

c The figure reported in 2009 has been adjusted to reflect disbursements specific to the Pacific region, excluding regional disbursements under nonsovereign operations.

**Table 27 Pacific: Cumulative Grants Approved by Country as of the end of 2010 (\$ million)**

Country	ADF	Other Special Funds	Cofinancing <sup>a</sup>	Total
Cook Islands	—	—	—	—
Fiji	—	—	—	—
Kiribati	—	—	—	—
Marshall Islands	—	—	1.8	1.8
Micronesia, Federated States of	—	—	1.0	1.0
Nauru	—	—	—	—
Palau	—	—	—	—
Papua New Guinea	15.0	—	25.4	40.4
Samoa	23.5	1.0	25.2	49.7
Solomon Islands	51.3	—	48.1	99.4
Timor-Leste	62.0	—	3.0	65.0
Tonga	21.3	—	—	21.3
Tuvalu	3.2	—	—	3.2
Vanuatu	—	—	—	—
Regional	8.0	—	3.0	11.0
<b>Total</b>	<b>184.4</b>	<b>1.0</b>	<b>107.4</b>	<b>292.7</b>

— = nil, ADF = Asian Development Fund.

a Excludes cofinancing not administered by ADB.

**Table 26 Pacific: Cumulative Grant Disbursements by Country as of the end of 2010 (\$ million)**

Country	ADF	Other Special Funds <sup>a</sup>	Total
Cook Islands	—	—	—
Fiji	—	—	—
Kiribati	—	—	—
Marshall Islands	—	—	—
Micronesia, Federated States of	—	—	—
Nauru	—	—	—
Palau	—	—	—
Papua New Guinea	10.3	—	10.3
Samoa	5.9	1.0	6.9
Solomon Islands	11.7	—	11.7
Timor-Leste	11.5	—	11.5
Tonga	7.2	—	7.2
Tuvalu	1.2	—	1.2
Vanuatu	—	—	—
Regional	7.0	—	7.0
<b>Total</b>	<b>54.8</b>	<b>1.0</b>	<b>55.8</b>

— = nil, ADF = Asian Development Fund.

a Includes grants funded by Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

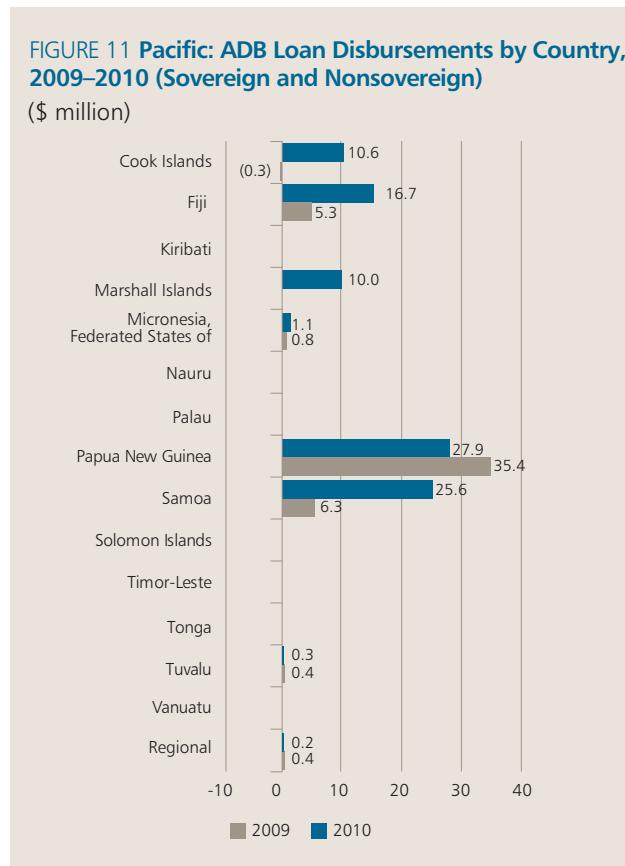
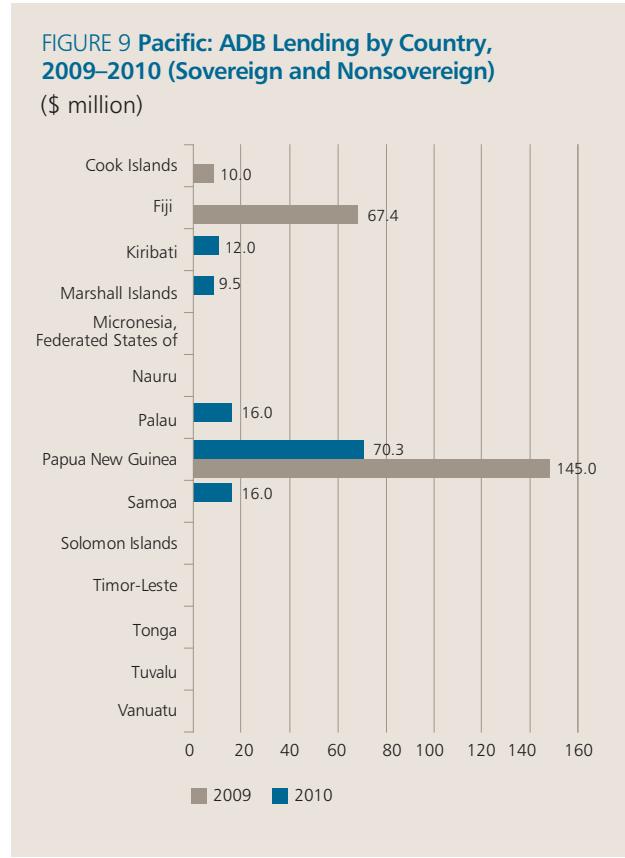
public sector effectiveness, facilitate private sector development, deliver safe water and sanitation services, and manage the threats of climate change.

**Impact of operations.** Technical assistance helped Palau introduce a health insurance and medical savings plan. This has improved health services delivery. Technical assistance has also built capacity in ministries' budget plans and financial management to implement the country's development strategy. This has helped the government deliver services to its people more efficiently.

## Papua New Guinea

**Partnership priorities.** The country partnership strategy for 2011–2015 is aligned with the government's Development Strategic Plan 2010–2030 and will scale up support for infrastructure, including in the power sector, as well as expanding operations in health and microfinance. A commitment to improving public financial management remains in place.

**Impact of operations.** During 2010, ADB financed the rehabilitation and upgrade of 117 km of main roads in the Highlands region. It is estimated that approximately 400,000 people have benefited from reduced travel time from their communities to markets, schools, and health facilities. An innovative and successful ADB-supported health project continued to support private sector participation in



<sup>a</sup> Includes grants funded by Asian Development Fund (ADF), Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).



In Samoa, a \$28 million ADB loan is helping the nation recover from the financial crisis and 2009 tsunami

delivering rural health services, including HIV prevention and control. Over 100 rural health facilities have been improved (40 with HIV testing facilities) and more than 50 health workers trained in 2010. This has enabled the number of patients accessing primary health care services to be significantly increased. The incidence of new HIV cases among pregnant women has also fallen by 0.85% in 2007 and 0.54% in 2010.

## Samoa

**Partnership priorities.** ADB's country partnership strategy is aligned with the Strategy for the Development of Samoa 2008–2012. This includes support for improved public services delivery, the removal of infrastructure constraints, and promotion of private sector development.

**Impact of operations.** In 2010, ADB approved the Economic Recovery Support Program loan of \$16 million to help Samoa recover from the combined impact of the global financial crisis and the September 2009 tsunami. The program will protect vulnerable groups, including women and the unemployed, by maintaining social services expenditure. The government is continuing with structural and public financial management reforms. Despite heavy rainfall in 2010, Apia did not experience the usual flooding thanks to the drainage work undertaken as part of the Sanitation and Drainage Project. This supported the installation of 100 septic tanks, as well as connecting over 100 central Apia customers to a new pressure sewer system.

## Solomon Islands

**Partnership priorities.** The interim Country Partnership Strategy 2009–2011 continued to focus on improving transport infrastructure and private sector development.

**Impact of operations.** Rehabilitation work under the emergency assistance program (in response to the 2007 earthquake and tsunami) progressed well in Gizo and the affected areas in Western Province and Choiseul. A franchise shipping project started, and the Solomon Islands Maritime Safety Administration became operational. National Transport Fund regulations were gazetted and civil works started on Makira under the Solomon Islands Road Improvement Project. ADB continued to help the government implement company laws and established the new companies registry.

## Timor-Leste

**Partnership priorities.** ADB priorities include infrastructure, access to finance, public administration, and ongoing support for cross-border linkages between Timor-Leste and Indonesia. Technical assistance was also approved for an aid information management system and the facilitation of major infrastructure projects.

**Impact of operations.** An overseas scholarship program was initiated for staff of the Ministry of Infrastructure as part of the 4-year, \$18 million technical assistance for

## Boost for Banking in Timor-Leste

**ADB is helping Instituição de Microfinanças de Timor-Leste become the country's first locally owned commercial bank**

**W**hen Clemento de Araujo started his carpentry and joinery business in 2002, he had only \$500 in savings. A loan from Instituição de Microfinanças de Timor-Leste (IMfTL) proved to be the catalyst he needed to make his enterprise a success.

Today, the business boasts Australian-made electric saws and other high-powered machines, with six workers, four full-time and two part-time.

"Running my own business is far better than...working for others," 40-year-old de Araujo, a former hotel janitor, says through his interpreter, Isaias Pereira Nunes, a field staff officer for IMfTL.

IMfTL was established in 2001 under the ADB-managed Microfinance Development Project. In December 2008, ownership was transferred to the Government of Timor-Leste, which is currently upgrading its status from a quasi bank to a full commercial bank. This will make IMfTL the first locally owned bank in Timor-Leste.

After 2 years of independence from donors, IMfTL is in a sound financial position, says Pat Lisk, the consultant who produced the organization's business plan. The value of loans at the end of June 2010 was \$6.5 million, and deposits totaled about \$3.4 million.

Women's groups are well represented among borrowers. Virgia da Costa still remembers her first \$50 loan in 2004 from a women's savings group that funded her grocery shop at Becora village on the outskirts of Dili. "It was from the savings group that I learnt of IMfTL's microloan scheme," she says. Da Costa and her husband, Juvinal de Jesus, were then able to get an IMfTL loan to expand the business.

In 2010, the couple moved their store from rented space into a newly constructed and self-financed building. The shop has spacious storage.

"If it wasn't for my wife, I would not have known of the assistance IMfTL offers small business people like us," says de Jesus. "Now we're able to pay for our seven children's education, and we're thinking of expanding our business into a mini-supermarket."



This factory is expanding, thanks to an IMfTL loan

infrastructure project management cofinanced by the Government of Australia. With ADB assistance, the Instituição de Microfinanças de Timor-Leste took a further step toward becoming the first locally owned commercial bank. (See "Boost for Banking in Timor-Leste" above.) Preparations continued for the rehabilitation of more than 200 km of national roads and water supply infrastructure in the capital, Dili, with civil works scheduled to start in 2011.

### Tonga

**Partnership priorities.** ADB's country partnership strategy focuses on poverty reduction through integrated urban infrastructure development, prudent macroeconomic and fiscal management, and the development of the private sector. The country partnership strategy remains relevant to the objectives of the National Strategic Planning Framework.

**Impact of operations.** ADB's Integrated Urban Development Project contributed to improving the environment through provision of jet/vacuum and street sweeper trucks to clear drainages and clean streets around Nuku'alofa. Work to widen roads and construct drainages and footpaths has started, which will benefit about 32% of the population living in Nuku'alofa and other project areas. The \$5 million first tranche of the Economic Support Program grant was disbursed in 2010 and helped the government maintain a good standard of social services to primary education and health in response to the global economic crisis. ADB continues to support economic management through technical assistance to strengthen policy and planning, as well as supporting the budget process through developing a medium-term budget framework.

## Backyard Stash Gives Way to Cash in the Bank

**ADB has helped Vanuatu's national bank bring services and credit to remote communities**

**A**fter operating his grocery business on the southern Vanuatu island of Tanna for a year, Harry Nikiau needed a loan but didn't rate his chances.

"I had just opened my retail shop," says Nikiau. "I didn't have a lot of assets to show as collateral."

Fortunately for Nikiau, he was able to get help from the National Bank of Vanuatu (NBV), which was expanding its microfinance services in remote islands, and took his first loan in 1993.

Borrowers like Nikiau are steps ahead of many who—confronted with the scarcity of local banks and vast distances to branches—often resort to depositing money in empty tins of Milo, a chocolate flavored health drink, which they bury near their houses.

Photos of money damaged from Milo tin deposits were published in a manual for a financial literacy program launched by NBV in May 2010. An education program, sponsored by ADB and the Commonwealth Secretariat, is teaching people to use better business and banking practices.

"There seems to be a lot of appreciation for the banking advice and education we offer," says John Aruhuri, head of rural banking for NBV. "People now understand the logic of saving, and that in order to access credit, one has to first open a bank account."

ADB granted \$600,000 to the Government of Vanuatu to improve rural people's access to financial services. The grant, which forms part of NBV's overall rural outreach effort, is an extension of a successful project that expanded rural and microfinance services in the island nation from 2004 to 2006. NBV is establishing more branches and has 154 microfinance officers working across Vanuatu.

In 2008, ADB funding also helped NBV introduce a mobile-phone banking system for rural communities beyond the reach of NBV branches.

Stretching NBV's net across the archipelago to give more people access to the financial system is a challenge that Aruhuri says ADB helped resolve. And Milo-tin deposits may soon be a thing of the past.



A step ahead—Vanuatu borrower Harry Nikiau (left)

## Tuvalu

**Partnership priorities.** ADB's country partnership strategy is aligned with Tuvalu's National Strategy for Sustainable Development 2005–2015. The country partnership strategy is focused on strengthening public financial management and supporting reforms of public enterprises.

**Impact of operations.** In 2010, ADB continued to provide technical assistance in public financial management and public enterprises reforms to help the government respond to the global economic crisis. This focus will also ensure that policy makers are better able to respond to future external shocks.

## Vanuatu

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

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

# SOUTH ASIA

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



ADB's operations in South Asia aimed for greater development impact by mainstreaming climate change adaptation and mitigation into project design, and by greater emphasis on gender and private sector participation. In addition, ADB implemented important initiatives that boosted regional cooperation.

## OVERVIEW

The South Asia Department delivered an innovative, strategic, and substantive assistance program targeted at the most critical development challenges of developing member countries.

## PORTFOLIO MANAGEMENT

Loan disbursement totaled \$2.62 billion in 2010 while contract awards and commitments reached \$2.68 billion.

## HIGHLIGHTS

- Delivery of innovative schemes continued through projects such as the highly complex Padma Multipurpose Bridge Project to build Bangladesh's longest bridge, a sustainable urban transport project in the Nepalese capital Kathmandu, and projects to improve energy efficiency in India and bring renewable energy to rural areas in Bhutan. Projects in Sri Lanka helped advance the reconstruction of north and eastern provinces
- Continued attention in project design was paid to climate-change impacts and the fostering of green growth. The Climate Investment Funds endorsed the Bangladesh Strategic Program for Climate Resilience with \$110 million allocated for climate-resilient development, which is the first such program in the world
- Under the South Asia Subregional Economic Cooperation framework, the approval of the India–Bangladesh energy project accelerated regional cooperation and integration
- Significant enhancements were made to gender mainstreaming and cofinancing in South Asia Department projects
- Substantial contributions were made to enhance opportunities for private investment in the subregion's fast-growing market economies; and continued promotion of private sector development was achieved by efforts to build capacity, set up institutional frameworks, and make use of public–private partnerships

## Progress of the MDGs in South Asia

- South Asia has made good progress on seven indicators of Millennium Development Goals (MDGs), namely, indicators on gender equality, HIV prevalence, tuberculosis prevalence, forest cover, protected areas, ozone-depleting substance consumption, and safe drinking water.
- Performance in primary school enrollment has improved, and India, the Maldives, and Sri Lanka are on track or likely to exceed the MDGs. However, much remains to be done in other South Asian countries, particularly in relation to primary education cycle completion.
- In Bangladesh, ADB is helping revitalize education through the Second Primary Education Development Program (PEDP II), which began in 2003. The program's thrust is to address shortcomings that lead to poor achievement and high dropout rates. A follow-on to PEDP II, the Third Primary Education Development Project, is at an advanced stage of preparation to support reduced disparities, higher cycle completion, and better student achievement.
- In Nepal, ADB's support for the Education for All program helped bring significant improvements in quality and access to basic education. Net enrollment rate in primary education increased from 72.4% in 2004 to 93.7% in 2009. School facilities have been continuously upgraded since 2001, and the percentage of trained teachers has increased almost threefold.
- Providing sustainable access to safe drinking water and basic sanitation continues to be important for ADB's operation in South Asia. In Bangladesh, the Chittagong Hill Tracts Rural Development Project provided 180 villagers with tap water. In Nepal, the Small Towns Water Supply and Sanitation Sector Project brought a clean, 24-hour supply of drinking water to nearly 2,000 households. In Sri Lanka, the Third Water Supply and Sanitation Sector Project gave 1.4 million people better services.

**The Bangladesh Strategic Program for Climate Resilience is the first such program in the world endorsed by the Climate Change Investment Fund**

**Table 28 South Asia: Portfolio Performance Indicators for Sovereign Lending, 2009–2010**

Country	No. of Ongoing Loans (as of 31 Dec 2010)	Contract Awards/ Commitments <sup>a</sup>		Disbursements <sup>a</sup>		Loans at Risk	
		2010 (\$ million)	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (% 2010)	2009 (% 2009)
Bangladesh	56	458.1	1,209.4	469.1	1,068.0	3.6	—
Bhutan	6	8.9	75.6	41.5	31.0	—	16.7
India	67	1,856.0	1,657.1	1,699.0	1,339.8	4.5	5.7
Maldives	6	21.0	6.9	25.9	5.3	—	55.6
Nepal	16	98.0	94.0	80.1	73.5	—	5.9
Sri Lanka	37	240.7	157.4	308.4	245.6	2.7	15.0
<b>Total</b>	<b>188</b>	<b>2,682.7</b>	<b>3,200.5</b>	<b>2,624.1</b>	<b>2,763.2</b>	<b>3.2</b>	<b>8.7</b>

— = nil.

Note: Totals may not add up because of rounding.

a Includes closed loans that had contract awards or disbursements during the year.

**Table 29 South Asia: Portfolio Performance Indicators for Grants from ADF and Special Funds Resources,<sup>a</sup> 2009–2010**

Country	No. of Ongoing Grants (as of 31 Dec 2010)	Contract Awards/ Commitments <sup>a, b</sup>		Disbursements <sup>a, b</sup>		Grants at Risk	
		2010 (\$ million)	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (% 2010)	2009 (% 2009)
Bangladesh	1	0.7	0.0	2.3	1.2	—	—
Bhutan	6	4.5	21.8	17.6	4.6	—	—
India	—	0.1	4.2	2.7	16.6	—	—
Maldives	1	0.0	0.2	(0.8)	0.4	—	100.0
Nepal	23	36.3	139.1	31.3	126.0	—	6.3
Sri Lanka	5	9.8	11.7	26.3	41.4	20.0	20.0
<b>Total</b>	<b>36</b>	<b>51.4</b>	<b>177.0</b>	<b>79.4</b>	<b>190.2</b>	<b>2.8</b>	<b>10.3</b>

— = nil, ( ) = negative, ADF = Asian Development Fund.

Note: Totals may not add up because of rounding.

a Includes grants funded by Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

b Includes closed grants that had contract awards or disbursements during the year.

## REGIONAL COOPERATION

ADB hosted the second High-Level Forum on Emerging Vision for Shared Prosperity: South Asia and Beyond on 12–13 August 2010. Participating countries agreed to focus on transport, energy, and trade facilitation as priority areas and to set up working groups to coordinate with ADB on advancing regional cooperation and implementing regional cooperation projects under flexible, government-owned initiatives supported by ADB.

ADB's regional cooperation operations business plan for South Asia (2011–2013) has an indicative lending and grant program of about \$1.3 billion, consisting of five multicountry projects totaling \$608 million and eight national projects with substantial regional implications totaling \$670 million. Ten of the projects are in transport

and information and communication technology and three are in energy.

In August 2010, ADB approved the Bangladesh–India Electrical Grid Interconnection Project. This will establish a cross-border link between the western electrical grid of Bangladesh and the eastern grid of India for the exchange of power.

Toward the end of 2010, ADB convened a regional meeting in Dhaka, Bangladesh, on Transport Connectivity in Northeastern South Asia. This provided a forum for Bangladesh, Bhutan, India, and Nepal to exchange views on regional transport connectivity. The vision for meetings such as this is to help the continued expansion of South Asian markets and to increase opportunities for development that leads to balanced regional growth and poverty reduction.

**Table 30a South Asia: Sovereign Approvals by Country,<sup>a</sup> 2010  
(\$ million)**

Country	OCR	ADF	Other Sources	Total
<b>Bangladesh</b>	<b>800.0</b>	<b>449.0</b>	<b>1,700.9</b>	<b>2,949.9</b>
<b>LOANS</b>				
Bangladesh–India Electrical Grid Interconnection	—	100.0	—	100.0
City Region Development	—	120.0	—	120.0
Natural Gas Access Improvement	261.0	5.0	45.0	311.0
Padma Multipurpose Bridge	539.0	76.0	1,640.0	2,255.0
Second Crop Diversification	—	40.0	—	40.0
Strengthening Governance Management	—	25.0	—	25.0
Subregional Transport Project Preparatory Facility	—	23.0	—	23.0
Sustainable Rural Infrastructure Improvement	—	60.0	15.9	75.9
<b>Bhutan</b>	<b>—</b>	<b>21.6</b>	<b>6.3</b>	<b>27.9</b>
<b>GRANTS</b>				
Farm Roads to Support Poor Farmers' Livelihood	—	—	3.0	3.0
Rural Renewable Energy Development	—	21.6	0.3	21.9
Upgrading Schools and Integrated Disaster Education	—	—	3.0	3.0
<b>India</b>	<b>2,119.6</b>	<b>—</b>	<b>6.0</b>	<b>2,125.6</b>
<b>LOANS</b>				
Agribusiness Infrastructure Development Investment Program – Tranche 1	67.6	—	—	67.6
Assam Integrated Flood and Riverbank Erosion Risk Management Investment Program – Tranche 1	56.9	—	—	56.9
Assam Power Sector Enhancement Investment Program – Tranche 2	89.7	—	—	89.7
Bihar Power System Improvement	132.2	—	—	132.2
Bihar State Highways II	300.0	—	—	300.0
Himachal Pradesh Clean Energy Development Investment Program – Tranche 3	208.0	—	—	208.0
Infrastructure Development Investment Program for Tourism – Tranche 1	43.4	—	—	43.4
Karnataka State Highways Improvement	315.0	—	—	315.0
Madhya Pradesh Power Sector Investment Program – Tranche 6	69.0	—	—	69.0
Micro, Small, and Medium Enterprise Development	50.0	—	—	50.0
National Capital Region Urban Infrastructure Financing Facility – Tranche 1	78.0	—	—	78.0
North Karnataka Urban Sector Investment Program – Tranche 2	123.0	—	—	123.0
Rajasthan Urban Sector Development Investment Program – Tranche 3	63.0	—	—	63.0
Rural Roads Sector II Investment Program – Tranche 5	222.2	—	—	222.2
Second India Infrastructure Tranche Financing Facility – Tranche 2	250.0	—	—	250.0
Sustainable Coastal Protection and Management Investment Program – Tranche 1	51.6	—	—	51.6
<b>GRANTS</b>				
Improving Small Farmers' Access to Market in Bihar and Maharashtra	—	—	3.0	3.0
Supporting Microentrepreneurship for Women's Empowerment	—	—	3.0	3.0
<b>Nepal</b>	<b>—</b>	<b>262.5</b>	<b>28.3</b>	<b>290.8</b>
<b>LOANS</b>				
Kathmandu Sustainable Urban Transport	—	10.0	—	10.0
Rural Finance Sector Development Cluster Program (Subprogram 2)	—	60.4	—	60.4
Secondary Towns Integrated Urban Environmental Improvement	—	60.0	17.0	77.0
Subregional Transport Enhancement	—	24.5	—	24.5
<b>GRANTS</b>				
Community Irrigation	—	26.4	—	26.4
Detailed Engineering Study for the Upper Seti Hydropower	—	2.5	—	2.5
Governance Support Program (Subprogram 1) (Supplementary)	—	—	8.8	8.8
Kathmandu Sustainable Urban Transport	—	10.0	2.5	12.5
Raising Incomes of Small and Medium Farmers	—	20.1	—	20.1
Rural Finance Sector Development Cluster Program (Subprogram 2)	—	12.1	—	12.1
Subregional Transport Enhancement	—	24.5	—	24.5
Transport Project Preparatory Facility	—	12.0	—	12.0
<b>Sri Lanka</b>	<b>350.0</b>	<b>107.2</b>	<b>44.0</b>	<b>501.2</b>
<b>LOANS</b>				
Conflict-Affected Region Emergency	150.0	—	—	150.0
Fiscal Management Efficiency	50.0	—	—	50.0
Jaffna and Kilinochchi Water Supply and Sanitation	20.0	70.0	40.0	130.0
North East Community Restoration and Development Project II (Supplementary)	—	12.8	—	12.8
Northern Road Connectivity	130.0	24.4	—	154.4
<b>GRANTS</b>				
Post-Conflict Emergency Assistance for Livelihood Restoration of Resettled Internally Displaced People in the North	—	—	2.5	2.5
Conflict-Affected Region Emergency	—	—	1.5	1.5
<b>Total</b>	<b>3,269.6</b>	<b>840.3</b>	<b>1,785.5</b>	<b>5,895.3</b>

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

a Excludes cofinancing for projects approved in previous years, technical assistance grants, and multitranche financing facilities.

**Table 30b South Asia: Nonsovereign Approvals by Country,<sup>a</sup> 2010 (\$ million)**

Country	OCR			Cofinancing		Total
	Loans	Guarantees	Equity Investments	Project	Commercial	
India	—	250.0	—	—	—	250.0
Micro, Small, and Medium Enterprise Development	—	250.0	—	—	—	250.0
<b>Total</b>	—	250.0	—	—	—	250.0

— = nil, OCR = ordinary capital resources.

a Excludes cofinancing for projects approved in previous years, technical assistance grants, and trade finance program.

**Table 31 South Asia: Cumulative Lending and Disbursements by Country as of the end of 2010<sup>a,b</sup> (\$ million)**

Country	Lending	Disbursements
Bangladesh	12,134.3	8,393.2
Bhutan	256.1	189.1
India	24,122.7	15,415.3
Maldives	152.8	110.2
Nepal	2,628.6	1,857.3
Sri Lanka	5,142.7	3,723.1
<b>Total</b>	<b>44,437.3</b>	<b>29,688.3</b>

Note: Totals may not add up because of rounding.

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

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

**Table 32a South Asia: Cumulative Grants Approved by Country as of the end of 2010 (\$ million)**

Country	ADF	Other Special Funds	Cofinancing <sup>a</sup>	Total
Bangladesh	10.0	—	677.9	687.9
Bhutan	105.3	—	10.5	115.8
India	—	100.0	71.3	171.3
Maldives	—	20.0	1.0	21.0
Nepal	603.3	0.3	78.5	682.0
Sri Lanka	52.2	154.2	144.9	351.3
<b>Total</b>	<b>770.8</b>	<b>274.5</b>	<b>984.0</b>	<b>2,029.3</b>

— = nil, ADF = Asian Development Fund.

a Excludes cofinancing not administered by ADB.

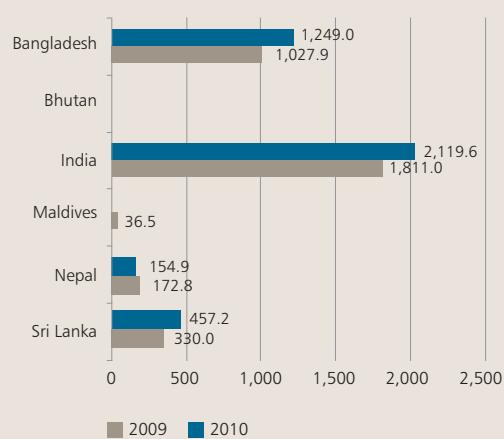
**Table 32b South Asia: Cumulative Grant Disbursements by Country as of the end of 2010 (\$ million)**

Country	ADF	Other Special Funds <sup>a</sup>	Total
Bangladesh	5.9	—	5.9
Bhutan	25.0	—	25.0
India	—	100.0	100.0
Maldives	—	17.1	17.1
Nepal	229.0	—	229.0
Sri Lanka	16.5	141.9	158.4
<b>Total</b>	<b>276.4</b>	<b>259.0</b>	<b>535.4</b>

— = nil, ADF = Asian Development Fund.

a Includes grants funded by Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

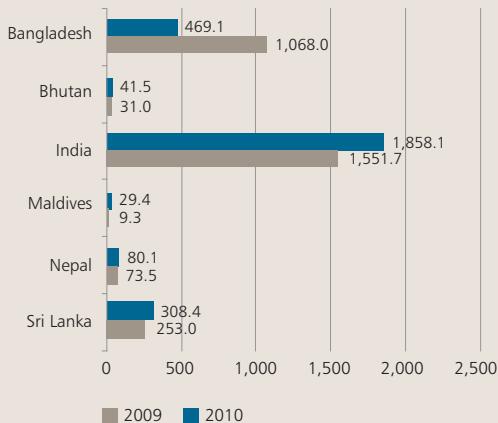
**FIGURE 13 South Asia: ADB Lending by Country, 2009–2010 (Sovereign and Nonsovereign) (\$ million)**



**FIGURE 14 South Asia: Grants Approved by Country, 2009–2010 (Sovereign and Nonsovereign) (\$ million)**



**FIGURE 15 South Asia: ADB Loan Disbursements by Country, 2009–2010 (Sovereign and Nonsovereign) (\$ million)**



**FIGURE 16 South Asia: Grant Disbursements by Country,<sup>a</sup> 2009–2010 (Sovereign) (\$ million)**



<sup>a</sup> Includes grants funded by Asian Development Fund (ADF), Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

## COUNTRY HIGHLIGHTS

### Bangladesh

**Partnership priorities.** Under its program for 2011–2013, ADB will strengthen its focus on economic growth that is inclusive and environmentally sustainable, and on regional cooperation and integration. Efforts to deepen private sector operations and to promote public–private partnerships in key infrastructure sectors will be pursued. In 2010, ADB also initiated preparation of the country partnership strategy for 2011–2015.

Ten loans totaling \$1.25 billion were approved in 2010. In partnership with the World Bank, ADB secured \$110 million from the Climate Investment Funds for the country's climate-resilient development. ADB's partnership with the World Bank, Japan International Cooperation Agency, and the Islamic Development Bank is helping mobilize substantial resources needed for building the Padma Multipurpose Bridge.

**Impact of operations.** Under the ADB-assisted Teaching Quality Improvement in Secondary Education Project, as of June 2010, 295,000 teachers were trained using modern classroom teaching techniques. The Gas Transmission and Development Project is building a 353-kilometer (km) gas pipeline to take about 360 million cubic feet of natural gas

per day to the country's less developed western region. The Road Maintenance and Improvement Project contributed to cutting bottlenecks on the strategically important south–east road corridor and connected rural people to the port city of Chittagong.

### Bhutan

**Partnership priorities.** The Country Partnership Strategy, 2006–2010, continued to guide ADB's operations for the remainder of the Government of Bhutan's Tenth Five-Year Plan, covering 2008–2013. It aims to promote broad-based economic growth, inclusive social development, and good governance through improvements in transport and energy, and the development of urban areas and the finance and private sectors. The country assistance program evaluation (2010) confirmed the close alignment of the partnership strategy with ADB's Strategy 2020 and the government's current 5-year plan.

**Impact of operations.** The introduction of electricity in rural areas through a series of projects helped thousands of people and micro industries and also made education more accessible. The Road Network Project increased passenger and freight transport by connecting the main east–west highway at Trongsa to the Indian border at

Gelephu, and expanded accessibility in rural areas. The Financial Sector Development Program helped Bhutan's Royal Monetary Authority to strengthen its capacity, particularly in licensing new banks. This led to improvements in services, including the quality of customer service, offered by banks. Under a Japan Fund for Poverty Reduction grant, ADB helped restore earthquake-damaged schools in eastern Bhutan.

## India

**Partnership priorities.** As emphasized in the Country Partnership Strategy 2009–2011, ADB continued to support India's efforts in making growth inclusive and environmentally sustainable. The India program set new highs in loan approvals and portfolio performance in 2010. Loan approval exceeded \$2 billion not including non-sovereign operations while contract awards and disbursements reached record levels of \$1.8 billion and \$1.7 billion, respectively. A number of projects approved in 2010 showcased innovative approaches, such as incorporating private–public partnership elements into project design, and focusing on new and challenging sectors, such as agribusiness infrastructure, coastal zone management, flood control and protecting rivers from erosion, support for microenterprises, and tourism development. ADB continues to support India in addressing climate change issues. Work to achieve this has included the preparation of strategies to mainstream adaptation concerns in the management of the Cauvery, Chambal, and Satluj river sub-basins; support for integrated water resources management in states, such as Himachal Pradesh and Karnataka; and improvements to coastal zone management in a number of states. Technical assistance is being provided to the Ministry of Water Resources to operationalize key priorities of the National Water Mission. ADB is also increasing support for the development of renewable energy, including solar power, to help India move along a low-carbon growth path.

**Impact of operations.** Through the Rural Roads Sector I Project (2003–2009), ADB supported construction of 9,757 km of all-weather roads connecting rural areas in Chhattisgarh and Madhya Pradesh. Better connectivity has helped to create employment opportunities. It has also

been associated with improvement in indicators, such as maternal and infant deaths, and primary school attendance. The Madhya Pradesh Power Sector Development Project (2001–2007) helped to establish the State Electricity Regulatory Commission and restructure the State Electricity Board into six companies according to their function. ADB also funded construction of several transmission lines and substations, which has led to a substantial reduction in transmission losses.

Through the Karnataka Urban Development and Coastal Environmental Management Project (1999–2009), ADB helped to increase drinking water supplies, expand the drainage network, build quality sewage treatment plants, and improve basic urban facilities and services in 10 coastal towns. It also supported capacity building to improve transparency and accountability in 47 towns of Karnataka. The Assam Governance and Public Resource Management Sector Development Program (2004–2007) helped the state turn a \$288 million fiscal deficit in 2003/04 into a \$311 million surplus by 2008/09.

## The Maldives

**Partnership priorities.** Under the Country Partnership Strategy 2007–2011, ADB operations focus on increasing human resources capacity, strengthening economic management, improving development effectiveness, and assisting private sector development through public–private partnerships. Special areas of focus in the second half of the strategy period were small and medium enterprise development, energy, and the transport sector. Under the Economic Recovery Program loan, ADB is helping the government implement macroeconomic structural reforms.

**Impact of operations.** The Outer Island Electrification Project provided 19 islands with power supplies, and the Information Technology Development Project improved access to information in remote atolls. The ongoing Regional Development Project (Phase II) will improve water supply, sanitation services, and solid waste management in three islands, while the Domestic Maritime Transport Project will improve connectivity. A Private Sector Development technical assistance loan helped expand micro, small, and medium-sized enterprises.



ADB-supported programs are generating fresh opportunities for Nepalese people

Implementation of the Economic Recovery Program and technical assistance approved in December 2009 facilitates reforms to correct underlying economic distortions and put the economy on a footing to sustainable medium-term growth and reducing its vulnerability to external shocks.

## Nepal

**Partnership priorities.** Nepal is in the midst of a historic transformation. While this poses an opportunity for the country to redefine its future, it continues to face long-standing development challenges. The thrust of ADB's Country Partnership Strategy 2010–2012 is to help Nepal sustain hard-won gains of its peace process by promoting broad-based inclusive economic growth and social development, improved governance and institutional capacity, as well as climate change adaptation and environmental sustainability. The country partnership strategy is supporting the country's peace and development aspirations by mainstreaming peace-building in all ADB interventions and is implementing disaster risk management

and climate change checklists, as well as governance risk assessments. ADB has also been leading efforts to ensure that education sector reforms address resilience to disasters, such as earthquakes and floods.

Joint initiatives by ADB and the World Bank helped improve and modernize the country's procurement systems, policies, and practices. ADB and other development partners also helped find practical ways of mainstreaming climate resilience into core development planning and budgeting. In 2010, ADB approved eight projects amounting to \$262.5 million in loans and grants. It also approved 18 technical assistance grants for \$10.42 million. About \$19.52 million cofinancing was approved to support projects on urban transport and the urban environment.

**Impact of operations.** ADB is one of nine partners that have helped implement the government's Education for All program. The program has brought education to those who have traditionally enjoyed fewer opportunities for schooling, including girls, low-caste Dalit children, and members of Nepal's indigenous communities and religious minorities.

ADB's support to the water supply and sanitation sector helped expand coverage of improved water supply and sanitation facilities and raise health and hygiene practices to eradicate waterborne and sanitation-related diseases. The Small Towns Water Supply and Sanitation Sector Project provided safe water to 510,000 people in 29 towns, significantly reducing health risks.

## Sri Lanka

**Partnership priorities.** In line with the Country Partnership Strategy for 2009–2011, ADB projects supported improvements to fiscal management, roads and transport,

and water supplies. Most of ADB's assistance in 2010 was directed at the Northern Province, including \$150 million in emergency assistance for reconstruction. ADB also provided \$12.8 million in supplementary funding for the North East Community Restoration and Development Project II.

ADB provided two loans to projects in the north: \$154 million for the Northern Road Connectivity Project and \$90 million for the Jaffna Water Supply and Sanitation Project. A \$50 million loan was approved in 2010 for the Fiscal Management Efficiency Project, which will build on earlier assistance to support fiscal management throughout Sri Lanka.

## Home Work Options Revolutionize Women's Lives

An ADB-supported project is giving villagers in Sri Lanka's eastern coastal communities opportunities to move beyond a past ravaged by war and calamity

**W**hen Packeer Mohamed Khadeeja contemplated returning for her eighth tour of duty as a domestic worker in Qatar, a chance discussion about cheap loans and skills training provided by a microcredit project changed her life.

"It's the best move I made," says Khadeeja, 49, of her decision to take a loan and stay at her home in Kattankudy, in the Batticaloa district of Sri Lanka's formerly war-affected east. "The project helped change my plans. It's a great opportunity."

Microfinance and skills training provided by the ADB-supported North East Coastal Community Development Project since 2005 have given women like Khadeeja more choice to stay home. Of Sri Lanka's 20 million people, more than 1.5 million work in the Middle East. Some 50%–60% are women, mostly from rural communities, employed in menial jobs.

"This microcredit program has brought major change to our village," says Jesmine Zubair, treasurer of a women's rural development society that manages loans in Batticaloa. Fewer women are now going abroad, she says, because they are increasingly able to earn a living at home.

The project caters to all Sri Lanka's main communities—Sinhalese, Tamils, and Muslims—and is focused on eastern districts of Trincomalee, Batticaloa, and

Ampara, where decades of conflict and the 2004 tsunami destroyed infrastructure, reduced livelihoods to a bare minimum, and resulted in many households being headed by women. The community development project aims to meet basic needs. Some of the funding is helping to restore livelihoods in fishing and farming.

The \$28.4 million project, which closed in November, was run in tandem with another project that is continuing the government's rehabilitation program in northern and eastern provinces affected by the three decades of civil conflict that ended in 2009.

Microcredit has helped transform many coastal communities, with \$2.4 million in loans distributed since 2005 to help Sri Lankans, particularly women who head households, improve their livelihoods.



Microloans are helping Sri Lankans shape their own livelihoods

## A Vital Conduit for Knowledge

ADB plays a growing role in South Asia as a network for enabling knowledge generation and disseminating research findings and on-the-ground experiences that can be used to solve development challenges

**A**DB's network serves as a vital link for research institutes and think tanks in South Asia, enabling knowledge gained from experience in country-specific and regional settings to be spread widely.

One example of such knowledge-sharing work is Regional Technical Assistance (RETA) 6417: Supporting Network of Research Institutes and Think Tanks in South Asia. The RETA program aims to promote regional economic cooperation and integration by enabling knowledge on contemporary policy issues to be generated and shared.

This is done by creating strong networks among research institutes in ADB's developing member countries in South Asia, and facilitating dynamic interaction between them through studies, workshops, and the dissemination of information. By encouraging the exchange of information between academia and key policy makers, the RETA supports faster transmission of research to policy application.

Through two research networks, the South Asia Center for Policy Studies and the South Asia Network of Economic Research Institutes, research proposals are submitted by member institutes and evaluated by a steering

committee, constituted under the RETA, that decides whether they can be funded.

To date, 10 research institutes in four countries—Bangladesh, India, Pakistan, and Sri Lanka—have participated in the RETA. Sixteen studies have been approved for financing, covering one of three themes: (i) Trade and Investment/Technology, (ii) Human Dimension of Regional Cooperation, and (iii) Economic and Social Impact of the Financial Crisis.

Seven studies reached the targeted audience when they were presented to the Second and Third South Asia Economic Summits, held in December of 2009 and 2010.



Research studies financed by ADB were discussed at the Second South Asia Economic Summit

**Impact of operations.** ADB continued to provide assistance in Sri Lanka's road sector development. ADB also gave livelihood grants to more than 30,000 resettled families in the northern and eastern parts of the country. This was administered through the North East Community Restoration and Development Project II and financed by the Australian

Agency for International Development. ADB's assistance in the installation of medium voltage and rural electrification schemes, expedited through the Conflict-Affected Areas Rebuilding Project, benefited over 27,000 households. Through a technical assistance, ADB helped draft the National Climate Change Adaptation Strategy for Sri Lanka.

# SOUTHEAST ASIA

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



Transport and energy connectivity for inclusive growth, financial and capital market integration, water supply and sanitation, improved education, and environmental sustainability are areas of focus for ADB in Southeast Asia. ADB provided significant inputs to an Association of Southeast Asian Nations (ASEAN) master plan on connectivity launched in October, while preparations began for a new memorandum of understanding for 2011–2015 with the ASEAN Secretariat.

## OVERVIEW

**A**DB operations in Southeast Asia emphasized innovation, an intensified focus on achievement of the Millennium Development Goals (MDGs), and implementation toward the greatest possible impact. Lending through public sector nonsovereign operations and public–private partnerships was innovative. The design of a social protection project in the Philippines aimed at helping the nation’s poorest families also broke new ground.

Assistance increasingly turned to core areas of operation under ADB’s Strategy 2020 and to the achievement of country priorities that contributed to making progress on MDGs. Partnership with non-borrowing and middle-income countries in the subregion was strengthened, and a strengthening of relationships with development partners resulted in the significant mobilization of cofinancing. ADB saw record high financing for a single project amounting to \$50 million, contributed by the European Union and the Government of Australia, to facilitate analytical work and capacity development toward modernizing the education system in Indonesia.

The portfolio continued to achieve satisfactory ratings as a result of timely action on project implementation issues, and efficiency measures, such as the use of readiness filters. Knowledge work at various stages of operations was systemized to promote learning and innovation.

## REGIONAL COOPERATION

ADB and the ASEAN Secretariat started preparations for a new memorandum of understanding for 2011–2015 on their partnership framework, focusing on connectivity, the integration of financial and capital markets, and environmental sustainability. ADB provided inputs to the Master Plan on ASEAN Connectivity launched during the 17th ASEAN Summit in October in Ha Noi, Viet Nam, and was featured in the master plan as the main development institution supporting subregional programs in Southeast Asia. ADB accelerated consultations with ASEAN member states on the establishment of an ASEAN Infrastructure Fund.

ADB continued supporting connectivity enhancement in the Greater Mekong Subregion (GMS) through projects to complete the transport base of economic corridors and by developing the Strategic Framework for

## HIGHLIGHTS

- Sovereign and nonsovereign grants reached \$3.5 billion; technical assistance projects amounted to \$35.9 million, 55% of which sought capacity development and provision of policy and advisory services at the country and regional levels; and cofinancing for loans, grants, and technical assistance projects sharply increased to \$365 million.
- Country partnership strategies for Cambodia, Indonesia, the Lao People’s Democratic Republic, the Philippines, and Viet Nam were under preparation to further align the project pipeline with Strategy 2020 and national priorities and to better monitor contributions to ADB’s Results Framework and the Millennium Development Goals. A new partnership framework with Malaysia and with the ASEAN Secretariat was under preparation.
- Subregional cooperation and integration in the Greater Mekong Subregion, Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area, and Indonesia–Malaysia–Thailand Growth Triangle was further strengthened to support connectivity and trade, making the countries more competitive. ADB facilitated project development and progress toward the establishment of the ASEAN Infrastructure Fund.
- Project processing and implementation continued to be strengthened. The use of project readiness filters increased to ensure quality at entry, and an internal quality control system to improve design and monitoring frameworks and measures to improve institutional efficiency were put in place. Portfolio performance was monitored closely.
- Dissemination of knowledge products and services generated from operations was systemized—as was access to them—to allow for effective use by ADB and its clients.

Connecting GMS Railways, which is a significant step toward the achievement of an integrated GMS railway system. On the software side, a comprehensive Program of Actions for Transport and Trade Facilitation in the GMS, prepared with ADB assistance, was adopted. ADB helped develop strategic road maps for the second phases of the GMS programs for environment and agriculture. The preparation of a new GMS Strategic Framework for 2012–2022

## Progress of the MDGs in Southeast Asia

- **Cambodia.** ADB is helping achieve Cambodia's Millennium Development Goal (MDG) targets in water and sanitation to increase service coverage of the rural population, where only 42% had an improved source of drinking water and less than 23% had access to latrines in 2008. The Tonle Sap Rural Water Supply and Sanitation Sector Project has provided about half a million people access to an improved source of drinking water and nearly a quarter of a million access to durable and hygienic latrines. Through the second phase of the project approved in 2009, a further 370,000 people will gain access to safe water and 290,000 will have improved sanitation by 2015. An integrated approach to water and sanitation will positively impact on public health.
  - **Indonesia.** ADB is supporting government efforts to accelerate achievement of the MDGs through several projects. Progress on the MDG on safe drinking water and basic sanitation is being made through (i) the Community Water Services and Health Project, which is increasing access to safe water supply in rural areas; (ii) the Metropolitan Sanitation Management and Health Project, which will improve city sewerage systems and hygiene in poor neighborhoods of Medan and Yogyakarta; and (iii) the Urban Sanitation and Rural Infrastructure Support to the National Program for Community Empowerment (PNPM) Mandiri Project, set for approval in 2011, which will aim to bring better access to sanitation facilities for the poor. The Decentralized Health Services Project improved the provision of mother and child health care.
  - **The Lao People's Democratic Republic.** ADB's assistance contributed to reaching the MDG target in primary education. The Basic Education (Girls)
- Project increased enrollment rates, especially among girls, through the building of classrooms, provision of grants to school children, and the recruitment and training of teachers who were deployed in remote and ethnic areas, and by promoting parents' awareness on the importance of education. The Second Education Quality Improvement Project also expanded access to education through the establishment of more than 400 schools and school cluster resource centers and by training more than 13,000 teachers.
- **The Philippines.** The Philippines' midterm progress on the MDGs shows a mixed picture. Substantial ground was covered in promoting gender equality but the target on poverty and hunger is unlikely to be achieved by 2015. ADB approved a \$400 million loan to support expansion of the Philippines' conditional cash transfer program. The project provides direct financial support to 582,000 of the poorest families on the condition that they keep their children in school and ensure that children and pregnant women get regular health checkups in return for the cash grants.
  - **Viet Nam.** The country's success in reducing poverty continues, from 58.1% of the population in 1993 to 14.5% in 2008. It is an early achiever in halving extreme poverty as measured by the number of people living on \$1.25 or less a day. ADB has contributed to this progress through lending and non-lending operations, policy advice, and knowledge products that are improving infrastructure, accelerating rural development, providing better and more accessible education and health services, reforming the finance sector, and strengthening public administration.

also got under way. These strategic products were taken up at the 16th GMS Ministerial Conference in August in Ha Noi, Viet Nam. Initiatives to further improve coordination with development partners were also continued.

The Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP–EAGA) made significant progress on project development. With continued relevance of the BIMP–EAGA Roadmap to Development, 2006–2010, the countries agreed to formulate an implementation blueprint for the next 5 years to realize the subregion's strategic goals.

Leaders of the Indonesia–Malaysia–Thailand Growth Triangle (IMT–GT) countries endorsed 10 priority connectivity projects worth \$5.2 billion, which ADB helped

identify. A midterm review of the IMT–GT Roadmap 2007–2011 and its business processes was completed.

## KNOWLEDGE MANAGEMENT

ADB's Southeast Asia Department (SERD) introduced a knowledge management framework and action plan to rationalize and systemize its knowledge work. The framework recognizes the significant development knowledge work under way within its current cycle of operations. This includes more detailed country and sector analyses required to identify development needs and strategies; knowledge

**Table 33 Southeast Asia: Portfolio Performance Indicators for Sovereign Lending, 2009–2010**

Country	No. of Ongoing Loans (as of 31 Dec 2010)	Contract Awards/ Commitments <sup>a</sup>		Disbursements <sup>a</sup>		Loans at Risk	
		2010 (\$ million)	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (% )	2009 (% )
Cambodia	21	44.3	30.8	53.5	61.1	—	6.3
Indonesia	30	890.8	721.9	965.8	732.7	10.0	10.0
Lao People's Democratic Republic	8	14.5	24.1	22.2	37.0	—	6.7
Philippines	9	13.1	1,314.1	31.1	1,317.5	—	—
Thailand	2	—	—	—	—	—	—
Viet Nam	55	610.2	1,782.0	406.7	1,093.4	7.3	2.3
<b>Total</b>	<b>125</b>	<b>1,572.8</b>	<b>3,873.1</b>	<b>1,479.3</b>	<b>3,241.7</b>	<b>5.6</b>	<b>5.2</b>

— = nil.

Note: Totals may not add up because of rounding.

a Includes closed loans that had contract awards or disbursements during the year.

**Table 34 Southeast Asia: Portfolio Performance Indicators for Grants from ADF and Special Funds Resources,<sup>a</sup> 2009–2010**

Country	No. of Ongoing Grants (as of 31 Dec 2010)	Contract Awards/ Commitments <sup>a, b</sup>		Disbursements <sup>a, b</sup>		Grants at Risk	
		2010 (\$ million)	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (% )	2009 (% )
Cambodia	19	20.1	28.9	17.9	21.6	—	—
Indonesia	2	35.7	52.7	51.5	59.3	50.0	33.3
Lao People's Democratic Republic	19	40.6	49.4	35.3	33.0	—	—
Philippines	1	0.0	0.0	0.0	3.0	—	—
Thailand	—	—	—	—	—	—	—
Viet Nam	4	6.7	9.8	6.8	10.2	—	—
<b>Total</b>	<b>45</b>	<b>103.1</b>	<b>140.9</b>	<b>111.5</b>	<b>127.1</b>	<b>2.2</b>	<b>3.0</b>

— = nil, 0.0 = amount less than \$50,000.

Note: Totals may not add up because of rounding.

a Includes grants funded by Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

b Includes closed grants that had contract awards or disbursements during the year.

and analyses needed to design and prepare lending and non-lending products; knowledge that is transferred as part of project implementation and capacity development activities; and the lessons learned for future better practice from project evaluations carried out by developing member countries, SERD, and the Independent Evaluation Department. Steps were also taken to ensure that knowledge is better communicated through specific plans, initially through technical assistance.

## PORTRAIT MANAGEMENT

Measures to improve portfolio performance increasingly focused on addressing systemic issues affecting project implementation and on achieving results. These included intensified use of project readiness filters, regular country- and sector-based portfolio performance reviews, improved project implementation arrangements, strengthened staff

capacity through training and mentoring, and rationalized project extensions based on their relevance and cost benefits.

There were 125 ongoing loans and 45 ongoing grant projects in the region. Contract awards reached \$1.68 billion and disbursements totaled \$1.59 billion. The technical assistance portfolio comprised 199 active projects, amounting to \$357 million, of which 87% were rated *satisfactory*.

## COUNTRY HIGHLIGHTS

### Brunei Darussalam

**Partnership priorities.** Brunei Darussalam supported BIMP–EAGA ministerial and senior officials meetings, and national consultation meetings to firm up connectivity projects in the subregional priority pipeline; and the establishment of a subregional facility to develop projects under a public–private partnership modality.

**Table 35a Southeast Asia: Sovereign Approvals by Country,<sup>a</sup> 2010  
(\$ million)**

Country	OCR	ADF	Other Sources	Total
<b>Cambodia</b>	–	<b>160.8</b>	<b>36.8</b>	<b>197.6</b>
<b>LOANS</b>				
Financial Sector Development Program II (Subprogram 4)	–	10.0	–	10.0
Promoting Economic Diversification Program (Subprogram 2)	–	10.0	–	10.0
Public Financial Management for Rural Development Program (Subprogram 2)	–	10.0	–	10.0
Rural Roads Improvement	–	35.0	24.8	59.8
Water Resources Management Sector Development Program				
– Program Loan	–	20.0	–	20.0
– Project Loan	–	10.0	12.0	22.0
<b>GRANTS</b>				
Financial Sector Development Program II (Subprogram 4)	–	5.0	–	5.0
Greater Mekong Subregion Biodiversity Conservation Corridor	–	19.0	–	19.0
Promoting Economic Diversification Program (Subprogram 2)				
– Program Grant	–	9.0	–	9.0
– Project Grant	–	5.0	–	5.0
Public Financial Management for Rural Development Program (Subprogram 2)				
– Program Grant	–	10.0	–	10.0
– Project Grant	–	5.0	–	5.0
Second Greater Mekong Subregion Regional Communicable Diseases Control	–	10.0	–	10.0
Water Resources Management Sector Development Program	–	2.8	–	2.8
<b>Indonesia</b>	<b>485.0</b>	–	<b>57.8</b>	<b>542.8</b>
<b>LOANS</b>				
Infrastructure Reform Sector Development Program (Subprogram 3)	200.0	–	–	200.0
Java-Bali Electricity Distribution Performance Improvement	50.0	–	50.0	100.0
Metropolitan Sanitation Management and Health	35.0	–	–	35.0
Sixth Development Policy Support Program	200.0	–	–	200.0
<b>GRANTS</b>				
Citarum Watershed Management and Biodiversity Conservation	–	–	3.8	3.8
Java-Bali Electricity Distribution Performance Improvement	–	–	1.0	1.0
Mount Merapi Disaster Response	–	–	3.0	3.0
<b>Lao People's Democratic Republic</b>	–	<b>151.6</b>	<b>49.9</b>	<b>201.5</b>
<b>GRANTS</b>				
Greater Mekong Subregion Biodiversity Conservation Corridor	–	20.0	–	20.0
Greater Mekong Subregion Northern Power Transmission	–	20.0	37.9	57.9
Northern and Central Regions Water Supply and Sanitation Sector (Supplementary)	–	6.6	–	6.6
Northern Greater Mekong Subregion Transport Network Improvement (Supplementary)	–	27.0	–	27.0
Northern Rural Infrastructure Development Sector	–	23.0	–	23.0
Second Greater Mekong Subregion Regional Communicable Diseases Control	–	12.0	–	12.0
Second Northern Greater Mekong Subregion Transport Network Improvement	–	20.0	12.0	32.0
Strengthening Technical and Vocational Education and Training	–	23.0	–	23.0
<b>Philippines</b>	<b>600.0</b>	–	–	<b>600.0</b>
<b>LOANS</b>				
Financial Market Regulation and Intermediation Program (Subprogram 2)	200.0	–	–	200.0
Social Protection Support	400.0	–	–	400.0
<b>Thailand</b>	<b>300.0</b>	–	–	<b>300.0</b>
<b>LOAN</b>				
Capital Market Development Program	300.0	–	–	300.0
<b>Viet Nam</b>	<b>510.0</b>	<b>580.0</b>	<b>75.4</b>	<b>1,165.4</b>
<b>LOANS</b>				
Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project – Tranche 1	350.0	–	–	350.0
Greater Mekong Subregion Biodiversity Conservation Corridor	–	30.0	–	30.0
Health Human Resources Sector Development Program				
– Project Loan	–	30.0	–	30.0
– Program Loan	–	30.0	–	30.0
Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program – Tranche 1	40.0	–	36.4	76.4
Second Greater Mekong Subregion Regional Communicable Diseases Control	–	27.0	–	27.0
Second Northern Greater Mekong Subregion Transport Network Improvement	–	75.0	–	75.0
Second Small and Medium-Sized Enterprises Development Program (Subprogram 1)	–	40.0	–	40.0
Skills Enhancement <sup>b</sup>	–	70.0	–	70.0
SOE Reform and Corporate Governance Facilitation Program – Tranche 1	120.0	10.0	–	130.0
Strengthening Water Management and Irrigation Systems Rehabilitation	–	100.0	28.0	128.0
Sustainable Rural Infrastructure Development Project in Northern Mountain Provinces <sup>b</sup>	–	108.0	–	108.0
Third Financial Sector Program (Subprogram 2)	–	60.0	–	60.0
<b>GRANT</b>				
Health Human Resources Sector Development Program	–	–	11.0	11.0
<b>Total</b>	<b>1,895.0</b>	<b>892.4</b>	<b>219.8</b>	<b>3,007.2</b>

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

Note: Totals may not add up because of rounding.

a Excludes cofinancing for projects approved in previous years, technical assistance grants, and multitranche financing facilities.

b Consists of two ADF loans.

**Table 35b Southeast Asia: Nonsovereign Approvals by Country,<sup>a</sup> 2010  
(\$ million)**

Country	OCR			Cofinancing		Total
	Loans	Guarantees	Equity Investments	Project <sup>b</sup>	Commercial	
Indonesia	300.0	–	–	–	–	300.0
Housing Finance Program	300.0	–	–	–	–	300.0
Thailand	204.3	–	–	2.0	–	206.3
Bangchak Solar Power	134.3	–	–	–	–	134.3
Solar Power	70.0	–	–	2.0	–	72.0
Total	504.3	–	–	2.0	–	506.3

– = nil, OCR = ordinary capital resources.

a Excludes cofinancing for projects approved in previous years, technical assistance grants, and trade finance program.

b Includes nonsovereign grants.

**Impact of operations.** Following ADB's first reimbursable technical assistance to support the establishment of a strategy and action plan to develop the country's capital market, a follow-on technical assistance on public financial management (also on a reimbursable basis) was approved to enhance skills in fiscal management and improve the efficiency of government spending.

## Cambodia

**Partnership priorities.** ADB's country operations business plan, 2010–2013, was fully aligned with the government's National Strategic Development Plan Update 2009–2013. The plan continued to support more inclusive and diversified economic growth and greater poverty reduction through more targeted interventions in agriculture and rural development, the private sector, governance and capacity development, and regional economic integration.

**Impact of operations.** The completed National Road No. 6 under the GMS Cambodia Road Improvement Project reduced travel time from 6 hours to 2 hours between the Thai border at Poipet to the tourism hub of Siem Reap. This led to an almost tripling of the number of foreign tourists traveling by this road. The Tonle Sap Rural Water Supply and Sanitation Sector Project expanded access to safe water and sanitation, resulting in better health and greater convenience, especially for women and girls.

## Indonesia

**Partnership priorities.** ADB's strategic priorities were updated for better alignment with the government's medium-term development plan for 2010–2014. Its partnership priorities

aimed to support poverty reduction through more rapid, more sustainable, and more inclusive economic growth. It focused on improved infrastructure, better management of natural resources, enhanced access to education, improved public financial management, and climate change mitigation and adaptation. A nonsovereign operation was prepared to develop energy efficiency financing.

**Impact of operations.** The Java–Bali Electricity Distribution Performance Improvement Project sought to mitigate the impact of climate change through raising energy efficiency. The government's National Program for Community Empowerment (PNPM), initiated in 2007 and supported by ADB, provided financing to more than 36,000 villages for building or upgrading more than 40,000 kilometers of rural roads and 9,000 bridges, 1,000 irrigation systems, 10,450 clean water supply units, and 4,822 sanitation units. ADB's support to upgrade urban slums assisted some 180,000 poor urban households in 32 cities. The Metropolitan Sanitation Management and Health Project will further provide 2.7 million people access to improved sanitation. The Sixth Development Policy Support Program continued reforms to improve the investment climate, strengthen public financial management and governance, and improve the access of the poor to public services.

## The Lao People's Democratic Republic

**Partnership priorities.** The evaluation of ADB's assistance program for the Lao PDR for 2000 to 2009 concluded that assistance was successful, relevant, and effective. ADB's strategy and program for 2007–2011 remained relevant to the country's development context. Country and

**Table 36 Southeast Asia: Cumulative Lending and Disbursements by Country as of the end of 2010<sup>a,b</sup> (\$ million)**

Country	Lending	Disbursements
Cambodia	1,167.8	904.0
Indonesia	26,492.5	20,220.7
Lao People's Democratic Republic	1,211.5	1,194.7
Malaysia	1,997.5	1,414.0
Myanmar	530.9	411.8
Philippines	12,428.9	9,821.0
Thailand	5,969.5	4,239.8
Viet Nam	9,285.0	4,158.7
<b>Total</b>	<b>59,083.6</b>	<b>42,364.7</b>

<sup>a</sup> Loan component of regional projects distributed to the countries whenever possible.

<sup>b</sup> Includes nonsovereign (public and private) sector loans specific to the region.

sector programming consultations with the government commenced to determine ADB's strategic focus to support the objectives of the new Seventh Five-Year National Socio-Economic Development Plan.

**Impact of operations.** The \$1.2 billion Nam Theun 2 Hydropower Project started operation under a concession arrangement, generating revenues for the government amounting to \$6 million in fiscal year (FY) 2009 and \$10 million in FY2010 that were invested in education, health, environment, and rural infrastructure. The concession agreement stipulated that operations of the hydroelectric power plant will be turned over to the government, free of charge, at the end of 25 years.

## Malaysia

**Partnership priorities.** Malaysia continued to firm up its partnership with ADB under the BIMP–EAGA and the IMT–GT, contributing projects to the fast-track pipeline of priority infrastructure projects in the subregion and collaborating on trade facilitation initiatives. Malaysia also worked closely with ADB to develop regional finance markets, including support to the Islamic Financial Services Board to foster international prudential standards and liquidity management for Islamic financing systems, and the ASEAN capital market integration implementation plan. With progress in these areas and the launching of the Tenth Malaysia Plan, Malaysia agreed to develop a country partnership with ADB.

**Table 37 Southeast Asia: Cumulative Grants Approved by Country as of the end of 2010 (\$ million)**

Country	ADF	Other Special Funds	Cofinancing <sup>a</sup>	Total
Cambodia	255.7	—	90.3	346.0
Indonesia	—	307.0	108.0	415.0
Lao People's Democratic Republic	338.8	—	51.3	390.0
Malaysia	—	—	—	—
Myanmar	—	—	—	—
Philippines	—	3.0	32.7	35.7
Thailand	—	—	2.0	2.0
Viet Nam	45.6	—	104.5	150.1
Regional	—	—	10.1	10.1
<b>Total</b>	<b>640.1</b>	<b>310.0</b>	<b>398.8</b>	<b>1,348.9</b>

— = nil, ADF = Asian Development Fund.

Note: Totals may not add up because of rounding.

a Excludes cofinancing not administered by ADB.

**Table 38 Southeast Asia: Cumulative Grant Disbursements by Country as of the end of 2010 (\$ million)**

Country	ADF	Other Special Funds <sup>a</sup>	Total
Cambodia	81.7	—	81.7
Indonesia	—	298.5	298.5
Lao People's Democratic Republic	85.6	—	85.6
Philippines	—	3.0	3.0
Thailand	—	—	—
Viet Nam	34.2	—	34.2
Regional	—	—	—
<b>Total</b>	<b>201.5</b>	<b>301.5</b>	<b>503.0</b>

— = nil, ADF = Asian Development Fund.

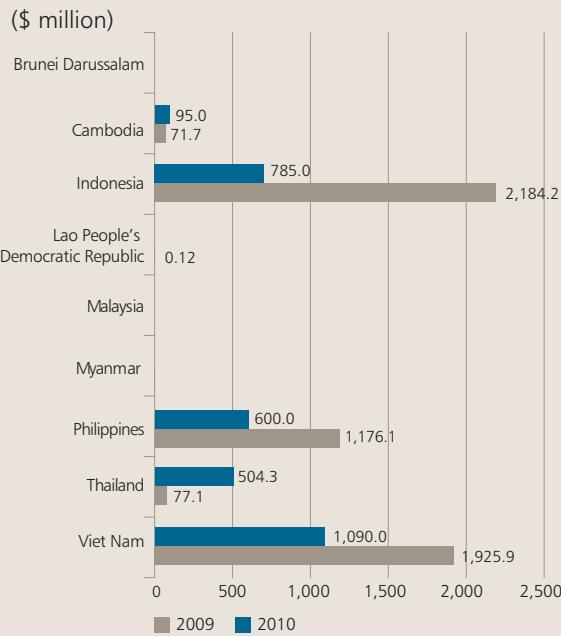
Note: Totals may not add up because of rounding.

a Includes grants funded by Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

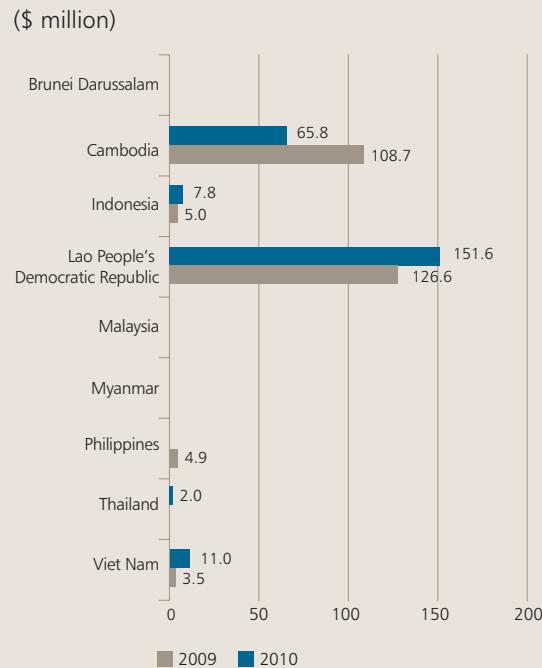
## Myanmar

**Partnership priorities.** ADB continued to monitor economic developments in Myanmar in coordination with the development partner community. ADB also facilitated support for the United Nations Development Programme to build statistical capacity. Myanmar participated in major GMS meetings and in some regional technical assistance projects. ADB's last loan project to Myanmar was approved in 1986 and its last technical assistance project was approved in 1987.

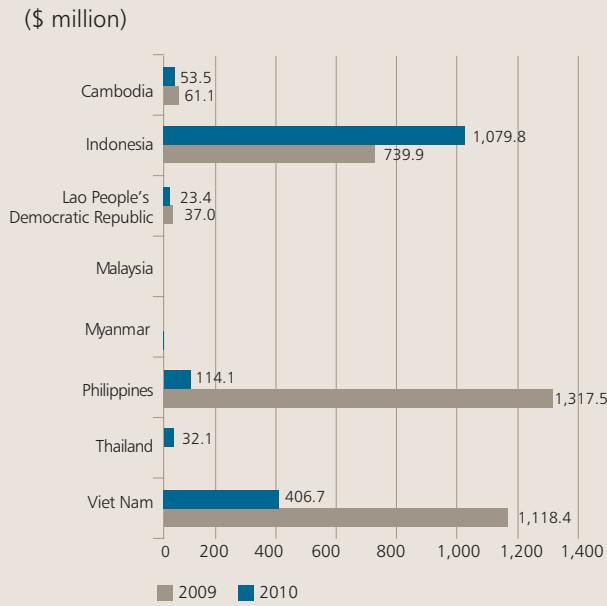
**FIGURE 17 Southeast Asia:  
ADB Lending by Country, 2009–2010  
(Sovereign and Nonsovereign)**



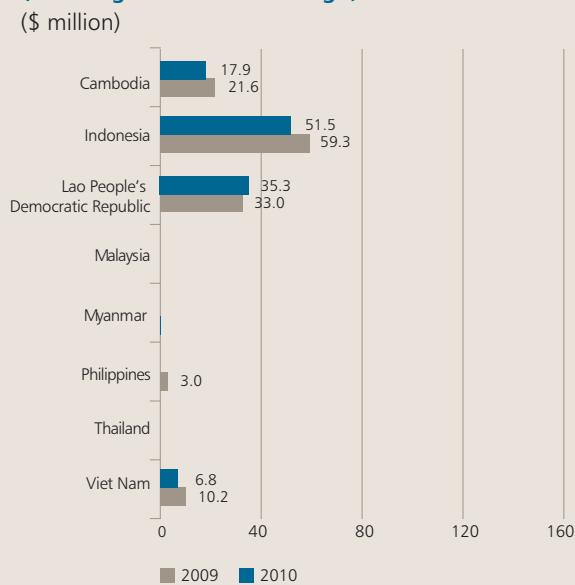
**FIGURE 18 Southeast Asia:  
Grants Approved by Country, 2009–2010  
(Sovereign and Nonsovereign)**



**FIGURE 19 Southeast Asia:  
ADB Loan Disbursements by Country, 2009–2010  
(Sovereign and Nonsovereign)**



**FIGURE 20 Southeast Asia:  
ADB Grant Disbursements by Country,<sup>a</sup> 2009–2010  
(Sovereign and Nonsovereign)**



<sup>a</sup> Includes grants funded by Asian Development Fund (ADF), Asian Tsunami Fund (ATF), Pakistan Earthquake Fund (PEF), Climate Change Fund (CCF), and Asia Pacific Disaster Response Fund (APDRF).

## Environmental Knowledge Base Evolves

**An ADB-supported information center has become a valuable resource for development planners**

**G**overnment ministers in the Greater Mekong Subregion (GMS) are now able to map the results of a regional technical assistance program that has evolved into an important information tool for investment decision makers seeking environmentally sustainable growth.

In 2010, the first regional grant/loan program for scaling up investment in conservation areas was prepared using a user-friendly geographic information system-based Map Tool anchored to information provided by an Environment Operations Center (EOC) in Bangkok.

The EOC has its origins in the GMS Core Environment Program and Biodiversity Conservation Corridors Initiative (CEP-BCI), which began in 2006 as a technical assistance project to reconcile development pressures with the need to conserve the subregion's biodiversity and critical ecosystems.

The EOC serves as the technical secretariat to the Working Group on Environment. Over the years, it has developed capacity as an information and knowledge clearinghouse for environmental management in the GMS.

A range of CEP-BCI interventions has focused on reducing the environmental impact of economic corridors and enhancing positive impacts, such as the new livelihood

opportunities that can be derived from linking development hubs with remote, impoverished areas.

The initiative has piloted innovative planning approaches to maintaining and restoring ecosystems affected by development. These have included involving local communities in adopting good land management regimes, piloting of revolving funds to improve rural livelihoods, and improvements in both government and civil society's ability to plan for sustainable development.

Knowledge and information generated through CEP-BCI activities have raised awareness of environmental issues and proved to be a valuable resource for planning and investment decision making in the GMS.



Steve Griffiths

Villagers in Ratchaburi, Thailand, build a check dam

## The Philippines

**Partnership priorities.** ADB and the government continued to emphasize fiscal consolidation, an improved investment climate, and the accelerated attainment of the MDGs. ADB, in close coordination with government, private sector, and civil society, initiated the preparation of a new country partnership strategy for 2011 to 2016 that will be aligned with the Philippine Development Plan for 2010 to 2016.

**Impact of operations.** ADB helped the government expand its social protection program, the *Pantawid Pamilyang Pilipino* Program, and associated sector reforms through the \$400 million Social Protection Support Project, using experience from globally successful conditional cash transfer programs. The program will benefit more

than half a million poor families. ADB also supported reforms in financial market regulation and intermediation encompassing the Securities and Exchange Commission, Insurance Commission, and the central bank's oversight of the finance sector, through a \$200 million loan. ADB also supported the new government in improving the institutional framework for public–private partnerships.

## Thailand

**Partnership priorities.** The country partnership strategy for 2007–2011 remained relevant despite the global economic crisis and domestic developments, with emphasis on infrastructure, capital market, and environmentally sustainable developments. Policy dialogue focused on capital market development, the promotion of public–private partnerships, and inclusive growth.

## Developing the Policy Makers of the Future

**Established in 2002, the Phnom Penh Plan has already helped train more than 1,600 GMS officials**

The Phnom Penh Plan for Development Management (PPP), established in 2002, aims to develop leaders and change agents in the Greater Mekong Subregion (GMS) who are capable of shaping policies and implementing GMS programs and projects effectively.

Total funding for the PPP since 2003 amounts to \$9.7 million, from ADB and the governments of the People's Republic of China, France, the Republic of Korea, and New Zealand. Thanks to this support, the PPP has become a core program for the GMS.

Implemented by a network of partners that targets GMS civil servants, the PPP has, to date, delivered 85 learning programs to 1,668 junior, mid-level, and senior GMS officials on development management, regional cooperation, and public policy. It also supports learning resource centers at the ADB resident missions in Cambodia and in the Lao People's Democratic Republic.

The PPP Fellowship Program is aimed at executive and leadership development of senior and mid-career civil servants, while its research program supports collaborative applied and policy-oriented studies on emerging issues

among GMS institutions. PPP research grants are made to partner research institutions, universities, and think tanks in the subregion to enhance their capacity.

To promote the dissemination of knowledge, regular GMS dialogue and alumni meetings are supplemented by newsletters, websites, and networking events.



Preparing operational plans in Phnom Penh using a GANTT chart

**Impact of operations.** ADB's Capital Market Development Program supported reforms for an expanded, diversified, inclusive, and stable capital market leading to increased domestic financing of investments. An ADB technical assistance helped the government to address the enabling environment for mainstreaming public-private partnerships.

### Viet Nam

**Partnership priorities.** ADB's country partnership strategy and operational programs continued to focus on economic growth, social development, and environmental management. ADB's engagement achieved these priorities by developing infrastructure, such as road transport networks, urban mass transit systems, water management and irrigation, and rural infrastructure. The promotion of small and medium-sized enterprises, a strengthened financial system (including the capital market), improvements to efficiency in public administration and governance, and enhancements to technical and vocational training helped

achieve these goals, as did supporting policy reform in health workforce management and financing, and fostering regional cooperation and integration.

**Impact of operations.** ADB, in collaboration with development partners, helped accelerate project startup and implementation through harmonized feasibility study requirements, guidelines for environmental assessment, resettlement and cost norms, and monitoring tools. ADB's Third Financial Sector Program Cluster, approved in 2007, contributed to creating a more diversified, deeper, and resilient sector. The second subprogram loan under the cluster expanded reforms in the finance sector by developing the securities and bond markets. It also increased transparency and strengthened legal, regulatory, and enforcement frameworks. The program helped sustain high economic growth during the financial crisis in 2008 and 2009, which averaged about 6% and had increased to almost 7% in 2010. It also reduced the vulnerability of families falling into poverty because of the financial crisis.

# NONSOVEREIGN OPERATIONS



Private sector investment is a primary engine of economic growth. In 2010, ADB's private sector operations became increasingly active in promoting environmentally sustainable growth through clean energy projects and funds. By the end of the year, the value of the nonsovereign portfolio of loans, equity investments, and guarantees had reached \$5.3 billion.

**B**y catalyzing private investments and lending, ADB mobilizes substantial resources for development. Its support for innovative and replicable private sector projects aims to promote broad-based, inclusive growth, maximizing development impact and enhancing the transfer of knowledge.

ADB's assistance to private sector entities and/or state-owned enterprises is provided through several channels: loans without sovereign guarantees, equity investments, credit enhancement products, and B-loans

### Support for the MDGs through Private Sector Operations

- The development impact of ADB's private sector operations emanates from the broader links between infrastructure and finance sector development, economic growth, and poverty reduction. In this way, all of ADB's assistance to the private sector helps advance, directly or indirectly, progress toward eradicating extreme poverty and hunger (Millennium Development Goal [MDG] 1).
- To ensure environmental sustainability (MDG 7), ADB seeks to set high standards on environmental and social practices in the projects it finances. An environmental and social management system is required for all private equity funds and financial intermediaries receiving ADB assistance. Compliance with ADB environmental and social safeguards is ensured for infrastructure projects. The private sector portfolio also includes investments in water and wastewater projects that directly contribute to achieving MDG 7. For example, the Songhua River Basin Water Pollution Control and Management Project, approved in 2010, will provide basic sanitation services to 2 million households in the north of the People's Republic of China.
- The private sector is specifically mentioned in developing global partnerships (MDG 8) by making available the benefits of information and communication technologies. ADB's private sector operations help achieve this target by investing in various telecommunications projects in Afghanistan, Bangladesh, and Papua New Guinea. MDG 8 also has targets addressing the needs of landlocked countries—to which ADB's support for projects like the Zvartnots Airport in Armenia contributes directly.

(see Glossary), where ADB acts as the arranger of a complete financing package for a project in which local and international commercial banks and other financial institutions participate. Companies receiving assistance benefit both from the funds and from the expertise and guidance of the ADB team.

ADB's nonsovereign operations are integral to the objectives of Strategy 2020, which aim to scale up private sector development and private sector operations in all operational areas, targeting 50% of annual operations by 2020.

The number of developing member countries which were assisted with nonsovereign projects has more than doubled in the last decade, from 10 in 2000 to 23 in 2010.

## PRIVATE SECTOR OPERATIONS

Private sector operations accounted for the largest part of ADB's nonsovereign operations, with loans of \$1,053 million, equity investments of \$243 million, guarantees of \$300 million, \$320 million in B-loans, and a \$2 million grant in 2010.

Private sector operations are fully aligned with Strategy 2020's three development agendas: inclusive economic growth, environmentally sustainable growth, and regional integration. In supporting inclusive economic growth, ADB's private sector operations are active in infrastructure and financial and capital market operations (involving banks, non-bank financial institutions, and private equity funds).

To support environmentally sustainable growth, ADB is increasingly active in assisting clean energy projects and funds. Approvals in 2010 included six projects related to renewable energy, amounting to \$523 million and representing 27% of the total. One example is ADB's growing role in regional clean energy funds, described in more detail on page 96. ADB encourages regional integration directly through the Trade Finance Program, which supported 440 intra-regional transactions, with 88% of the deals backing trade between two developing member countries (See page 97).

Recently, private sector operations have increasingly focused on countries eligible for concessionary finance under the Asian Development Fund, and on more challenging

## First Private Loan in Pacific Broadens Communications

An ADB project in Papua New Guinea is making affordable phone services available to a quarter of the population

**A**\$25 million loan to Digicel Ltd. in Papua New Guinea, approved in September 2009, marked ADB's first private sector infrastructure project in the Pacific, a frontier region that lags far behind much of the rest of Asia for want of investment in key sectors of the economy.

Digicel is using the loan to expand and improve its mobile phone network, with the aim of making available high quality, affordable mobile telecommunications services to 25% of the 7 million strong population by 2011. By adding switches, upgrading its billing system, and expanding its network coverage to 500 sites from the previous 400, mostly in rural areas, Digicel is connecting peoples and communities that have had no access to telecommunications.

For an island nation like Papua New Guinea, phone connections will contribute to more efficient delivery of services; for instance, natural disaster alerts can be disseminated faster, improving public safety. There will also be more school days in the highlands as teachers need not take time off to trek for days to banks to confirm if their wages have been paid.

The project also provides employee training and development, and offers business opportunities to staff, dealers, and contractors in underdeveloped areas in the country. By engaging ADB, Digicel is ensuring best practice in corporate governance and social responsibility, including the monitoring of social and environmental safeguards. Meanwhile, ADB's support encourages similar good practices among other firms, and catalyzes commercial lending to the broader private sector.

Digicel's expanded operations will yield about \$90 million in license fees and corporate income taxes over 10 years, providing crucial revenue for the government to engage in other development initiatives.



In Papua New Guinea, phones will contribute to more efficient service delivery

sectors across all developing member countries. For example, ADB approved its first infrastructure investment in Armenia, as well as a loan for the first commercial solar power plant in Thailand, and implemented its first private sector infrastructure project in the Pacific. (See story above.)

ADB also introduced new programs partnering with private financial institutions to extend its reach to micro-finance borrowers and to homeowners. In 2010, ADB produced its first development effectiveness report for private sector operations. The report is the first of an annual series evaluating how successfully ADB's assistance to the private sector has promoted its development agenda. (See page 93 for more information about how private sector operations contribute to achieving the MDGs.)

By the end of 2010, the private sector portfolio reached \$5.3 billion, consisting of \$2.9 billion in direct loans, \$1.3 billion in equity investments, and \$1.0 billion in guarantees. The average project size was \$76 million over 18 projects (excluding the Housing Finance Facility and the Microfinance Risk Participation Program approved in 2010).

Two main objectives of private sector operations are to create projects that can be replicated in different settings and to catalyze additional private investment. Both aims depend on transfers of knowledge and information to investors. By leveraging its experience in innovative projects, ADB reduces uncertainties about new business practices, technologies, geographies, or sectors. Accordingly, approvals in 2010 included two follow-on projects that leveraged knowledge



The Meihekou City water treatment plant in the People's Republic of China. ADB sets high standards in financing such projects

## A Catalyst for Clean Energy Investment

**ADB provides early equity support to funds investing in alternatives to fossil fuels**

Just a few years ago, the investment community paid scant attention to clean energy companies and projects combating the effects of climate change. Today, it is a sector of great interest for private equity funds seeking returns for investors, and ADB has played a part in highlighting the opportunities it represents.

Recognizing its key role as a catalyst in a market with potential for supporting environmentally sustainable development, in 2007, ADB allocated \$100 million for investment in clean energy funds. It invited fund managers to create funds with investment strategies aligned with ADB's goal of promoting alternatives to coal, oil, and gas to fuel Asian growth.

By the end of 2009, two funds were operational. ADB put \$20 million into the \$228 million China Environment Fund III, managed by Beijing-based Tsing Capital, and invested in the \$54 million Asia Clean Energy Fund managed by the Republic of Korea's GS Group. Like any private equity investor, ADB takes cash returns from the funds' investments.

By the end of 2010, another ADB-supported fund, the South Asia Clean Energy Fund, achieved first closing, raising a total of \$57.62 million in equity and debt commitments.

As a development institution, ADB is in a unique position to shine a light on markets, giving commercial investors encouragement to enter. It has also

established numerous other initiatives and created funds to increase knowledge and investments that will help countries achieve energy security and a low-carbon growth path.

ADB committed \$1.56 billion to clean energy projects in 2010, up from \$230 million in 2003. Its target is for annual investments of \$2 billion by 2013.

With \$6 trillion of new energy infrastructure needed to meet an expected doubling of energy demand in Asia between 2006 and 2030, increasing investments that make possible the aggressive adoption of renewable energy and energy-efficient technologies across the region—and mitigate the effect of higher fossil fuel consumption—is crucial. By helping draw in private equity capital, ADB plays a small but significant role.



ADB aims to promote alternatives to coal, oil, and gas

gleaned from previous interventions. Knowledge transfers are also promoted through advisory support. For example, each of ADB's investments in private equity funds (accounting for 5% of the value of total private sector approvals) incorporated an environmental and social management system (ESMS). Technical assistance of \$250,000 was also approved to increase the use of ESMS in private sector financial institutions. Programmatic approaches for microfinance and housing finance (29% of total approvals) will disseminate good practices for credit analysis in these sectors.

In general, ADB's private sector policy restricts direct funding to a maximum of 25% of any project's total cost. Cofinancing is, therefore, a very important instrument for

ADB to maximize support to the private sector. ADB applied its cofinancing instruments to mobilize cofinancing with a variety of partners, catalyzing \$320 million of B-loans for three projects with an aggregate cost of \$1.8 billion.

The total financing mobilized by ADB's private sector investments ranged from a factor of 1.6 to 17 times the amount of its own funding. In infrastructure, the total estimated project cost of private sector projects was approximately four times ADB's funded participation. The total target size of equity funds was 8.7 times ADB's approved investment, and total trade supported by the Trade Finance Program was 2.3 times the amount of loans and guarantees provided under the program.

## NONSOVEREIGN PUBLIC SECTOR OPERATIONS

Since September 2005, ADB has provided lending without sovereign guarantee to public sector entities that are structurally separate from the sovereign or central government. These entities include state-owned enterprises, government agencies, municipalities, and local government units.

Such public nonsovereign operations continued to expand in 2010, consistent with the region's growing opportunities for public-private partnerships and local government financing.

ADB contributed \$130 million (19% of total capital) to establish the Credit Guarantee and Investment Facility (CGIF), a trust fund of ADB jointly owned with the governments of the Association of Southeast Asian Nations and the People's Republic of China, Japan, and the Republic of Korea (ASEAN+3).

The facility is expected to support the development of the bond markets in ASEAN+3 and promote the resilience of finance sectors in the region. ASEAN+3 and ADB have collaborated and coordinated policy while preparing the CGIF, promoting harmonization of standards and practices for bond issuance within ASEAN+3 and paving the way for regional financial market integration.

The South Asia Department processed a \$50 million loan and \$250 million guarantee to improve the funding environment for micro, small, and medium-sized

enterprises. The facility helps Indian public sector banks raise medium- to long-term funds in international capital markets through loans or bonds backed by ADB guarantees.

The South Asia Department is also collaborating closely with the Government of India on a number of nonsovereign/public-private partnership-enabling projects in various sectors, including transport, water, and power. The Central and West Asia Department is exploring several initiatives to establish legal and regulatory frameworks to attract nonsovereign equity and debt financing for infrastructure, and on developing public-private partnerships.

The East Asia Department processed a nonsovereign loan of \$34 million to support a large-scale 100-megawatt wind power project in the People's Republic of China, furthering the country's efforts to develop renewable energy and combat climate change. The Southeast Asia Department negotiated nonsovereign loans with banks in Viet Nam and Indonesia to help small and medium-sized enterprises and exporters gain access to new financial products, helping to increase export competitiveness and create jobs. In Indonesia, the Southeast Asia Department aims to assist the development of energy efficiency financing, providing exporting manufacturers access to technologies to reduce their carbon footprint. In the Pacific, ADB is creating an enabling environment for microfinance, rural finance institutions, and small and medium-sized enterprises through the Pacific Department's Private Sector Development Initiative and technical assistance.

### Trade Finance Program

ADB's ongoing Trade Finance Program (TFP) provides guarantees and loans through banks in support of trade. In 2010, the TFP supported almost \$2.8 billion in trade, \$1.5 billion of which was cofinancing from commercial banks in TFP transactions. The TFP supported 783 transactions and over 270 SMEs in the year. Over 440 transactions supported intraregional trade, 386 of which supported trade between developing member countries (DMCs). While the

TFP operated in 14 DMCs in 2010, its five most active markets were Bangladesh, Viet Nam, Pakistan, Sri Lanka, and Nepal, respectively.

(in \$ million)

	2010	2009
TFP Exposure	\$1,223.27 <sup>1</sup>	\$ 633.11
Cofinance in TFP	\$1,541.89	\$1,263.10
Total TFP Support	\$2,765.16	\$1,896.21

<sup>1</sup> This figure represents the cumulative exposure assumed by the Trade Finance Program (TFP) over the course of 2010. The \$1 billion TFP limit approved by the Board in previous years (including the \$850 million approval of 31 March 2009) represents the maximum exposure TFP can assume at any point in time. This limit has never been breached. Because maturities under TFP transactions tend to be short—average maturity in 2010 was 127 days—TFP exposure can revolve (be re-used) within a year. This explains how TFP's exposure in the course of 2010 was greater than its \$1 billion limit without actually breaching the limit at any point in time.

# GENERATING AND SHARING KNOWLEDGE



ADB's knowledge solutions made a real, practical contribution in 2010 to inclusive economic growth, environmentally sustainable growth, and regional integration in developing member countries. Through regional forums, an expanded online presence, and other publications, ADB was able to spread information and offer its expertise. Strategy 2020 committed ADB to playing an even bigger role in disseminating knowledge in the future.

**K**nowledge is a powerful catalyst for propelling development forward and enhancing its effects. Recognizing this, Strategy 2020 committed ADB to playing a bigger part in putting knowledge solutions to work for inclusive economic growth, environmentally sustainable growth, and regional integration in the Asia and Pacific region.

In 2010, to further Strategy 2020's complementary agendas, the Asian Development Bank Institute (ADBI), the Economics and Research Department, the Office of Regional Economic Integration, and the Regional and Sustainable Development Department designed and transferred knowledge solutions with immediate effects and catalytic outcomes in ADB's developing member countries. They were joined by regional departments and 13 Communities of Practice.

## INCLUSIVE ECONOMIC GROWTH

Aiming for inclusive economic growth means fostering sustainable opportunities while ensuring broader and equitable access. To this end, ADB continued initiatives to expand human capacity and mitigate extreme inequalities; for example, in education, health, and social protection. Likewise, it promoted infrastructure investments that achieve sustainable economic progress, connect the poor to markets, and increase their access to productive assets.

ADB's flagship publication, *Asian Development Outlook 2010*, tracked the resilience of developing Asia through the recent economic crisis and forecast a strong recovery in the next 2 years. It also discussed the region's challenge to adjust monetary, fiscal, and exchange rate policies to foster macroeconomic stability and sustained growth. The *Asian Development Outlook 2010 Update* identified threats to the region's otherwise sunny short-term horizon. Combined, these publications were viewed online over 133,000 times and cited by the media over 500 times, strengthening ADB's reputation as a source of information and policy analysis.

Another flagship publication, *Key Indicators for Asia and the Pacific 2010*, went beyond providing the latest statistics. A special chapter examined the impacts on growth of a rapidly expanding middle class in the region, stressing that many people in this category with incomes just above

poverty levels are still vulnerable to external shock-induced relapses into poverty. The publication, viewed online over 73,000 times, asserted that policies encouraging the creation of more well-paid jobs and advanced education and health care can prevent the return to poverty.

A major study, *Rebalancing for Sustainable Growth: Asia's Postcrisis Challenge*, identified structural issues and policies that can help Asian policy makers raise domestic and regional demand, thereby reducing dependence on exports to developed economies and creating a basis for sustainable long-term growth. The recommendations provided background for a report by the Asian Policy Forum (with the support of ADBI) entitled *Policy Recommendations to Secure Balanced and Sustainable Growth in Asia*. Published in October, it was submitted to the G20; Asia-Pacific Economic Cooperation; Association of Southeast Asian Nations and the People's Republic of China, Japan, and the Republic of Korea (ASEAN+3); and East Asia Summit meetings.

ADB also organized the *Regional Forum on Impact of the Global Economic and Financial Crisis* series to explore initiatives to address the crisis at the country, subregional, and regional levels. The Third Forum, held in Manila in November, gathered finance ministers, central bank governors, and government officials, and concluded that developing Asia and the Pacific should implement macroeconomic and regulatory policies that sustain recovery and make their economies more resilient to crises. Also highlighted was the imperative for better policy coordination.

To promote inclusive education, the *Focus on Education* series added four key publications. These discussed the means to address various forms of exclusion from education, explored ways to enhance the role of the private sector, and showcased Sri Lanka's success with technical and vocational education and training.

To develop governments' capacity to address the needs of the poor and vulnerable, ADB implemented technical assistance grants that expanded conditional cash transfers to poor households in the Philippines; sustained essential

**ADB continued initiatives to expand human capacity and mitigate extreme inequalities**

expenditures on social services and protection in Georgia; and alleviated the impacts of the recent economic crisis on vulnerable individuals in the Cook Islands, the Marshall Islands, and Tonga. Work on improving capacities to diagnose constraints to inclusive economic growth and improve development planning also expanded to Bhutan, Indonesia, and Papua New Guinea. The report, *Indonesia: Critical Development Constraints*, was launched while work in the two other countries is ongoing. The Government of Indonesia expects the report to be a key input in its dialogue with development partners.

## ENVIRONMENTALLY SUSTAINABLE GROWTH

Given that many of the poor depend on natural resources for livelihoods, only growth that is environmentally sustainable can eliminate poverty. To make this happen, ADB supported the use of environmentally friendly technologies, the adoption of environmental safeguards, and development of institutional capacities to strengthen their enforcement.

A key publication, *Preview of Green Growth, Resources and Resilience*, was presented at the Sixth Ministerial Conference on Environment and Development in Asia and the Pacific. This publication identified key priorities, policy bottlenecks, and quick wins, while pinpointing issues on which the region can lead the quest for greener, more inclusive, and resilient growth.

The year also saw ADB's experts increasingly tapped by global authorities to provide critical inputs. For instance, members of the Energy Community of Practice were asked by the International Energy Agency and World Energy Council for inputs on key knowledge products, such as the *World Energy Outlook 2010*.

The Greater Mekong Subregion (GMS) received support from the Bangkok-based and ADB-supported Environment Operations Center. The center has its origins in the GMS Core Environment Program and Biodiversity Conservation Corridors Initiative to reconcile development pressures with the need to conserve the subregion's biodiversity and critical ecosystems. Efforts to build in-house capacity continued.

ADB pursued information dissemination and public outreach for the climate change conference in Cancun, Mexico. ADB raised awareness in the region about climate change and the conference through media tours and an interactive page on its website. At the conference, it helped draw attention to the innovative work being done in Asia and the Pacific, and ADB's catalytic role. This included presentations on mainstreaming climate change considerations into national development strategies across the region, support for renewable energy mapping and climate resilience in Tajikistan and other Central and West Asian countries, the promotion of sustainable transport, and scaling up international climate finance.

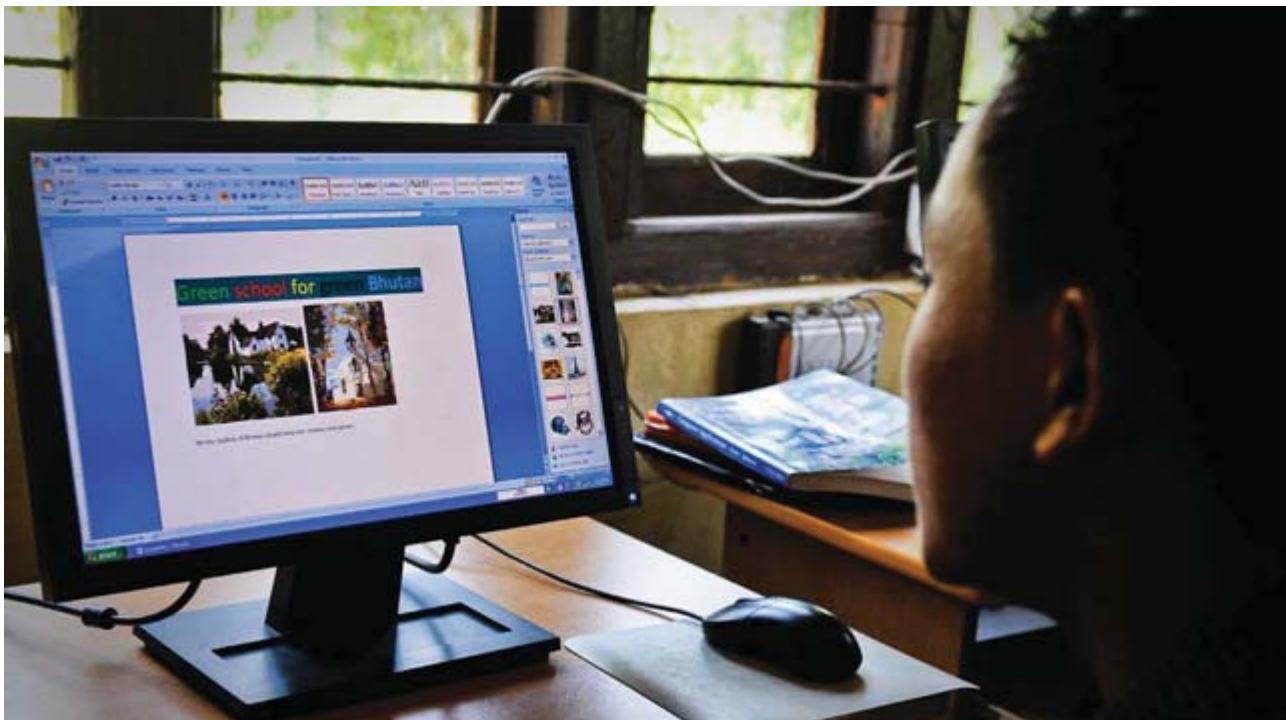
## REGIONAL INTEGRATION

Regional cooperation and integration (RCI) has vast potential for accelerating economic growth, reducing disparities, raising productivity and employment, and strengthening institutions.

To further integrate RCI into its operations, ADB supported regional and subregional cooperation programs, helped develop cross-border infrastructure, advanced trade and investment, promoted monetary and financial initiatives, and encouraged cooperation in regional public goods. The Phnom Penh Plan for Development Management, established in 2002, continued to support the GMS regional cooperation initiative by developing the capacity of leaders and key change agents to shape policies and implement GMS programs and projects.

An important knowledge product supporting these efforts was the *Institutions for Regional Integration: Toward an Asian Economic Community*. Serving as the final installment in the trilogy of studies on Asian economic integration, this identified gaps in the process of institution building, drew lessons from regional comparisons, and recommended steps to strengthen RCI toward creating an Asian economic community. Consultations in Asia, Europe, and the United States generated rich discussion among key policy makers, think tanks, and civil society.

A book, entitled *Infrastructure for a Seamless Asia*, consisting mainly of ADBI working papers, analyzed major challenges in developing regional infrastructure



Online tools are supporting ADB's regional integration activities

and recommended actions to address them. It received strong attention from senior policy makers, academics, researchers, and media. Senior policy makers and international institutes continue to quote this study's estimates on infrastructure needs. Examples in 2010 are the APEC Finance Ministers' Growth Strategy Report to the Leaders, Kyoto; UNESCAP Chairperson's Summary of the High-level Consultation on Perspectives from Asia and the Pacific on the G20 Seoul Summit, Bangkok; the speech of the First Deputy Managing Director, International Monetary Fund, Ha Noi; and *OECD Southeast Asian Economic Outlook*. ADB is working to put into place the recommendations from the study, such as the establishment of the Asia Infrastructure Fund and the Pan-Asia Infrastructure Forum.

RCI has been evolving slowly in the Pacific. Today, regionalism is led by the Pacific Plan drafted by the Pacific Islands Forum Secretariat. In 2010, ADB analyses helped implement the plan. ADB also helped expand more cost-effective regional public services, such as the Pacific Aviation Safety Office, the Private Sector Development Initiative, the Pacific Regional Infrastructure Facility, and more.

Online information and collaboration tools buttressed ADB's activities for regional integration, among them the AsianBondsOnline (ABO) website and the Asia Regional Integration Center (ARIC) website.

The ABO website—an initiative of ASEAN+3 Finance Ministers—evolved from an information site on local-currency sovereign bonds to a one-stop facility for bond market participants with data, analysis, and original content on bond market developments in emerging East Asia. In 2010, ABO expanded coverage to include corporate bonds. The website's popularity among investors has soared in recent years.

The ARIC website continues to serve as a knowledge and information portal on RCI. It contains databases of integration indicators, free trade agreements, and climate change commitments. It also offers economic and financial data; economic reports, such as the *Asia Economic Monitor*; policy research; and daily summaries of financial markets.

For more information on knowledge products on economic growth, environmentally sustainable growth, and regional integration in the Asia and Pacific region, read Appendix 14 of this report.

# FINANCE AND ADMINISTRATION



ADB continued to reprioritize staff development programs and build its people's skills in 2010. A new employee grading system was approved. The addition of more staffing resources will strengthen resident missions and project quality, help to expand private sector operations, and enhance knowledge management. ADB is also streamlining and upgrading its business processes, compensation and benefits schemes, administrative services, and information technology (IT) systems.

## HUMAN RESOURCES

**H**aving motivated and talented people working in a supportive environment remains a prime goal for ADB, as the approval in January of a new people engagement strategy and other human resources initiatives attest. Key themes in ADB's human resources initiatives continue to be diversity, gender equality, and inclusiveness.

**New staff grading system.** A new staff grading system was approved in 2010, placing staff into three categories: International Staff (levels 1–10), National Staff (levels 1–7), and Administrative Staff (levels 1–7). The system appropriately recognizes and acknowledges differences in roles, qualifications, and skills sets. Other key features of the new grading are the level complement system and the job band mechanism, which together were designed to support career progression of national and administrative staff. A new job title framework was also developed to align titles according to core operational and functional areas of Strategy 2020 and to reflect more succinctly the roles and functions of staff positions.

**Staff development.** ADB continued to reprioritize staff development programs and to collaborate with internal and external partners to enable staff to acquire skills needed to implement operational programs. Through these partnerships, programs in four areas were revamped: ADB-specific business model and procedures; sector, thematic, and country; management and leadership development; and the values that ADB espouses as an institution. As a result, staff members at headquarters and field offices were offered 129 training programs with 2,661 staff members participating in 671 learning sessions.

## STAFFING

**Additional staffing requirements in 2011.** Validation of the workforce plan in 2010 resulted in the approval of 160 new positions for 2011, including 46 international staff, 59 national staff, and 55 administrative positions. These additional staffing resources were agreed to strengthen ADB's capacity in resident mission operations; enhance project quality; promote private sector development,

private sector operations, and risk management; and upgrade knowledge management.

**2010 staffing.** ADB's staff as of 31 December 2010 totaled 2,833 from 59 of its 67 members: 6 members of Management, and 1,024 international and 1,803 national and administrative staff, of whom 565 (about 19.9%) were in field offices. Appointments and departures numbered 148 and 51 among international staff and 210 and 77 among national and administrative staff. There were no departures from Management staff, but one vice-president joined in 2010. Women accounted for 29.1% of the international staff.

## ORGANIZATIONAL AND BUSINESS PROCESS REVIEW

**Creation of a new vice-president office for private sector and cofinancing operations.** A fifth vice-presidency was created in 2010 to support expanding private sector operations and fund mobilization.

**Optimization of internal organization and span of control.** Following significant staff increases in operations departments, a review of the span of control of directors and country directors across ADB in 2010 concluded that, in some areas, directors were supervising too many staff or weakly related sector or thematic boundaries. The review resulted in the creation of four additional operations divisions and the establishment of four new deputy country directors, all of which will become effective in 2011. The deputy country director positions will strengthen the management structure and increase efficiency in the resident missions in the People's Republic of China, India, Pakistan, and Viet Nam.

**ADB's staff as of 31 December 2010 totaled 2,833 from 59 of its 67 members: 6 members of Management, and 1,024 international and 1,803 national and administrative staff**

**Strengthening resident mission operations.** The institutional and management structure of resident missions continued to be strengthened to support project quality and an expansion in operations through (i) delineating more clearly their three core functions—country economics, strategy, and programming; country operations; and finance and administration; (ii) establishing and/or formalizing deputy country director positions, particularly for larger resident missions; and (iii) firming up the resident mission management team concept.

**Organization review of support departments.** Independent consultants conducted a review of the Controller and IT departments to streamline processes, enhance efficiencies, and strengthen governance. The consultants issued their report in November 2010. Management is formulating plans to address the recommendations and start implementing them early in 2011.

## COMPENSATION AND BENEFITS

The Comprehensive Review of International Staff Salaries and Benefits was undertaken, with recommendations submitted to the Board of Directors in November. The Board approved the retention of the market-based approach and adoption of changes to the international staff compensation methodology, such as flexibility in determining the overall average increase to achieve full parity with the market by 2015 (prioritizing levels 1–6), suspension of the bonus scheme until 2015, reallocation of the bonus pool to salary increases to reward individual performance with more differentiation, and introduction of team rewards and spot awards.

A 1.7% weighted average increase in the salary structure and a 3.3% salary increase for international staff were approved. With the reallocated bonus pool, the total average salary increase is 4.3%. Based on the new grading system, a 3.9% weighted average increase in salary structure and a 7.6% salary increase were approved for national staff and administrative staff at headquarters. A 10% average salary increase for national and administrative staff in field offices is being considered. The new grading system, salary structures, and salary increases are effective from 1 January 2011.

With the endorsement of the Pension Committee, Management approved ADB's additional contribution of \$63.147 million to the Staff Retirement Plan for the plan year 1 October 2009 to 30 September 2010. This is to partially reduce the plan's unfunded past service liability and potentially reduce the revealed contribution rate for the Staff Retirement Plan in future years.

## INTERNAL ADMINISTRATIVE EXPENSES

Internal administrative expenses totaled \$430.57 million including the administrative expenses for Independent Evaluation Department (IED) of \$8.22 million, compared to the budget of \$439.49 million (including the budget for IED of \$8.36 million). Of the total savings of \$8.92 million, about 1.82% of the 2010 internal administrative expenses budget amounting to \$8.0 million is being carried forward to 2011. An overrun of \$0.51 million under the Board of Governors mainly to support the host government (Uzbekistan) in providing logistics to the 43rd annual meeting was met through reallocation from the general contingency, while overruns in certain budget items in the operational and administrative expenses budget categories were fully met through inter-item transfers or reallocations within the same budget categories. Savings in the operational expenses budget category were mainly attributed to lower-than-budgeted utilization for (i) benefits items such as medical insurance, education assistance and severance pay, and (ii) other expenses such as relocation, staff consultants, and business travel. These savings were partly offset by overruns in staff benefits, mainly because of additional contribution to the staff retirement fund to meet increasing funding requirements, rental subsidy, special allowances to staff in field offices and increased staff development program. The savings in the administrative expenses were realized due to lower-than budgeted utilization for communications, office supplies, equipment, maintenance and support, insurance, and miscellaneous expenses. These savings were partly offset by overruns in contractual services largely for information technology services, and in depreciation, primarily because of completion of various IT projects under the Information System and Technology Strategy, Phase II, completion of various subprojects under the rehabilitation of HQ building



ADB has continued to reprioritize development programs to help staff acquire necessary skills

and enhancement of security, and technology and automation systems, for which depreciation began in 2010.

The internal administrative expenses budget for 2011 is \$496.35 million, including a general contingency of 1% (\$4.99 million) and after deducting \$7.21 million of service charges estimated to be recoverable from administrating trust funds of multilateral and bilateral institutions. The increase of \$56.90 million or 12.9% over the 2010 budget reflects a price increase of 4.9% and a volume growth of 8%. The 2011 net IAE budget of \$496.35 million consists of \$8.95 million for IED and \$487.40 million for ADB excluding IED.

In addition to internal administrative expenses, the 2011 budget also includes an annual capital budget of \$6.97 million, mainly to fund cyclical capital expenditures for headquarters and field offices.

## ADMINISTRATIVE SERVICES

During 2010, the Office of Administrative Services (OAS) focused on meeting the needs of an expanding bank. Additional office space was created in the headquarters and Joy~Nostalg building, which now accommodates 112 staff. In addition, OAS renovated the cafeteria and built a mezzanine floor, renovated the exterior of the building and fire management system, and began construction of a multistory car park.

OAS initiated the green building (Leadership in Energy and Environmental Design) certification from the US Green Building Council, introduced three hybrid vehicles, built a rainwater harvesting facility, and laid the groundwork to generate solar energy at headquarters.

OAS enhanced its information management role through iLink products and information access to communities of practice through mobile and Google map-based applications. The Library Services Steering Committee (2010–2012) was reconvened to formulate user-driven action plans. The function of the information coordinators was expanded to include private sector research.

OAS launched the ADB EmergencyAlert communication tool and the community warden system to better respond to emergencies; formed the interdepartmental Security Advisory Group; supported field office security; strengthened business continuity procedures; enhanced its community relations program through equipment donations; and continued the rollout of eTrip, the online mission travel booking tool.

OAS also reviewed its internal business processes to streamline critical processes and continued to automate asset inventory and monitoring. Partnership with service providers was enhanced through management workshops and client orientation training to strengthen contract management and improve service delivery.

## INFORMATION SYSTEMS AND TECHNOLOGY

In line with targeted completion of the Information Systems and Technology Strategy (ISTS II) in December 2011, major projects were finished in 2010 on ADB operations and integrated services covering project and portfolio management for sovereign operations, internal travel, consulting, and procurement systems. The ADB portal was completed, and several departmental websites were given a single look and feel.

**Despite an increase in disbursement transaction volume of 16%, the average disbursement processing time was reduced by 5% in 2010**

Enterprise architecture was established to provide a solid foundation for ADB's IT systems. Several obsolete systems were replaced with standard Oracle enterprise resource planning platforms, and in preparation for the integrated applications being rolled out for ISTS II, new telecommunications technology was put in place to increase bandwidth connectivity with field offices, network security was strengthened, and server capacity and data storage increased. ADB is also expanding the use of videoconferencing.

The IT department participated to successfully obtain SOX Attestation over internal controls by external auditors. This exercise has been embedded into IT to sustain ADB's continuing commitment to standards and compliance. The IT governance model was strengthened along with the implementation of a comprehensive project management framework to further align IT to business requirements, following international IT standards.

Completion of several other infrastructure projects took account of growing demand for access to IT and requirements to expand services within cost constraints. Upgrades were completed on office automation software and e-mail services. Mobile computing made e-mail access available for most staff regardless of location, while the Office of Information Systems and Technology (OIST) extended services to a 12-hour window for headquarters and field offices and will progress to 24/7 service and support.

## LOAN, GRANT, AND TECHNICAL ASSISTANCE DISBURSEMENTS, AND ACCOUNTING

The Controller's Department (CTL) continued to streamline its business processes in the area of loan, grant, and technical assistance disbursements, and accounting, improving both its services to external and internal clients, and its efficiency in carrying out its functions. It has actively contributed to and implemented the recommendations and revisions from ADB's *Streamlined Business Processes (SBP) 2010* initiative, in support of ADB's goal of *Better and Faster Loan Delivery*.

The implementation of the revisions has resulted in increased coordination and interaction with the various

departments during the project processing stage to further enhance one of CTL's most critical functions: ensuring higher quality project design in the areas of fiduciary control, and use of the most efficient and effective financing and disbursement arrangements for the project.

Enhancements and revisions to CTL's Service Level Standards (SLS) for Disbursement Processing (introduced in 2009), along with a series of process streamlining measures in its disbursement operations, has helped the department to manage ADB's continually expanding portfolio efficiently. Despite an increase in disbursement transaction volume of 16%, the average disbursement processing time was reduced by 5% in 2010. The efficiency gains can be attributed to these factors:

- The streamlining measures have resulted in further empowerment of CTL's national staff, resulting in a flatter organizational structure within CTL, and improved responsiveness to ADB's clients.
- The initiation of delegation of disbursement processing of grants to the disbursement units located in resident missions, further reducing the required processing time, and increasing communication with developing member country clients for these transactions.

The improvements and revisions to CTL's SLS have served as a valuable tool in enhancing the effectiveness of its capacity development initiatives for developing member country borrowers, executing agencies, implementing agencies, and ADB staff, by allowing for the design of more customized seminars and workshops tailored to client-specific capacity needs.

In 2010, CTL provided 27 seminars and workshops for over 1,000 participants in DMCs. Disbursement units in resident missions have also played a critical role in this area, by providing numerous capacity-building activities to ADB's clients in DMCs. The resident mission disbursement units' contributions in this area are expected to continue to expand, in an effort to boost CTL's client service and responsiveness further.

CTL is currently working with the Office of Information Systems and Technology to enhance its systems

for loan, grant, and technical assistance disbursements, and accounting. A new loan accounting and servicing website is under development and will be available for external and internal clients in 2011, providing comprehensive loan-related data and tools for loan administration. When complete, the outcomes of this initiative will significantly improve client service, efficiency, and internal control.

## FINANCIAL REPORTING

The Controller's Department revised accounting policies and strengthened financial reporting procedures in line with the response of global accounting standards to the financial crisis. CTL conducted a preliminary study on international financial reporting standards (IFRS), considering a possible future transition to IFRS from US generally accepted accounting principles (GAAP)-based standards. CTL and the Staff Development Unit arranged training on IFRS to strengthen staff capacity in this area.

CTL continued facilitating Management's assertion and the external auditor's attestation on internal controls for financial reporting, which ADB started in 2008 to improve corporate governance. In 2010, the assertion and attestation for OCR and Special Funds (except for ADBI) was accomplished with an unqualified opinion from the external auditor, Deloitte & Touche. In addition, Management expanded the testing to include trust funds in 2010. This process strengthened staff awareness of internal controls. Training on internal controls, risk assessments, and testing skills was strengthened.

CTL provided accounting support for new trust funds, including the Credit Guarantee and Investment Facility, the ADB Climate Technology Fund, and the ADB Strategic Climate Fund, to ensure ADB can meet its fiduciary responsibility as custodian of the funds it administers. CTL, with the assistance of the Office of Information Systems and Technology, implemented a new accounting system for resident missions and offices. Together with the Budget, Personnel and Management Systems Department, CTL also centralized payroll processing. These changes have improved work efficiency, data reliability, and internal controls of financial transactions in field offices.

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**APPENDIX 1**  
**Members, Capital Stock, and Voting Power**  
(as of 31 December 2010)

	Year of Membership	Subscribed Capital <sup>a</sup> (% of total)	Voting Power <sup>b</sup> (% of total)		Year of Membership	Subscribed Capital <sup>a</sup> (% of total)	Voting Power <sup>b</sup> (% of total)
<b>REGIONAL</b>							
Afghanistan	1966	0.038	0.329		Austria	1966	0.386
Armenia	2005	0.339	0.570		Belgium	1966	0.386
Australia	1966	6.571	5.555		Canada	1966	5.940
Azerbaijan	1999	0.505	0.703		Denmark	1966	0.386
Bangladesh	1973	1.160	1.226		Finland	1966	0.386
Bhutan	1982	0.007	0.304		France	1970	2.643
Brunei Darussalam	2006	0.133	0.405		Germany	1966	4.913
Cambodia	1966	0.056	0.343		Ireland	2006	0.129
China, People's Republic of	1986	7.318	6.153		Italy	1966	2.052
Cook Islands	1976	0.003	0.301		Luxembourg	2003	0.386
Fiji	1970	0.077	0.360		The Netherlands	1966	1.165
Georgia	2007	0.388	0.609		Norway	1966	0.386
Hong Kong, China	1969	0.618	0.793		Portugal	2002	0.129
India	1966	7.190	6.050		Spain	1986	0.386
Indonesia	1966	6.185	5.246		Sweden	1966	0.386
Japan	1966	17.723	14.477		Switzerland	1967	0.221
Kazakhstan	1994	0.916	1.031		Turkey	1991	0.129
Kiribati	1974	0.005	0.302		United Kingdom	1966	2.319
Korea, Republic of	1966	5.721	4.875		United States	1966	5.908
Kyrgyz Republic	1994	0.340	0.570				
Lao People's Democratic Republic	1966	0.016	0.311				
Malaysia	1966	3.092	2.772				
Maldives	1978	0.005	0.302				
Marshall Islands	1990	0.003	0.301				
Micronesia, Federated States of	1990	0.002	0.300				
Mongolia	1991	0.017	0.312				
Myanmar	1973	0.618	0.793				
Nauru	1991	0.005	0.302				
Nepal	1966	0.167	0.432				
New Zealand	1966	1.744	1.694				
Pakistan	1966	2.474	2.278				
Palau	2003	0.004	0.301				
Papua New Guinea	1971	0.107	0.384				
Philippines	1966	2.706	2.463				
Samoa	1966	0.001	0.299				
Singapore	1966	0.129	0.402				
Solomon Islands	1973	0.008	0.305				
Sri Lanka	1966	0.659	0.825				
Taipei, China	1966	1.237	1.288				
Tajikistan	1998	0.325	0.559				
Thailand	1966	1.546	1.535				
Timor-Leste	2002	0.011	0.307				
Tonga	1972	0.005	0.302				
Turkmenistan	2000	0.288	0.529				
Tuvalu	1993	0.001	0.299				
Uzbekistan	1995	0.765	0.910				
Vanuatu	1981	0.008	0.305				
Viet Nam	1966	0.129	0.402				
<b>Subtotal</b>		<b>71.361</b>	<b>71.417</b>				
<b>NONREGIONAL</b>							

Notes: Totals may not sum precisely due to rounding. For other details, see table on Statement of Subscriptions to Capital Stock and Voting Power (OCR-7) in Volume 2 of 2010 Annual Report.

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

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

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

**APPENDIX 2****Resolutions of the Board of Governors Adopted in 2010**

RESOLUTION NO.	SUBJECT	DATE ADOPTED
342	Financial Statements, Management's Report on Internal Control Over Financial Reporting and Independent Auditors' Reports	4 May
343	Allocation of Net Income	4 May
344	Place and Date of Forty-Fourth Annual Meeting (2011)	4 May
345	Reduction of Contribution by Nauru to the Fifth Replenishment of the Asian Development Fund and Second Regularized Replenishment of the Technical Assistance Special Fund	30 August
346	Decisions Relating to Section 5 of the By-Laws	17 December
347	Amendment to Section 7(B)(A) of the By-Laws	17 December

**APPENDIX 3****Selected Policy, Strategy, and Financial Papers Discussed by the Board in 2010**

SUBJECT	DATE
Our People Strategy	21 January
Review of the Asian Development Bank's Loan Charges and Allocation of 2009 Net Income	12 April
2009 Development Effectiveness Review	21 April
Afghanistan: Proposed Suspension of the Post-Conflict Assistance Phaseout	16 July
Capital Expenditure Proposal for the Risk Management System	22 July
Work Program and Budget Framework, 2011–2013	6 October
2010 Comprehensive Review of Salaries and Benefits for Professional Staff	20 October
Annual Review of Salaries and Benefits for Headquarters National Officers and Administrative Staff	20 October
Review of ADB's Policy-Based Lending	21 October
Refinements to ADB's Results Framework	17 November
Borrowing Program for 2011	6 December
Additional Financing: Enhancing Development Effectiveness	15 December
Review of the Asian Development Bank's Loan Charges and Allocation of 2010 Net Income	16 December
Budget of the Asian Development Bank for 2011	17 December
Asian Development Bank Institute Three-Year Rolling Work Program 2011–2013 and Budget for 2011	17 December

Note: If the Board discussed an R-paper and a W-paper in 2010, only the Board date for the R-paper is given.

**APPENDIX 4**  
**Board of Governors**  
(as of 13 January 2011)

Nguyen Van Giau, Viet Nam  
(Chair)

Wangdi Norbu, Bhutan  
(Vice Chair) Josef Pröll, Austria  
(Vice Chair)

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan	Omar Zakhilwal	Abdul Qadeer Fitrat
Armenia	Nerses Yeritsyan	Mushegh Tumasyan
Australia	Wayne Swan, MP	David Bradbury, MP
Austria	Josef Pröll	Günther Schönleitner
Azerbaijan	Samir Sharifov	Shahin Mustafayev
Bangladesh	Abul Maal A. Muhith	Md. Musharraf Hossain Bhuiyan
Belgium	Didier Reynders	Gino Alzetta
Bhutan	Wangdi Norbu	Nim Dorji
Brunei Darussalam	Pehin Dato Abdul Rahman Ibrahim	Mohd Roselan Mohd Daud
Cambodia	Keat Chhon	Aun Porn Moniroth
Canada	Lawrence Cannon	James A. Haley
China, People's Republic of	Xie Xuren	Li Yong
Cook Islands	Mark Brown	Garth Henderson
Denmark	Susan Ulbæk	Martin Bille Hermann
Fiji	Josaiia Voreqe Bainimarama	Sada Sivan Reddy
Finland	Ritva Koukku-Ronde	Pasi Hellman
France	Christine Lagarde	Ramon Fernandez
Germany	Gudrun Kopp	Rolf Wenzel
Georgia	Kakha Baindurashvili	Zurab Pololikashvili
Hong Kong, China	John Tsang Chun-wah	Norman Chan
India	Pranab Mukherjee	Ashok Chawla
Indonesia	Agus D.W. Martowardojo	Armida Alisjahbana
Ireland	Brian Lenihan, T.D.	Michael J. McGrath
Italy	Mario Draghi	Carlo Monticelli
Japan	Yoshihiko Noda	Masaaki Shirakawa
Kazakhstan	Zhanar Aitazhanova	Ruslan Erbolatovich Dalenov
Kiribati	Natan Teewe	Atanteora Beiatau
Korea, Republic of	Jeung-Hyun Yoon	Choongsoo Kim
Kyrgyz Republic	Chorobek Imashevich Imashev	Emilbek Satarovich Umetaliev
Lao People's Democratic Republic	Somdy Douangdy	Somphao Phaysith
Luxembourg	Luc Frieden	Arsène Jacoby
Malaysia	Dato' Sri Mohd Najib Bin Tun Haji Abdul Razak	Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah
Maldives	Ali Hashim	Ahmed As-ad
Marshall Islands	Jack J. Ading	Amon Tibon
Micronesia, Federated States of	Finley S. Perman	Lorin Robert
Mongolia	Bayartsogt Sangajav	Purevdorj Lhasuren
Myanmar	Hla Tun	Daw Myat Myat So
Nauru	Kieren Keke, MP	Tim Drown
Nepal	Surendra Pandey	Rameshore Prasad Khanal
The Netherlands	Ben Knapen	Yoka Brandt
New Zealand	Bill English	John Whitehead
Norway	Ingrid Fiskaa	Henrik Harboe
Pakistan	Abdul Hafeez Shaikh	Sibtain Fazal Halim
Palau	Kerai Mariur	Marino Rechesengel
Papua New Guinea	Peter O'Neill, CMG MP	Simon Tosali
Philippines	Cesar Purisima	Amando M. Tetangco, Jr.
Portugal	Fernando Teixeira dos Santos	Carlos Costa Pina
Samoa	Nickel Lee-Hang	Tupaimatuna Iulai Lavea
Singapore	Tharman Shanmugaratnam	Peter Ong Boon Kwee

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
Solomon Islands	Gordon Darcy Lilo	Shadrach Fanega
Spain	Elena Salgado	José Manuel Campa Fernández
Sri Lanka	Mahinda Rajapaksa	P.B. Jayasundera
Sweden	Joakim Stymne	Per Orneus
Switzerland	Beatrice Maser Mallor	Jurg Benz
Taipei, China	Fai-nan Perng	Ming-Chung Tseng
Tajikistan	Matlubkhon S. Davlatov	Khamdam Tagaymurodov
Thailand	Korn Chatikavanij	Areepong Bhoocha-oom
Timor-Leste	Emilia Pires	Joao Mendes Goncalves
Tonga	Feleti Vaka'uta Sevele	Tiofilusi Tiueti
Turkey	İbrahim H. Çanakci	Evren Dilekli
Turkmenistan	Guvanchmurad Geoklenov	Muhammetgeldi Atayev
Tuvalu	Monise Tuivaka Laafai	Minute Alapati Taupo
United Kingdom	Andrew Mitchell	Alan Duncan
United States	Timothy Geithner	Robert D. Hormats
Uzbekistan	Rustam Azimov	Galina Saidova
Vanuatu	Moana Kalosil Carcasses, MP	George Singara Maniuri
Viet Nam	Nguyen Van Giau	Nguyen Van Binh

**APPENDIX 5**  
**Board of Directors and Voting Groups**  
(as of 13 January 2011)

Executive Directors	Alternate Directors	Members Represented
Phil Bowen	Dereck Rooken-Smith	Australia; Azerbaijan; Cambodia; Georgia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Palau; Solomon Islands; Tuvalu
Howard Brown	Jacob A. Roodmans	Canada, Denmark, Finland, Ireland, The Netherlands, Norway, Sweden
Richard Edwards	Eduard Westreicher	Austria, Germany, Luxembourg, Turkey, United Kingdom
Marwanto Harjowiriyono	C. J. (Stan) Vandersyp	Armenia, Cook Islands, Fiji, Indonesia, Kyrgyz Republic, New Zealand, Samoa, Tonga
Ashok K. Lahiri	Bounleua Sinxayvolavong	Afghanistan, Bangladesh, Bhutan, India, Lao People's Democratic Republic, Tajikistan, Turkmenistan
Michele Miari Fulcis	Jose Miguel Cortes	Belgium, France, Italy, Portugal, Spain, Switzerland
Robert M. Orr	Maureen Grewe	United States
Masakazu Sakaguchi	Yasuto Watanabe	Japan
Siraj S. Shamsuddin	Gaudencio S. Hernandez, Jr.	Kazakhstan, Maldives, Marshall Islands, Mongolia, Pakistan, Philippines, Timor-Leste
Jaejung Song	Wilson Kamit	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu; Viet Nam
Chaiyuth Sudthitanakorn	Govinda Bahadur Thapa	Brunei Darussalam, Malaysia, Myanmar, Nepal, Singapore, Thailand
Yingming Yang	Xiuzhen Guan	People's Republic of China

**APPENDIX 6**  
**Committees of the Board of Directors**

**Audit Committee**

Michele Miari Fulcis (*Chair*)  
 Robert M. Orr  
 Jaejung Song  
 Chaiyuth Sudthitanakorn  
 Dereck Rooken-Smith  
 C. J. (Stan) Vandersyp

**Budget Review Committee**

Yingming Yang (*Chair*)  
 Phil Bowen  
 Marwanto Harjowiriyono  
 Masakazu Sakaguchi  
 Jose Miguel Cortes  
 Maureen Grewe

**Development Effectiveness Committee**

Ashok K. Lahiri (*Chair*)  
 Richard Edwards  
 Jacob A. Rooimans  
 Gaudencio S. Hernandez, Jr.  
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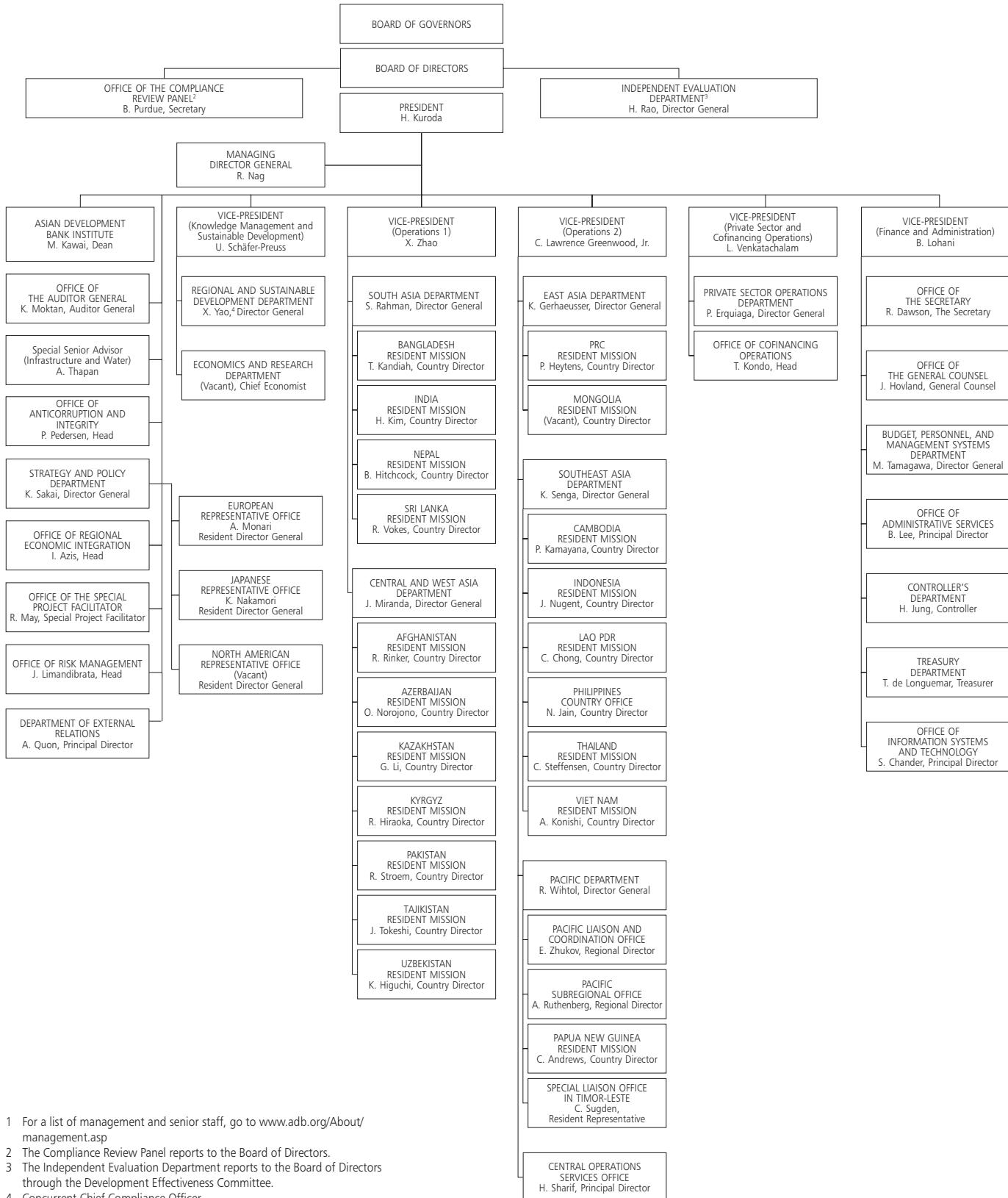
**APPENDIX 7**  
**ADB Institute Advisory Council**  
(as of 31 December 2010)

Cinnamon Dornsife	Acting Director of the International Development Program, The Paul H. Nitze School of Advanced International Studies, Johns Hopkins University, United States
Masahisa Fujita	President and Chief Research Officer, Research Institute of Economy, Trade and Industry, Japan
Eric Girardin	Professor of Economics, Université de la Méditerranée, Aix-Marseille, France
Stephen Howes	Director and Professor, Crawford School of Economics and Government, Australian National University, Australia
Li Yong	Vice Minister of Finance, Ministry of Finance, People's Republic of China
Sanjiv Misra	Former Minister of State, Government of India
Juzhong Zhuang	Deputy Chief Economist, Asian Development Bank (acting Advisory Council member)

**ADB Institute Dean**

Masahiro Kawai (January 2007–present)  
Peter McCawley (January 2003–January 2007)  
Masaru Yoshitomi (January 1999–January 2003)  
Jesus P. Estanislao (December 1997–January 1999)

**APPENDIX 8**  
**Organizational Structure<sup>1</sup>**  
(as of 28 February 2011)



**APPENDIX 9**  
**Former ADB Presidents and Vice-Presidents**  
(as of 31 January 2011)

**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
Tadao Chino	16 January 1999–31 January 2005

**VICE-PRESIDENTS**

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

**APPENDIX 10**  
**Summary of Internal Administrative Expenses – 2010 and Budget for 2011**  
(\$ thousand)

Item	2010			Budget 2011
	Budget	After Transfers <sup>a</sup>	Actual	
A. Board of Governors	2,250	2,764 <sup>b</sup>	2,763	2,327
B. Board of Directors	25,952	25,952	24,617	27,298
Offices of the Directors	14,847	14,847	14,235	15,509
Accountability Mechanism	2,742	2,742	2,162	2,839
Independent Evaluation	8,363	8,363	8,220	8,950
C. Operational Expenses	336,383	336,383	333,609	378,227
Salaries	168,388	167,900	167,897	190,408
Benefits	100,240	103,266	103,266	111,872
Staff Development	5,330	5,610	5,610	6,323
Relocation	7,813	5,723	5,722	7,922
Consultants	25,630	24,902	24,081	29,293
Business Travel	28,540	28,540	26,704	31,919
Representation	442	442	330	490
D. Administrative Expenses	77,230	77,360	76,456	90,728
Communications	7,906	7,215	6,998	8,577
Office Occupancy	20,372	20,362	20,315	25,030
Library	1,235	1,244	1,243	1,481
Office Supplies	1,584	1,584	1,537	2,079
Equipment, maintenance and support	7,172	7,172	7,054	7,892
Contractual Services	17,719	18,241	18,241	22,121
Insurance	3,572	3,572	3,211	4,146
Depreciation	16,934	17,234	17,234	18,484
Miscellaneous	736	736	624	918
E. Total Before General Contingency	441,815	442,459	437,446 <sup>c</sup>	498,580
F. General Contingency	4,418	3,904 <sup>b</sup>	0	4,986
G. Less: Reimbursements from Trust Funds	(6,745)	(6,875)	(6,875) <sup>d</sup>	(7,214)
H. Net IAE	439,488	439,488	430,571	496,352 <sup>e</sup>
I. Carryover of IAE Budget	...	...	8,000 <sup>f</sup>	...
J. Net IAE after Carryover	439,488	439,488	438,571	496,352

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

Note: Totals may not add up because of rounding.

a Transfers were made between budget items without exceeding the original amount of each category to meet overruns within the same category.

b An amount of \$513,400 was transferred from the general contingency to the Board of Governors budget category to meet overrun.

c Includes \$841,000 in expenses associated with Japan Special Fund (\$733,000) and Japan Scholarship Program (\$108,000). Excludes the following adjustments incorporated in the financial statements to comply with the generally accepted accounting principles, and recording and reporting requirements: (i) postretirement medical benefits (\$8,319,000); (ii) actuarial assessment of costs associated with pension benefit obligations (\$38,698,000); (iii) expenses charged to the budget carryover (\$5,475,000); (iv) accumulated compensated absences (\$2,594,000); (v) accrued resettlement and repatriation allowances (\$1,258,000) and severance payments (\$1,314,000); and (vi) other miscellaneous adjustments (-\$54,000). Total adjusted administrative expenses of \$521,003,000 reflected in the financial statements are allocated as ordinary capital resources, \$294,251,000; Asian Development Fund, \$225,911,000; and Japan Special Fund and Japan Scholarship Program, \$841,000.

d This amount (\$6,875,000) reflects the estimated total expenses apportioned for administering the trust funds during the year.

e Net IAE budget for 2011 consists of \$8,950,000 for the Independent Evaluation Department (IED) and \$487,402,000 for ADB excluding IED.

f In 2006, the Board approved introduction of a budget carryover of up to 2% of net IAE budget to the next year, beginning with the 2007 budget. Accordingly, \$8.0 million (about 1.8% of the 2010 net IAE budget) has been carried over to 2011.

**APPENDIX 11**  
**Management and Staff Representation of ADB Members**  
(as of 31 December 2010)

Member	Management	International Staff	National/ Administrative Staff		Member	Management	International Staff	National/ Administrative Staff		Total
			Total					Total		
<b>REGIONAL</b>										
Afghanistan	0	0	15	15	Austria	0	9	0	9	
Armenia	0	1	5	6	Belgium	0	9	0	9	
Australia	0	56	8	64	Canada	0	45	0	45	
Azerbaijan	0	0	4	4	Denmark	0	8	0	8	
Bangladesh	0	9	49	58	Finland	0	7	1	8	
Bhutan	0	3	0	3	France	0	33	0	33	
Brunei Darussalam	0	0	0	0	Germany	1	37	2	40	
Cambodia	0	0	22	22	Ireland	0	1	0	1	
China, People's Republic of	1	63	44	108	Italy	0	16	0	16	
Cook Islands	0	0	0	0	Luxembourg	0	2	0	2	
Fiji	0	3	12	15	The Netherlands	0	15	0	15	
Georgia	0	2	5	7	Norway	0	4	0	4	
Hong Kong, China	0	5	0	5	Portugal	0	4	0	4	
India	1	78	46	125	Spain	0	13	0	13	
Indonesia	0	39	40	79	Sweden	0	9	0	9	
Japan	1	138	4	143	Switzerland	0	7	0	7	
Kazakhstan	0	5	8	13	Turkey	0	4	0	4	
Kiribati	0	0	1	1	United Kingdom	0	37	0	37	
Korea, Republic of	0	49	1	50	United States	1	130	2	133	
Kyrgyz Republic	0	7	7	14	<b>Subtotal</b>	2	390	5	397	
Lao People's Democratic Republic	0	2	17	19	<b>Overall Total</b>	6	1,024	1,803	2,833	
Malaysia	0	29	0	29						
Maldives	0	0	0	0						
Marshall Islands	0	0	0	0						
Micronesia, Federated States of	0	0	0	0						
Mongolia	0	3	10	13						
Myanmar	0	2	0	2						
Nauru	0	0	0	0						
Nepal	1	8	32	41						
New Zealand	0	17	0	17						
Pakistan	0	24	40	64						
Palau	0	1	0	1						
Papua New Guinea	0	1	8	9						
Philippines	0	37	1,322	1,359						
Samoa	0	1	0	1						
Singapore	0	9	0	9						
Solomon Islands	0	0	0	0						
Sri Lanka	0	10	25	35						
Taipei, China	0	4	0	4						
Tajikistan	0	2	11	13						
Thailand	0	10	10	20						
Timor-Leste	0	1	3	4						
Tonga	0	3	0	3						
Turkmenistan	0	0	2	2						
Tuvalu	0	0	1	1						
Uzbekistan	0	6	16	22						
Vanuatu	0	0	0	0						
Viet Nam	0	6	30	36						
<b>Subtotal</b>	4	634	1,798	2,436						

**APPENDIX 12**  
**Number of Authorized Positions in Resident Missions<sup>a</sup>**  
(2010)

Country	International Staff	National Staff	Administrative Staff	Total
<b>Resident Missions</b>				
Bangladesh	8	19	23	50
India	12	25	30	67
Nepal	4	14	14	32
Sri Lanka	4	13	10	27
Afghanistan	6	8	8	22
Azerbaijan	1	4	1	6
Kazakhstan	6	5	6	17
Kyrgyz Republic	2	5	3	10
Pakistan	10	18	19	47
Tajikistan	3	4	8	15
Uzbekistan	3	6	7	16
Armenia	0	3	3	6
Georgia	0	3	3	6
Turkmenistan	0	2	2	4
Turkey	0	1	0	1
China, People's Republic of	11	22	22	55
Mongolia	4	6	4	14
Cambodia	6	10	8	24
Indonesia	11	17	16	44
Lao People's Democratic Republic	4	9	7	20
Philippines	5	4	4	13
Thailand	7	5	4	16
Viet Nam	13	14	13	40
Pacific Liaison and Coordination Office in Sydney <sup>b</sup>	3	5	5	13
Pacific Subregional Office in Fiji <sup>c</sup>	5	5	8	18
Papua New Guinea	4	4	6	14
Special Liaison Office in Timor-Leste	2	3	2	7
<b>Subtotal</b>	<b>134</b>	<b>234</b>	<b>236</b>	<b>604</b>
<b>Representative Offices</b>				
Europe	2	1	2	5
Japan	2	1	2	5
North America	2	1	2	5
<b>Subtotal</b>	<b>6</b>	<b>3</b>	<b>6</b>	<b>15</b>
<b>Headquarters<sup>d</sup></b>	<b>842</b>	<b>377</b>	<b>962</b>	<b>2,181</b>
<b>OVERALL TOTAL</b>	<b>982</b>	<b>614</b>	<b>1,204</b>	<b>2,800</b>

a Includes outposted positions.

b Covers Nauru, Solomon Islands, and Vanuatu.

c Covers the Cook Islands, Fiji, Kiribati, Samoa, Tonga, and Tuvalu.

d Excludes Young Professionals and Board of Directors.

**APPENDIX 13**  
**Growth in Resident Missions (RMs) and Authorized Staff Positions at RMs**

	Number of Resident Missions and Authorized Positions									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of Resident Missions (RMs)	17	18 <sup>a</sup>	20 <sup>b</sup>	22	23	23	23	24	25	26 <sup>c</sup>
Total Authorized Positions at RM	279	317	361	389	437	448	490	520	553	604
International Staff (IS) and National Staff (NS) Positions at RM	169	190	223	240	270	267	300	321	339	368
International Staff <sup>d</sup>	65	72	80	87	107	96	112	119	130	134
National Staff <sup>e</sup>	104	118	143	153	163	171	188	202	209	234
Administrative Staff	110	127	138	149	167	181	190	199	214	236
Total Authorized Positions at ADB	2,055	2,116	2,187	2,229	2,310	2,340	2,381	2,498	2,550	2,800
IS and NS Positions at ADB	1,020	1,071	1,153	1,189	1,253	1,271	1,304	1,378	1,418	1,596
International Staff <sup>f</sup>	729	759	791	797	824	824	836	875	892	982
National Staff <sup>g</sup>	291	312	362	392	429	447	468	503	526	614
Administrative Staff	1,035	1,045	1,034	1,040	1,057	1,069	1,077	1,120	1,132	1,204
% of Authorized Positions at RM to Total Authorized Positions at ADB	13.6	15.0	16.5	17.5	18.9	19.1	20.6	20.8	21.7	21.6
% of IS and NS Positions at RMs to Total IS and NS Positions at ADB	16.6	17.7	19.3	20.2	21.5	21.0	23.0	23.3	23.9	23.1
International Staff	8.9	9.5	10.1	10.9	13.0	11.7	13.4	13.6	14.6	13.6
National Staff	35.7	37.8	39.5	39.0	38.0	38.3	40.2	40.2	39.7	38.1
Administrative Staff	10.6	12.2	13.3	14.3	15.8	16.9	17.6	17.8	18.9	19.6

a Includes Special Office in Timor-Leste, but excludes Thailand Resident Mission (TRM).

b Excludes Thailand Resident Mission (TRM); Azerbaijan Resident Mission (AZRM); Pacific Subregional Office in Fiji (SPSO); and Pacific Liaison and Coordination Office (PLCO) in Sydney, Australia.

c Excludes regional office in Turkey.

d Includes outposted positions.

e Includes 1 NS provided for Turkey.

f Excludes Young Professionals and Board of Directors.

g Classification of national and administrative staff started only in 2003.

## APPENDIX 14

### Selected Knowledge Products of ADB

#### ASIAN DEVELOPMENT BANK INSTITUTE

##### Books

- ADB. *ADBI: Year in Review 2009*. Tokyo: ADBI.
- . *Policy Recommendations to Secure Balanced and Sustainable Growth in Asia*. Tokyo: ADBI.
- . *Promoting Financial Inclusion through Innovative Policies*. Tokyo: ADBI.
- Bauer, A., and M. Thant (eds.). *Poverty and Sustainable Development in Asia: Impacts and Responses to the Global Economic Crisis*. Manila: ADB.
- Brooks, D., and S. Stone (eds.). *Trade Facilitation and Regional Cooperation in Asia*. Cheltenham, United Kingdom: Edward Elgar.
- Dervis, K., M. Kawai, and D. Lombardi (eds.). *Asia and Policymaking for the Global Economy*. Washington, DC: Brookings Institution Press.
- Kawai, M., and M. Lamberte (eds.). *Managing Capital Flows: Search for a Framework*. Cheltenham, United Kingdom: Edward Elgar.
- Kawai, M., and J.W. Lee (eds.). *Rebalancing for Sustainable Growth: Asia's Postcrisis Challenge*. Tokyo: ADBI.
- Kawai, M., and G. Pasadilla (eds.). *Effects of Social Policy on Domestic Demand*. Tokyo: ADBI.
- Kawai, M., and G. Wignaraja (eds.). *Asia's Free Trade Agreements: How is Business Responding?* Cheltenham, United Kingdom: Edward Elgar.
- McCawley, P., and S. Jayasuriya (eds.). *The Asian Tsunami: Aid and Reconstruction after a Disaster*. Cheltenham, United Kingdom: Edward Elgar.
- McCawley, P., and S. Jayasuriya. *The Asian Tsunami: Aid and Reconstruction after a Disaster—Highlights*. Tokyo: ADBI.

##### Working Papers

###### *ADBI Working Paper Series*

- Adams, Charles. The Role of the State in Managing and Forestalling Systemic Financial Crises: Some Issues and Perspectives. No. 242. August.
- Aizenman, Joshua. International Reserves and Swap Lines in Times of Financial Distress: Overview and Interpretations. No. 192. February.
- Aizenman, Joshua, Menzie D. Chinn, and Hiro Ito. The Financial Crisis, Rethinking of the Global Financial Architecture, and the Trilemma. No. 213. April.
- Aldaba, Rafaelita and Gloria Pasadilla. The ASEAN Services Sector and the Growth Rebalancing Model. No. 246. September.
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- Asher, Mukul G. The Global Economic Crisis: An Opportunity for Strengthening Asia's Social Protection Systems? No. 198. February.
- Banomyong, Ruth. Supply Chain Dynamics in Asia. No. 184. January.
- Bhattacharyay, Biswa Nath. Estimating Demand for Infrastructure in Energy, Transport, Telecommunications, Water and Sanitation in Asia and the Pacific: 2010–2020. No. 248. September.
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- Bosworth, Barry and Susan Collins. Rebalancing the US Economy in a Post-Crisis World. No. 236. August.
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- Chia, Siow Yue. Regional Trade Policy Cooperation and Architecture in East Asia. No. 191. February.
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- Chow, Hwee Kwan. Asian Tigers' Choices: An Overview. No. 238. August.
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- De, Prabir, Muthi Samudram, and Sanjeev Moholkar. Trends in National and Regional Investors Financing Crossborder Infrastructure Projects in Asia. No. 245. September.
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Policy Study on Construction of Agricultural Infrastructure and the Establishment of Modern Agricultural Industry System Supported by Governments in People's Republic of China  
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The Role of Fiscal Policy in Rebalancing the People's Republic of China (ADB Brief No. 3)  
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##### Working Papers

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Amoranto, G., D. H. Brooks, and N. Chun. Services Liberalization and Wage Inequality in the Philippines. No. 239. December.  
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- Special Evaluation Study: Indonesia: Has the Multi-subsector Approach Been Effective for Urban Services Assistance?
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  - Does Electrification Improve Quality of Rural Life? ADB's Assistance for Rural Electrification in Bhutan
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 Report to the President, Office of Anticorruption and Integrity Annual Report 2009
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 BCRC Annual Report  
 Compendium on accountability and compliance and the use of country systems (IAMnet online discussion materials)  
 Compliance Review brochure  
 Compliance Review Quarterly (e-newsletter)  
 Compliance Review: A Guide to the Compliance Review Process and Filing a Request for Compliance Review  
 CRP Annual Report  
 CRP's annual monitoring reports, including lessons learned  
 Filing a Request for Compliance Review  
 Knowledge Showcase – Lessons learned from compliance review of the Chashma Right Bank Irrigation (Phase III) project  
 Online video on the Accountability Mechanism

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 Animated Video, A Complaint on an ADB-Supported Project and How It Was Resolved  
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 Consultation Phase Brochure  
 Designing and Implementing Grievance Redress Mechanisms: A Guide for Implementors of Transport Projects in Sri Lanka  
 Flash presentation, National Highway Development Sector Investment Program in Pakistan  
 Flash presentation, OSPF Outreach Experiences  
 Information Guide to the Consultation Phase  
 OSPF Annual Report  
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In Focus

ADB and Civil Society (updated)

Disaster Risk Management (updated)

Governance (updated)

Knowledge Solutions (updated)

Communities of Practice (updated)

- Intersections eNewsletter: (3 quarterly issues in 2010)
- Knowledge Capture and Storage
- Knowledge Sharing and Learning
- Knowledge Showcases
- Boasting Aquaculture Livelihoods in Post-Disaster Aceh, Indonesia
  - Building Narrative Capacity in ADB
  - Chashma: A Case Study in Compliance
  - Climate Proofing Timor-Leste's Roads
  - Customizing a Decentralized Sanitation Solution for Viet Nam's Periurban Areas
  - Making Connectivity Work: Contract Growing Along the Lao–Thai Border
  - Managing Climatic Risks with Adaptation
  - Post-Disaster Action Planning
  - Raising Farmer Incomes through High-Value Crops
- knowledge@ADB (9 monthly issues from April–December 2010)
- Landmark Forum Charts Directions for Food Security
- Management Techniques
- Partnership Newsletter (Issues 1–6)
- Poverty Matters (e-newsletter, 4)
- Promoting Clean Energy in Asia and the Pacific: Energy Security, Access, and Low Carbon Development
- Protecting the Health Status of the Poor during the Financial Crisis in Mongolia
- Protecting Vulnerable Women and Children in Nepal
- Putting Knowledge Solutions to Work
- Reflections and Beyond Postcard
- Reforming Asia's Pension Systems
- Strategy Development
- Strengthening Social Services Delivery Program in Georgia
- Strengthening the Antipoverty Effects of Welfare Service Programs in the People's Republic of China
- Supporting the Safety Net Programs for Food Security in Bangladesh
- Toward an Improved Public Employment Service System in the Western Region of the People's Republic of China
- Books**
- ADB: Reflections and Beyond*
- Asian Environment Outlook 2010: Green Growth, Resources and Resilience (Preview Report)*
- Ho Chi Minh City Adaptation to Climate Change: Summary*
- Knowledge Management on Air Quality: Case Studies*
- Learning in Development*
- Poverty and Sustainable Development in Asia: Impacts and Responses to the Global Economic Crisis*
- Operational Reports**
- Education by 2020: A Sector Operations Plan
- Financial Due Diligence Retrospective Report 2008–2009
- Public–Private Partnerships in ADB Education Lending, 2000–2009
- Strengthening Inclusive Education
- Reports**
- Engaging Private Sector Capital at Scale in Financing Low Carbon Infrastructure in Developing Countries
- 2010 Learning for Change Survey
- 2010 MDG Report
- ADB Assistance in ICT for Development: ICT for Development: ADB Experiences
- ADB–CSO Cooperation Annual Report 2010
- Assessment of ADB's Knowledge Management Implementation Framework
- Bangladesh Country Gender Assessment (with SAOD)
- Civil Society Concerns Paper
- Clean Energy Financing Partnership Facility: Annual Report: January to December 2009
- Clean Energy Financing Partnership Facility: Semianual Progress Report: January to June 2010
- Clean Energy in Asia: Case Studies of ADB Investments in Low-Carbon Growth
- Climate Instruments for the Transport Sector (previously entitled Post-2012 Mechanisms for Transport)
- Every Drop Counts—Learning from Good Practices in Eight Asian Cities
- Gender Equality Results
- Bangladesh Case Studies (with SAOD)
  - Nepal Case Studies (with SAOD)
- Gender Equality Results in ADB Projects
- Indonesia Country Report
  - Mongolia Country Report
  - Regional Synthesis of Rapid Gender Assessments in Indonesia, Mongolia, Sri Lanka, and Viet Nam
  - Sri Lanka Country Report
  - Viet Nam Country Report
- Good Practices for Urban Water Management in Asia (Final Report)
- Overview of Gender Equality and Social Inclusion in Nepal (with SAOD)
- Pacific MDG Workshop Report
- Parking Policy in Asia (Working Paper)
- Proceedings of the Regional Workshop on Social Assistance and Conditional Cash Transfers
- Publication on Asian Innovation Policy Practices
- Rethinking Transport and Climate Change
- Review of ADB Assistance for Public–Private Partnerships in Infrastructure Development (1998–2008)
- Survey of Demand for ADB Knowledge Products through Resident and Regional Missions
- Study of ADB's Knowledge Taxonomy
- The Criminalization of Bribery in Asia and the Pacific: Frameworks and Practices in 28 Asian and Pacific Jurisdictions (Thematic Review)
- The Criminalization of Bribery in Asia and the Pacific: Proceedings of the Regional Seminar on Criminalization of Bribery
- Workability Index in Asia (Working Paper)
- Training and Instructive Materials**
- Addressing Climate Change in Asia and the Pacific: Impacts on Food, Fuel, and People
- Advancing Roles and Functions for Knowledge Management Coordination
- Advancing the Development of Knowledge Partnership Guidelines
- An Appreciative Inquiry Cameo
- Climate Change ADB Programs: Strengthening Adaptation and Mitigation in Asia and the Pacific
- Development of National REDD+ Strategies in Asia and the Pacific – Progress and Challenges
- Enriching Policy with Research
- Essentials of Knowledge Partnerships
- Focused Action: Priorities for Addressing Climate Change in Asia and the Pacific (Main Report and Highlights)
- Forests, People, Climate, and Land Use: ADB's REDD+ Program
- Generic Learning Outcomes from Site Visits
- Guidance Note for Education Sector Risk Assessment
- Guidance Note for Road Transport Risk Assessment
- Guidance on Financial Reporting for SMEs
- Guidance on Project Sustainability
- Key Messages for Policy Makers
- Knowledge Management and Learning Series
- Learning from Evaluation
  - Reflective Practice
  - Learning in Teams
- Knowledge Sharing and Learning for Health
- Knowledge Solutions
- A Primer on Corporate Values
  - A Primer on Social Neuroscience
  - A Primer on Talent Management
  - Bridging Organizational Silos
  - Crafting a Knowledge Management Results Framework
  - Design Thinking
  - E-Learning and the Workplace
  - Embracing Failure

<p><b>Engaging Staff in the Workplace</b></p> <ul style="list-style-type: none"> <li>Enriching Knowledge Management Coordination</li> <li>Enriching Policy with Research</li> <li>Forestalling Change Fatigue</li> <li>Harvesting Knowledge</li> <li>Informal Authority in the Workplace</li> <li>Leading Top Talent in the Workplace</li> <li>Marketing in the Public Sector</li> <li>New-Age Branding and the Public Sector</li> <li>Seeding Knowledge Solutions Before, During, and After</li> <li>Seeking Feedback on Learning for Change</li> <li>Showcasing Knowledge</li> <li>Social Media and the Public Sector</li> <li>Sparking Innovations in Management</li> <li>Sparking Social Innovations</li> <li>Taxonomies for Development</li> <li>The Critical Incident Technique</li> <li>The Future of Social Marketing</li> <li>The Perils of Performance Measurement</li> <li>Latest Trends in Independent Evaluation in ADB</li> <li>Learning for Change Primer           <ul style="list-style-type: none"> <li>Building a Learning Organization</li> <li>Communities of Practice: Passing the Fitness Test</li> <li>Designing Knowledge Partnerships Better</li> <li>Leveraging Knowledge with ICT</li> <li>Managing Knowledge at Work</li> <li>Understanding Knowledge Management and Learning Essentials</li> </ul> </li> <li>Learning to Manage with Knowledge</li> <li>Leveraging Learning in Evaluation</li> <li>Linking Research to Practice</li> <li>Picking Investments in Knowledge Management</li> <li>Technical Note on Strengthening PFM through Fixed Asset Management</li> </ul> <p><b>Working Papers</b></p> <ul style="list-style-type: none"> <li>Climate Governance: Ensuring a Collective Commitment to a Low Carbon, Climate Resilient Future</li> <li>Developing Disaster Risk Finance at ADB within a DRM–CCA Framework</li> <li>Fuelling Transparency and Accountability in the Natural Resources and Energy Markets</li> <li>Integrating Disaster Risk Management and Climate Change Adaptation in ADB</li> <li>Restoring Trust: Global Action for Transparency and Control of Corruption</li> <li>RSDD Working Paper No. 15 – Food Security in Asia and the Changing Role of Rice</li> <li>RSDD Working Paper No. 16 – Food and Nutrition Security Status in India: Opportunities for Investment Partnerships</li> <li>Strengthening Global Action for an Accountable Corporate World: Restoring Trust in Business</li> <li>Various papers on the environments of the poor</li> </ul> <p><b>Additional Knowledge Products from ERD:</b></p> <p><b>Training and Instructive Material</b></p> <ul style="list-style-type: none"> <li>A Handbook on Using the Mixed Survey for Measuring Informal Employment and the Informal Sector Using the Mixed Survey for Measuring the Informal Sector and Informal Employment Brochure</li> </ul> <p><b>Communities of Practice</b></p> <p><b>Education</b></p> <p><b>Operational Report</b></p> <ul style="list-style-type: none"> <li>Education by 2020 – A Sector Operations Plan</li> </ul> <p><b>Training and Instructive Materials</b></p> <p>Strengthening Inclusive Education</p> <p>Training and Instructive Material: Public–Private Partnerships in ADB Education Lending 2000–2009</p>	<p><b>Energy</b></p> <ul style="list-style-type: none"> <li>Online Database Portal: ENERcall, the online portal of the Energy CoP that contains databases of Knowledge output from Energy TAs, 2005–2009</li> <li>Country energy sector data</li> <li>Peer reviews of ADB energy sector projects, 2010</li> <li>Global Renewable Projects</li> <li>Presentations and reference documents from internal and external conferences, workshops, and learning sessions (e.g., BTORs, powerpoint presentations, conference materials)</li> </ul> <p><b>Awareness-Raising and Multimedia Material</b></p> <ul style="list-style-type: none"> <li>Asia Solar Energy Initiative Primer</li> </ul> <p><b>Environment</b></p> <p><b>Book</b></p> <ul style="list-style-type: none"> <li>Asian Environment Outlook – Green Growth, Resources and Resilience</li> </ul> <p><b>Gender Equity</b></p> <p><b>Training and Instructive Materials</b></p> <ul style="list-style-type: none"> <li>Gender Checklist on Transport</li> <li>Gender Checklist on Public Sector Management</li> </ul> <p><b>Public Management and Governance</b></p> <p><b>Training and Instructive Materials</b></p> <ul style="list-style-type: none"> <li>Guidance Note – Education Sector Risk Assessment (completed)</li> <li>Guidance Note – Road Transport Subsector Risk Assessment (completed)</li> </ul> <p><b>Report/Operational Report</b></p> <ul style="list-style-type: none"> <li>Governance Stocktake and 15-year strategic review of ADB's governance portfolio and program (first draft completed)</li> </ul> <p><b>Strategy, Policy, and Administrative Documents</b></p> <ul style="list-style-type: none"> <li>Policy Note – Impact of Fiscal Decentralization: Issues in Theory and Challenges in Practice (draft completed)</li> <li>Policy Note – Fiscal Decentralization in Asia: Challenges and Opportunities (draft completed)</li> <li>Policy Note – Taxation in Asia (draft completed)</li> </ul> <p><b>ADB Briefs</b></p> <ul style="list-style-type: none"> <li>Governance Brief Issue No. 19 – A Political Economy Analyses of the Roll-On–Roll-Off Terminal System ("RoRo") in the Philippines (draft for completion in December)</li> <li>Governance Brief Issue No. 20 – Social Accountability and Governance Risk Assessments (revised draft for completion in December)</li> <li>Governance Brief Issue No. 21 – Does Decentralization Improve Local Service Delivery? Quantitative and Survey Results from Camarines Norte Province in the Philippines (draft completed)</li> </ul> <p><b>Transport</b></p> <p><b>Strategy, Policy, and Administrative Document</b></p> <ul style="list-style-type: none"> <li>Connecting Greater Mekong Subregion Railways: A Strategic Framework, Southeast Asia Department</li> </ul> <p><b>Awareness-Raising and Multimedia Materials</b></p> <ul style="list-style-type: none"> <li>Toolkit for Urban Transport (Bus Transport) through Public Private Partnerships for the State of Maharashtra</li> <li>Freedom to Grow: Impact Stories from the Philippines</li> <li>Focused Action – Priorities for Addressing Climate Change in Asia and the Pacific</li> <li>NAMAs in the Transport Sector: Case Studies from Brazil, Indonesia, Mexico, and People's Republic of China. ADB and IADB</li> </ul> <p><b>Reports</b></p> <ul style="list-style-type: none"> <li>Bridges across Oceans – Initial Impact Assessment of the Philippines Nautical Highway System and Lessons for Southeast Asia (with The Asia Foundation)</li> <li>Reducing Carbon Emissions from Transport Projects. Narendra Singru, IED, ADB</li> </ul>
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***Urban*****Books: Urban Development Series**

- Awareness-Raising and Multimedia Materials: Urban Innovations and Best Practices*  
*Eco-City Development – New and Sustainable Way Forward?*  
*Financing Mechanism*  
*Financing Urban Development in the PRC*  
*Municipal Solid Waste Treatment: Case Study of PPPs in Wenzhou*  
*Rebuilding Lives and Homes in Aceh and Nias, Indonesia*  
*Retrofitting Sustainable Urban Development Practices – Renewable Energy*  
*Retrofitting Sustainable Urban Development Practices – Urban Public Transport*  
*Unleashing Economic Growth – Region-based Urban Development Strategy for Nepal*  
*Urban Development Policy of IND (Part 1) – Mobility of People by Bus Rapid Transit*  
*Urban Development Policy of IND (Part 2) – Corridor Densification by Floor Space Index-linked Land Use Control and Infrastructure*  
*Urban Public Transport – Case Study of PPP in Beijing*  
*Urban Water Supply – Case Study of PPPs in Maanshan*  
*Wastewater Treatment – Case Study of PPPs in Shanghai*

**Operational Report: Research Studies**

- Guide to Increasing the Climate Resilience of Urban Water Infrastructure:  
Case Study of Wuhan City, PRC  
Rapid Economic Assessment Toolkit for Developing Cities  
Solid Waste Management Assessment in Pakistan

***Water*****Books**

- Economics of Sanitation Initiative – Cost-Benefit Analysis of Improved Sanitation in Southeast Asia and South Asia* (commissioned to Water and Sanitation Program)  
*Every Drop Counts* (summary compilation of good practices in urban water management in eight Asian cities)  
*Managing Water in Asia's River Basins* (commissioned to IUCN)  
*The Issues and Challenges of Reducing Non-Revenue Water*

**Working Papers**

- Accessing Available Freshwater: Expanded Capture and Storage  
Adapting to Climate Change: Flood Protection to 2030  
Basin Planning and Management: An Asian Scorecard  
Clean Up Costs: Expanding Investments  
Cleaning Utility Balance Sheets: Attracting Investments  
Energy in Water: The Case for a Smaller Footprint  
From Loss to Profit: Structural Transformation via Reduced Non-Revenue Water  
Legislating Clean Water: Getting the Laws to Work Better  
Less Water, More Food: Solutions for Enhanced Productivity  
Small Scale Irrigation: Is this the Future?  
Technologies in Irrigated Agriculture: Costs and Benefits  
Wastewater Reuse: Scale, Technologies, and Prospects

**Awareness-Raising and Instructive Material**

- Expert-Based Sanitation Decision Support System Phase 1 (commissioned to UNESCO-IHE Institute for Water Education)

**SOUTH ASIA DEPARTMENT****Books/Book Chapters**

- Agriculture, Food Security and Rural Development*. Oxford University Press  
An Assessment of Demand for Improved Household Water Services in South West Sri Lanka  
Lessons from Private Sector Participation in Water Supply and Sanitation Sector in Developing Countries  
*Unleashing Economic Growth: Region-Based Urban Development Strategy for Nepal*. June.

**Reports/Report Series**

- An Assessment of Recent Tax Reforms in Bangladesh  
Climate Change Adaptation in Himachal Pradesh Sustainable Strategies for Water Resources  
Climate Change in South Asia: Strong Responses for Building a Sustainable Future  
Competitive Cities (November 2010)  
Contracts for Public–Private Partnership (Gol–ADB PPP Initiative Knowledge Series)  
Cross Sectoral Implications of Biofuel Production and Use in India  
Environment Assessment (Bangladesh)  
Evaluating the Public Resource Management Program in Assam using a Synthetic Control Group  
Financial Sector Reforms in South Asia  
Fiscal Decentralization and Fiduciary Risks: A Case Study of Local Governance in Nepal  
Food Security Papers  
Gender Equality Results Case Studies:  
Bangladesh  
Bhutan  
Maldives  
Sri Lanka

- The Global Financial Crisis: Impact on Asia and Emerging Consensus  
Global Financial Crisis: The Way Forward  
Impact Stories from Bangladesh: A Portrait of Development  
Impact Stories from Bhutan: The Drive for Development  
Impact Stories from Nepal: Inclusive Growth  
Improving Health and Education Service Delivery through Public–Private Partnerships (KPMG Assisted Study under Gol–ADB PPP Initiative Knowledge Series)  
Institutional and Political Economy Analysis of Social Protection in Nepal  
Natural Gas Pricing in Bangladesh: A Preliminary Assessment  
The Political Economy of Reform Process in Nepal: Experience of the Finance Sector in 2010  
Position Paper on Ports and Private Sector Participation (India) (Gol–ADB PPP Initiative Knowledge Series)  
Poverty Assessment in Bangladesh  
PPP Knowledge Series  
Health and Education  
Legal Contracts  
Urban Water  
PPP Projects under Structuring  
Private Sector Assessment: The Case of Bangladesh  
Proceedings of the Study Tour Program on Water Services Management to Penang Water Utility (April 2010)  
Proceedings of the International Conference on Promoting Local Economic Development (February 2010)  
Product Innovations for Financing Infrastructure in India. A Study of Indian Debt Markets  
Risk Assessment and Risk Management (Bangladesh)  
SAARC Regional Energy Trade Study  
Scoping Study for Integrated Water Resources Management in Karnataka  
Scoping Study to Climate Change Adaptation-focused Sustainable Water Resources Strategy for Himachal Pradesh  
Strengthening Capacity for Climate Change Adaptation (Sri Lanka)  
Toolkit for Public Private Partnership in Urban Water Supply for Maharashtra (CRISIL Assisted Study under Gol–ADB PPP Initiative Knowledge Series)  
Toolkit for Urban Transport (Bus Transport) through Public Private Partnerships for the State of Maharashtra (CRISIL Assisted Study under Gol–ADB PPP Initiative Knowledge Series)  
Understanding Poverty in India

**Journal**

- Technical Efficiency of Sawmilling and Conservation of Natural Forests: Evidence from Sri Lanka

**Briefs/Notes**

- Bangladesh: Development Effectiveness Brief: A Partnership for Progress  
 Bangladesh Quarterly Economic Update (4)  
 Case Studies (2): Snapshots of PPP Projects (Solid Waste Management – Guwahati Assam, Modernization of Taraporewala Aquarium – Mumbai)  
 Flash Note 8: What is Happening to Food Prices in India? – A review of its determinants and possible policy responses  
 Flash Note 9: Trade Facilitation in South Asia: Why it Matters Most  
 Flash Note 10: Determinants of the Stock Price Surge in Bangladesh and Sri Lanka  
 India Economic Bulletin January–March 2010  
 Nepal: Development Effectiveness Brief  
 Nepal Economic Updates (3)  
 Notes from the Field (5): Snapshots of Pilot PPP Projects being Developed (NRW Reduction in Madhya Pradesh, Life Dignified: Shelters for the Homeless, Kolhapur Sewage Treatment Plant, Gyanodaya: Voucher School Programme in Rajasthan, Gwalior Hospital Project)  
 Notes on a Political Economy Approach to Improve the Impact of Development Programs and Projects

**Working Paper**

- The Impact of the Global Crisis on South Asia. South Asia Working Paper Series 1. February.

**Awareness-Raising and Multimedia Materials**

- ADB India Newsletter (quarterly)  
 Bangladesh Economic Indicators Update  
 Bulletin 3P: Sharing Knowledge on PPP Projects, Events, and Activities (2 issues)  
 Capacity Building Program for Executing Agency Staff  
     Environmental Safeguards (Module on CD)  
     Social Safeguards (Module on CD)  
 Gender and Development brochure  
 Newsletter on PPP Activities  
 RCI News Alert  
 RETA 6480 Subproject workshop on Scoping for the Proposed South Asia Pension Forum  
 Presentation on Electricity Sector Reforms: Expectations and Reality (Memorial University of Newfoundland, Canada, Sept 2010)  
 Presentation on Introduction of "Revenue Administration Management Information System (RAMIS)" into Partner Countries  
 Presentation on Transition to Independent Regulation: Challenges in the Energy Sector (Bangladesh Energy Regulators, Asian Institute of Technology, Bangkok, June 2010)  
*South Asia Seminar Series*  
     Biofuels for India: Policy, Economics and Way Forward. No. 43.  
     Commercialization of Microfinance. No. 41.  
     Gender at Work in SARD. No. 39.  
     Governance Risk Assessment in ADB Programs/Projects. No. 38.  
     Harnessing Economic Corridor, Trade, and Regional Integration Benefits. No. 37.  
     Harnessing South Asian Tourism Potential for Inclusive and Sustainable Growth. No. 36.  
     Mirror Mirror the wall: Why am I not the fairest of them all? Issues of malgovernance in SARD Countries. No. 44.  
     New Labor Split Data. No. 40.  
     PPP and Agriculture: Lessons Learned from the Design of the Agribusiness Infrastructure Development Investment Program in India. No. 42.  
     Resilience of Remittance Inflows to Nepal in FY2009 and Emerging Signs of the 'Dutch Disease.' No. 35.  
     Role of Fiscal Policy in Boosting Growth: Preliminary Evidence in Developing Asia. No. 34.

**Strategy, Policy, and Administrative Documents**

- Background papers on Regional Cooperation Strategy  
 Country Gender Assessment Bangladesh  
 Overview of Gender Equality and Social Inclusion in Nepal  
 Regional Cooperation Strategy (RCS) 2006–2008 Completion Report  
 Unleashing Economic Growth: Region-Based Urban Development Strategy for Nepal (June 2010)  
 Urban Development Policy of India (Part 1): Mobility of People by Bus Rapid Transit (April 2010)  
 Urban Development Policy of India (Part 2): Corridor Densification by Floor Space-Index Linked Land Use Control and Infrastructure Financing Mechanism (April 2010)

**SOUTHEAST ASIA DEPARTMENT****Books**

- An Agenda for High and Inclusive Growth in the Philippines*  
*Bridges across Oceans: Initial Impact Assessment of the Philippines Nautical Highway System and Lessons for Southeast Asia*  
*Central Government Spending in the Regions – Fiscal Decentralization in Indonesia Series Paper No. 2*  
*Connecting Greater Mekong Subregion Railways: A Strategic Framework For Life, With Love: Training Tool for HIV Prevention and Safe Migration in Road Construction Settings and Affected Communities*  
*Gender Equality Results in ADB Projects: Indonesia Country Report*  
*Gender Equality Results in ADB Projects: Viet Nam Country Report*  
*Ho Chi Minh City Adaptation to Climate Change: Summary Report*  
*Lessons from the Northern Economic Corridor: Mitigating HIV and Other Diseases*  
*Making a Difference in Mindanao*  
*Practice Guidelines for Harmonizing HIV Prevention Initiatives in the Infrastructure Sector: Greater Mekong Subregion*  
*Rebuilding Lives and Homes in Aceh and Nias, Indonesia*  
*Sanitation Finance in Rural Cambodia*  
*Sharing Growth and Prosperity: Strategy and Action Plan for the Greater Mekong Subregion Southern Economic Corridor*  
*Social Impact of the Global Financial Crisis in the Philippines*  
*Strategy and Action Plan for the Greater Mekong Subregion East-West Economic Corridor*  
*Strategy and Roadmap for Devolving the Property Tax – Fiscal Decentralization in Indonesia Series Paper No. 1*  
*Toward Sustainable and Balanced Development: Strategy and Action Plan for the Greater Mekong Subregion North-South Economic Corridor*  
*Towards a Social Protection Strategy for the Poor and Vulnerable*  
*Understanding Sub-National Government Proliferation and Options for Reform – Fiscal Decentralization in Indonesia Series Paper No. 3*  
*Water: Vital for Viet Nam's Future*

**Working Papers and Policy Notes**

- Advancing Competition Policy In Cambodia. January.  
 Tax Reforms towards Fiscal Consolidation: Policy Options for the New Administration. July.  
 Philippines Urban Sector Assessment, Strategy and Roadmap. October.  
 Transforming the Philippine Economy: "Working on Two Legs." October.  
 Policy Mix to Manage Increasing Capital Inflows to Indonesia.  
 Philippines Quarterly Economic Updates. April, July, October.

**Operational Report**

- Country Portfolio Performance Review Background Paper

**Awareness-Raising and Multimedia Materials**

- Cambodia: Building Solid Physical and Social Infrastructure  
 Freedom to Grow: Impact Stories from the Philippines  
 Lao People's Democratic Republic: At the Crossroads of Change  
 The Heart of Development: Impact Stories from Cambodia

**APPENDIX 15**  
**Evaluation Results for Sovereign Loans**

**Table A15.1**  
**Evaluation Results<sup>a</sup> for Sovereign Operations by Country, Cumulative from Evaluation Year 1973–2010**

Country	Total Rated Projects and Programs (no.)	Proportion (%)		
		HS/GS/S	PS	US
Afghanistan	4	75.0	25.0	0.0
Armenia	1	100.0	0.0	0.0
Azerbaijan	1	100.0	0.0	0.0
Bangladesh	111	59.5	32.4	8.1
Bhutan	13	76.9	15.4	7.7
Cambodia	23	87.0	13.0	0.0
China, People's Republic of	87	87.4	8.0	4.6
Georgia	2	100.0	0.0	0.0
India	45	64.4	28.9	6.7
Indonesia	192	62.5	30.7	6.8
Kazakhstan	10	60.0	40.0	0.0
Kyrgyz Republic	20	75.0	25.0	0.0
Lao People's Democratic Republic	47	70.2	25.5	4.3
Malaysia	57	64.9	29.8	5.3
Maldives	10	80.0	10.0	10.0
Mongolia	27	63.0	29.6	7.4
Myanmar	11	63.6	27.3	9.1
Nepal	77	57.1	32.5	10.4
Pacific DMCs	104	46.2	35.6	18.3
Pakistan	151	51.7	34.4	13.9
Papua New Guinea	40	32.5	57.5	10.0
Philippines	125	47.2	36.0	16.8
Sri Lanka	80	57.5	36.3	6.3
Tajikistan	14	92.9	7.1	0.0
Thailand	64	89.1	10.9	0.0
Uzbekistan	13	53.8	38.5	7.7
Viet Nam	42	83.3	14.3	2.4
Graduate Economies <sup>b</sup>	61	86.9	11.5	1.6
<b>Total</b>	<b>1,432</b>	<b>63.1</b>	<b>28.5</b>	<b>8.4</b>

GS = generally successful, HS = highly successful, PS = partly successful, S = successful, US = unsuccessful; DMC = developing member country.

Note: Totals may not add up because of rounding.

a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where both PCR and PCRV or PPER ratings are available.

b Hong Kong, China; Republic of Korea; and Singapore.

**Table A15.2**  
**Evaluation Results<sup>a</sup> for Sovereign Operations by Sector, Cumulative from Evaluation Year 1973–2010**

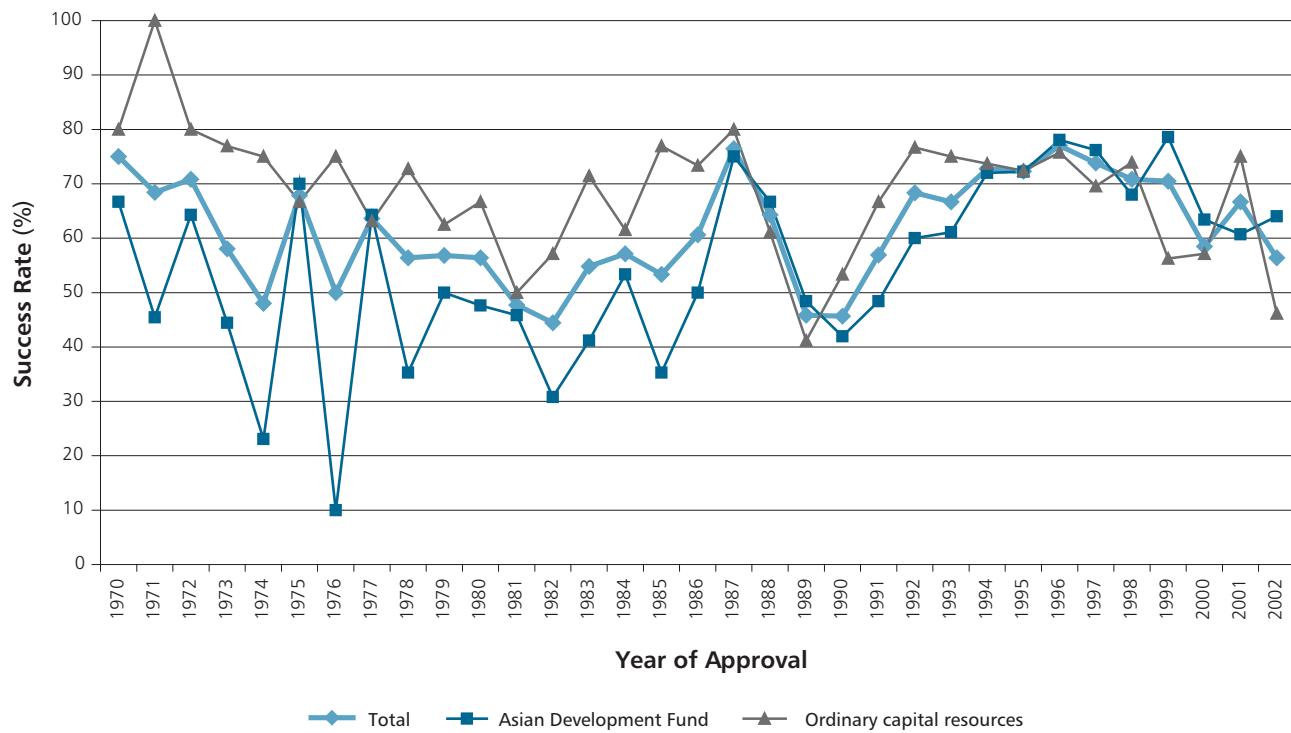
Country	Total Rated Projects and Programs (no.)	Proportion (%)		
		HS/GS/S	PS	US
Agriculture and Natural Resources	368	46.2	39.4	14.4
Education	106	72.6	24.5	2.8
Energy	199	79.4	18.6	2.0
Finance	148	50.0	38.5	11.5
Health and Social Protection	51	58.8	37.3	3.9
Industry and Trade	63	60.3	27.0	12.7
Multisector	71	74.6	19.7	5.6
Public Sector Management	40	52.5	37.5	10.0
Transport and ICT	239	81.6	13.0	5.4
Water and Other Municipal Infrastructure and Services	147	59.9	32.0	8.2
<b>Total</b>	<b>1,432</b>	<b>63.1</b>	<b>28.5</b>	<b>8.4</b>

GS = generally successful, HS = highly successful, PS = partly successful, S = successful, US = unsuccessful; ICT = information and communication technology.

Note: Totals may not add up because of rounding.

a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where both PCR and PCRV or PPER ratings are available.

**Figure A15**  
**Percentage of Sovereign Operations (Projects/Programs) Deemed Successful by Source of Funds**



Notes:

Based on completed projects/programs evaluated from 1973 to 2010.

Project/program implementation: 4–7 years.

Completion report: 1–2 years after completion.

Project/program evaluation: 3 years or more after completion.

Data from 2003 onwards are not included due to small sample size.

Figures for 2001–2002 may change as additional projects/programs are completed and evaluated.

**Table A15.3**  
**Evaluation Results<sup>a</sup> for Nonsovereign Operations by Country Cumulative from Evaluation Year 1992–2010**

Country	Total Rated Projects (no.)	Projects Evaluated from 1992 to mid-2006			Projects Evaluated from end-2006 to 2010			
		Using Old Criteria <sup>b</sup> (% of total)			Using New Criteria <sup>c</sup> (% of total)			
		HS/GS/S	PS	US	Total Rated Projects (no.)	HS/S	PS	US
Afghanistan	0	0.0	0.0	0.0	1	100.0	0.0	0.0
Azerbaijan	0	0.0	0.0	0.0	2	100.0	0.0	0.0
Bangladesh	2	100.0	0.0	0.0	2	100.0	0.0	0.0
Bhutan	0	0.0	0.0	0.0	1	100.0	0.0	0.0
China, People's Republic of	0	0.0	0.0	0.0	6	66.7	16.7	16.7
India	2	100.0	0.0	0.0	5	80.0	20.0	0.0
Indonesia	2	100.0	0.0	0.0	0	0.0	0.0	0.0
Mongolia	0	0.0	0.0	0.0	1	100.0	0.0	0.0
Nepal	1	0.0	100.0	0.0	0	0.0	0.0	0.0
Pakistan	3	100.0	0.0	0.0	0	0.0	0.0	0.0
Philippines	5	60.0	40.0	0.0	1	100.0	0.0	0.0
Sri Lanka	1	100.0	0.0	0.0	1	100.0	0.0	0.0
Thailand	0	0.0	0.0	0.0	1	100.0	0.0	0.0
Viet Nam	0	0.0	0.0	0.0	3	100.0	0.0	0.0
Regional	2	50.0	50.0	0.0	3	33.3	66.7	0.0
<b>Total</b>	<b>18</b>	<b>77.8</b>	<b>22.2</b>	<b>0.0</b>	<b>27</b>	<b>81.5</b>	<b>14.8</b>	<b>3.7</b>

GS = generally successful, HS = highly successful, PS = partly successful, S = successful, US = unsuccessful.

Note: Totals may not add up because of rounding.

a Based on aggregate results of project completion reports (PCRs), extended annual review reports (XARRs), XARR validation reports (XVRs), and project evaluation reports (PPERs) using XVR or PPER ratings in all cases where both PCR/XARR and XVR/PPER ratings are available.

b The criteria used in evaluating sovereign projects were also used in evaluating nonsovereign projects from 1992 to mid-2006.

c The new criteria for evaluating nonsovereign projects, as harmonized with other members of the Evaluation Cooperation Group, were used starting end of 2006.

**Table A15.4**  
**Evaluation Results<sup>a</sup> for Nonsovereign Operations by Sector Cumulative from Evaluation Year 1992–2010**

Sector	Total Rated Projects (no.)	Projects Evaluated from 1992 to mid-2006 Using Old Criteria <sup>b</sup>			Projects Evaluated from end-2006 to 2010 Using New Criteria <sup>c</sup>			
		(% of total)			(% of total)			
		HS/GS/S	PS	US	Total Rated Projects (no.)	HS/S	PS	US
Industry	3	100.0	0.0	0.0	1	100.0	0.0	0.0
Infrastructure	7	71.4	28.6	0.0	11	100.0	0.0	0.0
Capital Markets, Funds, and FIs	8	75.0	25.0	0.0	15	66.7	26.7	6.7
<b>Total</b>	<b>18</b>	<b>77.8</b>	<b>22.2</b>	<b>0.0</b>	<b>27</b>	<b>81.5</b>	<b>14.8</b>	<b>3.7</b>

GS = generally successful, HS = highly successful, PS = partly successful, S = successful, US = unsuccessful; FI = financial institution.

Note: Totals may not add up because of rounding.

a Based on aggregate results of project completion reports (PCRs), extended annual review reports (XARRs), XARR validation reports (XVRs), and project evaluation reports (PPERs) using XVR or PPER ratings in all cases where both PCR/XARR and XVR/PPER ratings are available.

b The criteria used in evaluating sovereign projects were also used in evaluating nonsovereign projects from 1992 to mid-2006.

c The new criteria for evaluating nonsovereign projects, as harmonized with other members of the Evaluation Cooperation Group, were used starting end of 2006.

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**GLOSSARY**

**B-loan.** A tranche of a direct loan nominally advanced by ADB, subject to eligible financial institutions' taking funded risk participations within such a tranche and without recourse to ADB. It complements an A-loan funded by ADB.

**Cofinancing.** The shared financing with a third party (other than the project sponsors) on a transaction-specific basis for a project (e.g., loan or technical assistance) or program associated with ADB funds, risk taking, or administrative involvement. It can be with or without a formal coordination agreement among the financing partners. The main sources of cofinancing are official and commercial.

**Direct value-added cofinancing.** Cofinancing with active coordination and formal agreements among financing partners that bring about defined client benefits, including contractual commitments by ADB (such as for credit enhancement, syndication, or financial administration) to facilitate mobilization, administration, or participation in cofinancing.

**Modality.** Involves the specific application of instruments (loan, equity investment, grant, project cofinancing, and guarantee) classified as investment support, policy-based support, other budget support (countercyclical support facility), or technical and advisory support.

**Multitranche financing facility.** A debt-financing facility to target discrete, sequential components of large stand-alone projects; slices (or tranches) of sector investment programs over a longer time frame than the current norm; financial intermediary credit lines; and guarantees.

**Nonsovereign operations.** Refer to an ADB-financed transaction with a subsovereign, state-owned enterprise, other public-private entity, or private sector entity as obligor or investee, normally without direct sovereign indemnity.

**Public sector nonsovereign transactions.** Refers to loans, guarantees, and syndications to or for enterprises that are majority owned by public parties (defined as entities with more than 50% of their capital held publicly).

**Sovereign, nonsovereign.** ADB lending is classified as sovereign or nonsovereign. A sovereign loan is guaranteed by the national government, while a nonsovereign loan is not.

**ABBREVIATIONS**

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CAREC	–	Central Asia Regional Economic Cooperation
CGIF	–	Credit Guarantee and Investment Facility
CoP	–	community of practice
CTL	–	Controller's Department
CRP	–	Compliance Review Panel
DMC	–	developing member country
GMS	–	Greater Mekong Subregion
ICT	–	information and communication technology
IED	–	Independent Evaluation Department
MDG	–	Millennium Development Goal
MfDR	–	Managing for Development Results
OAG	–	Office of the Auditor General
OAI	–	Office of Anticorruption and Integrity
OAS	–	Office of Administrative Services
OCR	–	ordinary capital resources
OIST	–	Office of Information Systems and Technology
PSOD	–	Private Sector Operations Department

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