



ASIAN DEVELOPMENT BANK

ANNUAL
REPORT
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An Asia Without Poverty

Message from the Chairman of the Board of Directors

Asia and the Pacific have made tremendous economic and social gains over the past three decades. Per capita income has tripled. Average

life expectancy at birth in the early 1970s was 48 years; now it's 65 years. Then, only 40 percent of the population could read and write; today, 70 percent of the region's adults are literate.

These three decades of unprecedented economic growth and improvement in the standard of living have witnessed a decline in the proportion

of Asians in poverty. Nevertheless, Asia is still home to the poor—two thirds of the world's poor live in Asia. South Asia alone has more than 500 million poverty-stricken people, almost twice as many as in the whole of Africa.

The 1997 financial crisis has worsened the situation by stalling decades of development and dragging millions of people back into poverty. Although the crisis has passed, the social aftershocks continue to be felt. Millions have lost their jobs and cannot find work. Women, children, the disabled, and the elderly are suffering most. Many are malnourished; more are prone to illness. Many children—girls in particular—have dropped out of school.

But the financial crisis has given us a chance to rectify the weaknesses and strengthen Asia's economies. By propelling poverty and suffering into the headlines, our attention has been drawn to the huge underclass that has been essentially untouched by the economic development of the past three decades. Many of us had become too complacent. Now is the time to harness our collective creativity, energy, and resources in the battle against poverty.

For ADB, a poverty-free region is not mere rhetoric. Reducing poverty in Asia has always been one of ADB's fundamental aims. Now, ADB has rededicated itself to the fight: it has made poverty reduction its overarching goal rather than just one of five strategic objectives.

ADB believes the most powerful weapons in the fight against poverty are pro-poor, sustainable economic growth, social development, and good governance. These are the three pillars on which ADB's poverty reduction strategy is built.

This single-mindedness of approach is radically changing how ADB does business, with all ADB staff members making poverty reduction their priority.

Starting this year, an annual ADB action plan for poverty reduction will be prepared, and country partnership agreements will be developed. ADB's commitment is that at least 40 percent of its lending volume by 2001 will be devoted to poverty interventions.

All projects will have to show that they benefit the poor, directly or indirectly. In this *Annual Report*, you will find many illustrations of the ways in which ADB is already immersed in this work—by encouraging private sector development, strengthening management in the public sector, promoting good governance, improving the status of women, protecting the environment, and promoting regional cooperation.

ADB supports the international and regional development targets established at summits in the 1990s, including the Strategy 21 goal of reducing by half the proportion of people in absolute poverty by 2015.

Bringing the vision of a poverty-free region to reality requires stronger partnerships between developed and developing countries. One such partnership is the Asian Development Fund (ADF), the only multilateral source of concessional assistance exclusively for the



A young stakeholder and President Tadao Chino at the Manila Social Forum

region. More than half of the ADF lending supports projects with explicit environmental and social objectives. But the ADF resource will be exhausted within this year: its funds are urgently in need of replenishment.

Of course, our developing member countries themselves have the primary responsibility for fighting poverty. We will help them in every way we can, but success requires cooperation and partnership, not only with and between governments, but also with nongovernment organizations, funding agencies, the private sector, and—critically—the people of Asia.

Although the crisis-hit economies are showing signs of revival and the economic prognosis is positive, much work needs to be done to ensure that gains are sustained. We have long known that growth can reduce poverty by generating employment and incomes. We know, too, that pro-poor growth can reduce it even faster. We have learned much from recent experience in East Asia.

We recognize that human development is the key to economic development. This means a proper balance between the economic and social agendas. It means ensuring adequate nutrition, health care, and education. It means investing in social capital and creating the right policy environment for those investments.

In a world so rich in resources and brilliant

minds, it is unacceptable that deprivation and destitution should still plague so many of the world's people, as has happened in many countries in the 20th century. Asia and the Pacific can be free of poverty. But this requires continued strong international commitment to this task.

ADB has a clear vision of a poverty-free region. To achieve our vision will never be easy. But, I am convinced that with close cooperation with all our development partners, we together can free Asia and the Pacific from poverty, and make the region a better place where all people can live with dignity and hope.

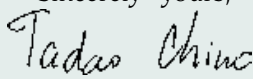
ASIAN DEVELOPMENT BANK
Manila

28 March 2000

Chairman of the Board of Governors
Asian Development Bank

Dear Mr. Chairman:

In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the *Annual Report* for 1999, including a separate report on the activities of the special funds, which has been prepared under the direction of the Board of Directors. The *Annual Report* also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,

TADAO CHINO
President and Chairman
of the Board of Directors

Operational Highlights

ADB operations, 1999

Loan approvals

- Lending for both public and private sector operations totaled \$5 billion for 66 loans in 52 projects.
- Of the total lending, loans with government guarantee were \$5 billion for 48 projects, comprising \$4 billion from ordinary capital resources (OCR) and \$1 billion from the Asian Development Fund (ADF).
- Lending to the private sector without government guarantee amounted to \$146 million for four loans.
- Twenty-one developing member countries (DMCs) and one regional project received ADB loans in 1999. The People's Republic of China (PRC) received the largest amount (\$1.2 billion or 25 percent), followed by Indonesia, India, Pakistan, Thailand,

Bangladesh, Viet Nam, Sri Lanka, and Papua New Guinea.

- Social infrastructure received the highest share of loans with 28 percent of the total lending in 1999. This was followed by transport and communications, energy, multisector, agriculture and natural resources, industry and nonfuel minerals, others, and finance.
- The average loan size in 1999 was \$75 million.
- Thirty-six loans approved in 1999, involving \$3 billion, resulted from earlier technical assistance. Of this, \$2 billion was from OCR and \$1 billion from ADF.

Poverty reduction

- Nearly 40 percent of project approvals, excluding private sector and technical assistance loans, had poverty reduction as their primary or secondary objective.

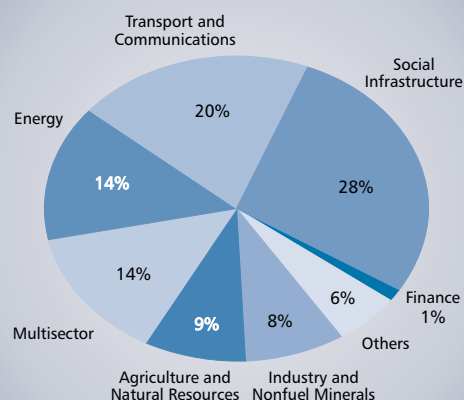
ADB Operations

	\$ Million		%
	1998	1999	
Lending			
OCR	4,995.4	3,908.1	(21.8)
ADF	987.1	1,070.5	8.4
Total Lending	5,982.5	4,978.6	(16.8)
Equity Investments	62.4	7.4	(88.1)
Technical Assistance Grants ^a	162.2	172.9	6.6
Total	6,207.1	5,158.9	(16.9)

() Negative.

a Includes regional activities.

Loans by Sector, 1999



Total: \$4,978.6 million

Loan disbursements

- The total amount of loans disbursed in 1999 was \$5 billion. Fifty-five percent of total disbursements were made for project loans, followed by program and sector loans.

Private sector operations

- ADB approved one equity investment in the private sector amounting to \$7 million.

Technical assistance

- In 1999, 315 technical assistance grants, amounting to \$173 million, were approved.
- The largest share (21 percent) of total technical assistance went to the agriculture and natural resources sector.
- Of the technical assistance projects, 70 were for project preparation, 169 for advisory and operational purposes, and 76 for regional activities.

- Of the total amount for technical assistance, \$88 million came from the Technical Assistance Special Fund (TASF) and OCR, \$61 million from the regular and supplementary contributions to the Japan Special Fund (JSF), over \$10 million from the Asian Currency Crisis Support Facility (ACCSF), and the remaining \$13 million from other sources.

- Technical assistance components of loans in 1999 amounted to \$205 million.

- The PRC received the largest share of technical assistance grants amounting to nearly \$20 million or 15 percent of total. Other top recipients were Indonesia, Bangladesh, Viet Nam, Sri Lanka, Cambodia, Philippines, India, Thailand, and Lao People's Democratic Republic.

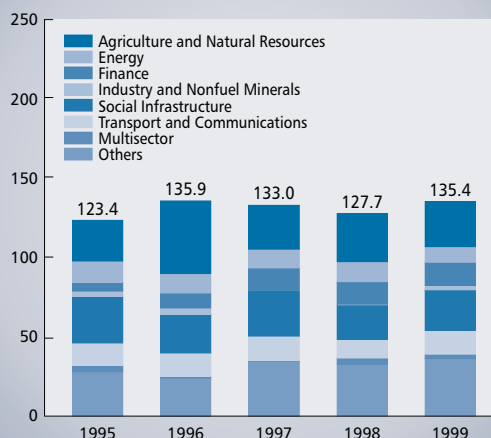
Cofinancing

- Cofinancing mobilized from all sources amounted to \$3 billion for 28 projects—equivalent to 61 percent of ADB's total lending in 1999.

Loan Approvals and Disbursements, 1995-1999



Technical Assistance Grants by Sector,^a 1995-1999



^a Excludes regional technical assistance.

ADB operations, 1966–1999

Resources

- Authorized capital was equivalent to \$48 billion as of 31 December 1999.
- About \$40 billion has been borrowed from international capital markets for ordinary capital lending and private sector investments.
- ADF resources for concessional lending to lower-income DMCs amount to about \$22 billion; TASF resources for financing technical assistance grants total \$809 million.
- Total lending has amounted to \$82 billion in public and private sector loans involving 1,550 projects in 38 DMCs; \$600 million has gone to equity investments and equity underwritings.
- Nearly \$2 billion has been provided in technical assistance grants (resulting in 813 loans, totaling \$40 billion): \$446 million has gone for project preparation; \$1 billion for project implementation and advisory purposes;

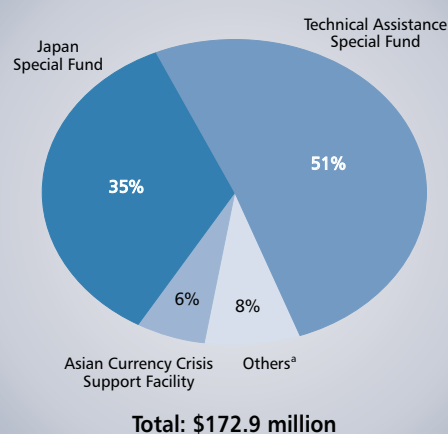
and \$318 million for regional activities. Of this, \$819 million was from TASF and OCR; \$652 million from JSF; over \$10 million from ACCSF; and \$301 million from others, including multilateral and bilateral sources.

- Nearly \$32 billion has been mobilized by way of cofinancing, of which official sources contributed \$21 billion, and commercial sources (including commercial banks, insurance companies, and export credit sources), \$11 billion.

Sector activities

- *Agriculture and Natural Resources:* There have been 460 projects, including 208 irrigation and rural development projects; 105 fishery, livestock, and forestry projects; 45 projects for industrial crops and agro-industry; and 102 projects for agriculture sector support services, including fertilizer production.
- *Energy:* ADB has funded a total of 248 projects, including 207 power projects for creating 27,000 megawatts

Technical Assistance Grants by Source, 1999



^a Administered by ADB. Others include Australia, Denmark, Finland, France, Netherlands, Norway, Sweden, and Switzerland.

Technical Assistance Loans and Grants by Sector, 1999
(amounts in \$ million)

	Loan	Grant ^a	Total	%
Agriculture and Natural Resources	16.5	28.4	44.9	13.2
Energy	27.0	9.8	36.8	10.8
Finance	14.1	14.9	29.0	8.5
Industry and Nonfuel Minerals	7.0	2.8	9.8	2.9
Social Infrastructure	74.2	25.7	99.8	29.4
Transport and Communications	42.3	14.6	57.0	16.8
Multisector	23.5	2.8	26.3	7.7
Others	–	36.4	36.4	10.7
Total	204.6	135.4	340.0	100.0

^a Excludes technical assistance grants for regional activities amounting to \$37.5 million.

of generation capacity and 190,000 kilometers of transmission/distribution circuits. Nonpower energy projects provided for expanding production of natural gas and coal, and rehabilitating refineries and distribution networks for gas.

- *Finance:* There have been 160 projects, including 116 projects in development finance institutions; 38 projects in capital market development; and 6 projects for privatization.
- *Industry and Nonfuel Minerals:* There have been 71 projects, including 64 industry (nonagriculture) projects, and 7 nonfuel mineral projects.
- *Social Infrastructure:* There have been 296 projects, including 108 water supply and sanitation projects; 97 education projects for establishing, rehabilitating, and expanding primary, secondary, and tertiary-level education and training institutions; 53 projects providing physical and institutional support for housing and

a variety of urban infrastructure facilities; and 38 health and population projects providing physical and institutional support.

- *Transport and Communications:* There have been 254 projects, including 141 projects for constructing, rehabilitating, and maintaining primary, secondary, and feeder roads; 56 projects in the port and shipping subsectors for constructing, rehabilitating, modernizing, and expanding port facilities; 16 railway projects primarily for increasing freight capacity; 18 airport projects for expanding and upgrading airport facilities; and 23 telecommunications projects for improving and extending services.
- *Multisector:* There have been 47 projects aimed at more than one of ADB's major economic sectors.
- *Others:* There have been 14 projects not classified in any of ADB's current major sector classifications.

Top Borrowers, 1999

	Loans	
	\$ Million	%
PRC	1,258.5	25.3
Indonesia	1,020.0	20.5
India	625.0	12.5
Pakistan	402.8	8.1
Thailand	363.8	7.3
Bangladesh	332.0	6.7
Viet Nam ^a	195.0	3.9
Sri Lanka	183.8	3.7
Papua New Guinea	108.8	2.2
Cambodia	88.0	1.8
Philippines	88.0	1.8
Other DMCs	312.9	6.2
Total	4,978.6	100.0

a The regional project, Greater Mekong Subregion: East-West Corridor, included a loan component for Viet Nam for \$25 million.

Top Recipients of Technical Assistance Grants, 1999^{a,b}

	Technical Assistance	
	\$ Million	%
PRC	19.9	14.7
Indonesia	11.3	8.3
Bangladesh	10.9	8.0
Viet Nam	10.3	7.6
Sri Lanka	7.9	5.9
Cambodia	7.5	5.6
Philippines	7.3	5.4
India	7.2	5.3
Thailand	6.3	4.6
Lao PDR	5.9	4.4
Other DMCs	40.8	30.2
Total	135.4	100.0

a Excludes technical assistance for regional activities totaling \$37.5 million.

b Figures may not add because of rounding.

The Record

(amounts in \$ million)

	1966–1999 ^a	1996	1997	1998	1999
OPERATIONAL ACTIVITIES					
TOTAL LENDING (amount)	82,239^b	5,325	9,344	5,982	4,979
Number of Projects ^c	1,550	79	74	57	52
OCR Loans (amount)	59,478	3,664	7,794	4,995	3,908
Number of Loans	892	45	42	39	34
Disbursements (amount)	38,882	2,563	5,304	5,623	3,710
ADF Loans (amount)	22,760	1,661	1,550	987.1	1,070
Number of Loans	822	43	48	27	32
Disbursements (amount)	15,393	1,234	1,154	1,144	1,114
A. Government and Government-Guaranteed Loans (amount)					
Guaranteed Loans (amount)	81,071	5,201	9,299	5,846	4,832
Number of Projects ^c	1,481	75	72	51	48
OCR Loans (amount)	58,325	3,540	7,749	4,859	3,762
Number of Loans	824	40	40	32	30
Disbursements (amount)	38,045	2,521	5,238	5,539	3,647
ADF Loans (amount)	22,746	1,661	1,550	987	1,070
Number of Loans	817	43	48	27	32
Disbursements (amount)	15,378	1,234	1,154	1,144	1,114
B. Private Sector Loans^b (amount)					
Private Sector Loans (amount)	1,168	124	45	136	146
Number of Projects ^c	70	5	2	6	4
OCR Loans (amount)	1,153	124	45	136	146
Number of Loans	68	5	2	7	4
Disbursements (amount)	837	42	66	84	63
ADF Loans (amount)	14	–	–	–	–
Number of Loans	5	–	–	–	–
Disbursements (amount)	–	–	–	–	–
EQUITY INVESTMENT^b (amount)	560	97	60	62	7
Number of Investments	106	8	7	6	1
EQUITY UNDERWRITING^b (amount)	40	–	–	–	–
Number of Commitments	6	–	–	–	–
TECHNICAL ASSISTANCE^d (amount)	1,782	172	160	162	173
Number of Projects	4,223	282	295	247	315
COFINANCING^e (amount)	32,338	3,173	1,441	2,946	3,017
Number of Projects	520	30	36	24	28
RESOURCES					
Ordinary Capital Resources					
Authorized Capital (at end of period)	47,945	50,103	47,102	49,154	47,945
Subscribed Capital (at end of period)	47,597	49,368	46,411	48,456	47,597
Borrowings (gross)	40,108	584	5,588	9,617	5,186
Outstanding Debt (at end of period)	26,269	13,697	17,542	23,780	26,269
Ordinary Reserve (at end of period)	6,689	5,523	5,867	6,211	6,689
Special Reserve (at end of period)	182	179	179	182	182
Gross Income	23,089	1,562	1,450	1,832	2,028
Net Income after Appropriation of Commissions/ Guarantee Fees to Special Reserve	8,054	572	468	474	450
Special Funds Resources					
Asian Development Fund					
Total Resources (at end of period)	22,087	19,339	18,219	20,535	22,087
Technical Assistance Special Fund					
Total Resources (at end of period) ^f	809	630	637	722	809
Japan Special Fund					
Regular and Supplementary Contributions (at end of period)	745	671	658	734	745
Asian Currency Crisis Support Facility	104	–	–	–	104
ADB Institute Special Fund					
Total Resources (at end of period)	35	–	12	28	35

a Cumulative totals may not add because of rounding.

b Amounts and numbers adjusted to exclude cancellations.

c Projects with multiple loans are counted once. Cumulative number of projects excludes supplementary loans.

d Comprising technical assistance grants funded by ADB and other sources. Regional technical assistance projects included.

e Adjusted to reflect changes in cofinancing arrangements.

f Figures revised to include other resources and transfers to Asian Development Fund.

Members, Capital Stock, and Voting Power

(as of 31 December 1999)

	YEAR OF MEMBERSHIP	SUBSCRIBED CAPITAL ^a Percent of Total	VOTING POWER ^b Percent of Total
REGIONAL			
Afghanistan	1966	0.034	0.372
Australia	1966	5.908	5.071
Azerbaijan	1999	0.454	0.708
Bangladesh	1973	1.042	1.179
Bhutan	1982	0.006	0.350
Cambodia	1966	0.050	0.385
China, People's Republic of	1986	6.579	5.608
Cook Islands	1976	0.003	0.347
Fiji Islands	1970	0.069	0.400
Hong Kong, China	1969	0.556	0.790
India	1966	6.464	5.516
Indonesia	1966	5.560	4.793
Japan	1966	15.934	13.092
Kazakhstan	1994	0.823	1.004
Kiribati	1974	0.004	0.348
Korea, Republic of	1966	5.143	4.459
Kyrgyz Republic	1994	0.305	0.589
Lao People's Democratic Republic	1966	0.014	0.356
Malaysia	1966	2.780	2.569
Maldives	1978	0.004	0.348
Marshall Islands	1990	0.003	0.347
Micronesia, Federated States of	1990	0.004	0.348
Mongolia	1991	0.015	0.357
Myanmar	1973	0.556	0.790
Nauru	1991	0.004	0.348
Nepal	1966	0.150	0.465
New Zealand	1966	1.568	1.599
Pakistan	1966	2.224	2.124
Papua New Guinea	1971	0.096	0.421
Philippines	1966	2.433	2.291
Samoa	1966	0.003	0.348
Singapore	1966	0.347	0.623
Solomon Islands	1973	0.007	0.350
Sri Lanka	1966	0.592	0.818
Taipei, China	1966	1.112	1.234
Tajikistan	1998	0.292	0.579
Thailand	1966	1.390	1.457
Tonga	1972	0.004	0.348
Tuvalu	1993	0.001	0.346
Uzbekistan	1995	0.688	0.895
Vanuatu	1981	0.007	0.350
Viet Nam	1966	0.348	0.624
Subtotal Regional		63.580	65.347

	YEAR OF MEMBERSHIP	SUBSCRIBED CAPITAL ^a Percent of Total	VOTING POWER ^b Percent of Total
NONREGIONAL			
Austria	1966	0.347	0.623
Belgium	1966	0.347	0.623
Canada	1966	5.341	4.617
Denmark	1966	0.347	0.623
Finland	1966	0.347	0.623
France	1970	2.376	2.246
Germany	1966	4.417	3.878
Italy	1966	1.845	1.821
Netherlands	1966	1.047	1.183
Norway	1966	0.347	0.623
Spain	1986	0.347	0.623
Sweden	1966	0.347	0.623
Switzerland	1967	0.596	0.822
Turkey	1991	0.347	0.623
United Kingdom	1966	2.085	2.013
United States	1966	15.934	13.092
Subtotal Nonregional		36.420	34.653
Total		100.000	100.000

Note: Figures may not add because of rounding. For other details, see tables on pages 180 and 181.

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 percent 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.

Contents

1	1999 in Review: Board of Directors' Report	73	Central Asian republics and Mongolia
1	Poverty reduction strategy	74	Kazakhstan
1	Policy developments	77	Kyrgyz Republic
2	General operations	78	Tajikistan
3	Membership	80	Uzbekistan
3	Board committees	83	Mongolia
5	Directors' visits	85	People's Republic of China
7	Special Theme: Water in the 21st Century	89	Southeast Asia
27	Operational Priorities	90	Cambodia
27	Poverty reduction, the new overarching goal of ADB	92	Indonesia
29	ADB's development objectives	96	Lao People's Democratic Republic
40	Law and policy reform	98	Malaysia
43	Supporting regional cooperation	100	Myanmar
44	Private sector development	101	Philippines
48	Social dimensions of development	104	Thailand
51	Operations	107	Viet Nam
57	Performance evaluation and development impact	109	South Asia
65	Regional and Country Highlights	110	Bangladesh
65	Developing Asia and the Pacific	113	Bhutan
66	The global economy	115	India
68	Newly industrialized economies	118	Maldives
68	Hong Kong, China	120	Nepal
69	Republic of Korea	123	Pakistan
71	Singapore	125	Sri Lanka
72	Taipei, China	128	The Pacific
		129	Cook Islands

TABLES

Operational Priorities

51 Resource Transfers to DMCS
57 Portfolio Distribution by Sector, 1999
61 Project/Program Performance by Country Group, 1999
62 Project/Program Performance Classification by Sector, 1999

Regional and Country Highlights

65 Economic Indicators of ADB's Developing Member Countries
and Rest of Developing World
66 Net Private Capital Flows to Developing Asia
71 Republic of Korea: Cumulative ADB Lending
76 Kazakhstan: Cumulative ADB Lending
78 Kyrgyz Republic: Cumulative ADB Lending
82 Uzbekistan: Cumulative ADB Lending
85 Mongolia: Cumulative ADB Lending
87 People's Republic of China: Cumulative ADB Lending
92 Cambodia: Cumulative ADB Lending
95 Indonesia: Cumulative ADB Lending
97 Lao People's Democratic Republic: Cumulative ADB Lending
100 Malaysia: Cumulative ADB Lending
101 Myanmar: Cumulative ADB Lending
103 Philippines: Cumulative ADB Lending
106 Thailand: Cumulative ADB Lending
108 Viet Nam: Cumulative ADB Lending

112 Bangladesh: Cumulative ADB Lending
114 Bhutan: Cumulative ADB Lending
117 India: Cumulative ADB Lending
119 Maldives: Cumulative ADB Lending
122 Nepal: Cumulative ADB Lending
125 Pakistan: Cumulative ADB Lending
127 Sri Lanka: Cumulative ADB Lending
130 Cook Islands: Cumulative ADB Lending
131 Fiji Islands: Cumulative ADB Lending
132 Kiribati: Cumulative ADB Lending
133 Marshall Islands: Cumulative ADB Lending
135 Federated States of Micronesia: Cumulative ADB Lending
137 Papua New Guinea: Cumulative ADB Lending
139 Samoa: Cumulative ADB Lending
140 Solomon Islands: Cumulative ADB Lending
141 Tonga: Cumulative ADB Lending
143 Vanuatu: Cumulative ADB Lending

ADB Resources and Financial Management

158 Lending Rates
159 Income and Expenses—Ordinary Capital Resources
160 Borrowings, 1999
162 ADF Commitment Authority
164 Technical Assistance Special Fund Cumulative Resources
164 Japan Special Fund Technical Assistance by Sector, 1999
165 Asian Currency Crisis Support Facility Technical Assistance
by Sector, 1999

130	Fiji Islands
132	Kiribati
133	Marshall Islands
134	Federated States of Micronesia
135	Nauru
136	Papua New Guinea
138	Samoa
139	Solomon Islands
141	Tonga
142	Tuvalu
142	Vanuatu
145	Corporate Planning and Support Activities
145	ADB planning process
145	A strategic reorientation
146	Economics and Development Resource Center
148	Asian Development Bank Institute
150	Resident and regional missions and representative offices
151	Support activities
153	Administration
153	Human resource management and development
154	Compensation and benefits
154	Administrative services
154	Budget
154	Financial management and human resource management information system
155	Audit and anticorruption

157	ADB Resources and Financial Management
157	Ordinary capital resources
162	Special funds
166	Other funds managed by ADB
167	Financial Statements and Reports of Independent Auditors
235	Statistical Annex
236	Operational Data
277	Financial Resources
280	Economic Data
287	Social Indicators
291	Appendixes
292	Resolutions of the Board of Governors Adopted in 1999
293	Board of Governors
295	Board of Directors and Voting Groups
296	Committees of the Board of Directors
297	ADB Institute Advisory Council
298	Management, Senior Staff, and Regional and Resident Representatives
301	Former ADB Presidents and Vice-Presidents
302	Summary of Budget for 2000
303	Major ADB Publications
307	Glossary
308	Abbreviations and Acronyms
309	Asian Development Bank Profile
310	ADB Contact Addresses

CHARTS

Special Theme: Water in the 21st Century

7	World's Renewable Freshwater Resources
11	Annual Per Capita Water Resources in Selected Countries
23	Subsectoral Distribution of ADB's Water Lending, 1968–1999
23	Geographical Distribution of ADB's Water Lending, 1968–1999
	Operational Priorities
28	Projects and Loans with Poverty Reduction as Primary or Secondary Strategic Development Objective, 1993–1999
29	Number of Projects by Strategic Development Objective, 1999
29	Public Sector Lending by Strategic Development Objective, 1999
36	Sectoral Distribution of Loan Approvals from OCR and ADF, 1999
36	Sectoral Distribution of Loan Approvals: 1996–1998 (average) and 1999—By Value
47	Private Sector Loans and Equity Investments
51	Net Transfer of ADB Resources to DMCs, 1999
53	Cofinancing Arrangements
53	Total Cost of Loan Projects and Sources of Financing, 1999
55	Contract Awards and Disbursements, 1995–1999
58	ADB's Learning Cycle

Regional and Country Highlights

66	Major Interest Rates
68	Newly Industrialized Economies: GDP Growth Rates
71	Republic of Korea: Lending and Disbursements
74	Central Asian Republics and Mongolia: GDP Growth Rates
76	Kazakhstan: Lending and Disbursements
78	Kyrgyz Republic: Lending and Disbursements
82	Uzbekistan: Lending and Disbursements
84	Mongolia: Lending and Disbursements
86	People's Republic of China: GDP Growth Rate

87	People's Republic of China: Lending and Disbursements
90	Southeast Asian Economies: GDP Growth Rates
92	Cambodia: Lending and Disbursements
94	Indonesia: Lending and Disbursements
97	Lao PDR: Lending and Disbursements
100	Malaysia: Lending and Disbursements
103	Philippines: Lending and Disbursements
106	Thailand: Lending and Disbursements
108	Viet Nam: Lending and Disbursements
110	Selected South Asian Economies: GDP Growth Rates
112	Bangladesh: Lending and Disbursements
114	Bhutan: Lending and Disbursements
117	India: Lending and Disbursements
119	Maldives: Lending and Disbursements
122	Nepal: Lending and Disbursements
124	Pakistan: Lending and Disbursements
127	Sri Lanka: Lending and Disbursements
128	Selected Pacific Economies: GDP Growth Rates
130	Cook Islands: Lending and Disbursements
131	Fiji Islands: Lending and Disbursements
133	Marshall Islands: Lending and Disbursements
134	Federated States of Micronesia: Lending and Disbursements
137	Papua New Guinea: Lending and Disbursements
139	Samoa: Lending and Disbursements
140	Solomon Islands: Lending and Disbursements
141	Tonga: Lending and Disbursements
143	Vanuatu: Lending and Disbursements

ADB Resources and Financial Management

158	Net Income
161	Borrowings, 1990–1999



MEMBERS OF THE BOARD OF DIRECTORS OF THE ASIAN DEVELOPMENT BANK, MAY 1999

First row (*left to right*): Francesco Pittore, Patricia Z. Riingen, Prasit Ujjin, Soegito Sastromidjojo, President Tadao Chino, Linda Tsao Yang, Jin-Gyu Park, N. Cinnamon Dornsife, and Liu Liange. Second row (*left to right*): Manuel Sánchez Melero, Hans-Jürgen Stryk, Sim Cheng Huat, John Millet, Julian H. Payne, Zhao Xiaoyu, and Tetsuji Nagatomo. Third row (*left to right*): Eric Thorn, Naoyuki Shinohara, John Austin, M. Faizur Razzaque, R. Swaminathan (Secretary of ADB until 8 September 1999), and Stephen Baker. Fourth row (*left to right*): Vice-President Myoung-Ho Shin, Berend van Gorkom, Vice-President John Lintjer, and Vice-President Peter H. Sullivan. Not shown: Kh. Zaheer Ahmed, Rafiq A. Akhund, Li Buqun, Uwe Henrich, Barry Holloway, Ruey-song Huang, Erik Johnsson, John Lockhart, Bindu N. Lohani (Secretary of ADB after 8 September 1999), Yasuro Narita, C. Ramachandran, Patrick Thomas, and Jeung-Hyun Yoon.

1999 in Review

Board of Directors' Report

In 1999, the Asian Development Bank (ADB) worked in a far brighter Asian economic environment than had been expected. Economic indicators mostly moved favorably, and confidence grew that the unprecedented events of 1997–1998 had been left behind. Most of ADB's developing member countries (DMCs) had better growth rates in 1999 than in 1998 and higher than forecast. Some progress was made in the necessary restructuring and reform of banks, capital markets, and regulatory regimes in the main crisis-affected countries, but financial recovery has largely preceded reform.

Although markets recovered, the social costs of the crisis continued to mount in 1999, with aftershocks being felt throughout the year and millions of people in the region being thrown back into poverty. ADB responded in a fundamental way to the year's harsh reminders of the poor's fragile hold on economic well-being and the weakness of the region's social safety nets: by rededicating itself to the goal of eliminating poverty from the region.

Poverty reduction strategy

In adopting the poverty reduction strategy, the Board of Directors ensured the primacy of the attack on poverty in ADB's work. Its other strategic objectives—promoting economic growth, developing human resources, improving the status of women, and protecting the environment—will still be pursued, but in ways that serve to enhance poverty reduction: So, too, will ADB's encouragement of the private sector and its support of regional development initiatives.

To implement this pro-poor strategy, the Poverty Reduction Unit was created in an upgraded Strategy and Policy Department. A Presidential Commission on Poverty Reduction

was formed, comprising the heads of key departments and offices. The Regional Economic Monitoring Unit and the Asia Recovery Information Center, both established in 1999, expanded ADB's efforts to monitor the impact of the crisis and the pattern of recovery.

Policy developments

Within the framework of the emerging pro-poor orientation of ADB, the Board of Directors in 1999 approved several major policy initiatives designed to broaden the development impact of ADB's work in its DMCs. In addition to the poverty reduction strategy, the Board of Directors approved a health sector policy, began reviews of the private sector strategy and ADB's resident missions, assessed ADB's program and guarantee operations, and examined its sector lending.

In the health sector, the Board of Directors approved a policy that focuses ADB clearly on improving primary health care for the poor, women, and indigenous peoples. It reaffirmed that the overall approach is to assist DMC governments in ensuring broad access to basic primary health care that is cost-effective and affordable.

The review of the private sector strategy entails assessing an important premise: that the growth of the private sector and the extent of poverty are inversely related. The review of the resident missions is being undertaken to ensure that they provide value for money. Both reviews will be completed in 2000.

The review of program lending identified gaps in both the policy framework and implementation. As a result, two new program lending modalities were created: a special program loan (SPL) that can provide, on an exceptional basis, large-scale support as part



Economic growth projects that create more jobs help in reducing poverty.

of an international rescue package to crisis-affected countries eligible for ordinary capital resources (OCR), and a cluster approach that can enhance flexibility and extend the time frame for program implementation. The former policy initiative allows higher pricing of SPLs to protect ADB's financial strength and risk-bearing capacity and exemption of SPLs from the regular program lending ceiling. The Board of Directors also approved a higher ceiling on total regular program lend-

ing: 20 percent of total ADB public sector lending rather than 15 percent.

The review of ADB's guarantee operations, since they were introduced in 1988, confirmed that they are an important instrument that can mobilize resources to support DMC reform programs and catalyze private financing for infrastructure projects. The Board of Directors recommended and changed certain key provisions in the current policy involving discount rates, country eligibility, mainstreaming of guarantees, staff training, technical assistance, and the Asian Currency Crisis Support Facility guarantees to ensure the instrument's continued usefulness and flexibility.

As for sector lending, the Board of Directors noted some occasional shortcomings in focus but concluded that addressing them required no changes in ADB policies and procedures. Rather, the need is for more dedicated attention to DMC policy frameworks and institutional capacities, keeping in mind that the sector loan is best used in the overall context of ADB assistance.

General operations

The Board of Directors met formally on 59 occasions, including executive sessions, and held 18 informal discussions and 4 informal seminars during the year. During the formal meetings, the Directors approved \$5 billion for 66 loans for 52 projects. Of this, \$4 billion was from ADB's OCR and \$1 billion from the Asian Development Fund (ADF). Nearly 40 percent of project approvals by the Board of Directors, excluding private sector and technical assistance loans, had poverty reduction as their primary or secondary objective. In addition to loans, the Board of Directors, either directly or through the delegated authority vested in the President by the Board, approved 315 technical assistance grants amounting to \$173 million.

During the informal discussions, the Directors examined a broad agenda of items, including ADB's resource position, investment strategy and investment authority, three-year

The Boards and Their Functions

ADB is governed by a **Board of Governors**, which, at the end of 1999, consisted of 58 members (42 regional and 16 nonregional). Under Article 28 of ADB's Charter, the Board of Governors is vested with all the powers of ADB. In turn, the Governors delegate their authority to the Board of Directors, except for certain powers reserved to them under the Charter.

The Board of Governors meets formally once a year for ADB's Annual Meeting. *The resolutions approved by the Board of Governors in 1999 and its membership are shown in Appendixes 1 and 2.*

Also under Article 28, the Board of Governors elects a 12-member **Board of Directors**, eight

elected by regional members and four by nonregional members (see *Appendix 3*). Each Director appoints an Alternate. The President of ADB is the Chairperson of the Board of Directors.

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

rolling work program and budget framework, operations in East Timor, and country assistance plans for 2000–2002. During the informal seminars, the Directors examined advance procurement action, retroactive financing, and various country operational strategy studies.

The 32nd Annual Meeting of the Board of Governors was held in Manila, Philippines, from 29 April to 2 May 1999.

Membership

Azerbaijan joined ADB in 1999, bringing ADB's membership to 58.

Board committees

Audit Committee

In its 1998–1999 report to the Board of Directors, the Audit Committee continued to emphasize the importance of good governance, accountability, and transparency in all aspects of ADB operations, and also the need for objective monitoring and evaluation of ADB's portfolio performance and prompt implementation of audit recommendations.

The Committee held 17 formal meetings in 1999 and several informal meetings. It reviewed ADB's draft Financial Statements for 1998 with

the external auditors (PricewaterhouseCoopers LLP) and recommended to the President that the draft Financial Statements for 1998 be approved by the Board of Governors. It recommended that reviews be undertaken of loan-loss provisioning and the delineation of the ADF and OCR policies. It also endorsed ADB's approach to accounting for costs incurred by the ADB Institute.

The Committee noted the achievements of the Office of the General Auditor (OGA) and endorsed its work program for 1999. It requested that target dates for deferred audit recommendations be provided and a mechanism be set up to ensure implementation of recommendations. It also endorsed the work program of the Operations Evaluation Office (OEO).

The Committee reviewed in detail four project performance audit reports, two impact evaluation studies, and three special studies. It cited the special studies on road facilities and the country assistance program evaluation and recommended that similar studies be included in OEO's work program for 2000.

The Committee noted the close coordination between the evaluation units of multilateral finance institutions (MFIs) and recommended harmonization of ADB's project performance ratings with those of other MFIs. It drew attention to the outstanding issues of systems not supported by the Office of Information Systems and Technology, and

Postevaluation Reports Discussed by the Audit Committee

Project Performance Audit Reports

- Fauji Fertilizer Expansion Project (Pakistan) 24 March 1999
- Fourth Road Improvement Sector Project (Papua New Guinea) 27 October 1999
- Second Health and Population Project (Pakistan) 27 October 1999
- Agricultural Technology Education Project (Philippines) 27 October 1999

Impact Evaluation Studies

- Impact of Project Preparatory Technical Assistance for Agricultural Projects in Bangladesh 27 January 1999

- Reevaluation Study of the Palawan Integrated Area Development Project (Philippines) 24 March 1999

Special Studies

- Operation and Maintenance of Road Facilities and Their Impact on Project Sustainability 24 March 1999
- Environmental Mitigation Measures in Selected ADB-Financed Projects 14 April 1999
- Review of Country Assistance Program Evaluation (People's Republic of China) 19 May 1999

systems used by DMCs and other institutions that link up with ADB's computer systems. It also noted that the final cost to ADB of complying with year 2000 requirements was within the regular maintenance budget. It recommended an interdepartmental review to consider the selection evaluation of consultants to increase transparency.

The Committee reviewed its own terms of reference, taking into account the comments of the General Auditor and the advice of the independent auditors. It recommended an update in its terms of reference, including greater clarification of its responsibilities, and its recommendations were adopted.

The membership of the Audit Committee is shown in Appendix 4.

Budget Review Committee

The Budget Review Committee was convened in November 1999 to review ADB's operations during the year and Management's budget proposal for 2000. It discussed the work achievements for 1999 and the work plans for 2000 of ADB's departments and offices, and of the ADB Institute. It concluded that ADB uses its resources efficiently.

The Committee recognized that the long-term strategic framework will need to incorporate poverty reduction as ADB's main objective and that increased consultation with member countries would sharpen ADB's vision. New approaches for implementing the pro-poor strategy will be required, and the aim should

be achievable program and lending targets with clear, practical poverty interventions.

The Committee also said country programming should reflect the priorities emerging from the poverty analysis, the high-level forum, and the partnership agreements between DMCs and ADB. It noted that the country assistance plans will translate partnership agreements into specific programs of loan and technical assistance projects. It stressed the need to implement the poverty reduction strategy with clear country foci. The Committee noted that collaboration with other MFIs and the International Monetary Fund would be useful in shaping ADB's future role in poverty reduction. It appreciated the concerted media campaign to publicize the poverty reduction strategy.

The Committee also noted ADB's increased emphasis on corporate governance and anti-corruption, with the establishment of the new Anticorruption Unit, and OGA's continued efforts in promoting internal governance through training materials and fraud awareness seminars. It noted the recent task force approval of measures for implementing the anticorruption policy and for dealing with allegations of fraud and corruption. It appreciated the efforts to update ADB's guidelines for procurement and guidelines on the use of consultants to incorporate anticorruption provisions.

The Committee reviewed ADB's resources and recommended that key financial indicators be updated. It emphasized the importance of prudent management of cash and

Policy Papers and Reports Discussed by the Board of Directors

Approved Papers

- Policy for the Health Sector 25 February 1999
- The Resource Position of the Bank 9 March 1999
- Establishment of a New Facility in the Existing Japan Special Fund to Assist Currency Crisis-Affected Member Countries 23 March 1999
- Review of the Bank's Income Outlook and Allocation of Net Income 31 March 1999
- Review of the Bank's Guarantee Operations 8 October 1999

- Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank 9 November 1999
- A Review of OCR Loan Charges 3 December 1999
- Review of the Bank's Program Lending Policies 13 December 1999

Working Papers

- ADF VII: Progress Report 31 March 1999
- Resident Mission Policy 1 December 1999

liquidity, and it expects to assess the impact on ADB's income when the new Investment Authority and strategy becomes operational by the end of 2000. It noted that the implementation of the treasury risk management software was scheduled for early 2001. It welcomed the review of OCR loan products and suggested that new products would need to support the poverty reduction strategy.

The Committee noted the effective use of budget resources. It noted, too, ADB's continuing efforts to redeploy staff, resulting in the identification of 19 positions for redeployment and the provision of 30 new positions.

The Committee recommended the approval of the budget for 2000.

The membership of the Budget Review Committee is shown in Appendix 4.

Board Inspection Committee

The Committee dealt with one request, a second request for review of the Korangi Wastewater Management Project in Pakistan, but from a different organization.

A review of the inspection function, started in 1998, continued in 1999, and a working paper was discussed by the Board of Directors in September 1999. The central issue was whether the inspection policy should be applied to ADB's private sector operations.

The Committee welcomed the continuing efforts of the inspection function to improve its outreach, including the intention to appoint an additional staff member.

Information on the inspection policy and procedures can be found in ADB's *Inspection Policy: A Guidebook*. Information on the inspection policy, including the Inspection Committee's annual report, is available on ADB's web site (<http://www.adb.org>).

Appendix 4 lists the members of the Inspection Committee.



Directors' visits provide the opportunity for policy discussions with government ministers and senior officials. Shown here in Mongolia: First row (left to right): C. Ramachandran, Prasit Ujjin, Rinchinnyam Amariargal (Prime Minister of Mongolia), Patricia Z. Riingen, and Manuel Sánchez Melero. Second row (left to right): Naoyuki Shinohara, John Austin, Jeung-Hyun Yoon, and Stephen Baker.

Directors' visits

The Directors made three visits to DMCs in 1999: the first to Fiji Islands, Samoa, and Vanuatu from 20 February to 6 March; the second to Palawan, Philippines from 13 to 16 May; and the third to the People's Republic of China (PRC) and Mongolia from 27 August to 12 September. During the first and third visits, the Directors held wide-ranging policy discussions with government ministers and senior officials and inspected several ADB-financed projects. The visit to Palawan provided the Directors with an appreciation of the planning process of local government authorities, the experiences of implementing agencies in carrying out projects, and the concerns of project beneficiaries in availing of and using development assistance.

Following the visits, a recommendation was made to establish resident missions in the PRC and Mongolia.



"All efforts at reducing poverty would count for nothing if the basic needs of people for reliable drinking water and sanitation are not met. The vital importance of water must be recognized—equitable provision of water for human needs, protection of water quality, and conservation of a healthy natural environment are development prerequisites of the highest priority."

Tadao Chino
ADB President

Special Theme

Water in the 21st Century

Emerging global water issues

The looming water crisis

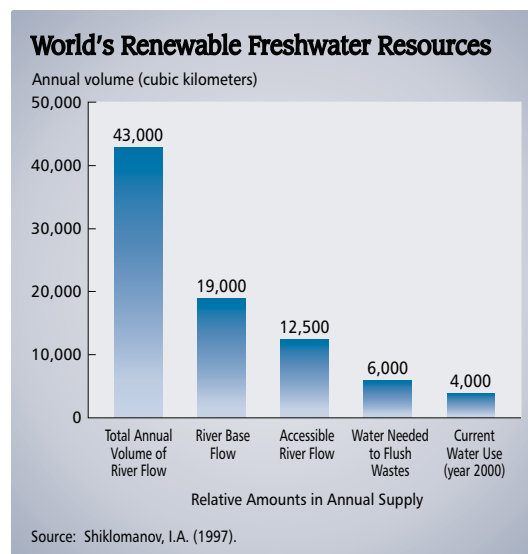
Earth is the blue planet with water one of the most plentiful natural substances in its environment. There is more than 1.4 billion cubic kilometers (km^3) of the stuff—enough to give every man, woman, and child more than 230 million cubic meters (m^3) each if we were to divide it evenly.

However, more than 98 percent of the world's water is salt water and we depend for our basic vital needs on freshwater. Most freshwater is locked in the polar ice caps. Less than 1 percent of the earth's freshwater is accessible in lakes, rivers, and groundwater aquifers. That vital 1 percent of available freshwater is constantly in motion, either flowing in rivers, evaporating and moving around the globe as water vapor, falling from the sky as rain or snow, or filtering slowly through the earth to emerge somewhere else. It is a renewable resource on which we all completely depend. It is the genesis and continuing source of all life on earth.

The most accessible water is that which flows in river channels or is stored in freshwater lakes and reservoirs. The major portion of the water diverted for human needs is taken from this renewable, readily accessible part of the world's freshwater resources. Although the total volume of water conveyed annually by the world's rivers is about 43,000 km^3 (see figure), most of this occurs as floods—the low river flows (base flows) make up only about 19,000 km^3 .¹ Of this, about 12,500 km^3 can be accessed, and present levels of withdrawal

account for about 4,000 km^3 . Withdrawals are anticipated to reach 5,500 km^3 per year by 2025.

The demand for freshwater increased six-fold between 1900 and 1995, twice the rate of population growth.² The 1997 United Nations (UN) Comprehensive Assessment of Freshwater Resources of the World concluded that one third of the world's population today already live in countries experiencing medium to high water stress. High water stress and unsustainable rates of withdrawal are already being experienced in Central and South Asia, where annual water withdrawals compared with available water resources are 50 percent or more. The northern People's Republic of China (PRC) and Mongolia have medium stress conditions with 25 percent water use. Although water stress (see box on page 8) computes at less than 10 percent in Southeast Asia (including southern PRC)



1 Shiklomanov, I. A. 1997. *Assessment of Water Resources and Water Availability in the World*. Report prepared for the Comprehensive Assessment of Freshwater Resources of the World. United Nations: St. Petersburg.

2 Gleick, Peter H. 1998. *The World's Water 1998–1999: The Biennial Report on Freshwater Resources*. Washington, DC: Island Press.

and the Pacific and is therefore considered to be low, this measure is highly distorted by seasonally high river flows. In the dry season, water scarcity occurs throughout Asia and the Pacific, and increased rainfall variability as a result of global climate change will worsen this problem. Water scarcity will affect food security throughout Asia and the Pacific.

The global population will expand from today's 6 billion people to almost 8 billion in 2025. By then, more than 80 percent of the world's population will be living in developing countries. The World Meteorological Organization estimates, assuming the renewable water resources will remain unchanged, that the number of countries facing water stress will increase from 29 today to 34 in 2025. How these countries manage their water resources, and whether they can produce sufficient food for their growing populations while catering to their water needs and preserving natural environments, have important implications—and imperatives—for the Asian Development Bank (ADB) and its developing member countries (DMCs). ADB has been extensively involved in planning, formulating, and financing water resource projects in its DMCs, and has accumulated valuable experience that must be used to respond proactively to the challenge. The poverty reduction strategy adopted in 1999 enjoins ADB, at the policy level, to continue to support governments in developing, in a participatory manner, master plans for effective management of critical natural resources, including water.

Competition for water is increasing among different water uses, including water for ecological needs. In many DMCs, irregular and

inequitably distributed supplies of piped water have a detrimental effect on the social and economic well-being of most of their citizens. Ironically, consumers in almost all DMCs are charged less for their water than it costs to provide. Hence, utilities are reluctant to connect new customers because water prices are too low to allow them to recoup their investment. For the poor, access to even a rudimentary level of municipal water supply is frequently denied, and they may be constrained to use untreated water from highly unreliable sources. Waterborne diseases are causing immense suffering and loss of productivity, with the poor suffering disproportionately. Large cities in Asia are not equipped to offer their burgeoning populations the water supply and sanitation services they require.

Nearly 70 percent of global freshwater withdrawals are directed toward agriculture, mainly for irrigation. By some estimates (UN 1997), annual irrigation water use will have to increase about 30 percent above present use for annual crop production to double and meet global food requirements by 2025. Although irrigation will remain the dominant water use in developing countries, an increase of 30 percent in irrigation withdrawals may not be possible if other essential human needs are to be met. Making irrigation more efficient will be necessary and unavoidable. The industry sector, which accounts for about 22 percent of current freshwater withdrawals globally, is likely to require an increasing share in all regions of the world in both absolute and relative terms. In developing countries, where 56 percent of the population will be living in urban areas by 2025, the share of water going toward domestic uses will also need to grow substantially.

Water stress

Water stress for a river basin is defined in degree of annual water use (that is, water withdrawn from a surface or groundwater source for human purposes) as a percentage of the total water resources available in that basin. Water stress for a country is the summation of water stress for all its river basins. Water stress begins when withdrawals of freshwater rise above

10 percent of renewable resources. Medium to high stress translates as water use that exceeds 20 percent of available water supply. Countries experience high water stress when the ratio of water use to supply exceeds 40 percent. At such levels, their patterns of use may not be sustainable, and water scarcity is likely to become the limiting factor to economic growth.



Water quality, pollution, and the environment

Emerging Asia, published by ADB in 1997, identified water pollution as the most serious environmental problem facing the region. Water pollution exacerbates the problem of water scarcity at local and regional levels by reducing the amount of water available for productive purposes. Water pollution comes from many sources, including untreated sewage, chemical discharges, spillage of toxic materials, harmful products leached from land disposal sites, agricultural chemicals, salt from irrigation schemes, and atmospheric pollutants dissolved in rainwater. The direct disposal of domestic and industrial wastewater into watercourses is the major source of pollutants in developing countries. In Asia and the Pacific, fecal pollution is one of the most serious problems, affecting both surface water and groundwater bodies and leading to a tenacious persistence of such waterborne diseases as cholera, typhoid, and hepatitis. Estimates of the increase in water pollution loads in high growth areas of Asia over the next decades are as high as 16 times for suspended solids, 17 times for total dissolved solids, and 18 times for biological pollution loading.³ The impact of this can be seen from the following comparison: the combined volume of water used and water needed to dilute and flush pollutants is almost equal to the volume of accessible freshwater in the world's river systems.

The development of freshwater resources for human uses has compromised natural ecosystems that depend on these resources for their continued integrity. Freshwater ecosystems, comprising lakes, rivers, and wetlands, have already lost a greater proportion of species and habitat than land or ocean ecosystems. Unrestricted development of surface water and groundwater has altered the hydrologic cycle and threatens the natural functions of deltas and wetlands. Wetlands have been converted to cropland, and rivers that channeled water to estuaries and deltas have dried up. The Yellow



River in the PRC, for example, is now dry during substantial portions of the year, while adjacent wetlands that tempered floods have been lost.

The Aral Sea basin illustrates vividly the extent to which human intervention has affected the natural functioning of aquatic systems. Excessive diversion of water for irrigation so reduced the flow of rivers entering the sea that its surface has shrunk by 45 percent and its volume by 70 percent since 1970. A formerly flourishing fishing industry has collapsed, and major health problems are now associated with windblown toxic salts and contaminated residues. Diminished productive potential, loss of vegetation, increased health risks, and irreversible desecration of aquatic biota are the sad legacy.

A double-edged sword: floods and droughts

Floods and droughts have always been features of life on earth and have produced some of the worst natural disasters in recorded history. Due to inappropriate land use and land management practices, uncoordinated and rapid growth of urban areas, and loss of natural flood storage wetlands, floods are becoming more frequent.

Water pollution is the most serious environmental problem facing the region.

3 United Nations Industrial Development Organization. 1996. *Global Assessment of the Use of Freshwater Resources for Industrial and Commercial Purposes*. Industry, Sustainable Development, and Water Programme Formulation, Technical Report. New York: UN.

According to the Office of the United Nations Disaster Relief Coordinator, flooding is the hazard that affects more people than any other. Associated damage to property is escalating. Concurrently, destruction of forest cover has altered the hydrologic cycle and reduced water retention in forest soils. Accompanying soil erosion has permanently stripped fertile topsoil from vast areas, leading to further degradation of river basins and threatening the basis for sustainable natural resource management. Global climate change will have unpredictable but potentially devastating consequences for the hydrologic cycle by changing the total amount of precipitation, its annual and seasonal distribution, the onset of snowmelt, the frequency and severity of floods and droughts, and the reliability of existing water supply reservoirs. According to the Intergovernmental Panel on Climate Change, the frequency of droughts could rise by 50 percent in certain parts of the world by 2050.

Geographical variability in water resources

Asia has the lowest per capita availability of freshwater resources among the world's

continents. The contrasts within the region are stark. Annual freshwater resources (in m³ per capita) reach as high as 200,000 in Papua New Guinea and as low as 2,000 in parts of South Asia and the PRC, and are generally below 20,000 in Southeast Asia (*see figure at right*). The region's weather is largely governed by a monsoon climate, which creates large seasonal variations in addition to spatial variation.

The two most populous nations in the world, the PRC and India, will have 1.5 billion and 1.4 billion people, respectively, by 2025, by which time the availability of freshwater will have dropped to 1,500 m³ per capita in India and 1,800 m³ in the PRC.

Many of ADB's DMCs depend heavily on groundwater exploitation to supplement scarce surface water resources. In Bangladesh, groundwater abstraction already represents 35 percent of total annual water withdrawals; in India, 32 percent; in Pakistan, 30 percent; and in PRC, 11 percent. Groundwater overuse and aquifer depletion are becoming serious problems in the intensively farmed areas of northern PRC, India, and Pakistan. In heavily populated cities such as Bangkok, Jakarta, and Manila, land is subsiding as groundwater is withdrawn to serve the needs

Water Issues in the Pacific

The geographic region of the Pacific refers to the Melanesian, Micronesian, and Polynesian islands in the Pacific Ocean. The total area covered by the region is vast: the Pacific Ocean itself occupies almost one third of the earth's surface. The Pacific islands, however, comprise only 1.3 million square kilometers of land area, of which 70 percent is in Irian Jaya and Papua New Guinea, and 20 percent in New Zealand. The remaining 10 percent of land area is spread over more than 10,000 scattered islands.

There are two main groups: (i) small atolls with severe water shortages and water quality problems and (ii) larger volcanic and high mountainous islands where water is generally abundant. Both have fragile natural resource bases, but suffer to different degrees from inefficiency of water use, overuse of limited

groundwater, pollution of both surface water and groundwater bodies, and contamination due to inadequate sanitation and waste management.

The first group—including some of the Cook Islands, Kiribati, Marshall Islands, Nauru, Tonga, and Tuvalu—is deficient in surface water and prone to prolonged droughts (especially Kiribati and Tuvalu). Rainwater collection and storage, supplemented where possible by extracting groundwater from shallow freshwater lenses, present the only real choice. Desalination has been proposed in cases of extreme need, and seawater is sometimes used for sanitation. People generally conserve water and use it sparingly. However, because surface water supplies are highly unreliable and groundwater resources limited, conflicts over ownership and access are increasing. Saltwater intrusion and



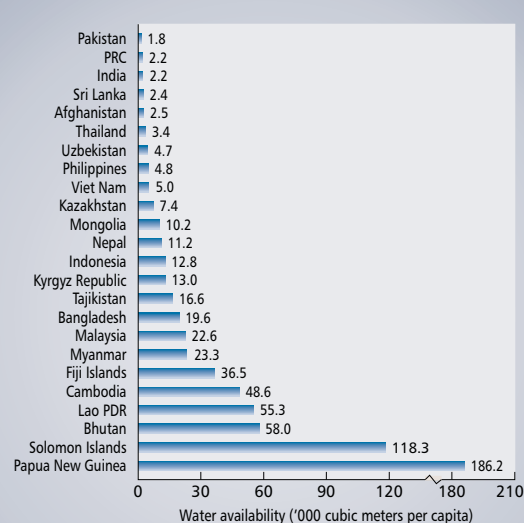
of their growing urban populations, and salt-water intrusion is rendering much of the groundwater unusable.

The special circumstances affecting water availability and quality in the Pacific are discussed in the box on page 10 and below.

Shared waters

International conflicts over water are becoming more frequent as competition for available freshwater resources increases. There are 215 international rivers as well as about 300 groundwater basins and aquifers that are shared by several countries. Although many difficult issues remain to be resolved, the 1996 treaty signed by Bangladesh and India for managing flows in the Ganges-Brahmaputra system represents a major victory for rational approaches to shared water resources. Similarly, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan—in recognition of their common strategic, economic, and environmental interests—created in 1992 the Interstate Coordinating Water Commission to facilitate water sharing and common solutions to related environmental issues. However, more than 70 water-related flash points

Annual Per Capita Water Resources in Selected Countries



Sources: Economic and Social Commission for Asia and the Pacific (ESCAP). 1995. *Integrated Water Resources Management in Asia and the Pacific*. Water Resources Series No. 75. United Nations, New York; Seckler, D., U. Amerasinghe, D. Molden, R. de Silva, and R. Baker. 1998. *World Water Demand and Supply, 1990 to 2025: Scenarios and Issues*. International Water Management Institute, Colombo; and Raskin, P., P. Gleick, P. Kirshen, G. Pontius, and K. Strzepek. 1997. *Water Futures: Assessment of Long Range Patterns and Problems*. Stockholm Environment Institute, Stockholm.

have been identified, mainly in Africa, Middle East, and Latin America.

Eight countries in Asia (Bangladesh, Cambodia, Kazakhstan, Pakistan, Tajikistan, Thailand, Uzbekistan, and Viet Nam) rely on

pollution by human waste are reducing the availability of usable water.

The larger volcanic islands include Fiji Islands, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu. Rainfall and surface runoff are adequate to meet needs, but pollution is a serious problem in urban areas. Villages in riverine and estuarine environments often have poor water quality. Competition for water is intensifying among domestic and industrial uses, irrigation, hydropower, tourism, and recreational uses.

As for many other developing countries, those in the Pacific are hampered by inefficient water utilities that operate in a monopoly regime and do not fully recover costs, depending instead on government and external financing to meet operation and maintenance costs. The utilities

exhibit chronic under funding and increasing deterioration of the physical assets, coupled with low operational efficiency and high levels of unaccounted-for water.

ADB is providing loans to improve water supply and sanitation in Kiribati, Marshall Islands, Federated States of Micronesia, and Papua New Guinea. These include capacity building elements to (i) improve allocation and management of water resources, (ii) develop skills for financial/managerial autonomy in water supply institutions, (iii) regulate water supply investments and operations, (iv) introduce tariff structures that would recover at least the costs associated with operation and maintenance, (v) establish demand-side management and water conservation, and (vi) monitor water quality and environmental conditions.

international rivers to supply more than 30 percent of their annual water resources. Four of these (Bangladesh, Cambodia, Uzbekistan, and Viet Nam) rely on water from external sources for more than 65 percent of their annual water resources. The reliability of water supplies in the face of such dependence is a key issue when seasonal variations, particularly droughts and El Niño events, enter the equation. Unsustainable rates of groundwater extraction can only make matters worse. The impact of global climate change, which cannot be determined at this time, will be to increase the overall uncertainty within which water planners operate.

Heightened awareness of water issues

Traditionally seen as limitless bounty, water has only recently been recognized as a scarce resource, and only since the 1950s have policymakers begun to espouse the economic and environmental values of water. Since the 1970s, a series of international meetings addressed water issues, starting with the First UN Water Conference at Mar del Plata in March 1977. This was followed by others (the box below shows the major international conferences that have drawn attention to the serious condition of the globe's freshwater resources in the last decade).

A consensus is growing among scientists, water planners, governments, and civil society

that new policies and approaches will have to be adopted within the next two decades to avoid calamity, and that supply, use, and management of water resources will have to be integrated across sectors and between regions sharing the same source.

The concept of fully integrated water resource management (IWRM) emerged from the Dublin and Rio Conferences of 1992. The four guiding principles (now referred to as the Dublin Principles) are (i) freshwater is a finite and vulnerable resource, essential to sustain life, development, and the environment; (ii) water development and management should be based on a participatory approach, involving users, planners, and policymakers at all levels; (iii) women play a central part in providing, managing, and safeguarding water; and (iv) water has an economic value in all its competing uses and should be recognized as an economic good.

Elements of a water strategy

Basic human rights and environmental renewal

The Dublin Principles recognize that freshwater is an input to which every human has the right to claim an essential minimum amount—the amount necessary to sustain life and meet basic sanitation needs. For human survival, the absolute minimum daily water requirement is

Major International Conferences in the 1990s

- | | |
|------|---|
| 1990 | Safe Water and Sanitation for the 1990s (United Nations Development Programme [UNDP], New Delhi): appealed for concerted action to ensure access for all to the basic human needs of safe drinking water and environmentally sound sanitation. |
| 1991 | A Strategy for Water Sector Capacity Building (UNDP, Delft): defined the basic elements of capacity building necessary to create an enabling environment in the water sector. |
| 1992 | International Conference on Water and Environment (UN, Dublin): set out the four principles of water resource management that came to be known as the Dublin Principles. |
| 1992 | United Nations Conference on Environment and Development (UN, Rio de Janeiro): promoted integrated water resource management based on the perception of water as an integral part of the ecosystem, a natural resource, and a socioeconomic good. |

only about 5 liters per day, whereas the daily requirement for sanitation, bathing, and cooking needs, as well as for assuring survival, is about 50 liters per person (equivalent to about 20 m³ per year).⁴ Despite concerted efforts made during the 1980s (the International Drinking Water and Sanitation Decade), even this minimal amount was not provided in 55 countries (representing close to 1 billion people) by 1990.

One in five people living today does not have access to safe drinking water, and half the world's population does not have adequate sanitation. This is most acute in Asia where the majority of the world's poor people live. Not surprisingly, water- and sanitation-related diseases are widespread and increasing. Almost 250 million cases are reported each year, with about 10 million deaths. Diarrhea alone kills more than 2 million children in developing countries. A recent UN report⁵ notes that "at any given time, 50 percent of the population in developing countries is suffering from water-related diseases caused either by infection, or indirectly by disease-carrying organisms." The global imperative is to ensure that at least 95 percent of human beings have safe water and sanitation by 2025 (World Water Council 1999).

ADB's *Second Water Utilities Data Book* (1997), which presents illustrative data on



water use in 42 cities across the region, shows that water supply and sanitation investments are not keeping pace with population growth. In ADB's DMCs, an estimated 737 million people in rural areas and 93 million in urban areas still have no access to safe drinking water. Access to sanitation is denied to 1.74 billion in rural areas and 298 million in urban areas. This is a major human tragedy; provision of such services to all people should be one of the highest priorities of all governments. The box on pages 14 and 15 provides a discussion of the issues affecting water supply and sanitation in ADB's DMCs.

Irrigation will remain the dominant water use in developing countries.

⁴ A daily water supply of 300 liters per person (the level of use achieved in many developed countries) is considered an appropriate design standard for modern urban water supply schemes.

⁵ United Nations Commission on Sustainable Development. 1997. *Overall Progress Achieved Since the United Nations Conference on Environment and Development*. Report of the Secretary General, UN: New York.

- 1997 First World Water Forum (Marrakech): recommended action to meet basic human needs for clean water and sanitation, establish effective mechanism for management of shared waters, preserve ecosystems, encourage efficient use of water, address gender equality issues in water use, and encourage partnerships between civil society and governments.
- 1998 Water and Sustainable Development (United Nations Educational, Scientific and Cultural Organization [UNESCO] and the French Government): raised concerns about tendencies to focus on scarcity as the main water crisis while neglecting problems of poor water management and the proliferation of regional coordination issues.
- 1999 Fifth Joint International Conference on Hydrology (UNESCO and the World Meteorological Organization): drew attention to the catastrophic consequences of water mismanagement on the poorer communities in developing countries.

At the 1992 Rio Earth Summit, the rights of all human beings to basic daily water requirements were expanded to include environmental water needs. This was reinforced in a statement issued by the UN in 1997: "... it is essential for water planning to secure basic human and environmental needs for water [and]... develop sustainable water strategies that address basic human needs, as well as preservation of ecosystems."

Water for poverty reduction

Not only are the poor more prone to the adverse impacts of unsafe drinking water and inadequate sanitation, but ADB's field surveys also consistently show that the poor spend disproportionately more of their incomes on potable water than more privileged sections of the community for whom piped water supplies are assured. For example, the poor in Manila pay as much as 10 percent of their household income for a meager quantity of poor-quality water (see box on page 16). While investments in human capital (education, health care, shelter, and protection from the effects of natural disasters) are also required to break the cycle of poverty, the impacts of poor-quality drinking water and the lack of adequate sanitation

are particularly strong and immediate. The policy imperative of this—for governments as well as for ADB—is quite clear.

While the poor are disadvantaged in terms of access to the benefits of improved water supply and sanitation, poor women are in a particularly invidious situation. The gender division of labor in many societies allocates to women the responsibility for collecting and storing water, caring for children and the sick, cooking, cleaning, and maintaining sanitation. The availability of a decent water supply and sanitation system goes a long way to improving the quality of life for poor women and their families. In many parts of the region, the arduous task of walking long distances over difficult terrain to fetch water falls to women, often with the help of their daughters. Women care for the sick, who are often children suffering diseases caused directly by contaminated water. Providing clean and dependable water close to the home can substantially reduce women's workloads, and free up time for women to engage in economic activities to improve household incomes. For girls, the time saved can be used to attend school. Hence, providing water supply and sanitation is pivotal to improving both the social and economic



Water Supply and Sanitation in the Region

In terms of human needs, water availability is highly variable across Asia and the Pacific. In Singapore, affordable high-quality water is available to all, 24 hours a day. In rural Nepal, fetching water for basic needs occupies up to four hours a day. Most people in the region do not have access in their homes to a 24-hour supply and are forced to boil or filter the water they obtain to make it potable.

In urban areas, unaccounted-for water averages 35 percent of production. Leakage (especially from house connections) probably accounts for half of this. Illegal connections, inadequate metering, and slack meter reading account for the rest. Where tariffs are too low, excessive water consumption (more than 150 liters per capita per day) is common. By contrast, power bills are normally about four times those for water. Low tariffs mean that utilities are always

struggling with financial viability and cannot contribute to capital investments.

Sewerage exists for less than 5 percent of our regional population, and only about 20 percent have on-site septic tanks. Basic latrines are available for about 50 percent, but as many as 25 percent have no formal sanitation at all. In urban areas, building controls are lax, and industries are often allowed to discharge effluents without treatment.

Competition for water has become intense and, because prior claim to a large portion of the resource has often been established (particularly by irrigators), urban suppliers are obliged to tap sources remote from the users. An example is the \$400 million Melamchi Water Supply Project in Nepal, which will draw water from three river basins outside the Kathmandu Valley to serve urban areas within the valley.

status of women, while simultaneously addressing gender and poverty concerns. The central role that women play in providing, managing, and safeguarding water is recognized in the third Dublin Principle.

Water for food production

A major problem to be resolved by 2025 is producing enough food for the anticipated population of 8 billion people. Economic development and changes in food preferences will exert strong demand for additional production and more varied food products. In 1998, the International Water Management Institute (IWMI) stated that in many parts of the world, water is becoming the single most important constraint to increased food production.

Even when good technical solutions appear to be at hand, they do not always produce the expected results; and the poorest, most vulnerable members of the community are among the worst affected. In Bangladesh, for example, the use of tubewells to raise shallow groundwater has been promoted by funding agencies to support intensive irrigation while also providing safe drinking water in rural areas. This gave a dramatic boost during the last three decades

to agricultural production, bringing the prospect of food self-sufficiency within reach for the first time. However, the same water has recently been found to contain traces of naturally occurring arsenic. Arsenic buildup in the body initially manifests itself through the appearance of skin diseases, and prolonged ingestion damages internal organs, leading to cancer and death. About 20 million people are at risk. The Government, with the aid of nongovernment organizations (NGOs) and international agencies, has embarked on a nationwide program to define site-specific countermeasures, but this may not be adequate to avoid suffering and loss of life for people who cannot afford alternative water supplies.

IWMI notes in its draft strategic plan for 2000-2005 (October 1999) that "the potential for expanding irrigated area is extremely limited." The UN has estimated the potential area for new irrigation as 45 million hectares worldwide, which could provide up to 21 percent of the projected additional food needs. Increases in yield and cropping intensity are expected to provide the rest. However, erosion, waterlogging, and land degradation are reducing the area of irrigated land; and some of the most fertile and productive areas close to urban

The three main problems facing the sector are financial sustainability, water resource availability, and equitable access. Planning for the long term is now critical. Water rights for domestic and industrial water supplies should be secured for at least 50 years. Tariffs need to be set to reflect the financial costs (and preferably the economic costs) of water. For example, in the water-scarce Maldives, consumers in the capital of Malé pay the equivalent of \$5 per cubic meter for desalinated piped water. Distortions in tariffs, where one part of a community cross-subsidizes another, need to be smoothed out, and all schemes should make adequate supplies available in poor areas. The poor can, and are willing, to pay for water.

In rural areas, special efforts are needed to reduce the distance to water supplies wherever possible and to encourage conservation

approaches, such as rainwater harvesting. Based on ADB's evaluation of many water supply and sanitation projects, it is essential to include complementary education in hygiene to derive the full health benefits of improvements in infrastructure.

Privatization of urban water supplies has not so far achieved a remarkably high success rate. Independent regulatory bodies are needed to reduce political interference and ensure accountable management and efficient delivery of water. The challenges in future are to (i) open up competition, (ii) allow domestic privatization, (iii) allow existing utilities to operate with transparent cost recovery policies and independent regulatory bodies, (iv) greatly increase tariffs to affordable limits, and (v) introduce performance benchmarking in all utilities. An urgent need exists to reduce non-revenue water.



Women are usually given the responsibility for collecting and storing water, caring for the children and the sick, cooking, cleaning, and maintaining sanitation.

centers are being absorbed into urban sprawl. In Indonesia, about 20,000 hectares (ha) are lost each year to urban development on Java alone. About 20 percent of the world's 250 million ha of irrigated land are degraded to the point where crop yields are declining.

ADB's 1998 study of rural Asia noted that, from 1966 to 1988, the real cost of new irrigation schemes increased by more than 150 percent in South and Southeast Asia. Given the limited scope for expanding irrigation and the sharply increased cost of new irrigation

schemes, the justification for investing in new irrigation grows steadily weaker. The future of irrigation lies mainly in improving the efficiency of present irrigation schemes in terms of operational performance and water use, supported by the introduction of mechanisms to ensure financial sustainability. Expansion of irrigation, where possible, will need to be justified on criteria of cost-effectiveness relative to other uses. Water-scarce regions need to plan for a future in which they may not be able to achieve food self-sufficiency.

In a world where food security can no longer be assured by an ever-expanding irrigation sector, what possibilities exist for increasing food production? The future of agriculture will increasingly be linked to careful use of marginal areas. Techniques for water harvesting and supplemental irrigation have shown great promise for increasing crop yields,

and many scientists believe that rain-fed areas offer the greatest potential for increasing grain production in the future. More research will be needed, and both assistance and encouragement should be provided to poor farmers to help overcome their reluctance to invest time and scarce resources into inherently risky farming. Smallholder water management systems, where groups of farmers finance relatively small water capture and distribution infrastructure, can eliminate much of the insecurity of rain-fed agriculture without increasing stress on the available water resources. Crops with low water requirements should be selected, and technology employed to determine accurately the exact amounts of water needed at different stages of crop growth. Innovative techniques for precision irrigation will also help to increase the productivity of water—ensuring more crop per drop. ADB supports research in selecting appropriate crops for nonirrigated areas, for example, by providing regional technical assistance (approved in 1999) for collecting, conserving, and using indigenous vegetables.

Water as a finite and economic good

The limits of the world's freshwater resources have become all too apparent, even though in many of the world's regions, detailed data on the hydrologic cycle are not available. Inefficient use, often initiated and then reinforced by government subsidies, has become ingrained; and the attendant water rights, whether formal or informal, are jealously defended by the

Manila Case Study: Water and Poverty

Winnie lives in Block A of the Kabusig Floodway, Cainta, Metro Manila. She is 34 and earns \$162 per month as a domestic helper. Her husband, a messenger, earns \$138 per month. They support a family of seven, which includes Winnie's mother-in-law and four children aged 6 months to 7 years. They rent a 20-square meter room and share a kitchen and toilet with another family. With monthly expenses of \$125 for food, \$50 for transport, and \$38 for rent, there is little

left to cover costs of power, water, gas, medicines, and schooling.

Water costs Winnie \$20 per month, or 7 percent of their household income. She used to pay \$12.50 per month for a metered piped supply from a deep tubewell operated by a private contractor. However, the supply was only for one hour twice a day. She paid another \$7.50 per month for drinking water purchased by the container from another contractor. The source

privileged users. Agriculture and manufacturing use the greatest share of the world's water. Irrigation is particularly voracious, accounting for up to 80 percent of water demand in hot, dry regions.

The river basin constitutes the natural hydrologic unit within which users compete for the same resource and water quality is modified in ways that affect its value to other users. Management of water resources must therefore be approached on a comprehensive basis within this hydrologic unit. Beyond the basic needs for human well-being and environmental renewal, scarcity of water is largely an economic issue. This idea, that water has an economic value in all its competing uses and should be recognized as an economic good, must underlie all efforts for rational water resource management.

Part of the value of water is reflected in the costs of extraction and delivery to the users. As a minimum, users should pay these costs to ensure accountability and financial sustainability. In addition, the opportunity cost, representing the value of the resource to some other user, must be considered. And finally, there are also the external costs related to the impacts on the environment and the health effects of polluted water.

Treating water as a tradable commodity would help ensure greater efficiency and productivity in its use. However, important cultural concerns and complex issues exist regarding resource sustainability and natural habitat, which means that government intervention is needed in resource allocation and investment decisions. Governments should therefore establish the policy, legislative, and regulatory frameworks for managing water supply and

demand. Governments should also provide financing for large water projects—dams, large-scale irrigation, flood control—for which private financing may not be readily available. They should also intervene, directly or indirectly, to ensure that water resources are used in the most beneficial way for the greater society.

Allocations frequently become locked, however, into what are clearly low-return uses (e.g., irrigation), when new projects are required to meet priority high-return needs (e.g., cities and industries). As the readily accessible water resources become committed, the costs of new projects can rise rapidly, resulting in high economic costs relative to the alternative of reallocating existing supplies. Even if countries are willing to incur the subsidies inherent in such solutions—for instance, to meet social, political, or environmental objectives—the full burden of these subsidies is seldom transparent; large costs may inadvertently be incurred as a result of inefficient resource allocations resulting from such decisions.

Imperatives for wise water management

From development to water resource management

The past century has seen enormous changes in the way society conducts the business of economic development, food production, and trade. Concurrently, and especially in the latter part of the century, there has been an explosion in the construction of large projects for water

was purported to be from the concessionaire's piped supply.

Recently, there was trouble with both sources of water at the same time. The deep tubewell closed down due to pump problems. Diarrhea and typhoid broke out in the neighborhood. One of Winnie's boys had to be hospitalized.

Now Winnie has a connection to a more distant deep tubewell and is selling water (not fit for drinking) by the container to five of her neighbors

who do not have water. At \$1.25 for the first 10 cubic meter (m³) and \$0.40 per m³ thereafter, she fears she may not have collected enough to pay the excess charges at the end of the month as well as the installments on the \$50 connection fee.

The message brought home by Winnie's case study is that the poor can and do pay for water. Local governments should ensure that piped water supplies reach the poorer areas, and that the poor are assisted to make use of such supplies.

storage, flood control, irrigation, and hydropower. These were conceived and realized in an atmosphere of challenge: how to tame nature to serve the needs of humanity. The limits to the scale of the projects were set by the ingenuity of engineering solutions. The driving forces were population growth, food security, and industrial development. According to the UN Food and Agriculture Organization, irrigated area grew from 50 million to 250 million ha in the last century, and withdrawals of freshwater increased from 500 to about 4,000 km³ per year.

Most large-scale projects have been financed by governments, and governments have naturally assumed responsibility for their management. The absence of private investors reflects not only the scale of the investments required, but also the fact that for some of these projects there were political objectives: for example, to encourage development in remote areas or to distribute development funds among regions. In many cases, it was assumed that users would repay the investment costs through water and other charges. This did not always happen. The repayment obligations have been eased and the cost of providing the services has frequently become institutionalized as a direct subsidy.

Water planners and developers have always worked from projections based on population

growth, industrial and agricultural production, and level of economic and social development to determine demand, and hence to formulate engineering solutions to provide the appropriate freshwater supply. However, because of natural resource constraints and the accumulating adverse environmental impact of past projects, changes are beginning to be made in the way planners approach the problems of water supply. This is evident as a discernible shift from water resource development toward supply and demand management. The tightening fiscal environment, recent financial crisis, and reduction in the potential for developing additional surface water and groundwater supplies have added impetus to this shift in the last decades. In addition, people the world over now place a higher value on maintaining the ecological function of freshwater ecosystems. There is also growing public pressure for the costs and benefits of water development projects to be shared more equitably and prudently, and for investments to be directed toward satisfying basic human needs rather than benefiting elite groups at a high cost to the community at large. The heightened awareness of the issues relating to large dams (and which are also relevant to other large-scale engineering solutions) is described in the box below.

The Large Dam Debate

Reservoirs created by dams are essential for supplying water for human needs. They conserve water that would otherwise flow out of the river basin, and thereby enable release of water when river flows are insufficient. They enable the development of towns, industries, and irrigation with all of their economic and social benefits. They also provide hydroelectric power, flood mitigation, and recreational facilities. Water can be released to maintain environmental flows, dilute pollutants, and flush sediments out of the lower river reaches, thereby promoting healthier instream conditions and improving navigation.

Until the early 1980s, systematic evaluation of their environmental and social impacts was not mandatory. Such impacts are frequently serious but difficult to predict and quantify. The

displacement of people to make way for the construction of dams and their reservoirs can cause great suffering and social dislocation. The negative ecological impacts can extend upstream into the reservoir and downstream to the sea.

There is now growing opposition in most countries to new large dams, and several projects have recently been canceled due to public opposition. There is also a stricter regulatory framework for such projects. International nongovernment organizations have played a role in fostering independent scrutiny of large dam projects, and they have emboldened the affected communities to seek a greater role in decisions that impact directly on their lives. The good dam sites (and many not so good sites) have already been used, and strict environmental and social conditions are now imposed.



From public good to priced commodity

Improving the efficiency of water use is indispensable. In the United States, contrary to all expectations, total water use has declined by 10 percent since 1980, even with population growth and a continued increase in economic wealth. Industrial use has declined by 40 percent from a peak in 1970, while industrial output and productivity have both increased. Similarly, in Japan, where industrial output has soared since the 1970s, total industrial water use has fallen by 25 percent. These reductions have been achieved through technological improvements (using less water to produce the same goods) and a change in the composition of industries making up the sector. The potential to reduce industrial use through further innovation, improved technology, and cost incentives is 20–30 percent. Comparable saving is possible in developing countries.

Residential water use, although only a small part (about 10 percent) of total water use, can be reduced without sacrificing living standards. Readily available means include

improving the efficiency of household appliances, better pricing structures, use of recycled water for certain applications, and especially reducing unaccounted-for water due to leaks and nonmetered connections in aging distribution networks. In many cities, such as Dhaka, Jakarta, and Manila, nonrevenue water exceeds 50 percent of water use.

The single largest variable in future water use for human needs is irrigation. According to the UN's Economic and Social Commission for Asia and the Pacific, irrigation in Asia and the Pacific accounts for 80 percent of total withdrawals, compared with 70 percent globally. By far the largest share of investments in agriculture during the green revolution era went into irrigation schemes. These were often—and remain—heavily subsidized. The adopted technology was generally at the lowest end of the scale: as much as 60 percent of the water is lost through leakage and evaporation before it even reaches the crop and an additional 20 percent may be lost on the field.⁶ There are few incentives for the service providers or the farmers to improve

⁶ A large part of these losses returns to rivers through the drainage network and as groundwater seepage and is, therefore, not lost from the river system, although the quality of return flows is often poor and limits their usefulness.

In response to growing concern, the World Conservation Union (IUCN) and the World Bank established an independent World Commission on Dams in 1997 to review their development effectiveness and develop standards, criteria, and guidelines to guide decision makers in planning, implementing, and decommissioning dams. Key issues in three areas—social, environmental, and economic/engineering—are being examined to work toward a new consensus on the role of large dams in sustainable development. The Commission's report is expected to be issued in August 2000. In support of this initiative, ADB is undertaking a regional technical assistance to examine four major projects and to prepare recommendations on best practices for evaluating, designing, constructing, operating, monitoring, and decommissioning dam projects in Asia.

A positive outcome of the growing opposition to large dams (and generally to large engineering solutions to water-related problems) is the impetus this has given to finding new ways of solving problems of water scarcity. As a first step, planners now look for ways of improving the efficiency of existing physical infrastructure and distribution systems, introducing more efficient industrial processes, reallocating available water among competing users, and finding innovative ways of recycling water. These approaches are fully concordant with ADB's policies and guidelines, through which ADB encourages conservation and more efficient use of water. ADB takes a proactive role by helping its DMCs put in place sound policies for integrated water resource management, including pricing strategies and practices that reward efficiency rather than wastefulness.

the efficiency of water delivery and use in such schemes where water is free or priced well below its cost.

Agriculture's contribution to national income is declining in all DMCs. The agriculture sector is, therefore, coming under increasing pressure to release water to meet other, more productive needs. For producing high-value crops in water-scarce areas, new irrigation techniques have been shown to be highly efficient and cost-effective. Even simple improvements in surface canal systems, which are used almost exclusively in developing countries, can lead to impressive gains in efficiency. Efforts to increase efficiency in water use could, however, have serious impacts on poor farmers, who may not be able to finance technological improvements. Hence, special assistance may be required to help poor farmers move up the technological ladder. Potentially greater saving can be achieved in delivering water, and the incentives for such improvements should be structured in such a way that the major beneficiaries (those who will avail of the "saved" water) contribute their share of the costs.

Groundwater irrigation presents a special case of too much of a good thing. Rapid expansion of groundwater irrigation during the

last two decades, initiated using public funding but now largely driven by private investment, provided remarkable increases in yield, productivity, and area of irrigated crops in parts of rural Bangladesh, PRC, India, Indonesia, and Pakistan. However, unregulated extraction over vast areas has caused extensive and rapid lowering of the water table and, in coastal areas, contributed to saltwater intrusion. In other parts, overwatering (combined with inadequate drainage) is bringing the water table dangerously close to the ground surface, rendering the surface saline and unusable. The productivity of some areas is now so threatened that large investments will be needed to avert complete collapse of the resource base, as described in the box below.

Future water resource projects

New projects for dams, water storage, irrigation, drainage, flood protection, and water supply will continue to be needed in many countries where the basic water requirements for people have not yet been met. Sustainability criteria will predominate in decision making and particular emphasis will be given to environmental and social values. Increasingly, these projects will be financed with private sector participation

Waterlogging and Salinity in Pakistan

Pakistan's Indus Basin irrigation system is the largest contiguous irrigation system in the world with three major dams, 19 barrages, and 43 interlinked canal systems. This vast system is served by an equally large drainage network commanding about 6 million hectares (ha). More than 400,000 tubewells (mostly privately owned) provide groundwater to supplement the surface canal supplies.

As a result of inequitable water application and inadequate drainage, 38 percent of the irrigated area is now waterlogged. In addition, irrigation adds more than 1.2 tons of salt per year to each ha. The salt is carried into the root zone where it reduces yields. The high rates of evaporation characteristic of the region's semiarid climate have rendered 14 percent of the surface too saline for use.

Recognizing the seriousness of the waterlogging and salinity problems, the Government began an extensive and costly reclamation program in 1959. Originally focused on providing surface and subsurface drainage, the program later included canal remodeling and selective lining to reduce aquifer recharge.

The Government's 1993 Drainage Sector Environmental Assessment recommended measures for overcoming the waterlogging and salinity problems:

- precluding further developments that would mobilize salt from deep groundwater aquifers,
- restricting irrigation to areas where existing drainage is adequate,
- ceasing public investment for drainage where improvements could reasonably be carried out by the private sector,

where possible, and a wider range of stakeholders will be invited to participate in the process.

Before deciding to invest in new storage and conveyance infrastructure, water planners will consider using existing infrastructure to meet the demands through reallocation of the available water among users, taking advantage of the greater efficiency offered by improved technology and the opportunities for recycling water. Major obstacles to the rational reallocation of water among users, however, are the legal and regulatory constraints on water transfers and, in many countries, the complex systems of water rights that inhibit the free movement of water as an economic good. An additional constraint is the lack of detailed understanding of the actual amount of water needed for various processes.

Because of their scale and the need to safeguard national and regional concerns above local interests, flood control and flood protection projects represent a special case in which private investment is unlikely to displace government funding. However, the desire to secure higher levels of flood protection must be balanced against the effectiveness of non-structural alternatives (such as planning and building controls, enhancing wetlands, providing means for evacuating persons and livestock,

flood-proofing of essential infrastructure, and improving flood warning systems), which are less expensive and which do not disturb the river system and its aquatic ecology. The potential exists in most countries for greater use of flood damage insurance. Properly managed, this would avoid the cost escalation of disaster rehabilitation and flood protection. Modern approaches emphasize balanced structural and nonstructural measures within an integrated and comprehensive plan for management of natural resources in the river basin.

For flood protection and all future projects using and controlling freshwater resources, the operational guidelines and procedures need to be adjusted to account for greater variability in climate as a result of global warming. This could add considerably to their costs.

Irrigation and drainage projects have accounted for about 10 percent of the total lending of the international financing agencies, and such financing has been the most important factor behind the rapid expansion in irrigated agriculture since the 1960s. As shown in the figure, ADB's lending for irrigation and drainage for the past three decades represents 33 percent of the \$15.7 billion in total lending for water projects. In many cases, the irrigation schemes have performed well below

- restricting subsurface drainage interventions to areas affected by saline groundwater, and only where there is an environmentally acceptable means of eliminating drainage effluent,
- concentrating surface drainage interventions to areas at risk of storm water damage, and
- giving special attention to beneficiary participation in both structural and nonstructural interventions.

It is recognized that structural interventions to control waterlogging and salinity need to be complemented by agricultural strategies that promote the efficient use of water, beginning at the national level and continuing to the field level. Accordingly, in 1995 the Government adopted a long-term strategy for institutional

reforms in the water sector. The role of the Government was redefined with the objective of phasing out subsidies for operation and maintenance of irrigation schemes within 10 years, and decentralizing management of irrigation and drainage services. Separate organizations will be established for operation and maintenance of each main canal system, and secondary irrigation and drainage systems will be transferred to farmer organizations. Implementation started in 1996 and is being supported by major international financiers, including ADB, World Bank, and Japan Bank for International Cooperation.

Despite such environmental problems, irrigated agriculture continues to support the country's economic development and provides livelihood for millions of families.

expectations. Yet, the same agencies have repeatedly supported programs for rehabilitation and improvement of physical infrastructure, often ignoring the institutional and statutory obstacles to more responsive service provision and sustainable operation. In response to growing competition for the available resources, both financial and physical, many countries are now tackling the challenge of policy and institutional reforms to achieve integrated water resource management and sustainable operation and maintenance of their irrigation schemes.

Creation of incentives for more efficient allocation and delivery of water is now urgently needed throughout Asia and the Pacific. First, user charges must be levied. These should be fair, consistently applied, and set at levels that not only distinguish different uses but also ensure access for disadvantaged groups (especially the poor, and among the poor women). All users in the river basin must be included in any system of water charging. Second, the conditions for trading of water rights should be created. This requires clear definition of water rights, a condition that does not yet exist in most countries. In a complementary manner, greater control of the operation and maintenance of irrigation schemes needs to be given to the users.

The current global commitment of financial resources for all water-related infrastructure is estimated to be \$80 billion annually. For water supply and sanitation alone, an annual investment of about \$70 billion would be required over the next 10 years. Although official development assistance will continue to provide an important part of the necessary resources, the private sector will be called on increasingly. ADB's lending for water-related operations in 1999 totaled \$1.24 billion (25 percent of total lending), an indication of the importance attached to water sector operations. Nevertheless, this represents only a small part of the total need.

ADB's evolving role in the changing context

ADB's experience and lessons learned

ADB has implemented 437 water-related projects, for which financing totaling \$15.7 billion has been provided (*see figures at right*). Evaluation studies show 51 percent of these projects were generally successful, but 11 percent were unsuccessful. Success was evaluated by a variety of indexes—including economic internal rate of return—many of which are affected by external factors, such as changes in the economic environment. For instance, declining real rice prices over the long term have adversely affected the economic evaluation of many irrigation projects.

An analysis of ADB's water operations shows positive trends for such concerns as the incorporation of social and environmental dimensions, increased water user responsibility and water use efficiency, cost recovery, institutional strengthening, quality control, and monitoring arrangements. ADB's water projects, however, tended to be identified, processed, administered, and evaluated within their subsector context, reflecting the fragmented approach to planning and implementing water projects in most DMCs. For example, legal aspects of water allocation have been addressed in less than one quarter of approved projects, and only one third of the projects included water conservation measures. This tends to confirm that ADB's water loans have, in the past, focused largely on improving water services (supply-side solutions) in a subsector context, and that relatively few have addressed water resource issues, including water scarcity and efficient allocation of water between different uses.

The striking lesson from ADB's involvement in water-related projects is that, as competition for water increases, a more comprehensive and integrated approach to water operations is needed to encompass goals of social welfare, environmental integrity, and economic productivity. Fundamental actions to achieve this are

- stakeholder participation in all stages of the project cycle;



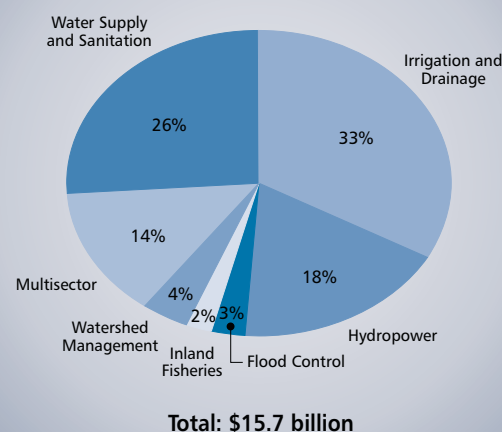
- attention to the complementary roles of the public and private sectors, recognition of the special contribution of women, and incorporation of economic instruments to improve allocation efficiency;
- integration of pro-poor strategies into project formulation to ensure that services are extended to poor areas and that rights of access are assured for the poor and other disadvantaged groups;
- strengthening of regulatory and control functions to maximize opportunities for private sector participation in service delivery;
- environmental protection and enhancement as an integral part of every new project, with each project being evaluated in the whole river basin context; and
- acquiescence of directly affected communities prior to committing investment funds.

A new generation of water projects with an integrated approach to supply and demand management has emerged. These incorporate fully the principles of integrated water resource management and build on country-specific analyses of water resource needs, constraints, and potential. The first such analysis was made with ADB assistance in Sri Lanka in 1993 and led to the formulation of a national water sector profile and reform action plan. This was followed by ADB-supported institutional strengthening and policy reforms, which will pave the way for new investments in water resource development. Other examples include Lao People's Democratic Republic, Pakistan, and Viet Nam where ADB is now supporting policy reforms and capacity building for integrated water resource management. An ADB-financed assessment of the water sector in the PRC (concluded in 1999) helped formulate strategic initiatives and an action plan that reflect a shift from a sectoral focus toward a more integrated and comprehensive approach. Projects now being prepared in the PRC are tackling traditional water resource problems in conjunction with biodiversity conservation

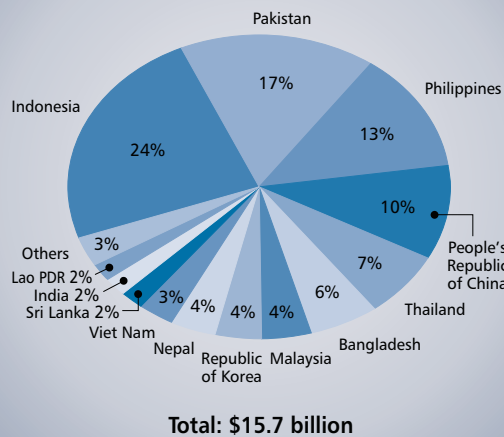
and legislative changes for improved natural resource management.

As the private sector assumes greater importance in development financing, ADB's catalytic role of mobilizing private capital has also grown. ADB's private sector support focuses on projects with significant economic and social merit and, where, because of long payback periods or perceived high risks, private investors have tended to be reticent. In the water sector, provided the projects are part of a well-conceived privatization strategy, ADB encourages private initiatives by providing direct financial support. Significant recent examples are the Maynilad Water Services Project for

Subsectoral Distribution of ADB's Water Lending, 1968–1999



Geographical Distribution of ADB's Water Lending, 1968–1999



water and sewage facilities in Metro Manila, Philippines, which is expected to benefit 90,000 poor families; and Chengdu Water Supply Project in Sichuan Province, PRC, ADB's first build-own-transfer project. In line with the evolving water policy, which encourages increased private sector participation to improve service accountability, such initiatives are expected to increase and encompass an ever-widening range of social infrastructure.

ADB's evolving water policy

Lack of effective water policies and institutional arrangements is a pressing issue in most of ADB's DMCs. In the absence of reforms, private investments and increased community involvement will remain severely constrained, and potentially wasteful and destructive projects will be embarked upon. ADB's policy recognizes this problem and sets out a process for implementing water sector reforms as a prerequisite to new investments. To avail of ADB assistance, governments will need to adopt national water policies, laws, institutional reform, sector coordination mechanisms, and a national water action agenda.

Financial incentives and regulation, together with concerted efforts to protect water quality, aquatic ecosystems, and watersheds, need to be reinforced to improve the efficiency and sustainability of resource use.

Stakeholder recognition and participation will be promoted, and the needs of women and vulnerable groups will be adequately considered in water projects. New partnerships between public, private, community, and NGO stakeholders will be developed to ensure effective policy reform and environmentally sustainable, socially acceptable projects.

Implementing such reforms will require sustained financial and policy support, for which ADB has a comparative advantage because of its long experience of working with water agencies in the region. In addition, its cofinancing modalities and experience in catalyzing private investments provide a window for increasing support from other funding agencies.

Possible changes in climate are of particular concern in Asia and the Pacific where such phenomena as monsoons, the El Niño Southern Oscillation, and tropical cyclones play such a large role. ADB has supported regional studies on the possible impacts of climate change and is assisting its DMCs to develop national response strategies to help them cope with the greater climatic uncertainty. Comprehensive coastal zone management plans have been prepared for countries vulnerable to sea level changes, and national strategies for managing water resources under conditions of heightened uncertainty will form part of the policy agenda.

Making better use of Asia's shared rivers is an unfinished agenda with potentially large

Regional Cooperation in the Water Sector

International cooperation need not be complex and controversial when it comes to exchanging information and experience in water sector policies and reforms. While circumstances are different in each country, there are enough common issues in the water sector that make such an exchange useful and cost-effective. Following its regional water policy consultation in 1996, ADB has promoted subregional water resource cooperation in Southeast Asia and South Asia in collaboration with the Global Water Partnership. These resulted in subregional water partnerships being established.

ADB's regional water policy consultations in Southeast Asia concluded that

- water has become the critical natural resource in most countries of Asia and the Pacific;
- national action programs are needed to manage water resources and improve water services that will sustain human and economic development in each DMC in the coming decades;
- governments should provide leadership, commitment, and a focus on principles to direct an effective water sector reform process in each country;

benefits to millions of poor people in the region. However, formulating agreements between sub-regions to enable equitable sharing of resources and better control of transboundary pollution has proven to be highly controversial and, in some cases, strongly divisive. In promoting regional cooperation, ADB has the potential to play an increasingly important role. ADB has shown its capability to act as a fair and impartial broker in analyzing the needs of populations both upstream and downstream, as demonstrated by its support to the countries of the Greater Mekong Subregion to expand their cooperation around a broader economic agenda of priority regional projects. ADB has also promoted international cooperation in other river basins, such as the Red River shared by the PRC and Viet Nam. ADB's role in promoting international cooperation is well illustrated by its regional water policy consultations, as described in the box on page 24 and below.

ADB's water policy, which is being formulated after extensive global and regional consultations, for consideration by the Board of Directors in 2000, will embody an integrated approach to water resource assessment within the river basin as the basic hydrologic unit. The water policy will incorporate pro-poor strategies and respond to the shift from water resource development to management of supply and demand. Its seven major policy elements are described in the box on page 26.



Looking ahead: working for a blue revolution

The hope for the future lies in doing for water productivity what the green revolution did for crop productivity. This "blue revolution," as it has been termed by various scientists and water planners, would dramatically improve the efficiency of freshwater use, particularly in agriculture. The revolution will begin with greater public awareness of the potential dangers of a business-as-usual approach; help create policies, strategies, and incentives needed to establish integrated water resource management on a global basis; and culminate in the

- national water apex bodies should be formed to oversee sector reforms;
- a range of modalities for river basin organizations exists, and such river basin organizations need to respond to demand and suit local conditions;
- water conservation requires supply and demand management, pricing, charging, public awareness, and ecosystem maintenance; and
- ADB should target the water sector in its operations with a long-term perspective and through effective partnerships to catalyze investments in integrated water sector programs in the region.

In South Asia, regional consultations resolved that

- sustainability of water resources, institutions, and financing is critical to poverty reduction;
- national water policies need to adopt cross-sectoral approaches and be practical and implementable;
- water institutions need to be reformed to deal with cross-sectoral dimensions through approaches that involve stakeholders at all levels; and
- participatory planning and management need to focus on people's needs, equity, gender, and accountability.



allocation of resources to effect the social, institutional, and technological changes necessary for efficient water allocation and use.

ADB is keenly aware of the magnitude of the challenges to be faced in water resource management during the coming decades if the worst-case scenarios are to be avoided. ADB has wide experience in analyzing the macroeconomic impacts of subsidies, formulating appropriate cost recovery and cost-sharing strategies, institutionalizing community participation in resource management, improving governance and transparency, making environmental enhancement cost-effective, and building capacity. ADB, as a rigorously impartial and fair adviser, has particular strength in promoting and fostering regional cooperation for shared water resources. ADB's approach stresses actions to ensure fair and equitable access for

the poor and for others whose voices have not always been heard in decisions affecting the allocation of resources. ADB recognizes the special role of women in ensuring the health and well-being of families, both as principal agents for fetching water and preventing the spread of waterborne diseases, and as highly productive farmers and irrigators.

ADB is equally aware of the opportunities that exist for concerted action by governments, funding agencies, private sector, and civil society for improving the management of natural resources. A consensus has been formed among the international funding agencies for strong cooperation and concerted action in analyzing the needs of each country and region, identifying common goals among conflicting stakeholders, and adopting uniform standards and criteria for development decision making. Cooperation to achieve the maximum impact of development assistance will be the hallmark of international aid in the 21st century.

Despite the difficult choices that must be made worldwide to ensure sustainable water use and management, there is some cause for optimism. Commitment to stricter environmental controls and their enforcement does help to maintain healthier ecological conditions and can restore the severely degraded environment. The efficiency of water use can be improved without sacrificing quality of life, and such improvements can alleviate, if not completely avoid, looming water crises. Adopting socially inclusive policies to spread the benefits of water resource development to the poor and other traditionally disadvantaged members of the community benefits society as a whole by improving living conditions, health, social stability, and opportunities for productive employment.

Elements of ADB's Water Policy

The following policy elements are being developed in the proposed water policy:

- promote effective national water policies and action programs;
- apply principles of socially inclusive development to improve the equitability of water service delivery; support adoption of appropriate pricing policies to promote greater efficiency; and encourage decentralization and autonomy to foster increased private sector participation and to improve service accountability;
- foster an integrated approach to management of water resources;
- foster the efficient and sustainable use and conservation of water;
- promote cooperation for beneficial use of shared resources within and between countries;
- facilitate stakeholder consultation and participation at all levels; and
- improve governance through capacity building, monitoring, and evaluation.

Operational Priorities

In 1999, the Board of Directors approved a radical shift in the way ADB operates. With the adoption of its new poverty reduction strategy, ADB refocused its work to make eliminating poverty from the region its main mission.

This chapter examines this mission and ADB's previously agreed strategic objectives—promoting economic growth, developing human resources (including education, health, population planning, social protection, and urban development), improving the status of women, and protecting the environment. Law and policy reform, regional cooperation, and private sector participation are also discussed, as are various social dimensions of development in ADB-financed operations. Also covered are resource transfers, cofinancing and guarantee operations, portfolio management, and the performance evaluation and development impact of ADB's 1999 program.

Poverty reduction, the new overarching goal of ADB

A new social policy agenda is emerging in Asia and the Pacific. Economic growth and investment in human development are in themselves not sufficient to eradicate poverty in

the region. In response to this agenda, ADB's President announced that reducing poverty would become ADB's main goal; and in November 1999, ADB's new poverty reduction strategy was adopted.

The new strategy rests on three pillars: (i) pro-poor, sustainable economic growth based on policies and programs that facilitate employment and income generation for the poor; (ii) social development, which can enable the poor to make full use of opportunities to improve their living standard, and programs that directly address the severity of poverty; and (iii) good governance to ensure that the poor have better access to basic services and greater voice and participation in the decisions affecting them. The strategy requires that all ADB operations—lending, technical assistance, capacity building, economic and sector work, donor coordination, and policy dialogue—contribute to reducing poverty in each DMC.

Promoting pro-poor, sustainable economic growth

Growth is neither automatically pro-poor, nor by itself broad-based and inclusive. It must be made so. This requires that (i) equity in access to and use of production factors, such as land,

A New Social Policy and Poverty Agenda

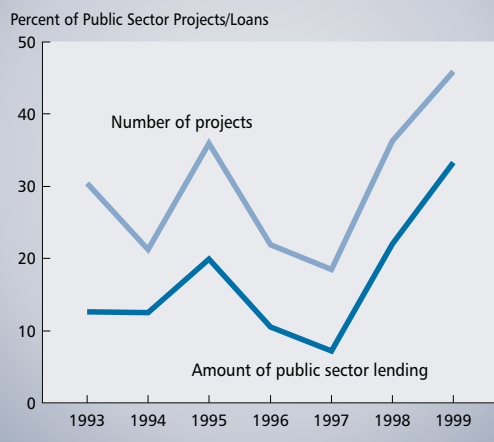
From 9 to 12 November 1999, ADB, in close cooperation with the World Bank, held the Manila Social Forum at ADB's headquarters. High-level representatives from around the world discussed the new social policy agenda emerging from transition from centrally planned to market economies and globalization in Southeast, Central, and East Asia.

The Forum discussed a range of topics such as inclusive labor markets; rationalizing social public expenditure by decentralizing social services; the role of the private sector in job creation, governance,

and poverty; the new challenge of urban poverty; and the building of proactive social safety nets.

The Forum revealed that many solutions—valid before globalization in the mid-1990s—need to be reexamined. Social safety nets need to be established, and public systems built up. There must be increased responsibilities for a transparent and good-governed state, and greater emphasis on stakeholders. The discussions on the interrelation between governance and poverty highlighted the importance for international finance institutions to strengthen their good governance activities.

Projects and Loans with Poverty Reduction as Primary or Secondary Strategic Development Objective, 1993-1999



capital, knowledge, labor, and other factor markets be addressed; (ii) economic development that generates income and employment for the poor be promoted; (iii) macroeconomic constraints that penalize the poor, such as inflation, tariffs, and prices, and national and external terms of trade policies, be tackled; (iv) market-driven, effective private sector development that benefits the poor and free public resources for improving social development and reducing poverty be promoted; (v) socioeconomic development through regional and subregional cooperation be accelerated; (vi) infrastructure projects be located in poor areas or that they incorporate specific components to ensure that

the poor have increased access to project facilities and services; and (vii) economic growth be sustained by enhancing quality and productivity of the environment and natural resources.

Supporting social development

Economic growth most effectively reduces poverty when accompanied by comprehensive programs for social development. Just as some targeting of economic development is necessary to reach bypassed areas, so also must social development be targeted. ADB's strategy recognizes this.

Social protection assists individuals, households, groups, and communities to better manage risks and achieve economic stability. Such programs include old-age pensions, insurance, formal and informal social safety nets, and policies to improve labor standards and labor mobility. In many societies, women suffer disproportionately from the burden of poverty and are systematically excluded from access to essential assets. Also, women often contribute more to improving the living standard and the income of poor households through their work, spending patterns, care giving, and other activities. Improving the status of women, particularly poor women, addresses a priority area of poverty reduction and provides important socioeconomic returns through reduced health and welfare costs, and lower fertility and maternal and infant mortality rates.

Listening to Stakeholders

In preparing its poverty reduction strategy, ADB sought the input of stakeholders through consultation workshops and Internet dialogue. Consultations were held in Bangladesh, People's Republic of China, India, Indonesia, Kyrgyz Republic, Nepal, Philippines, Sri Lanka, and Viet Nam.

A range of stakeholders participated in these two- to three-day workshops, including representatives from local and central governments, nongovernment organizations, academics, development agencies, and funding agencies.

The major objective of the consultations was to identify lessons learned from poverty

reduction efforts in each country, examine emerging strategies, and explore ways in which the new ADB strategy might best support national efforts and priorities.

The key findings of the consultations undertaken and the nine country studies are summarized in an ADB publication *Reducing Poverty: Major Findings and Implications*.

The working draft of the poverty reduction strategy was placed on ADB's web site (<http://www.adb.org>) to encourage further stakeholder dialogue and was shared with a peer review group of experts worldwide, before being adopted in November 1999.



Facilitating good governance

The quality of governance is critical to poverty reduction. Good governance facilitates participatory, pro-poor policies as well as sound macroeconomic management. It ensures the transparent use of public funds, encourages growth of the private sector, promotes effective delivery of public services, and helps establish the rule of law. Since effective and efficient delivery of basic services by the public sector matters most to the poor, weak governance hurts them disproportionately.

In recognition of the importance of good governance for sustained economic development in Asia and the Pacific, ADB adopted, in October 1995, a policy on governance that identified four means to sustained economic development: accountability, participation, predictability, and transparency. Since 1995, ADB has engaged in a variety of country-based and subregional technical assistance activities to disseminate international experience in governance and public management, and through loans, has supported several governance reform programs adopted by the governments of its developing member countries (DMCs).

As a major extension of its governance policy, ADB formally adopted an anticorruption policy in 1998. The policy is centered on three objectives: (i) supporting competitive markets and public administrations that are efficient, effective, accountable, and transparent;

(ii) supporting promising anticorruption initiatives on a case-by-case basis and improving the quality of dialogue with DMCs on a range of governance issues, including corruption; and (iii) ensuring that ADB's projects and staff adhere to the highest ethical standards.

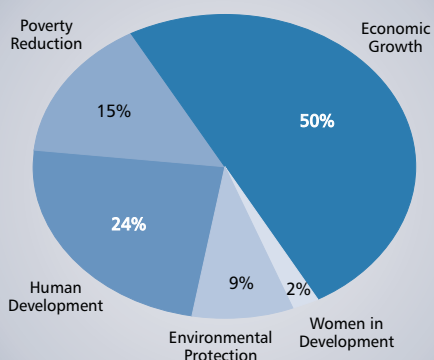
ADB's development objectives

With the adoption of its poverty reduction strategy, ADB ensured the primacy of its attack on poverty. Its previously agreed strategic development objectives—promoting economic growth, developing human resources, improving the status of women, and protecting the environment—are still integral to ADB's work, but they are being pursued in ways that enhance poverty reduction. Other key development objectives and crosscutting priorities, such as law and policy reform, regional cooperation, private sector development, and social dimensions of development are contributing significantly to ADB's main goal.

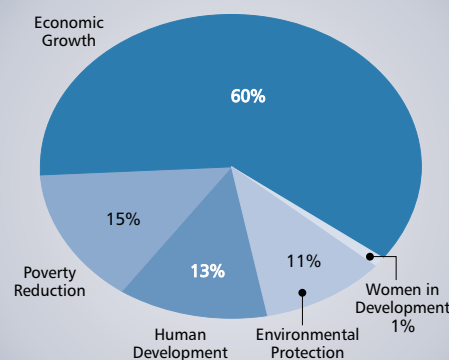
Promoting economic growth

Economic growth projects, including those in energy, transport and communications, industry, finance (*see box on page 30*), and agriculture, were pursued by ADB in 1999. Interventions often combined microfinance, agriculture sector support services, livestock development, rural road and

Number of Projects by Strategic Development Objective, 1999



Public Sector Lending^a by Strategic Development Objective, 1999



^a Excludes technical assistance loans.

market improvements, natural resource management, environmental protection, and participatory design and implementation of programs that involve nongovernment organizations (NGOs), community-based organizations (CBOs), and other stakeholder groups.

Agriculture projects focusing on production are a key to reducing poverty. Agriculture investments tend to create more jobs than equivalent investments in other sectors and can directly target pockets of poverty (*see box on page 31*).

In 1999, ADB lent \$2.9 billion for 23 public sector-financed projects (excluding technical assistance loans) with economic growth as the primary development objective. This represented 50 percent of all the projects approved during the year and 60 percent of the total lending volume in the public sector. Policy-based program lending accounted for 41.7 percent of ADB's ordinary capital resources (OCR) of \$1.6 billion and 11.6 percent of its Asian Development Fund resources of \$124.0 million in 1999.

Supporting human development

ADB's main human development objective is to reduce poverty by improving the health, living standards, and livelihood of people in its DMCs. This is done by strengthening institutions; building capacity; reforming policy; and providing loans and technical assistance in education, health and nutrition, water supply and sanitation, and urban sectors.

No country or region has done well in reducing poverty without first providing widespread basic education and health services. Education helps to empower the poor, to enhance their income-earning potential, and to improve the quality of their lives. Without basic education—without basic skills and knowledge—the poor lack the tools essential for breaking the poverty cycle. People with basic education are more productive and more likely to earn higher incomes. Where attention has been paid to educating women, multiple

Supporting Economic Growth Through Infrastructure Development

Energy: In 1999, three out of five energy projects, totaling \$607 million, had economic growth as their primary objective. In Indonesia, a \$380 million Power Sector Restructuring Program will ensure a stable supply of electricity, essential for the country's economic recovery, and a \$20 million capacity-building loan will facilitate the establishment of a competitive electricity market. Two other projects are for upgrading the Dhaka Power System in Bangladesh (\$157 million) and for rural electrification, distribution, and transmission in Nepal (\$50 million).

Transport and Communications: Five out of 10 projects in the transport and communications sector, totaling \$613 million, focused on economic growth. In the People's Republic of China, ADB continued to support the development of the primary road system with the approval of the Shanxi Road Development Project and the Southern Yunnan Road Development Project, each for \$250 million. The projects are in the poorer interior provinces and are expected to enhance incomes and reduce poverty by lowering transport costs. Connecting provincial and county roads will also be improved or constructed, providing better

access for the rural population to market opportunities, social services, and employment. In Mongolia, ADB provided \$25 million to upgrade the second key segment of the road linking Ulaanbaatar to the PRC and the Russian Federation. Important regional trade benefits and reduced transport costs will result. In Papua New Guinea, roads are being upgraded and maintained through a \$63 million ADB project. In Viet Nam, a \$25 million East-West Corridor road project is promoting subregional cooperation and economic growth in an area where the incidence of poverty is extremely high.

Industry and Finance: Three projects in the industry and finance sectors, for a total of \$443 million, are aimed at improving efficiency. ADB provided \$36 million to the Kyrgyz Republic to support reform in the finance sector by improving financial intermediation and broadening and deepening the capital markets, which are expected to lead to more efficient mobilization and allocation of capital in the economy. The other two projects are for trade, export promotion, and industry in Pakistan (\$307 million) and for state-owned enterprise reform and corporate governance in Viet Nam (\$100 million).

benefits have been obtained: educated women have lower fertility rates and their children have lower infant mortality rates; and educated mothers are more likely to use health services and to send their children to school.

Children from poor families are less likely to attend or to complete school and, as adults, these children will be less likely to improve their quality of life or that of their own children. The poor child—who was malnourished as an infant—may have diminished learning ability, may suffer from chronic disease, and therefore may be unable to benefit fully from schooling. A child from a poor family is less likely to receive appropriate stimulation and encouragement at home and may find the transition from home to school more difficult. Early childhood development programs ensure adequate nutrition and health care, help compensate for disadvantaged home environments, and lay the foundation for better performance at school.



Supporting Agriculture and Natural Resources

In 1999, loans to the agriculture and natural resource sector totaled \$430.4 million for six projects in five countries. In addition, technical assistance of \$28.4 million was provided for capacity building, strategic planning, and institutional innovations.

In the People's Republic of China, ADB responded to the devastation caused by the floods of 1998 and approved a multisector loan of \$330 million to rebuild key infrastructure facilities. In Kyrgyz Republic, Lao People's Democratic Republic, and Pakistan, loans focused on improving the skills of small-scale, poor farmers and their access to support services and rural infrastructure. In Pakistan and Sri Lanka, loans will assist coastline stabilization, fisheries management, and farmer-managed irrigation systems. In Thailand, a \$300 million program loan will improve overall agriculture sector management through institutional and policy reforms.

Six regional technical assistance, 20 advisory technical assistance, and 21 project preparatory technical assistance were provided to 14 countries in 1999.

In the natural resource subsector, assistance focused on strengthening institutions in planning

and managing water and forest resources and in promoting greater community participation and cost sharing in irrigation projects. In agriculture, assistance was provided for strengthening rural financial services and institutions in Cambodia, Viet Nam, and Uzbekistan. A regional technical assistance enabled ADB's developing member countries and other stakeholders to participate in formulating ADB's microfinance strategy. In addition, project preparatory assistance was provided to Bangladesh, Indonesia, Pakistan, and Viet Nam to formulate agriculture projects to enhance farm incomes through improved productivity, diversification into high-value crops, and improved input and market linkages. A regional study on the problems and concerns of rural Asia was completed. The results of this study will be used to formulate a rural development strategy for ADB.



ADB and education: Work continued in 1999 on preparing an updated education sector policy paper to assess ADB's evolving role in education, with particular attention to education's role in reducing poverty. Of all types of education, primary education is clearly the most important for poverty reduction. But even when this is available and successfully completed by the poor, their transition to higher education and training is limited. Strategies for education and poverty reduction must identify ways to ensure equity of access to education beyond the basic levels. As poor adults are likely to have had no access to education in their childhood or to have dropped out of school early, investing in adult and community education programs (designed to teach basic literacy and numeracy, transfer essential knowledge in health and nutrition, and provide entrepreneurial and income-enhancement

skills) is warranted. Enrollment of the poor in both higher education and skills development programs must be encouraged. However, entry qualifications often require completion of lower levels of education that are often not completed by the poor. Because books and supplies are expensive, the cost of such programs is usually beyond the means of the poor, even when tuition is provided free. The opportunity cost of attending post-basic education training in terms of income foregone is higher for the poor, whose immediate income is needed by the family. ADB-assisted programs in higher education and skills development support programs to enhance equity of access to higher levels of education and training for the poor through the provision of vouchers and scholarships, and develop alternative means of delivering and assessing skills training and higher education. Policy dialogue with governments and capacity building are needed to put

Supporting Education

ADB lending for education in 1999 was in education rehabilitation, secondary education, skills development, teacher training, and higher education.

In Bangladesh, the \$60 million Secondary Education Sector Improvement Project will lay the foundation for a comprehensive and systematic reform of secondary education, including policy and institutional reforms and capacity building. In Papua New Guinea, a \$20 million Employment-Oriented Skills Development Project will improve income-earning opportunities for the unemployed and underemployed by providing short-term technical and entrepreneurial training. An \$18.8 million Skills Development Project in Sri Lanka will restructure and reorient the vocational training system to ensure the quality and relevance of programs to match the demands of industry. The \$20 million Social Sector Rehabilitation Project in Tajikistan will rehabilitate school facilities and replace textbooks destroyed by civil conflict and provide teacher training. The \$59.3 million Higher Education Development Project in Thailand will strengthen the role of higher education in developing domestic capacity to carry out research and development activities in collaboration with industry. A \$25 million Teacher

Training Project in Viet Nam will upgrade the preservice teacher training system for lower secondary education.

ADB technical assistance will prepare education projects in several countries. In Bhutan, the emphasis is on basic skills development; in Nepal and Uzbekistan, the focus is on basic education development; and in Samoa, the project will address the sectoral and institutional needs of primary and secondary education.

Secondary education projects are being prepared in Sri Lanka and Uzbekistan. A second education quality improvement project focusing on teacher education reform is being prepared in the Lao People's Democratic Republic. In Mongolia, a second education development project is being prepared that will build on comprehensive ADB support that began in 1997. Capacity was improved through technical assistance for education and training institutions in Sri Lanka, Uzbekistan, and Viet Nam. In Cambodia, a secondary education investment plan is being developed; and in the Federated States of Micronesia, social indicators will be updated and key policy and management issues in education and health identified. In Mongolia, the Government was supported in preparing an education sector strategy for 2000–2005.



in place pro-poor policies and pro-poor resource allocation mechanisms.

ADB and health: ADB's updated health sector policy, adopted in February 1999, reemphasizes primary health care, including reproductive health, family planning, and selected nutrition interventions, as the best strategy to provide universal access to essential health services. ADB's overall objective in the health subsector is to assist DMC governments in ensuring that their citizens have broad access to basic preventive, promotive, and curative services. ADB focuses on (i) improving the health status of the poor, women, infants, children, and indigenous peoples; (ii) promoting health sector reforms; (iii) enhancing the efficiency of health subsector investments through institutional strengthening and capacity building; (iv) achieving tangible, measurable results; and (v) testing innovative

approaches and supporting effective and affordable new technologies.

The Asian financial crisis highlighted the need for governments to actively pursue health subsector reform and implement effective and cost-efficient strategies. Reforms in health subsector financing aim to mobilize more resources for health and to make better use of available resources, particularly government subsidies. ADB projects support reforms that further decentralize health service delivery, encourage partnerships with the private sector to improve efficiency and coverage, and focus on protecting vulnerable groups, especially the poor, women, children, and indigenous peoples.

Decentralization allows greater participation of beneficiaries in identifying issues and developing solutions, and requires closer collaboration between ministries of health and local governments. Many countries are

Supporting Primary Health Care

Ensuring that the poor have access to good quality, essential health care was the primary objective of health subsector interventions in Indonesia, Marshall Islands, Pakistan, and Tajikistan.

In Indonesia, the \$300 million Health and Nutrition Sector Development Program focused on ensuring continued availability of basic health, nutrition, and family planning services to those most at risk: pregnant women, new mothers, infants, and young children. Emphasis was placed on strengthening service delivery through health centers and community health posts. The Program supports broad health subsector reforms to mobilize additional resources and improve efficiency, sustainability, and transparency through decentralization. Government budget allocations are provided directly to health centers in proportion to the number of poor and vulnerable groups covered by each health center. In the Marshall Islands, health care services will be improved for one fourth of the national population through implementation of the \$9.3 million Ebeye Health and Infrastructure project. In Pakistan, a \$47 million loan for the Women's Health project will expand health and nutrition programs serving poor rural women and children, develop "woman-friendly" health care systems, and improve district

health management to sustain women's health care. In Tajikistan, the \$20 million Social Sector Rehabilitation project will refurbish hospitals and health centers, provide essential equipment and supplies to restore health services disrupted by civil conflict, and strengthen the targeting of services to the most vulnerable.

Through regional technical assistance, ADB has initiated studies on major health problems affecting Asia and the Pacific. A systematic review of safe motherhood strategies in collaboration with the United Nations Children's Fund will identify successful strategies to reduce maternal morbidity and mortality and assist governments in adapting effective strategies to local circumstances. Mechanisms will be identified to ensure long-term availability of financial resources to maintain and extend vaccination programs. Effective strategies to prevent human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) among the significant migrant populations of the Greater Mekong Subregion require collaboration and coordination of several national programs. ADB is also involved in developing strategies to reduce child malnutrition. Regional technical assistance has assisted eight countries in developing national nutrition investment programs to reduce malnutrition within a 10-year investment framework.

developing public-private partnerships in health services delivery and ADB is actively promoting private sector participation. Besides mobilizing new financial resources, private sector involvement in the health subsector helps improve management and cost efficiency of services delivery and allows governments to better target subsidies to vulnerable groups because the private sector takes charge of part of the population. In several DMCs, health services are being contracted to nonprofit NGOs; in others, services are contracted whereby, for example, public sector personnel work in collaboration with the private sector to acquire expertise in management and training.

ADB and water supply and sanitation: Providing safe and reliable drinking water and appropriate sanitation facilities is an important aspect of ADB's strategy to reduce poverty. ADB aims to provide investments in equitable, cost-effective, and sustainable water supply and

sanitation projects for the conservation and sustainable development of water resources. Water supply and sanitation projects are aimed at providing a balanced package of development benefits, including supporting human and economic development, reducing poverty, improving gender equity, and protecting the environment. Participation of and consultation with affected communities and NGOs in project planning, design, and implementation are emphasized to ensure commitment by stakeholders and action that is socially acceptable and that reflects the communities' changing needs. To sustain project benefits, ADB encourages private sector involvement in management and maintenance activities. Institutional and agency capacity building is also supported to improve the efficiency of delivery, operation and maintenance, financial management, and cost recovery, for long-term sustainability. *For more on ADB's role in the water sector, see the Special Theme chapter on page 7.*

Supporting Water Supply and Sanitation

In 1999, a \$300 million loan was approved for the People's Republic of China (PRC) to reduce pollution and restore the water quality in Shanghai's Suzhou Creek and its tributaries. The Project will improve the environment, water resource management, living conditions, and public health standards in the urban areas adjacent to the creek. In Cambodia, a \$20 million loan was approved to support the Government's objectives of human development and poverty reduction by rehabilitating the water supply system in six towns

and providing sewage collection and treatment systems. A \$20 million loan was also approved in the Lao People's Democratic Republic to decentralize the water supply subsector by establishing a regulatory framework for the Government to invest in water supply and sanitation systems in small towns and Vientiane's periurban areas.

Also in 1999, PRC, Papua New Guinea, and Viet Nam were recipients of project preparatory technical assistance in the water supply and sanitation subsector. In the PRC, assistance was approved for Heilongjiang to provide safe drinking water and to manage water resources in the cities of Harbin and Mudanjiang, and in Tianjin for wastewater treatment and water resource management. Papua New Guinea received assistance to formulate a strategy for improving social indicators by providing adequate water supplies and sanitation arrangements in provincial towns and to improve governance in the water supply sector. In Viet Nam, assistance was approved to help the Government prepare water supply and sanitation projects in provincial towns suitable for external financing. Technical assistance was approved for the Fiji Islands to improve the efficiency of water supply and sewerage services.



ADB and urban development and housing:

Reducing the impact of poverty caused by rapid urbanization is a major challenge facing DMCs. A return to economic growth following the Asian financial crisis, social development, and the creation of better living conditions in urban areas—all these depend on improving the quality, quantity, and efficiency of basic infrastructure and essential municipal services. The willingness and ability of the population to pay for services and the extent of private sector investment in urban infrastructure are vital factors that will determine the future level of services provided in most DMCs.

ADB's main objectives in urban development and housing are (i) reducing urban poverty; (ii) lifting living standards in urban areas; (iii) enhancing the quality of life, including promoting human development and improving the status of women; and (iv) achieving sustainable urban development by protecting the

environment. ADB supports urban development projects that promote good governance through decentralization of authority, responsibilities, and resources from central to local government units, improved urban management, community participation, and partnerships with the private sector. Support is provided to improve urban management through institutional strengthening and capacity building. ADB also encourages mobilizing financial resources by promoting fiscal autonomy, direct cost recovery, and market-based pricing of services. Emphasis is placed on reducing urban poverty by strengthening gender equity, improving access to microcredit, and developing partnerships between all levels of government and the community. Urban development includes projects on integrated urban development, water supply and sanitation, solid waste management, urban transport, and urban housing.

Supporting Urban Development

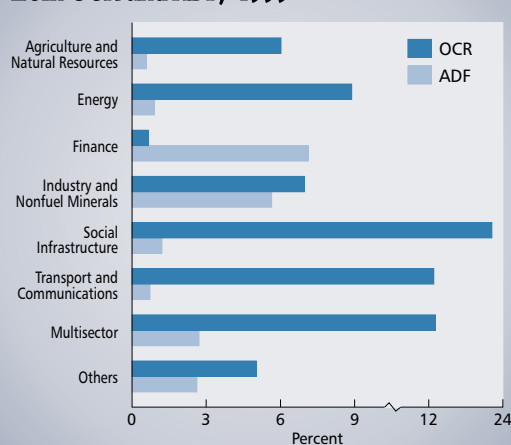
ADB approved three loans totaling \$200 million in 1999 to assist the Government of India in developing urban and environmental infrastructure, meeting basic human needs, and improving the quality of life of urban residents by providing long-term funds to reform-oriented municipal bodies, private sector project sponsors, and microfinance institutions. An integrated urban development project loan of \$175 million is helping Karnataka, India meet basic human needs by developing urban services, building capacity, and supporting community participation at the state and local levels. In Indonesia, two ADB loans of \$320 million are supporting the Government's decentralization efforts, reducing poverty, and building the capacity of village and district entities to prepare them for their new responsibilities. In the Maldives, equitable development is being pursued under an \$8 million loan project through a regional effort in institutional, infrastructure, and environmental improvement. Tuvalu is being provided a \$4 million loan to support the Government's agenda to develop the outer islands, including decentralization and regional development, sustainable development finance, private sector participation, and capacity-building assistance. In Viet Nam, ADB is supporting

the Government's urban development priorities through a \$70 million loan to develop urban infrastructure to sustain economic growth, improve living conditions, reduce poverty, and enhance the overall environment in Ho Chi Minh City.

Technical assistance in the urban sector was approved for Bangladesh, Cambodia, People's Republic of China, Fiji Islands, India, Indonesia, Lao People's Democratic Republic (Lao PDR), Federated States of Micronesia, Nepal, Papua New Guinea, Philippines, Solomon Islands, Sri Lanka, Tuvalu, and Vanuatu. Advisory technical assistance was directed at building capacity and strengthening institutions, promoting good urban governance, developing policy for reducing poverty, and formulating sustainable urban strategies and policies. In addition, project preparatory technical assistance was approved for housing finance in India, urban infrastructure improvement in Lao PDR, urban environmental improvement in Nepal, governance and private sector reform in Papua New Guinea, community development in the Philippines, and population policies and services in Solomon Islands. Regional technical assistance was approved for preparing the *Cities Data Book for Asia and the Pacific*.

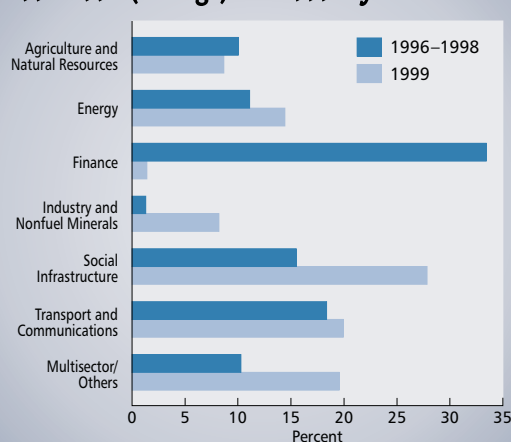


Sectoral Distribution of Loan Approvals from OCR and ADF,^a 1999



^a Percent of total approved loan commitments.

Sectoral Distribution of Loan Approvals: 1996–1998 (average) and 1999–By Value^a



^a Percent of total approved loan commitments.

Improving the status of women

With the adoption of poverty reduction as ADB's main goal, attention to improving the status of women is heightened. The majority of the poor in the region are women. This fact necessitates approaches that involve not only policy changes but also investments in women across all sectors. Increased investments that provide women with access to education, primary health services, and income and employment opportunities form the basis of ADB interventions.

In many societies, women suffer disproportionately from the burden of poverty and are systematically excluded from access to resources, essential services, and decision making. Yet, women contribute to the economy and to combating poverty through both remunerative work in the economy and unpaid work in the care of the home and community. Providing economic opportunities and improving the incomes of poor women is, therefore, a critical and effective strategy for reducing poverty. Public policies and investments that promote women's economic and social status foster higher economic growth rates and simultaneously attack poverty. Pro-poor economic growth, human development, and good governance—the key ingredients for poverty reduction—are intrinsically linked and dependent on improvements in women's economic, social, and political empowerment.

In 1999, ADB's activities focused on implementing the revised Policy on Gender and Development. A GAD Action Plan was drafted,

Gender Specialists Fielded in the Resident Missions

In 1999, through a regional technical assistance, ADB placed locally recruited gender specialists in its resident missions in Bangladesh, Indonesia, Nepal, Pakistan, Uzbekistan, and Viet Nam. The objectives of the technical assistance are to (i) provide support that will build the gender and development (GAD) capacity of developing member country (DMC) project executing agencies, (ii) improve the quality of implementation of ADB-financed loans and technical assistance addressing gender concerns, and (iii) expand the scope of ADB activities in the area of GAD at the country level.

The gender specialists primarily assist in administering GAD aspects of ADB-assisted loans and technical assistance to mainstream gender in selected projects. The gender specialists assist ADB programming and selected project missions in integrating gender considerations into those operations and provide gender capacity building and training to host-country executing agencies and resident mission staff. They also facilitate communication on gender issues among ADB, DMC governments, external funding agencies, and nongovernment organizations.

additional gender specialists were recruited at headquarters, local gender specialists were fielded in six of ADB's resident missions, sectoral gender checklists were prepared, a manual on best practices was drafted, and preparations commenced for establishing an external forum on gender.

The gender and development policy adopts mainstreaming as a key strategy in promoting gender equity. Examples of gender mainstreaming can be found in all aspects of ADB operations, including infrastructure, resettlement, agriculture, forestry and natural resource management, microfinance, and the social sectors, including education, health, and water supply and sanitation.

Several loan and technical assistance projects in 1999 addressed gender issues. ADB's study of rural Asia emphasizes the need to analyze gender as a crosscutting issue and to support activities that improve women's access to social infrastructure, services, improved employment and income-earning opportunities, and participation in decision making and in community-based organizations. Technical

assistance provided in the Greater Mekong Subregion addresses gender issues related to the vulnerability of women to human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) and the particular problems faced by ethnic minority women in accessing educational opportunities and health services. Technical assistance to Sri Lanka on Protected Area Management and Wildlife Conservation analyzes the gender-based constraints that women face in participating in forest management and food production. It attempts to involve women fully in land use planning and decision making to avoid negative impacts on their food production activities. The project also looks at women's single/joint leasehold of state-owned lands for participatory forestry, and their membership in community-based forest management organizations.

Protecting the environment

Since the historic Earth Summit in Rio de Janeiro in 1992, ADB has been aggressively responding

Gender Mainstreaming in ADB Projects

Several projects approved in 1999 had gender components.

India's Karnataka Urban Development and Coastal Environmental Management Project will address the complex issues of gender and poverty, alcoholism, domestic violence, sexual abuse of women and girls, women's lack of organization, and women's lack of access to decision making. The Madhya Pradesh Public Resource Management Program in India will mainstream gender concerns in public enterprise reform programs by providing for equal benefits for women employees, equal access to training and retraining opportunities for women workers, and targeted assistance for poor communities to improve access to health and education.

The Kyrgyz Republic Agriculture Area Development Project will address gender issues related to women's ownership of and access to land; their participation in new producer organizations; and their access to training, credit, and markets. The Project seeks to monitor closely the patterns of women's ownership of and access to land under current reforms.

Pakistan's Punjab Farmer-Managed Irrigation Project attempts to provide culturally appropriate tools for addressing gender inequality in irrigation management-related decision making. The Project provides for the formation of women's groups at the village level, which will communicate women's water-related concerns to the male-dominated farmer associations. The Project will fill a serious strategic gap in women's relative participation in decision making by providing women with the knowledge necessary to participate in water use planning, allocation, and management.

The Sri Lanka Skills Development Project addresses concerns related to gender tracking in technical and vocational education, which lead to high rates of unemployment and low incomes among women. The Project addresses these issues by including measures for providing labor market information to potential trainees, new kinds of skills development for women, private sector participation in skills identification and certification, and finance for women trainees wishing to start their own enterprises.



to the escalating demand from its DMCs for assistance in environmental management. Over the years, ADB's environment agenda has evolved from impact mitigation to impact prevention, and has expanded to cover environmental integration into country operations, and sector and macro policy work, along with targeted interventions in loan projects to achieve direct environmental benefits. ADB and its partners have achieved significant progress; but considering the magnitude of environmental issues, the impact of these programs on broad environmental trends throughout Asia and the Pacific has been less than what was hoped for in Rio. ADB's decision to make poverty reduction its overarching objective strengthened its environment agenda; moreover, it shifted its environment program focus to support this overarching objective.

Sound environmental management is critical to sustainable development, and as a consequence, to poverty reduction. Growth will be short-lived if it does not conserve the natural environment and its resources. Although much of the past damage has been caused by powerful vested interests, the pressures of poverty and population can compound the problem through deforestation, overgrazing, and overfishing. The rural poor are often forced to live on fragile lands and near-fragile waters that require sensitive resource management in the face of increasing degradation. The urban poor are exposed to diseases and illnesses resulting from overcrowding, inadequate basic services, and

polluted living conditions. To address poverty, it is important to empower the poor and to give them a stake in managing the environment and natural resources.

In addition to targeting interventions to achieve direct environmental benefits in loan projects and programs (*see box below*), ADB continued to mainstream environmental considerations in country operational strategy studies, sector policies, and into its loan and investment projects and programs. It also ensured that environmental impacts of projects and programs were reviewed, and that prevention, abatement, and mitigation measures were incorporated. Where appropriate, environmental impact assessments (EIAs) and summary EIAs were circulated for review by stakeholders, who were also encouraged to participate in implementing environmental management plans. Better ways of reviewing and monitoring projects from identification to post-evaluation were adopted to ensure quality at entry and quality of supervision.

One recently completed activity in support of this objective is the updating of ADB's 1986 environmental guidelines for use in preparing initial environmental examination reports. A peer review process to improve the quality of EIA reports involving Environment Network members was initiated. A study of several loan projects was conducted to determine the effectiveness of ADB project implementation procedures for environmental compliance monitoring. Further, recognizing the limited

Protecting the Environment

In 1999, ADB approved nine loan projects for nearly \$1 billion to improve the environment and conserve natural resources. Two projects in the People's Republic of China had primary environmental objectives, including a rehabilitation project for the Suzhou Creek to improve water quality and flood control and a loan in Shanxi Province to help solve air pollution problems in three cities. A \$40 million loan to Sri Lanka will address the problem of coastal erosion and resource degradation. A project in Viet Nam will enhance overall environmental conditions in Ho Chi Minh City.

Four projects had secondary environmental objectives and a poverty reduction focus. In Karnataka, India, a \$175 million loan will go to urban development and coastal environmental management. In the Maldives, \$8 million will go to a regional development investment project. In the Marshall Islands, a \$9.2 million loan was approved for health and infrastructure improvements for water supply and sewerage systems. In Pakistan, \$7.8 million was lent to develop the institutional capacity of farmers for sustainable management of distributary canals.



value of EIAs in dealing with impacts of various initiatives other than projects, ADB conducted a study to evaluate the effectiveness of strategic environmental assessment in dealing with the cumulative and indirect impacts, and large-scale effects generated by these non-project initiatives.

In 1999, ADB continued to assist DMCs to improve their capability in environmental planning and management through technical assistance grants (*see box below*).

In addition to helping address country-specific environmental problems, ADB addressed environmental issues common to several DMCs at regional and subregional levels. These efforts were realized in cooperation with bilateral funding agencies and international organizations. Transboundary environmental issues addressed through ADB technical assistance included climate change, acid rain in northeast Asia, and the impact of atmospheric haze brought about by forest fires in the countries of the Association of Southeast Asian Nations (ASEAN). The ASEAN Regional Strategy for Haze Prevention and Mitigation is an output of ADB assistance. ADB's technical assistance resulted in part in a transboundary haze pollution web site (<http://www.haze-online.or.id>), which acts as an information clearinghouse, as well as facilitates coordination and monitoring of national, regional, and international initiatives with institutions in the region on programs for preventing and mitigating forest fires and transboundary haze pollution. In the Greater

Mekong Subregion, a Working Group on Environment, supported by ADB technical assistance, continued to lead cooperative efforts among participating countries in addressing common environmental issues.

ADB also addressed the issue of climate change in cooperation with other organizations. In collaboration with the Hans Seidel Foundation, International Union for the Conservation of Nature, and United Nations Environment Programme, ADB conducted a capacity-building regional workshop on implementing the Kyoto Protocol and the Clean Development Mechanism for representatives of 17 DMCs.

ADB continued major regional technical assistance designed to enhance existing national and regional capabilities to develop least-cost greenhouse gas abatement strategies that promote environmentally sustainable economic development in several countries in the region. The project—funded by ADB, the Global Environment Facility (GEF) through the United Nations Development Programme, and the Norwegian Government—resulted in a 13-volume study outlining an Asia Least-Cost Greenhouse Gas Abatement Strategy (*see box on page 40*).

In 1999, using a more streamlined approach to access GEF grant resources, ADB pursued new opportunities for partnership with GEF. The policy, adopted by GEF in May 1999 on Expanded Opportunities for Regional Development Banks, allows ADB to blend its own resources for sustainable development at the country level with GEF grant resources allocated

Strengthening the Institutional Capacity of DMCs' Environmental Agencies

In 1999, ADB continued to support its DMCs' efforts to strengthen their institutional capacity. For example, in the People's Republic of China, technical assistance included preparing a project in Tianjin for wastewater treatment and water resource protection, and building capacity in ministerial status responsibilities in the State Environmental Protection Administration. ADB helped build staff and institutional capacity to decentralize the environmental impact assessment process in Indonesia. In the Philippines, ADB approved technical assistance to prepare a community-based forest resource management

project. In Sri Lanka, an ADB technical assistance supported sustainable natural resource management for developing and preparing a protected area management and wildlife conservation project. In Viet Nam, ADB approved a study on the policy and institutional framework for forest resources management. It also assisted India, Indonesia, Philippines, Thailand, and Viet Nam in developing the policy and institutional framework for integrating cleaner production principles as a priority element in national environmental and industrial development strategies.

to address global environmental issues. This approach enables ADB to deliver new and greener products to its clients on more attractive lending terms. In 1999, five ADB project concepts entered the GEF pipeline, and four GEF grants were approved to help formulate components of ADB projects being prepared.

ADB continued to promote environmental awareness among DMC officials and ADB staff members through workshops, seminars, conferences, and forums. Several publications were prepared, including *Mobilizing Broader Support for Asia's Biodiversity; Environment and Economics in Project Preparation—Ten Asian Cases*; and *Emissions Trading in the Energy Sector—Opportunities for the People's Republic of China*.

Law and policy reform

Law and policy reform lies at the heart of good governance in supporting the legal and institutional framework for predictability, transparency, accountability, and participation. Over the years, ADB has provided substantial assistance through loan and technical assistance projects with significant law and policy reform components. Stand-alone legal technical assistance has focused on law and policy reform for private

sector development, particularly for finance, banking, and corporate governance; judicial reform; legal training; dissemination of legal information; and environmental protection. ADB has supported more than 300 projects with substantial law and policy reform components, more than 100 of which have been completed. Also, 45 stand-alone technical assistance projects have been processed and administered. Combined, these have promoted a systemic approach to legal reform, supported by training of lawyers and judicial officers and dissemination of legal information.

In 1999, ADB continued to pursue its law and policy reform program by establishing and building the capacity of legal and regulatory systems of its DMCs. To support ADB's main goal of poverty reduction, work began in 1999 on the project Poverty and the Law: Strengthening Access to Justice. The project's primary objective is to compile a knowledge base on the access of people with very low incomes to the justice systems in four DMCs; assess the legal and judicial institutional constraints to participation by the poor in economic and social activities; and identify the need for reform in the law and policy-making institutions in these DMCs, and strategic points for reforms to promote access to justice. The ultimate goal is to develop policy-oriented strategies and actions

Asian Partnership on Greenhouse Gas Abatement

The Asia Least-Cost Greenhouse Gas Abatement Strategy Project was designed to assist countries to meet their commitments under the United Nations Framework Convention on Climate Change, and prepare a portfolio of greenhouse gas abatement projects and national plans embodying country development objectives for 11 participating countries: Bangladesh, People's Republic of China, India, Indonesia, Republic of Korea, Mongolia, Myanmar, Pakistan, Philippines, Thailand, and Viet Nam.

The Project found that in 1990 the 11 participating countries, which have about half of the population of the world, accounted for 12 percent of all global carbon dioxide-equivalent emissions, estimated at 37,050 teragrams. Other developing countries accounted for 31 percent

and the rest of the world for 57 percent. If the number of zero or negative abatement cost measures identified in the Project are fully implemented, these could reduce greenhouse gas emissions from the 11 countries by approximately one third of their projected "business-as-usual" emissions in 2020. More aggressive but low abatement cost measures could reduce greenhouse gas emissions from the projections even further in many of the participating countries.

The Project developed 81 project briefs including regional project proposals for climate change vulnerability and adaptation assessment. Perhaps the most significant product of the effort was creating capacity within each of the countries to analyze and deal with the many challenges of sustainable development that arise from greenhouse gases.

to protect and promote the welfare of the poor in the DMCs concerned.

Governance issues have also been addressed in government agencies and the social sectors. In Indonesia alone, three program loans were provided in 1999 with substantial law and policy reform components aimed at good governance. The Community and Local Government Support Sector Development Program involved drafting and enacting the regional law for devolving administrative authority and the law on intergovernmental fiscal relations for devolving fiscal authority and rationalizing revenue sharing between different government levels. The Health and Nutrition Sector Development Program will prepare an integrated proposal to update and rationalize the legal and regulatory frameworks for decentralized health care financing, delivery, and management. The Power Sector Restructuring Program provides for the promulgation of a new electricity law, allowing an independent regulatory body for market oversight to be established. Technical assistance is also being provided to Indonesia to establish an independent anticorruption commission. An important component of this technical assistance will be vigorous public dissemination and consultations on the purposes of the commission and related anticorruption legislation. In Mongolia, the Governance Reform Program

loan focuses on strengthening public administration and public expenditure management. In 1999, work under a previously approved technical assistance to Pakistan on legal and judicial reform was completed, and is expected to lead to ADB's first stand-alone loan to a DMC for judicial and legal reform (*see box below*).

In Tajikistan, ADB is assisting in establishing the Law Reform Commission, disseminating laws, and training Tajik lawyers. A multicountry study involving Bangladesh, Indonesia, Mongolia, Pakistan, Philippines, Thailand, and Viet Nam was also approved to identify best practices for delivering legal literacy at the grassroots level and to the administrators of laws, and to incorporate such practices into ADB-funded projects. This will promote access to the judicial system, which in turn should enhance participatory processes, accountability, and good governance. Another multicountry study, approved in 1999, will identify the principal causes of court congestion in DMCs and propose appropriate solutions. ADB is developing Project DIAL—Development of the Internet for Asian Law—to assist those involved in developing legislation in DMCs. Project DIAL will make available on the Internet the full texts of legislation, regulations, and related law reform reports to legislative drafters and law

Legal and Judicial Reform in Supporting Governance in Pakistan

Technical assistance for legal and judicial reform supported a diagnostic study of the legal system in Pakistan. The broad-based, process-oriented study reflects two interrelated objectives of identifying the most pressing needs for reform in Pakistan's legal and judicial sector and generating momentum for a reform effort.

The study identified the most important reforms necessary to return the legal and judicial system to its fundamental purpose: the fair and predictable resolution of disputes. The study noted the need for good governance measures, such as a freedom of information act and an administrative grievance mechanism; the internal governance of legal institutions, including establishing a national policy-making body and appointing provincial judicial ombudspersons;

changes in incentives and reporting structures that will improve judicial performance and accountability; alleviation of delay and human resource constraints; and the financing of the judiciary to improve salary structures and judicial facilities. The recommendations represent a deliberate effort to make strategic choices about reform activities and to structure credible institutions.



reform personnel in DMCs. Through "DIALOGue," DMC users may access expert panelists from different countries to discuss law-related topics.

ADB is also promoting women's legal equality through education, labor, health, financial, and infrastructure reforms, and through the provision of regional and national support for legal awareness and training programs to sensitize policymakers, lawyers, members of the judiciary, law enforcement personnel, and members of the community at large on the legal status of women. Pursuant to the regional technical assistance, Sociolegal Status of Women in Selected Developing Member Countries, country reports have been prepared for Indonesia, Malaysia, Philippines, and Thailand.

In the aftermath of the Asian financial crisis, attention was focused on issues of governance in the finance sector. ADB provided assistance for finance sector reform through loans and technical assistance to its DMCs, including the People's Republic of China (PRC), Indonesia, Lao People's Democratic Republic (Lao PDR), Thailand, and Viet Nam. Assistance has been provided for preparing securities laws; creating collateral security registration systems; and amending insolvency laws, accounting laws, corporate governance, and capital market supervision regulations.

In 1999, ADB approved a financial intermediation and resource mobilization program loan to the Kyrgyz Republic, whose finance sector is being transformed in the shift from a command economy to an increasingly market-driven

economy. Legal and regulatory reforms will be put in place to ensure transparency and disclosure norms for listed companies and the securities market, thereby instituting sound governance practices in the corporate sector. The regulatory framework for the insurance sector will also be strengthened and a new public debt law prepared. Resource mobilization is being supported through assistance to Bhutan, PRC, and Uzbekistan for reviewing legal frameworks relating to pension fund schemes and insurance; to PRC, Indonesia, and Viet Nam for secured lending; and to Uzbekistan and Vanuatu for establishing the regulatory frameworks for rural savings mobilization and for establishing savings and credit unions.

As a result of another ADB technical assistance, Viet Nam has enacted the Decree on Secured Transactions, which enables the granting of security interests on both present and future assets to secure the performance of any civil, economic, or commercial obligation. A decree on the registration of securities will soon accompany this decree, providing a measure of certainty in secured transactions. Broader issues in the legal and regulatory frameworks—relating to capital market institutions in the context of finance sector reform, financial market development, and financial management strategies—are being addressed in Papua New Guinea and Viet Nam. ADB has facilitated the discussion on issues of insolvency and secured transactions in Asia and the Pacific through two regional technical assistance projects (*see box below*).

Secured Transactions and Insolvency: A Framework for Efficient Resource Use

In 1999, ADB held a two-part symposium on Secured Transactions Law Reform and Insolvency Law Reform under two technical assistance grants approved in 1998. The joint symposium highlighted the important relationship between these two legal areas and the need for an integrated approach to reform.

During the Secured Transactions Law Reform Symposium, participants discussed the key role of collateral in countries with private markets in allowing private businesses and financial institutions to lend and sell on credit, positing secured lending as a vital component of debt financing.

The Asian financial crisis illuminated the lack of frameworks in many DMCs for the systematic restructuring of debt and the efficient liquidation of businesses incapable of being restructured. As a first step to facilitate the development of sound legal frameworks to address these problems, ADB carried out studies of the insolvency regimes in 11 Asian economies. The studies have been published on <http://www.insolvencyasia.com>. At the Insolvency Law Reform Symposium, participants discussed the studies, reviewed common problems in insolvency law reform, and explored regional and international best practices.

Human resource development is fundamental to the successful implementation of law and policy reform. A major focus of ADB's legal technical assistance is on strengthening legal capacity in its DMCs. In Bangladesh, technical assistance was approved for training lawyers of energy sector executing agencies in understanding and applying new regulations. In 1999, ADB approved technical assistance for strengthening legal education and judicial training in the Maldives. In Vanuatu, the institutional and professional capacity within the State Law Office was strengthened. Also in 1999, under an ongoing technical assistance in Viet Nam, 500 lawyers upgraded their knowledge of recent commercial legislation and market economy legal principles and their practical legal skills. The reaction to the participatory training techniques and case study method has been so enthusiastic that these teaching methods are being adopted at the Hanoi Law University.

Technical assistance is being provided to establish education, training, and professional development for judicial service personnel in the Pacific DMCs. In 1999, ADB approved a regional technical assistance to improve the delivery of government services in six DMCs. Particular emphasis will be placed on analysis of incentive systems and opportunities for contracting with the private sector to provide such services. Following earlier assistance, ADB also approved technical assistance for training government officials in legal issues arising in private sector infrastructure development in Bangladesh, PRC, and Viet Nam.

ADB's law and policy reform program has significantly influenced projects addressing the key objectives of improving the environment; two ongoing projects are in the PRC and India. Moreover, many of ADB's natural resource- and infrastructure-related projects have environmental protection components supported through the reform of environment-related laws and establishment of appropriate regulatory frameworks. Many technical assistance projects were approved in 1999 that directly address environment and natural resource conservation and management issues. In the PRC's Shanxi Province, for example, ADB is supporting a legal

framework for introducing market-based instruments for controlling air pollution. A series of technical assistance projects is addressing issues relating to the legal and regulatory frameworks and procedures for enforcing river basin management, managing wastewater and controlling pollution, recovering costs in the water resource sector, and reviewing the environmental protection legislation at national and local levels in Bangladesh, PRC, Fiji Islands, India, Indonesia, and several other DMCs. The Office of the General Counsel also supported a study of environmental principles and concepts reflecting international law and public policy. This study will be published in 2000 as a book entitled *Multilateral Development Banking: Environmental Principles and Concepts Reflecting General International Law and Public Policy*.

Supporting regional cooperation

ADB fosters economic growth and cooperation in the region, collectively and individually, and uses its resources for financing development in the region, giving priority to regional, sub-regional, and national projects and programs that will contribute most effectively to the region as a whole. ADB also assists its DMCs in making their economies more complementary. Under its policy supporting regional cooperation, approved in 1994, ADB has provided considerable support through regional technical assistance and complementary project investment in national infrastructure to promote and realize cooperation among its DMCs (see box on pages 44 and 45). More recently, ADB's Regional Economic Monitoring Unit (see box on this Unit in the Corporate Planning chapter) initiated the process of regional economic monitoring to complement economic and financial surveillance at national and global levels.

Cooperation among DMCs can contribute to poverty reduction and equitable development. Less-developed economies, particularly small ones, face significant supply-and-demand limitations that result in misuse of resources (e.g., lack of division of labor) and slow growth (fewer opportunities for mobilizing investment

and expanding output), which in turn impose a loss of welfare. In this context, cooperation can help reduce or remove the limitations and make countries realize potential gains in welfare. For economies or sectors that have not faced significant external demand, cooperation in the form of economic integration can lead to fuller and more stable employment through export growth. Similarly, while liberalization of factor markets can make labor in former import-substitution industries redundant, imports can be factors of production directed at export industries, thereby further enhancing their international competitiveness, and expanding growth and demand for labor.

With expanded trade, investment, and specialization come new technologies and skills. Both wages and returns to capital should rise because of higher productivity. Even in small, less-developed but open economies, individuals and households frequently employ both labor and capital (e.g., farmers and small traders that compete in free markets). In this context, a marginal increase in family income generally increases consumption and savings for all members of the family, including women and children, and may well include more expenditure on merit goods, such as education.

ADB's and its DMCs' interests in cooperation are not confined to cooperation in trade and investment. Many neighboring countries share common resources, which, if not jointly managed, may result in disadvantages to the poor, who often use common natural resources for their livelihood. If the scale and quality of

those resources diminish or deteriorate, so does the poor's access to economic resources. Weak economic interaction across national borders means that cross-border externalities of national economic activity are ignored, as no economic incentive exists to consider them. For negative externalities, the possibility of retaliatory practices increases; in the case of positive externalities, economic benefits are foregone. In both cases, resources are misallocated. If corrected through cooperation, the realized economic benefits and more stable conditions—even if marginal—are important to the poor.

In addition to economic benefits, sustained cooperation among neighboring countries builds interdependence and trust, which are effective means of minimizing conflict. This can reduce costs of maintaining borders as a part of government expenditure, leaving more money available for public and merit goods for the poor.

Private sector development

Support for private sector development is an integral part of ADB's poverty reduction strategy. Development of a strong and dynamic private sector is crucial to long-term, rapid economic growth, a necessary condition for sustained poverty reduction. ADB uses a range of instruments and advice to help address problems that impede private sector growth in its DMCs. Through its public sector operations, ADB supports DMC governments in creating enabling conditions for business; while through

Supporting Regional Cooperation

Greater Mekong Subregion: Economic cooperation within the Greater Mekong Subregion (GMS), with a population of nearly 240 million, was initiated by ADB in 1992. From the beginning, ADB has performed the role of facilitator, catalyst, and honest broker.

The GMS Program has accomplished much in the past eight years. The process of subregional cooperation has been institutionalized, and a framework of cooperation in eight priority sectors has been established. Two important road projects—the Phnom Penh-Ho Chi Minh City Road

Project and the East-West Corridor Project, have recently started.

Trade Cooperation among People's Republic of China, Kazakhstan, Kyrgyz Republic, and Uzbekistan: ADB is encouraging cooperation among the governments through a regional technical assistance project. The four governments are identifying and prioritizing development projects that will increase trade and other types of economic cooperation among themselves and with neighboring trading partners.

its private sector operations, it catalyzes private investments that deliver developmental impacts and/or demonstrational effects.

Creating enabling conditions

Supporting policy reform: In 1999, ADB continued to pursue public sector initiatives aimed at improving the enabling environment for the private sector. In most cases, reforms are needed at the macro and sector levels before assistance can be provided to individual private sector projects, such as in the energy and transport sectors. For example, a loan approved for India's largest state, Madhya Pradesh, supports a program of reforms to improve public finances and strengthen the policy, regulatory, and institutional frameworks for private sector participation in infrastructure.

Another example is a loan to Pakistan in support of the Government's program for trade liberalization, export promotion, and industrial reform. The program seeks to rationalize tariffs, remove nontariff barriers, improve the availability of export credit, diversify export products, introduce a system of export insurance, strengthen the infrastructure policy, and privatize manufacturing enterprises in strategic sectors. The program is further enhanced with technical assistance loans for modernizing customs administration, institutional support for the trade regime, and institutional strengthening of the investment board.

Developing financial markets: Well-functioning financial systems are needed to

promote the private sector. Many DMCs need to strengthen their financial institutions and create diversified financial markets to develop the domestic capacity to finance private sector-led growth. In a financially integrated world, robust and well-regulated banking systems and financial markets, coupled with sound macroeconomic management, are necessary to reduce the risk of instability associated with sudden outflows of short-term capital. One advantage of the region is that many DMCs have substantial domestic saving that, if channeled through well-functioning capital markets, could help the private sector avoid excessive reliance on external finance and the concomitant exposure to exchange risks.

In 1999, ADB continued to provide significant support for finance sector development in a number of DMCs. For example, the PRC was granted technical assistance to help the Government undertake comprehensive reform of the country's pension and insurance systems with the objective of providing more secure and higher retirement incomes for the elderly. The reform program is also expected to lead to the development of financial markets needed to mobilize long-term saving for investment. Thailand's finance sector reform was supported with technical assistance for restructuring the state-owned specialized financial institutions, critical for restoring normal credit flows and facilitating private sector-led growth. Technical assistance was granted to the Philippines to develop and modernize the nonbank finance sector, strengthen the securities regulatory

ADB recently supported a workshop on the trade cooperation issues associated with the planned highway rehabilitation.

Tajikistan, which shares many of the same development challenges as its neighbors, will be participating in ADB's activities in support of regional cooperation in Central Asia.

Subregional Cooperation in South Asia: ADB support for subregional cooperation in South Asia since 1996 has focused on Bangladesh, Bhutan, India (especially east and northeastern

India), and Nepal. Considering the special circumstances of the subregion, a project- or activity-based approach is being pursued. As a first major step, ADB is supporting the formation of the Private Sector Forum for Regional Cooperation in the Eastern Region of South Asia. ADB is assisting in preparing background papers for a 2000 meeting, focusing on priority areas for subregional cooperation such as trade and investment, energy, transport, and water resource management.



Private sector participation can facilitate financing, construction, and operation of infrastructure facilities.

authority, upgrade the prudential standards, and develop money and capital markets. For Bhutan, a technical assistance grant was approved for strengthening banking supervision by the central bank.

Improving infrastructure facilities: DMC governments will continue to have a major role in providing infrastructure needed to support private sector investment. ADB loans to Bangladesh, Bhutan, Indonesia, and Nepal in 1999 were designed to help increase power supply for industry. At the same time, these loans support sector reforms, including commercializing and privatizing power generation and distribution, and, in the case of Indonesia, restructuring the sector to establish a competitive market for electricity. ADB loans were also extended to several DMCs in 1999 for constructing new roads and improving existing ones to cut transport time and cost, give producers better access to markets for their products, and provide links to ports for shipping.

Private sector participation in partnership with the public sector can facilitate financing, construction, and operation of infrastructure facilities; improve efficiency; deliver much-needed services cost-effectively; and release resources from public budgets at all levels. ADB assists DMC governments create enabling conditions for private sector participation in areas such as energy, and transport and communications. ADB also helps establish an effective regulatory framework to encourage private sector participation in infrastructure and to build the capacity of regulatory agencies. Technical assistance, such as the one approved for

the Philippines in 1999, is also provided to assist local government units in preparing local infrastructure projects for private sector financing. ADB ensures that the process of transferring infrastructure responsibilities to the private sector is transparent and competitive, and produces greater efficiencies and better service to consumers.

Developing human resources skills: Availability of skilled human resources is an important condition for the private sector to flourish in any DMC. To assist Papua New Guinea, which faces a major crisis of labor absorption, ADB extended a loan in 1999 for developing job skills training for more than 40,000 people, especially women and young men. Technical, managerial, financial, and entrepreneurial training will be delivered by NGOs, vocational training centers, and private training institutions. A similar private sector skills development program was developed for Sri Lanka, with a loan from ADB, to prepare over 100,000 young school dropouts for jobs in the construction, insurance, real estate, transport and communications, and manufacturing industries.

Financing microenterprises: Microfinance is an important tool for promoting small-scale entrepreneurial development. In 1999, ADB initiated several projects to expand microfinance services in its DMCs. A regional microfinance strategy was developed under a technical assistance grant designed to carry out in-country consultations in 12 countries, conduct regional workshops, and recommend how DMC governments can promote microfinance institutions. In rural Cambodia, ADB assisted

ADB-Assisted Water Project Wins International Awards

The ADB-financed Chengdu Water Project in the capital city of Sichuan Province, People's Republic of China (PRC), won two awards for excellence in project finance in 1999 from two internationally recognized financial publications. The London-based *Project Finance International* cited the Project as the "Infrastructure Deal of the Year," while the Hong Kong-based *Financial Intelligence Agency* voted it as the "Project Finance Deal of the Year." The awards were given in recognition of the Project's innovative and superior

financing structure that allowed the international lenders to take long-term municipal risk in the PRC for the first time. Achieving financial closure for the Project in record six months despite the difficult market conditions was also recognized.

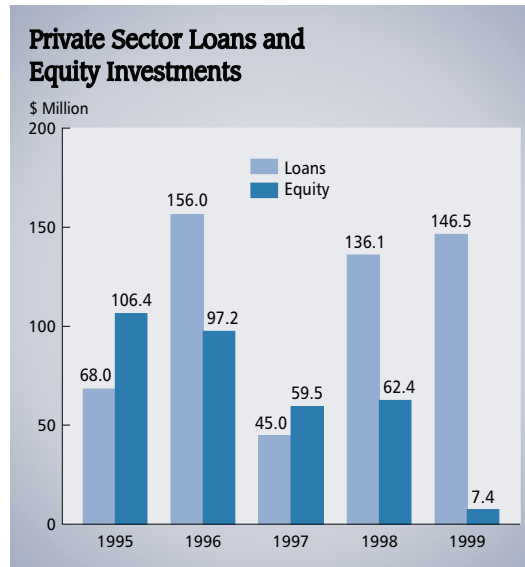
The Project, currently being implemented, involves the construction of a water treatment plant with a capacity of 400,000 cubic meters per day, two water intakes, and a 27-kilometer transmission pipeline to the city. The development of the Project was supported by ADB to provide

NGOs to engage in savings and credit operations targeted at 90 percent of the population who reside in rural villages. The grant will assist in establishing procedures for licensing and supervising NGOs and strengthen the technical capabilities for sound financial management. In August 1999, ADB supported the Women's World Banking (WWB) Asia Regional Meeting and the Best Practice Workshop for Micro-finance Practitioners. These twin events were attended by leaders and members of WWB microfinance affiliates in Asia that offer access to finance, information, and markets to poor women entrepreneurs in Asia.

Catalyzing private investments

In ADB's private sector operations, 1999 saw the approval of four infrastructure projects involving financing commitments of \$153.9 million, comprising \$7.4 million of equity investment and \$146.5 million of long-term loans without government guarantees. These projects also involved cofinancing commitments from commercial banks amounting to \$187.5 million in complementary loans. ADB's participation in these projects catalyzed a total of \$1.4 billion worth of investment commitments for development.

Bulk water supply: The first private sector project approved by ADB in 1999 involves a loan to Chengdu Générale des Eaux-Marubeni Waterworks Co. Ltd., a French-Japanese joint venture, for the bulk supply of treated water to the capital city of Sichuan Province in the PRC under an 18-year contract. Chengdu is one of



the 108 cities classified by the PRC Government as having serious water shortages. This was the first build-operate-transfer (BOT) water supply project in the PRC and was developed with the assistance of ADB to serve as a model for similar projects in other areas of the country. The Chengdu Water Project, which won two international awards for excellence in project finance in 1999 (see box on page 46 and below), was the first infrastructure project supported by ADB that relied on a subsovereign undertaking.

Container terminal: The second private sector project was in Sri Lanka, involving equity and debt financing for South Asia Gateway Terminals (Pvt) Ltd., which is jointly sponsored by a local conglomerate and an international shipping group, to expand the container facilities in the port of Colombo. The Project can be

a model for build-operate-transfer (BOT) water supply projects in the PRC. Through a technical assistance to the Chengdu Municipal Government, ADB helped ensure that the basic elements of transparent bidding were observed, that the lowest tariff was obtained, and that the project fundamentals, such as regular tariff increases to enable cost recovery, were in place. ADB was instrumental in structuring the financing for the Project. Besides its own direct loan, ADB helped secure funding commitments from seven

commercial banks under its complementary financing scheme, and secured a guarantee facility from the European Investment Bank.

The Chengdu Water Project was ADB's first private sector water project. It was also the first BOT water supply project in the PRC, placing it in a position to serve as a model for similar projects in the country's water supply sector. The Project also demonstrated that BOT water supply projects could be structured at the municipal level and funded without any central government guarantee.

considered a significant achievement for Sri Lanka. It was the first BOT project to be implemented in the country, and it demonstrated to the financial community that project finance is feasible in Sri Lanka. In addition, upon its completion, the Project will enable Colombo to compete with Asia's leading ports, thereby leading to increased economic growth in Colombo and the region. Sri Lankan and other South Asian importers and exporters will benefit from more efficient facilities that are expected to reduce transport and logistical costs.

Water and sewerage concession: The third private sector project, approved in 1999, was the 25-year concession awarded to Maynilad Water Services, Inc. for the financing, development, operation, and maintenance of the water and sewerage facilities in the western half of Metro Manila in the Philippines. Maynilad, a joint venture between a local infrastructure group and an international water operator based in France, was one of the two concessionaires of the privatized operations of the government-owned water and sewerage utility for the area. ADB's loan to the Project will form part of the debt package being raised to meet the financing requirements of the concession for the first five years of operation. Over the life of the concession, Maynilad will rehabilitate the existing water system to reduce leaks, stop illegal usage, and expand water and sewerage service coverage.

The Maynilad Project will improve the efficiency of water distribution in the concession area, enabling Maynilad to supply water at lower prices than before. The required expansion of service coverage will extend water supply to presently unconnected households and promote productivity. For the depressed communities, Maynilad will provide water via public standpipes at lower-than-average tariffs. It is expected that 90,000 poor families will benefit from this program. The increased sewerage service coverage and the introduction of septic tank sanitation service will improve public health and benefit the environment by reducing the degradation of groundwater and surface water.

International airport terminal: The fourth private sector project involves the construction

and operation of a third international airport terminal in Manila to be undertaken on a BOT basis by Philippine International Air Terminals Co. Inc. (PIATCO) under a 25-year concession. The Project will replace the existing International Passenger Terminal I and provide a modern and efficient airport terminal essential for the Manila international airport to continue serving a substantial part of the international traffic to and from the Philippines. PIATCO is a joint venture among Philippine, German, and Japanese entities.

Social dimensions of development

ADB assigns great importance to the social dimensions of development. Social development is central to reducing poverty, fostering socioeconomic development, and improving the welfare and quality of life for people. ADB's strategies and operations recognize that people must be at the center of development, and that to be effective and sustainable, development initiatives must serve the interests, needs, and aspirations of the people they address. Social development centers on a set of specific cross-cutting and multifaceted operational policies and approaches. In 1999, progress was made in the areas of indigenous peoples, involuntary resettlement, and participatory approaches to development.

Indigenous peoples: ADB recognizes the potential vulnerability of indigenous peoples in development interventions. Its policy on indigenous peoples, adopted in 1998, provides that ADB-assisted development interventions will ensure that affected peoples are at least as well-off as they would have been in the absence of an intervention and that appropriate and acceptable compensation is provided for any negative impact that cannot be avoided. The policy ensures that interventions are (i) consistent with the needs and aspirations of affected peoples; (ii) compatible in substance and structure with affected peoples' cultural, social, and economic institutions; and (iii) conceived, planned, and implemented with the informed participation of affected communities.

In 1999, ADB established a full-time staff position in its Social Development Division to monitor and guide matters related to indigenous peoples in ADB operations. In addition, through the same division, ADB is identifying project initiatives that have addressed indigenous peoples' concerns directly.

Two ongoing regional technical assistance projects in the Greater Mekong Subregion are directly addressing poverty and health concerns of indigenous peoples. In 1999, work began on developing information resources related to indigenous peoples. ADB has taken several steps toward cooperating and networking with other development institutions, funding agencies, and indigenous peoples' organizations.

Involuntary resettlement: Involuntary resettlement activities in ADB dealt with the impact of development projects. ADB avoids unnecessary resettlement losses, and aims to ensure that project-affected persons are as well-off with an ADB-financed project as without it. ADB's Policy on Involuntary Resettlement, approved in 1995, was reviewed in 1999 to address policy weaknesses and to ensure that planning arrangements related to the policy reflect ADB's goal of poverty reduction and requirements for resettlement consultation and disclosure.

A major capacity-building initiative was begun in 1999 with regional technical assistance to Bangladesh, PRC, Indonesia, Nepal, Pakistan, Philippines, and Viet Nam. The technical assistance is evaluating the adequacy of national resettlement policies and legal frameworks and reviewing experiences in ongoing ADB-financed

projects. Several DMCs are now moving toward drafting national resettlement policies or government decrees that will address issues related to land acquisition and resettlement.

ADB's Handbook on Resettlement: A Guide to Good Practice, first published in 1998, has been translated into Bahasa Indonesia, Chinese, and Russian. These translations offer a vehicle for wider dissemination of good practice principles on resettlement and rehabilitation. An electronic interactive version of the resettlement guidelines was developed in 1999.

Participatory development: Participation processes involve indirect stakeholders—nongovernment and other civil society organizations, private sector, and others—that may not be directly affected by an initiative but have an interest in it. Governments are stakeholders in development processes, as are development institutions such as ADB.

To support participation and to follow on a similar 1998 technical assistance, ADB approved a regional technical assistance in 1999 to facilitate capacity-building and participatory activities. The efficacy of its poverty reduction efforts will be enhanced by promoting beneficiary and partner ownership of activities. The technical assistance will create a readily accessible fund to support the use of timely and innovative participatory approaches for involving DMC stakeholders in designing development activities. In addition, ADB guidelines on participation will be prepared, and good practices on participation in country strategy development will be formulated.

ADB and nongovernment organizations: ADB recognizes NGOs and civil society organizations

Technical Assistance for Resettlement

Work on technical assistance to the People's Republic of China was begun in 1999, to build capacity of national and provincial agencies in conducting socioeconomic assessment for development investments, including resettlement.

In India, a technical assistance was approved to provide training in social development with a specific focus on resettlement and gender. A resettlement resource center will be established within the Ministry of Rural Affairs.

In Sri Lanka, a technical assistance was approved to assist the Government in developing an involuntary resettlement policy.

In addition, in 1999 ADB provided training on resettlement to ADB staff in headquarters and at the resident missions as well as numerous government staff in the DMCs. Project-specific training for staff of executing agencies was also undertaken.



as significant partners in the development process and works to cooperate with NGOs to strengthen the effectiveness, sustainability, and quality of the development services ADB provides.

ADB's current approaches to cooperation with NGOs are reflected in the 1998 policy, *Cooperation Between the Asian Development Bank and Nongovernment Organizations*. These approaches are a significant element of ADB's poverty reduction strategy, and center on the particular capacities of NGOs and the role they play in development.

Operational sectors in which ADB and NGOs have cooperated traditionally include agriculture and rural development; urban development and the provision of urban services such as water supply and sanitation, health and population, education and training; and provision of microcredit. Cooperation with NGOs is increasingly being realized in other sectors as

well, particularly in addressing social and environmental impacts. NGOs are being consulted in upstream project development activities for infrastructure and power projects, such as feasibility studies and environmental and social assessments, and are being engaged as consultants in evaluation studies.

Cooperation with NGOs continues to expand in country programming and other country-level activities. Technical assistance to support the strengthening of government-NGO relationships is being implemented, processed, or considered for several DMCs.

Consultation with NGOs is an important aspect of ADB's policy development processes. As policies are developed, draft policy documents are made available to NGOs for review and comment. For example, in developing ADB's strategy on poverty reduction, a series of country-level consultations was held. ADB also maintains an ongoing process

NGOs and ADB in 1999

In 1999, 25 of ADB's public sector project approvals, or 52 percent, involved nongovernment organizations (NGOs) directly in some significant way. A similar trend exists for technical assistance operations. NGO involvement was greatest in social sectors, agriculture and natural resources, and transport and communications. Countries with the most projects with NGO involvement were India and Pakistan.

New approaches to cooperation were realized in loan project operations, in technical assistance, and in opening new channels for consultation and dialogue.

The Karnataka Urban Development and Coastal Environmental Management Project in India involved NGOs from the point of initial evaluation of the project proposal, through the project feasibility study, and into the development of project scope and implementation arrangements. Poverty reduction initiatives, such as creation of microcredit operations, will be initiated and run by local NGOs.

The Health and Nutrition Sector Development Program in Indonesia, which will help mitigate the effects of the financial crisis on the poor, will involve NGOs at the village level. NGOs will promote infant breast-feeding and appropriate weaning practices, and distribute complementary

foods for infants in defined high-risk areas. For street and neglected children in selected urban areas, NGOs will be engaged in managing open houses and orphanages.

In Papua New Guinea, the Employment-Oriented Skills Development Project, designed to contribute to the improvement of income-earning and -generating opportunities for the unemployed and underemployed, will develop a system of support and strengthening for ongoing NGO education and training programs.

Three regional technical assistance projects relating to NGOs were approved in 1999. Capacity Building Support to Nongovernment Organizations for Financial Resource Mobilization and Management will develop training materials for NGOs to use in identifying potential new funding sources. The second technical assistance will help identify priority needs in NGO capacity strengthening in Pacific DMCs, especially as NGOs assume a larger role in development efforts. The Third ADB-NGO Consultative Meeting on Environment and Sustainable Development will support a program of consultation with environmental NGOs from Asia and the Pacific, focusing on approaches to promote environmental sustainability and reducing poverty.

of consultation with NGOs on various aspects of its operations.

Operations

Resource transfers

The net transfer of resources¹ from ADB to its DMCs decreased from \$4.2 billion in 1998 to \$1.7 billion in 1999. *For details, see Tables 29–30 in the Statistical Annex.*

Of the total net transfer, \$925.3 million was from ordinary capital resources (OCR) and \$793.7 million was from the Asian Development Fund (ADF).

Loan disbursements reached \$4.8 billion, compared with \$6.8 billion in 1998. *For details, see Table 14 in the Statistical Annex.*

The 1999 disbursement ratio,² including program loans, decreased to 22.2 percent from 29.3 percent in 1998.

By volume of net resource transfer, Indonesia, PRC, India, and Thailand received the largest net transfers from ADB.

Cofinancing and guarantee operations

ADB has been increasingly active in its efforts to mobilize concessional funds for its poverty reduction projects and commercial cofinancing for its large infrastructure projects.

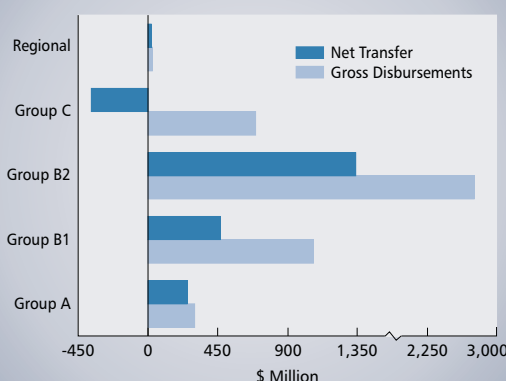
In 1999, cofinancing mobilized from all sources amounted to \$3.0 billion for 28 projects, equivalent to 61 percent of ADB's total lending of \$5.0 billion in 1999. This represents a 2 percent increase over the \$2.9 billion achieved in 1998. Transport and communications projects accounted for 37 percent of total cofinancing in 1999, social infrastructure for 32 percent, energy for 15 percent, and agriculture and natural resources for 11 percent. *For details, see Table 7 in the Statistical Annex.*

Resource Transfers to DMCs (\$ million)

	1998	1999
OCR	3,357 ^a	925
ADF	876	794
Total	4,233	1,719

a Includes disbursements of \$1.7 billion for the Republic of Korea's Financial Sector Program and \$550 million for Indonesia's Financial Governance Reforms: Sector Development Program.

Net Transfer of ADB Resources to DMCs, 1999



See page 60 for classification of countries.

Fourteen DMCs received cofinancing in 1999, compared with 18 in 1998. Indonesia was the top recipient with \$850 million, followed by the Philippines with \$615 million, the PRC with \$561 million, and Sri Lanka with \$324 million.

During 1970–1999, 520 ADB-assisted loan projects and programs attracted cumulative cofinancing of about \$32.3 billion. This cofinancing comprised \$21.5 billion from official sources, \$5.8 billion from commercial sources, and \$5.0 billion from export credit sources. The energy sector accounted for \$14.5 billion (45 percent), transport and communications for \$5.6 billion (17 percent),

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

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

agriculture and natural resources for \$3.9 billion (12 percent), social infrastructure for \$3.0 billion (9 percent), finance for \$2.0 billion (6 percent), and other sectors for \$3.3 billion (11 percent).

Official cofinancing: Official cofinancing for loan projects again crossed the \$2.0 billion mark in 1999 for the fourth time (including 1992, 1995, and 1996). Cofinancing in the form of loans and grants from bilateral donors and multilateral funding agencies amounted to \$2.1 billion in 1999, an increase of 117 percent from \$996.0 million in 1998, and accounted for 71 percent of total cofinancing mobilized in 1999. Twenty-four projects received official development assistance funds in 1999, compared with 16 in 1998. Bilateral sources contributed \$1.9 billion (90 percent) of official sources, while multilateral sources contributed \$217.5 million (10 percent). These figures reflect the significant amount of work undertaken by ADB to pursue cofinancing from Japan under the New Miyazawa Initiative (NMI), which accounted for \$1.2 billion in cofinancing for four programs in 1999. In addition to funds provided under the NMI, Japan provided \$545.0 million in cofinancing from its grant, concessional, and semicommercial funds for three projects. Bilateral cofinancing support was also received from Australia, Denmark, Germany, Netherlands, New Zealand, Norway, Sweden, Thailand, United Kingdom, and United States. The largest multilateral cofinanciers were the European Investment Bank, Islamic Development Bank, Nordic Development Fund, OPEC Fund for International Development, and World Bank.

ADB actively pursued technical assistance grants from official sources, including annual contributions to the Japan Special Fund (JSF) and untied grants from other bilateral sources: Australia, Denmark, Finland, France, Netherlands, Norway, Sweden, and Switzerland. Untied grants from bilateral sources, where ADB acted as the grant administrator, amounted to \$13.4 million.³

With funding from the Government of Japan, the JSF financed a total of \$61 million for 91 technical assistance projects on an untied basis in 1999, accounting for 35 percent of the funding for all technical assistance approved. *For details, see Japan Special Fund Technical Assistance by Sector, 1999, on page 164.*

New Channel Financing Agreements were concluded with the governments of Finland, Italy, New Zealand, and Norway, which committed grant funds in an amount equivalent to \$8.6 million.

With funding from the Government of Japan, the Asian Currency Crisis Support Facility (ACCSF) was established in 1999 to provide assistance to member countries most affected by the financial crisis. Eleven technical assistance projects for \$10.5 million and interest payment assistance totaling \$89.0 million for two projects in Indonesia were approved. *For details, see Asian Currency Crisis Support Facility Technical Assistance by Sector, 1999, on page 165.*

Commercial cofinancing: Commercial cofinancing in 1999 amounted to \$740.0 million, a decrease of about 59 percent from the \$1.8 billion achieved in 1998. The Asian financial crisis negatively affected commercial cofinancing activities because many lenders withdrew from the region. The decrease in commercial cofinancing is also a function of the unusually large amount of commercial cofinancing in 1998⁴ and the slippage of several large projects in the PRC and India in 1999.

Despite the relative lack of syndication activities for project finance in Asia during the year, ADB arranged commercial cofinancing for several large infrastructure projects. This reconfirms ADB's catalytic role in mobilizing long-term funds for infrastructure in the region. For example, syndication for the PRC's first BOT water supply project (with a municipality as an offtaker) was oversubscribed and hailed as a model public-private partnership project (see box on pages 46 and 47). Commercial cofinancing for projects in the Philippines was

3 Includes ADB-administered grants under loan projects.

4 Major cofinancing arrangements in 1998 included the \$950 million syndicated loan for the Export Financing Facility in Thailand and the \$526 million multiple tranche financing package for the Fujian Pacific Electric Co. Ltd. in the PRC.

relatively active, with syndication activities being completed for the Maynilad Water Services Inc. and the Ninoy Aquino International Airport International Passenger Terminal III.

In addition to mobilizing commercial cofinancing for projects, ADB focused its efforts in 1999 on building public awareness of its cofinancing and credit enhancement products. A series of in-house workshops to train ADB staff about cofinancing and guarantee operations was held, and several cofinancing-related consultations with DMC officials, both in the context of country programming missions and project-specific cofinancing missions, were concluded during the year.

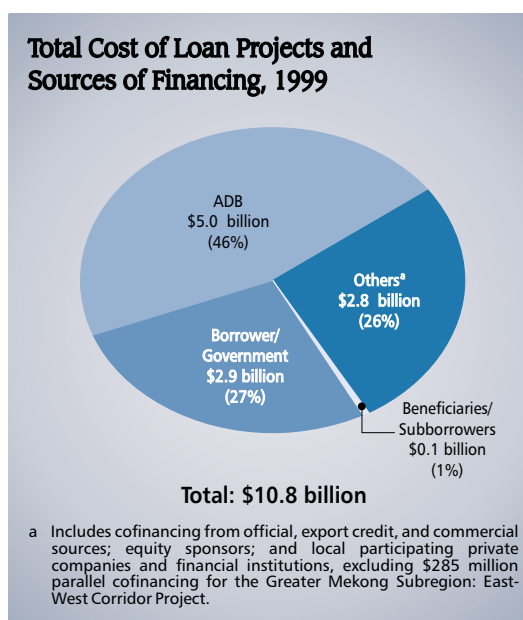
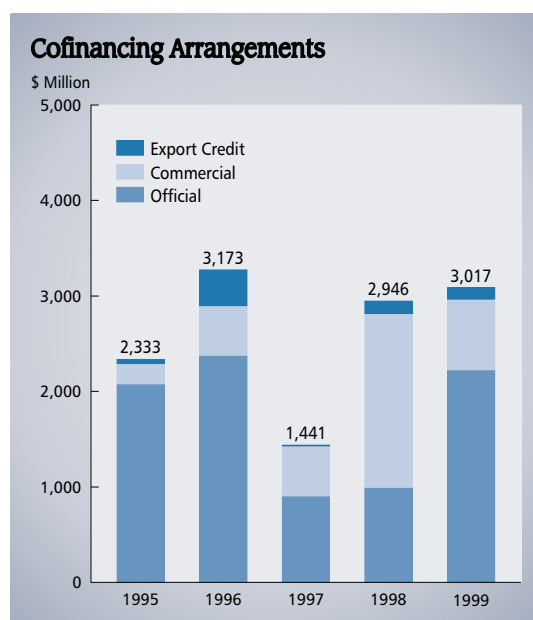
Export credit cofinancing: Export credit cofinancing amounted to \$120 million and was provided by a French export credit agency for a water supply project in the Philippines.

Guarantees: The Review of the Bank's Guarantee Operations, which was approved by the Board in October 1999, reconfirmed the importance of ADB's partial risk guarantees (covering political risks) and partial credit guarantees (covering both commercial and political risks) in mobilizing private capital for ADB's projects. To date, ADB has issued 10 partial credit guarantees in support of almost \$1.1 billion in commercial cofinancing under syndicated loans and capital market instruments.

During 1999, ADB continued to expand its guarantee operations to support long-term commercial cofinancing for its projects. This included further processing of a partial credit guarantee for a public sector power project in India (\$125.0 million) and another in the Philippines (\$350.0 million). For the project in the Philippines, a guarantee under the ACCSF is being considered. In addition, ADB continued work on a partial risk guarantee for a private sector power project in Bangladesh (\$70.0 million).

Portfolio management

Project quality and portfolio performance: To realize ADB's goal of poverty reduction, ADB took various initiatives to assist its DMCs in fostering more effective economic management and efficient use of scarce resources. It is also recognized that an increasing portion of ADB's financial assistance should be directed to those DMCs that use funds effectively. To strengthen the linkage between country performance and the allocation of scarce resources, therefore, ADB is moving toward performance-based allocation of resources, whereby the quality of portfolio performance will be placed at the forefront of its dialogue with its DMCs in planning future operations, and in assessing internal efficiency and external effectiveness.



ADB's guidelines for procurement and guidelines on the use of consultants were revised in 1998 to include provisions on anticorruption and posted on ADB's web site in early 1999. The use of ADB's sample bidding documents was made mandatory for procuring goods and civil works through international competitive bidding.

To improve the efficiency of its information systems, ADB launched in November 1999 the Financial Management and Human Resource Management Information System (FM/HRMIS) Project to integrate ADB computer systems for more efficient management of internal operations. The Project is expected to be implemented within three years. At the same time, ADB's internal systems, programs, and facilities were reviewed and tested for year 2000 (Y2K) compliance. ADB assistance in this area to its DMCs comprised increasing awareness of potential problems and minimizing the extent and nature of potential failures resulting from Y2K noncompliance in ADB-financed projects and in critical sectors. As of 31 December 1999, ADB had approved 14 requests for Y2K consulting services, remediation work, and contingency planning from nine DMCs.

Project administration: Sixty-six new loans were approved in 1999: 62 were public sector and 4 were private sector loans. This brought the number of loans under administration to 527 as of the end of 1999, comprising 479 loans in the public sector and 48 loans in the private sector. Of the public sector projects, implementation progress was satisfactory for 385 loans, including 38 loans rated highly satisfactory.

These projects conformed to satisfactory progress in financial, physical, and project aspects of implementation. Ninety-three loans were rated less than satisfactory and one was inactive; all were encountering implementation or operational problems. In terms of achieving development objectives, 437 loans were rated satisfactory (including 20 loans rated as highly satisfactory) while 41 loans were less than satisfactory and 1 was inactive. These ratings resulted from an assessment of the development outcomes, impacts, or benefits expected from various project components and outputs.

Altogether, 817 project administration reviews, including private sector loan and multiproject reviews, were fielded to assess the progress of projects and to discuss problems, if any, with executing agencies. A total of 8,591 person-days were spent on these project reviews, which translates into an average of 13 person-days per project.

ADB's regional and resident missions (RMs) continued to play an important role in project implementation. To date, administration of a total of 164 loans for 155 projects has been delegated to five RMs—Bangladesh, India, Indonesia, Nepal, and Pakistan—and the South Pacific Regional Mission. More responsibility will be delegated to them, commensurate with their project implementation and administration capacity.

Country portfolio review missions (CPRMs) were undertaken in 17 DMCs to discuss implementation problems, timely submission of audited project accounts and audited financial

Loan Financial Information Web Services

ADB is responding to an increased need to provide its Board of Directors, its headquarters and resident/regional mission and representative office staff, and the ministries, departments of finance, and executing agencies of its borrowing member countries with accurate, on-demand financial information about loans to facilitate their decision making. In October 1999, with technical support from ADB's Office of Information Systems and Technology, the Controller's Department

introduced the Loan Financial Information Web Services (<http://lfis.adb.org>) to meet these needs. The web site provides detailed loan portfolio data and selected reports with facilities for downloading. Estimated debt service payments and disbursement manuals directly related to loan operations are also available to the specified users. The web services provide improved efficiency and lower administrative costs to both ADB and its borrowers in meeting their information-seeking and reporting needs.

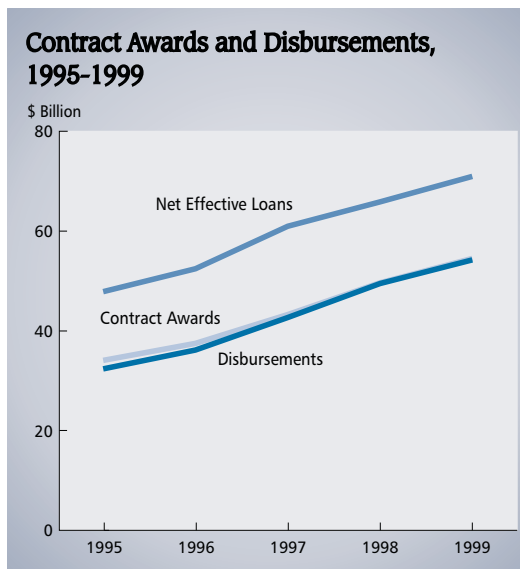
statements, cross-sectoral issues, and remedial measures with senior government officials. The special portfolio restructuring for Indonesia and the Philippines was undertaken in which \$800 million for cancellation was identified during the review missions.

Eighty-nine projects were completed during the year, bringing the cumulative number of completed projects to 1,295. Project completion reports were circulated for 61 projects, bringing the total number of reports prepared as of the end of 1999 to 877. *For details, see Table 12 in the Statistical Annex.*

As in earlier years, project administration procedures continued to be revised in light of ADB's strategic plan. In 1999, following ADB-wide implementation of the project/program performance report (PPR) introduced in 1998, the system was enhanced and made compatible with new project rating criteria that are more stringent and consistent. The system was modified to record and monitor additional information on the level of compliance with loan covenants, particularly the submission of project accounts and financial statements (with actual delays in submission), and environmental and social concerns, as well as Y2K compliance indicators of the project. Some project quality performance indicators and details of project ratings were also added to the PPR.

ADB also undertook a number of other initiatives and activities during the year to improve project quality and expedite project implementation. Preparatory activities included increasing beneficiary participation and stakeholder involvement, approving advance actions on procurement and recruitment of consultants, encouraging early establishment of project offices, and hiring qualified personnel. Various advisory technical assistance activities in selected DMCs were implemented to assist governments in improving project implementation, project financial management, and procurement.

Contract awards: Contracts totaling \$4.6 billion (excluding contracts for technical assistance projects) were awarded in 1999 by executing agencies in DMCs for consulting services and procurement of goods, related services, and civil works. This represented a 20 percent decrease from 1998. Consultancy



contracts under loan projects totaled \$143.7 million and involved 176 consulting contracts (77 international and 99 domestic). *For details, see Tables 13-20 in the Statistical Annex.*

Loan disbursements: The 1999 loan disbursements, \$4.8 billion, fell short of the year's target of \$5.9 billion by 18.0 percent and the 1998 figures by 28.7 percent. OCR disbursements amounted to \$3.7 billion and ADF disbursements to \$1.1 billion, representing 76.9 percent and 23.1 percent of the total amount, respectively. Disbursements are lower than projections in 1999 because of slower project implementation than projected and delays in fulfilling program conditionalities. Lower disbursements in 1999 compared with 1998 are attributable to relatively high disbursements in 1998 for emergency program loans in response to the Asian financial crisis. *The comparative details of disbursements in 1998 and 1999 by lending modality are shown in Table 14 in the Statistical Annex.*

Project implementation and administration seminars: Nine seminars were held on project implementation and administration in 1999. These included seven in-country seminars (conducted in Cambodia, Kyrgyz Republic, Lao PDR, Mongolia, Philippines, Thailand, and Viet Nam); one regional seminar held at ADB headquarters; and one training-of-trainers seminar in the PRC. A total of 316 DMC representatives participated in the two-week sessions. The

in-country seminars trained an average of 35 individuals per country. To proactively strengthen procurement capability in executing agencies unfamiliar with ADB practices, five special procurement workshops were conducted during project inception missions. Seminars were held in Bangladesh, Cambodia, Kazakhstan, Kyrgyz Republic, Mongolia, Sri Lanka, Uzbekistan, and Viet Nam on the use of consultants.

The seminars train project directors, managers, and key executing agency staff on modern principles and techniques for managing project implementation. This includes familiarization with ADB guidelines, practices, and policies pertaining to procurement, recruitment of consultants, disbursements, anticorruption, and associated matters. Moreover, the seminars are part of a systematic and long-term approach to improve project implementation in DMCs. The approach includes capacity-building activities focused on strengthening institutions and developing human resources, and indirectly addresses governance issues such as accountability, transparency, and anticorruption.

Formal evaluation and informal feedback from past seminars indicate that training has succeeded in strengthening professional skills and raising the level of understanding of ADB's project implementation and administration requirements. The seminar structure and content are under continuous review to better meet new demands facing ADB-financed projects, and the changing environment in which they are implemented. Future seminars will reflect ADB's focus on poverty reduction and the trend to increase the involvement of local governments and community organizations in projects.

Business opportunities seminars: Sixteen seminars on business opportunities were held in PRC; India; Italy; Japan; Republic of Korea; Malaysia; Singapore; Taipei, China; Thailand; Turkey; and United States. The seminars were directed at consultants and business leaders interested in pursuing consulting contracts and projects financed by ADB. Participants were provided with an overview of business opportunities under ADB-financed loans and technical assistance. They were instructed on how to prepare bids and proposals that comply with

ADB guidelines, and were informed of ADB's procedures for evaluating bids and ranking consulting proposals. The seminars proved to be an excellent forum for disseminating ADB's policy on anticorruption.

The seminars generated a high level of interest, with an average attendance of 70 persons per seminar. Overall, more than 1,100 consultants, suppliers, contractors, and business leaders participated in the presentations, discussions, and one-on-one consultations. In addition, three mini-seminars were organized at ADB headquarters for visiting missions from Australia, Canada, and United States. The feedback from participants has been positive. Companies previously unfamiliar with ADB reported that they would pursue future business opportunities. On the other hand, firms with a history of working on ADB-financed projects routinely send new employees, verifying the value they see in appreciating ADB's practices.

ADB also held three seminars on developing domestic consultants in Nepal, Pakistan, and Philippines.

Private sector investment portfolio

ADB's private sector portfolio at the end of 1999 totaled \$1.1 billion, up by 8.5 percent from \$1.0 billion in 1998. The increase of \$89.0 million was the net result of new approvals, disbursements, repayments, disposals, cancellations, prepayments, write-offs, and currency translation adjustments. Of the total portfolio, 63 percent was in loans amounting to \$709.2 million and \$423.3 million in equity investments.

The 1999 total portfolio comprised \$691.7 million in disbursed investments and \$440.7 million in undisbursed commitments. The disbursed investments increased by \$37.0 million or 5.7 percent over the 1998 total portfolio of \$654.7 million. Cumulative disbursements increased from \$1.2 billion at the end of 1998 to \$1.3 billion at the end of 1999, an increase of \$90.3 million.

Forty percent of the total portfolio was accounted for by loans and equity investments in infrastructure projects, to which ADB is giving priority in support of the DMCs' efforts to attract private investment in the infrastructure

sector (see table at right). Another 26 percent of the portfolio comprised equity investments in pioneering institutions that help promote finance sector development in DMCs and loans to established private finance companies and banks for onlending to small and medium enterprises.

The portfolio also included 16 percent equity stakes in investment funds and their corresponding fund management companies. These funds comprised venture capital funds, mutual funds, private equity funds, and larger funds that provide equity and/or debt financing to infrastructure projects. Investments in funds enable ADB to leverage its own available resources to support private investment. The balance of the portfolio (18 percent) comprised loans and equity investments in manufacturing, agriculture, and other industries. ADB support for these sectors started in the mid-1980s when several DMC governments began to encourage the private sector to undertake large industrial ventures, particularly with foreign technology and investment.

At the end of 1999, the total portfolio included loans and equity investments in 91 companies, comprising 75 country-specific companies in 13 DMCs and 16 regional financial entities and funds. The net reduction in the number of companies in the portfolio from 100 in 1998 was the net result of the addition of four new companies, cancellation of two investments, full disposal of eight investments, liquidation of two investments, and a merger of two companies. Of the 91 companies comprising the portfolio, 54 were operating profitably, 8 were in various stages of implementation, and 29 were underperforming. Some of the underperformers affected by the financial crisis have since recovered. The other underperforming investments are being closely supervised and several of them are the subject of intensive workout efforts. In many cases, this involves a change of management, financial and business restructuring, and recovery efforts, including legal action to enforce ADB's remedies as a creditor and other legal rights. In fact, the pursuit of such legal remedies can serve to complement ADB's public sector assistance to DMCs in introducing appropriate bankruptcy laws to improve their solvency regimes.

Portfolio Distribution by Sector,^a 1999

	Investments Held		
	No. of Companies	\$ Million	%
Infrastructure	14	456	40
Finance Institutions	30	292	26
Agriculture, Manufacturing, and Other Industries	18	207	18
Investment Funds	29	177	16
Total	91	1,132	100

^a At exchange rates as of 31 December 1999.

Interest and other income earned on the private sector portfolio in 1999 totaled \$29.0 million, compared with \$30.0 million in 1998. Dividends received amounted to \$3.5 million (1.3 percent yield), a decrease from the previous year's \$18.2 million (7.6 percent yield). Capital losses made on equity divestments during the year amounted to \$2.5 million, compared with gains of \$3.7 million in 1998.

The allowance for possible losses on impaired loans and equity investment rose by 19.6 percent to \$137.5 million at the end of 1999 from \$114.9 million in 1998. This loss allowance represented 19.9 percent of the total portfolio at the end of 1999, compared with 17.6 percent in 1998.

Performance evaluation and development impact

ADB's increasing concern about the impact of its assistance on poverty reduction has added a new dimension to evaluation. While learning through evaluation remains the key function of the Operations Evaluation Office (OEO), the evaluation and the learning activities have a clearer focus on and revolve around ADB's main purpose of reducing poverty (see figure on page 58). Because of the broader significance of the impact of poverty reduction interventions, ADB is aware that its evaluation procedures must be strengthened through more rigorous evaluation standards and practices. Evaluation must

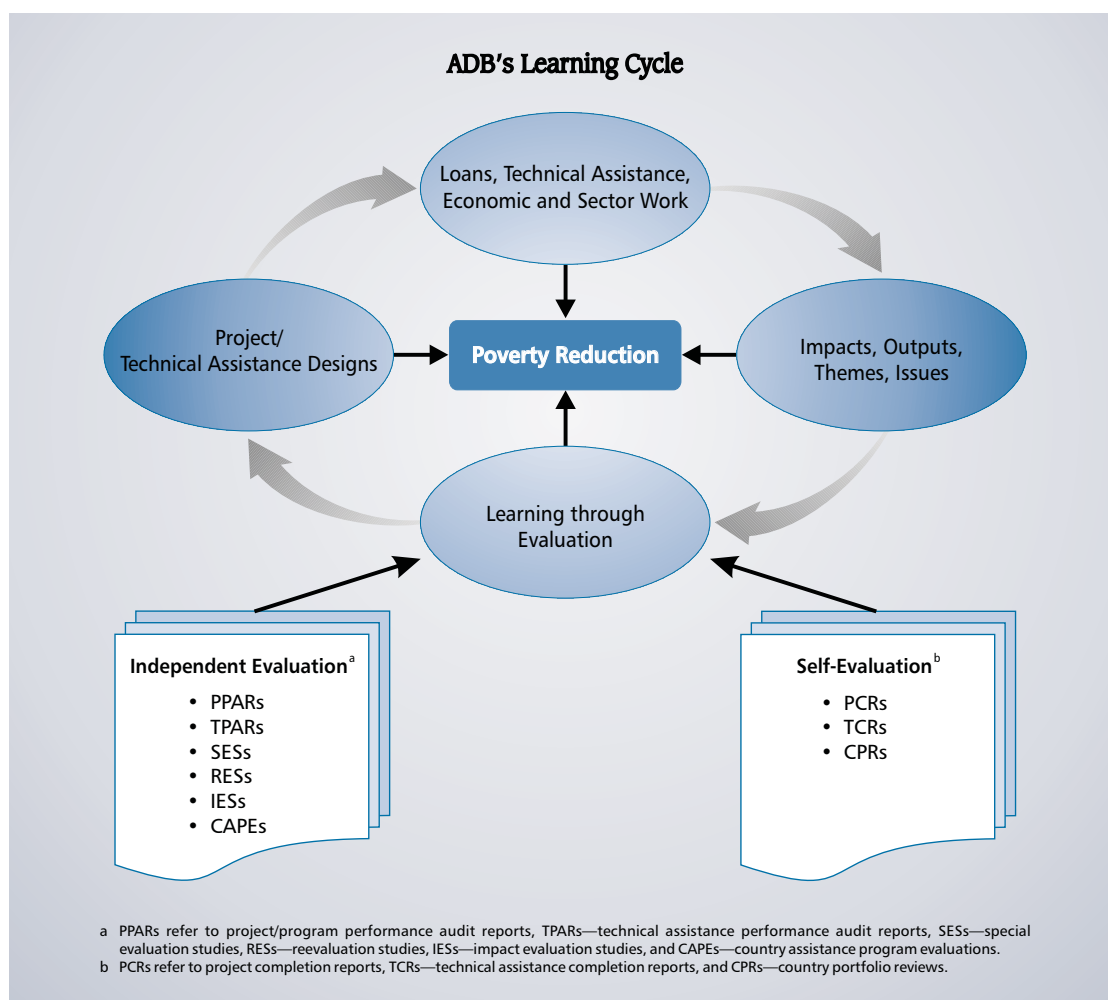
produce results that are operationally useful for OEO's feedback function and position as a source of learning. OEO is, therefore, paying increased attention to project objectives and designs that can be evaluated. This will facilitate monitoring and verification of ADB's strategic intent of contributing to poverty reduction.

Progress was significant in 1999 with the introduction of the project performance management system. This emphasizes identification of monitorable project performance indicators and reporting on project progress and development impact, including poverty, through the project performance report. Use of the logical framework is mandatory.

OEO specifically supported ADB's main purpose in 1999 with a special study on the effectiveness of ADB approaches and assistance to poverty reduction in five countries (*see box on*

page 59). OEO further examined crosscutting issues through three other special evaluation studies covering governance (public expenditure management), NGOs and CBOs, and the social and environmental impacts of hydropower projects. Other highlights of the year's work were a country assistance program evaluation (CAPE) for Viet Nam and a special evaluation study on ADB's lending operations in Thailand during the Asian financial crisis. OEO also provided support for preparing documentation for the February 2000 discussions on the ADF replenishment.

OEO completed 41 major reports in 1999, comprising 21 project/program performance audit reports (PPARs), 4 technical assistance performance audit reports (TPARs), 2 reevaluation studies, 3 impact evaluation studies, 6 special evaluation studies, 1 CAPE, Twenty-First Annual Review of Evaluation Reports, 1999 Annual



Performance Evaluation Program, Evaluation Highlights of 1998, and Recommendations of the ADF VII Donors Report: Interim Review of Implementation. In addition, OEO produced the first issue of *Evaluation Highlights*, the newsletter of the Evaluation Cooperation Group.

Project/Program and Technical Assistance Performance Audit Reports

The 21 PPARs in 1999 covered 24 projects/programs, reflecting OEO's thrust to look at units larger than single projects or programs. Of the 24 projects/programs, 4 were in Group A countries, 5 in Group B1 countries, 7 in Group B2 countries, and 8 in Group C countries (see box on page 60). Eight were in agriculture and natural resources, 10 in physical infrastructure, 4 in social infrastructure, and 2 in finance.

Cumulatively, by the end of 1999, 42 PPARs had been prepared for 566 projects/programs in 26 DMCs. Of these, 57 percent were classified as generally successful, 32 percent partly successful, and 11 percent unsuccessful; two projects were not rated.

Of the 24 projects/programs examined in 1999, 14 (58 percent) were rated as generally successful, 8 (34 percent) partly successful, and 2 (8 percent) unsuccessful. The five projects and three programs in agriculture and natural resources were all rated generally (4) or partly (4) successful. Nine of the 10 physical infrastructure projects were generally successful, the other—a private sector loan for energy—was

partly successful. In social infrastructure, two projects were partly successful while two were unsuccessful. In the finance sector, one program was generally successful and one project was partly successful. Because of the small sample size, an annual comparison of performance by sector was not made.

The 4 TPARs covered 16 technical assistance grants. Nine were rated generally successful, three partly successful, and three—all in the same sector in the same country—unsuccessful; one was not rated.

Reevaluation Studies

Reevaluation of the Third Tea Development Project in Sri Lanka reconfirmed the PPAR's conclusion that the Project was partly successful. While economic returns remained below appraisal estimates, privatization of estate management and assets starting in 1992 brought about significant changes and reversed declines in yield. Smallholders benefited from extension campaigns and fertilizer credits. The review demonstrated an interesting case of an ADB-financed project that went through two policy environments: public sector management of nationalized estates and privatization. An important lesson learned is the need to obtain a proper policy environment before funding is approved.

The reevaluation of the Fuel Conversion Project in the PRC reclassified the project from generally successful to unsuccessful, as long-term viability had been severely impaired by

Evaluation of Poverty Reduction Projects

The special evaluation study on the effectiveness of ADB approaches and assistance to poverty reduction covered four projects each in five countries—Bangladesh, Kyrgyz Republic, Lao People's Democratic Republic, Nepal, and Philippines. The review highlighted the need to develop a comprehensive strategy and portfolio for each country that ensures consistent and broad integration of poverty reduction issues into the country operational strategy and project design. The study showed that, where project components are not specifically targeted at a group of people or at an activity that will

particularly impact on a target group, benefits are usually unevenly distributed and generally favor the nonpoor.

More care needs to be taken in defining indicators and in designing data collection and processing methods to facilitate the evaluation of benefits to the poor. Country-specific poverty reduction strategies need to guide policy dialogue to determine priorities and the sequencing of interventions. Participatory approaches, adopted in some projects targeting the poor, have helped achieve project objectives and impact, such as in microcredit and community-based projects.

largely exogenous factors. While the Project was efficiently implemented and the converted units were being adequately maintained and operated at design efficiency, the key objective of generating an economic advantage from fuel substitution was not fully met; and there were negative project-related environmental impacts from using coal. The reevaluation concluded that project sustainability depends on the competitiveness of a power plant's cost structure, economic outlook within areas served by the plant, and direction of environmental policies relative to power generation.

Impact Evaluation Studies

The study on ADB assistance to the water supply and sanitation (WSS) sector in Indonesia assessed six completed WSS projects and eight completed urban development projects with WSS components. The projects generally fell short of achieving some of their targets and objectives, although they delivered real benefits to consumers through lower-cost water being made available in greater quantities than before. The completed WSS projects only partly succeeded in targeting low-income communities.

Operation and maintenance resources for project facilities were inadequate and resulted in high unaccounted-for water and reduced cost recovery. The WSS projects evidenced weak implementation capacity of the executing and implementing agencies and the lack of political will to implement policy reforms.

The urban development projects, on the other hand, were generally successful in achieving their objectives based on actual physical accomplishments and project benefits, and on the pioneering role in these projects of the integrated urban development approach. The common shortcomings of urban development projects included counterpart funding problems, poor institutional arrangements, and lack of experience of the implementing agencies with integrated projects.

The study findings highlighted key WSS issues: (i) the urgent need for tariff structure and other reforms; (ii) the need for local community/beneficiary participation in project planning, design, and implementation; (iii) the high level of unaccounted-for water contributing to poor financial returns; (iv) the weaknesses in institutional capacity and interagency coordination; and (v) the need for sanitation to be given more priority.

Classification of ADB Members

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

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

Group B1 includes Bangladesh, Cook Islands,² Marshall Islands, Federated States of Micronesia, Pakistan, Sri Lanka, Tonga, and Viet Nam.

Group B2 includes People's Republic of China, India, Indonesia,³ and Nauru.

Group C includes Fiji Islands,⁴ Kazakhstan, Malaysia, Papua New Guinea, Philippines, Thailand, and Uzbekistan.

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

¹ Azerbaijan has not been classified.

² Limited eligibility for the ordinary capital resources will be applied only after the external debt position improves.

³ On a watch list for graduation from ADF.

⁴ Graduation from ADF is to be phased over two years.

The impact evaluation study on the Greater Mekong Subregion (GMS) program aimed to assess the relevance, sustainability, and efficiency of ADB development assistance to the GMS program. The program has provided member countries with the opportunity to create a shared vision of the subregion's future development. Progress has been made in promoting dialogue and reaching agreements on steps to facilitate increased economic cooperation. Agreement has been reached on identifying and monitoring regional projects, and on securing financing for several major projects. The GMS program has encouraged dialogue among member countries, notably at the ministerial level, and contributed to better understanding among members, and a willingness to work together for mutual benefit. On a more general level, the findings of the study support ADB involvement in regional cooperation under a framework where it (i) targets the ADF donors' objectives concerning contributions to regional peace and stability, prosperity, and sustainable resource management; and (ii) provides economies of scale, reduces transaction costs, speeds up development through improved sharing of knowledge, and increases opportunities—particularly those that partners, on their own, cannot capture (such as improved resource mobilization, private sector development, and gains from trade). The study, while supporting the GMS initiative, finds that the program has been constrained by limitations in ADB operations. Changes may be warranted in the process of allocating regional technical assistance resources and in programming loan proposals, and reconsideration may need to be given to establishing a regional cooperation facility.

The impact evaluation study on ADB assistance for technical education and vocational training (TEVT) assessed the long-term impact of 10 projects in four countries—Malaysia, Pakistan, Papua New Guinea, and Sri Lanka. The study confirmed the conclusions of the PPARs that the projects in Malaysia were generally successful, but those in the other countries did not sustain their impact for more than a few years after project completion. TEVT schools in Malaysia continue to be well provided

for in terms of facilities, equipment, teachers, consumables, and other support materials, compared with the country's academic schools. On the other hand, with no major reinvestment after project completion, the capacities of project inputs in Pakistan, Papua New Guinea, and Sri Lanka have gradually dissipated over the years. The study revealed the need to forge strong partnerships between TEVT institutions and industry, bearing in mind that (i) education authorities and heads of TEVT institutions shift from a predominantly "safety net" orientation to a more "source-of-competitive advantage" orientation, without necessarily discarding the former; (ii) governments, particularly those of Pakistan, Papua New Guinea, and Sri Lanka, need to raise their level of commitment to TEVT; and (iii) countries, with help from funding agencies, need to support TEVT over the long term, given its long development cycle.

Special Evaluation Studies

In addition to the poverty study, five other special evaluation studies were done in 1999. Two examined the use of technical assistance to assist public expenditure management, capacity building, and institutional strengthening. The study on ADB assistance for the reform of public expenditure management in Bhutan, India, Kiribati, and Lao PDR examined 11 technical assistance grants; the study

Project/Program Performance by Country Group,^a 1999

Country Group ^b	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Group A	3	75	1	25	—	—	4	100
Group B1	2	40	2	40	1	20	5	100
Group B2	7	100	—	—	—	—	7	100
Group C	2	25	5 ^c	63	1	12	8	100
Total	14	58	8	34	2	8	24	100

— Data not applicable.

a Twenty-four projects/programs were evaluated in 21 project/program performance audit reports.

b See classification of countries on page 60.

c Includes one private sector loan.

on advisory and operational technical assistance in Kazakhstan and Kyrgyz Republic looked at 16 technical assistance grants. Both studies showed that the degree of success of a technical assistance grant is closely related to its design. In the second, technical assistance grants that involved government participation in preparation and implementation and that obtained a high degree of government commitment had the greatest success. In the first study, the technical assistance grants generally did not take a comprehensive approach in analyzing the budget cycle as a whole, and in assessing the budgetary process against ADB's stated governance criteria; this narrow approach limited their effectiveness.

The study on Thailand was an independent evaluation of ongoing ADB lending operations. It focused on processes, inputs, and interim outputs rather than on the achievement of development impacts. The study's aims were to provide more real-time feedback and to draw out lessons learned from responding to the Asian financial crisis. It looked at four specific loans: Rural Enterprise Credit, Financial Markets Reform Program, Social Sector Program, and Export Financing Facility. The Rural Enterprise Credit Project had been formulated before the financial crisis hit, but it proved to be a convenient vehicle so ADB doubled the envisaged amount of the loan. The Financial Markets Reform Program loan was ADB's portion of the

International Monetary Fund (IMF)-led "rapid deployment" package of assistance, an excellent example of coordination among funding agencies. The policy measures were closely coordinated, complementary, and mutually reinforcing. The Social Sector Program loan was ADB's own initiative, implemented in consultation with IMF and the World Bank; the Program aimed to cushion the adverse impact of the financial crisis on the most vulnerable sector of society. The Export Financing Facility was also ADB's initiative, in careful consultation with Thailand's Ministry of Finance; the Facility was designed to restore the confidence of the international markets in Thailand's finance sector. Highlights of the lessons learned are provided (*see box on page 63*).

The special evaluation study on the social and environmental impacts of four ADB-financed hydropower projects in PRC, Indonesia, Lao PDR, and Malaysia provides recommendations for improving the design and processing of future hydropower projects to minimize their adverse impacts. The selected study projects did not result in disastrous environmental and social impacts; but shortcomings were noted, most of which could have been avoided or compensated for through more diligence on the part of project proponents. The review reveals that the identification and mitigation of project impacts improved with time as ADB began to make sizable advances in articulating and clarifying its policies on environmental and social issues.

The study's recommendations include the need for (i) environmental and social scientists to be an integral part of the design team for a sensitive project; (ii) project preparation to include adequate baseline data on environmental and social aspects, along with a description of methodologies for monitoring project impacts; (iii) specific assurances in the loan agreement and verifiable targets to ensure the implementation of important measures such as income restoration programs; (iv) DMC agencies and ADB to screen rigorously the capacity of construction firms bidding on hydropower projects and to ensure that prequalification requirements, penalties, and performance bonds are explicitly indicated in their contracts; (v) improved

Project/Program Performance Classification by Sector,^a 1999

	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Agriculture and								
Natural Resources	4	50	4	50	–	–	8	100
Physical Infrastructure	9	90	1 ^b	10	–	–	10	100
Finance	1	50	1	50	–	–	2	100
Social Infrastructure	–	–	2	50	2	50	4	100
Total	14	58	8	34	2	8	24	100

– Data not applicable.

a Twenty-four projects/programs were evaluated in 21 project/program performance audit reports.

b Private sector loan.

progress reports to ADB by ensuring that project units supervising mitigation measures have the necessary management and technical skills to collect appropriate data, and that the enforcement agency has the capacity to review them; and (vi) increases in ADB internal resources to provide for multiskill supervision teams to evaluate the progress of mitigation measures in Category A projects.

The special study on NGOs and CBOs covered 54 projects in nine countries—Bangladesh, Cambodia, Indonesia, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka, and Viet Nam—and assessed the effectiveness and appropriateness of NGO/CBO involvement in ADB lending and technical assistance operations. The study shows that NGO involvement in ADB projects has increased significantly, with nearly half of all projects now including some such involvement. While performance has varied on project-to-project and country-to-country bases, there is strong evidence that NGO/CBO involvement enhances consultative and participatory project development, and improves the effectiveness of projects. This applies not only to social sector, rural/community development, and microcredit projects—where NGOs/CBOs have been most visible—but also to technical assistance projects requiring early beneficiary consultation, stakeholder analysis, and consideration of resettlement concerns.

In common with other funding agency assessments, however, the study notes that partnerships with NGOs/CBOs are not a panacea

for improving project effectiveness. Such involvement should be on a selective basis, taking into account NGO/CBO skills and capacity for involvement in the project and location in question, and the specific country/policy environment. Selecting, managing, and monitoring of NGO/CBO involvement must be improved; and the respective roles of NGOs/CBOs and executing agencies must be clearly defined. ADB's capacity for NGO/CBO cooperation should be strengthened, together with improved reporting and information systems.

Country Assistance Program Evaluation

OEO reviewed ADB's development assistance to Viet Nam during 1993–1998. The study was the second CAPE, which aims to assess the relevance, efficacy, and effectiveness of ADB lending and technical assistance operations. The review revealed that ADB's country strategy has been appropriate and consistent with Viet Nam's needs and conditions. The country program has broadly followed the strategy, although it was more diffused in focus during 1996–1998, and has supported evolving government priorities. From the resumption of ADB lending operations in 1993–1995, the country program, reflecting the findings of economic and sector work undertaken from 1989, emphasized infrastructure rehabilitation and improvement, mostly in agriculture, social infrastructure, and transport and communications. The broadening of the 1996–1998 programs indicates efforts to correlate ADB assistance

Interim Assessment of ADB's Lending to Thailand During the Asian Financial Crisis

The study focused on the specific performance aspects of individual projects/programs in collaboration with the Office of the Auditor General of Thailand. High volatility in financial variables is one of the key risks in project lending through financial intermediaries, as in the cases of the Rural Enterprise Credit Project and the Export Financing Facility. When a banking crisis is involved, a credit crunch and excess liquidity in a banking system are potential impediments to using a loan. When the abandonment of a currency peg is involved, the risk profile changes due to currency mismatches between banks' assets and liabilities.

Experience with the Export Financing Facility highlights the need for a review of business processes in handling a large syndication deal to ensure swift consensus building, both internally and among lenders. Policy-based lending can be effective not only in the finance and other economic sectors but also in the social sector. In supporting social safety nets through a program loan, a government's close attention to the effective and efficient use of counterpart funds is critical. There is a need for an enhanced monitoring framework with clearly defined performance indicators.



increasingly with crosscutting issues—not only those of ADB but also those of Viet Nam. The ADB strategy and the country program have been relatively effective in supporting policy reforms through lending operations, although increased efficiency is desirable.

The major recommendations of the evaluation are to (i) strengthen supervision through greater coordination among provincial-level government officials, more staff time for project processing and implementation, increased staff strength of the Viet Nam Resident Mission, and a sharper geographical focus for ADB operations to narrow staff time requirements; (ii) provide a framework in the country operational strategy (COS) that will define priority areas and sequencing of capacity building to be followed by the country assistance plan (CAP); and (iii) identify performance indicators in both the COS and CAP documents to serve as the basis for monitoring and evaluating ADB's program of assistance.

Annual Performance Evaluation Program

The 1999 annual performance evaluation program (APEP) assessed the quality and effectiveness of ADB's self-evaluation processes concerning project and technical assistance activities, principally project/program completion reports (PCRs), technical assistance completion reports (TCRs), and country portfolio reviews (CPRs). PCRs and TCRs tend to base assessment upon achieving outputs as opposed to achieving objectives. Much of the basis for rating TCRs is the opinion of the rater or the executing agency. CPRs, on the other hand, focus on implementation issues and do not assess progress toward development objectives. PCRs, TCRs, and CPRs need more analysis and critical assessment of inputs. Other OEO studies support these findings. PCR ratings are often higher than PPAR ratings, partly because of the PCR's focus on outputs as opposed to the PPAR's focus on impacts.

PCR and TCR preparation is constrained by their being done too soon after implementation, but more rigorous attention would help. Strengthened guidelines and greater resources are needed to prepare for PCR missions and to write the reports. For these reasons, OEO is formally reviewing selected PCRs.

The terms of reference for CPR studies need strengthening. Changes in CPR missions will have resource implications.

Strengthening the performance evaluation capability of DMCs

In 1999, OEO processed two advisory technical assistance grants for building evaluation capability. The technical assistance for strengthening results in monitoring and evaluation in the Philippines aims at helping develop and institutionalize processes and procedures for results-oriented monitoring and evaluation (RME), which refocuses monitoring on assessing impacts and reorients evaluation from postevaluation to concurrent evaluation during project implementation. The technical assistance for evaluation capacity building in the PRC is for continuing to build performance management capacity in the PRC's administration. It focuses on the Central Government by promoting a culture of evaluation within the newly created Key Project Inspectorate Office in the State Development Planning Commission.

Six TCRs were prepared in 1999, three of which were noteworthy for helping develop and/or strengthen performance evaluation capacity in DMCs. The technical assistance for strengthening evaluation capacity in the PRC was successful in developing a blueprint and strategies for bolstering evaluation as a governance function in the country. Associated training generated advocacy for and greater understanding of performance evaluation concepts. The technical assistance for pilot testing a project performance management system in the Philippines was deemed partly successful. It had developed knowledge of and skills in RME techniques and promoted awareness in the Government of the merits of RME, thereby facilitating formal introduction and acceptance of RME. The technical assistance for strengthening the performance evaluation capability of the Ministry of Plan Implementation and Parliamentary Affairs in Sri Lanka succeeded in expanding that agency's project performance evaluation information system and made a significant impact within the Government, where project performance management is being institutionalized in the public sector project cycle.

Regional and Country Highlights

Developing Asia and the Pacific

Asia's recovery in 1999 was stronger and quicker than most observers had expected. Gross domestic product (GDP) grew at about 6.1 percent in 1999, compared with 2.3 percent in 1998. The recovery, reflecting the region's inherent strengths, was based on a timely and strong policy action and a favorable external environment, which permitted a rapid expansion in the region's manufactured exports. While the recovery in some crisis-affected economies was even stronger, it has been broad-based with all the subregions showing improved growth performance in 1999. The newly industrialized economies (NIEs) recorded a growth of 7.0 percent; South Asia achieved a reasonable GDP growth of 5.4 percent despite poor performance in the agriculture sector; and the Central Asian republics (CARs) shrugged off the adverse impacts of the Russian crisis, with their GDP increasing at 2.9 percent in 1999, compared with only 0.8 percent in 1998. Southeast Asia and

the Pacific economies moved out of the recession, recording GDP growth rates of 3.3 and 4.4 percent, respectively.

Despite the recovery, the region continues to bear the adverse social impacts of the crisis. In many of the crisis-affected countries, unemployment remains well above precrisis levels and the corporate subsector has still not returned to its past output levels. The number of people living below the poverty line went up significantly during the crisis and has not yet started to go down. In Indonesia, for example, the number of people below the poverty line increased to about 36 million in 1999. It is important to put in place policies that will directly address the issue of improving overall social welfare—especially poverty reduction. Several factors will determine if this recovery will be sustained in the coming years and reverse the welfare losses that were suffered during 1997–1998; the most important is the continuation of structural reforms, particularly in the finance and corporate sectors, which were at the core of the crisis. These reforms are far

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

	DMCs ^a			Western Hemisphere			Africa		
	1997	1998	1999 ^b	1997	1998	1999	1997	1998	1999
GDP Growth Rate (%)	6.0	2.3	6.1	5.3	2.2	0.1	3.1	3.4	3.1
Inflation Rate (%)	4.6	6.3	1.7	13.2	10.6	9.8	11.1	8.7	9.0
Merchandise Exports Growth Rate (%)	7.4	(5.7)	5.6	10.4	(4.6)	3.7	1.9	(13.5)	4.7
Merchandise Imports Growth Rate (%)	2.4	(16.9)	7.9	18.8	3.8	(6.5)	3.2	(1.0)	4.2
External Debt Outstanding (\$ billion)	799.9	826.1	...	680.3	750.9	750.4	298.8	303.0	308.4
Debt Service Ratio ^c	11.9	13.6	...	50.1	50.9	54.9	22.6	24.2	28.3

... Data not available.

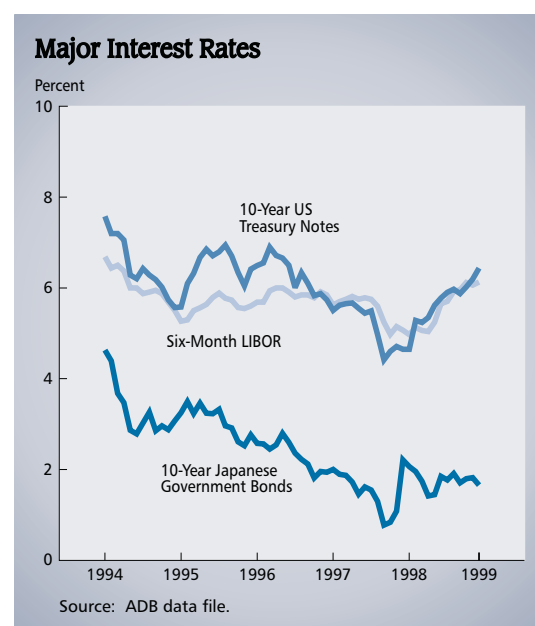
() Negative.

^a Developing member countries.

^b Preliminary estimates.

^c As percentage of exports of goods and services.

Sources: International Monetary Fund, *World Economic Outlook*, October 1999 (<http://www.imf.org>); and ADB data file.



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

	1996	1997	1998	1999
Five Most Affected				
Asian Economies ^a	108.1	(0.2)	(36.4)	(3.7)
China, People's Rep. of	50.1	60.0	34.0	34.0
Other Asian Economies	18.1	8.1	8.2	9.0
Total	176.3	67.9	5.8	39.3

() Negative.

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

Source: Institute of International Finance, Inc., *Capital Flows to Emerging Market Economies*, 24 January 2000 (<http://www.iif.org>).

from complete, and political will is needed to push them to their successful conclusion. The high level of nonperforming loans in the region's banking subsector continues to dampen credit availability to the corporate subsector. The level of nonperforming loans has to be brought down with decisive policy action if the recovery is to take hold and investor confidence restored. A real danger exists: recovery can induce some complacency in establishing the required social safety nets. This complacency has to be avoided if the adverse social consequences of any future crisis in the region are to be minimized.

The continuation of a favorable external demand environment for the region's manufactured exports will be a major factor in sustaining the recovery. Preliminary indications are positive with the United States (US) economy progressing strongly and signs of European and Japanese economies improving. Oil prices may, however, dampen these prospects.

Stronger interest rates in industrial economies may slow the flow of portfolio capital to the region. However, recent data indicate that net private capital inflows to Asia rebounded to about \$40 billion in 1999 from \$6 billion in 1998. Net private outflows from the five crisis-affected economies declined substantially from \$36.4 billion in 1998 to \$3.7 billion in 1999. Net private capital flows to the Republic of Korea, assisted by lower bank repayment, strengthened to about \$8 billion in 1999 after recording an outflow of nearly \$25 billion in 1998. However, with many claims due in 2000, net private capital flows may slow. In the People's Republic of China (PRC), net private capital flows remained at \$34 billion in 1999, the same level as in 1998. For India, the "feel good" factor—after the positive election results and the expected opening up of the insurance subsector and other reforms—is likely to increase foreign capital inflows.

Eight of the 12 Pacific economies recorded higher growth rates in 1999 than in 1998. Fiscal and monetary policies were generally consistent with maintaining macroeconomic balances, except in Papua New Guinea. Economic prospects for the subregion in the short to medium term will depend on the success of public sector reforms, sustained macroeconomic stabilization, and private sector development. The region remains vulnerable to external shocks, both economic and climatic. More effort is needed to preserve fragile environments and improve water supply.

The global economy

Supported by the stronger-than-expected Asian recovery, the world GDP growth rebounded to 3.0 percent in 1999 from 2.5 percent in 1998. GDP growth in the advanced economies rose

to 2.8 percent in 1999 from 2.2 percent in 1998. Canada and the US continued to perform strongly in 1999, supported by buoyant domestic demand generated by rising asset prices. Growth momentum in the euro area, although slightly weakened, has been sustained with GDP growth of 2.1 percent in 1999, compared with 2.8 percent in the previous year. In Japan, strong and repeated fiscal stimuli and an expansionary monetary policy, combined with the rebound in emerging market economies, underpinned economic recovery in 1999. The NIEs of Asia staged a remarkable turnaround, registering a growth of 7.0 percent from a decline of 2.1 percent in 1998. Growth in the developing regions of the world improved in 1999, expanding by 5.3 percent from 3.7 percent in 1998. Economic performance of the developing economies of Africa and the Middle East has been affected by movements in commodity prices, increased pressures for structural reforms, and improvements in trade and political cooperation. GDP growth in Africa in 1999 was slightly lower at 3.1 percent from 3.4 percent in the previous year. In the Middle East, GDP growth was nearly halved to 1.8 percent in 1999 from 3.2 percent in 1998. In Latin America, growth in 1999 was almost nil as most countries in the region, with the exception of Brazil, experienced recessionary conditions during the year.

Concerted policy response by the Organisation for Economic Co-operation and Development (OECD) member countries and strong reflationary policies in the crisis-affected Asian economies in the last quarter of 1998 assisted the recovery. The coordinated response—comprising synchronized interest rate cuts and fiscal stimuli taken in response to the Russian and Brazilian crises, which threatened to worsen the impact of the Asian crisis on the global economy—laid the basis for the rebound in the global economy in 1999 (see chart on page 65). Stability was restored in the Asian currency and financial markets. The euro withstood the Russian crisis and the Brazilian contagion was effectively contained. As financial conditions improved, market confidence returned in most emerging

market economies affected by the crises, allowing monetary conditions to ease and providing the stimulus for economic recovery.

The decision of the Organization of Petroleum Exporting Countries to cut back oil production in April 1999 resulted in increased oil prices to an average of \$17.46 per barrel in 1999 from \$9.81 per barrel at the end of 1998, rising to a peak of \$24.62 per barrel at the end of 1999. This development arrested the decline in the prices of non-oil commodities, providing relief to commodity-exporting countries. Accelerating growth in the US, recovery in Europe, and strong rebounds in industrial activities in Japan and the NIEs of Asia have combined to raise the global demand for industrial commodities. Foodstuff prices weakened because of surpluses and mounting inventories.

World trade accelerated from about 4 percent in 1998 to 5 percent in 1999. This is significantly below a record high of nearly 11 percent in 1997, reflecting lower trade growth in transition economies and Latin America. The US economy continued to provide strong demand stimulus to global economic growth with imports increasing by 8 percent. Asian economies staged a sharp recovery in exports and imports, compared with the downturn in 1998. Exports in developing Asia increased by 4.6 percent, compared with a contraction of 5.6 percent in 1998. Imports also went up by 6.8 percent in 1999, compared with a contraction of 17.1 percent in 1998.

In 1999, world inflation at about 5 percent declined to its lowest level in 40 years, reflecting the intensified consensus among authorities to target inflation as one of the main policy objectives. As the global economic recovery gained momentum and oil prices stabilized in 1999, pressure on other commodity and factor prices began to increase. Inflation started to rise in many countries, although it remained low in the OECD countries. While inflation was subdued in product markets, asset prices displayed considerable volatility, contributing to a degree of macroeconomic instability in some emerging market economies during the year.

Newly industrialized economies

The NIEs started to recover in 1999, with GDP growth up by 7.0 percent. This represented a strong recovery from the recessionary conditions of 1998 when these economies contracted by 2.1 percent. The higher growth was achieved with a further moderation in inflation as the subregion continued to show excess capacity that exerted downward pressures on prices. This is also reflected in the continued weakness of domestic investment demand in most of these economies, except for the Republic of Korea where gross fixed investment rose significantly in 1999. Domestic consumption demand, however, showed a modest increase as consumer confidence returned and incomes improved. Overall employment conditions remained weak as capacity rationalization and use of more capital- and technology-intensive methods kept labor demand at a low level. Use of domestic reflationary policies which, together with higher electronics export demand, was primarily responsible for initiating the recovery, will be limited in the coming years as fiscal deficits become unsustainable. Exports, which had declined in 1998 as a result of the crisis, staged a modest recovery in 1999 with an average growth of 5.1 percent. Import demand increased more rapidly as growth returned and rising exports pushed up the demand for imported components. However, it will be some time

before NIEs regain their former export dynamism. A large-scale restructuring of capacities and policy measures will need to be undertaken to restore the international competitiveness of these economies.

Hong Kong, China

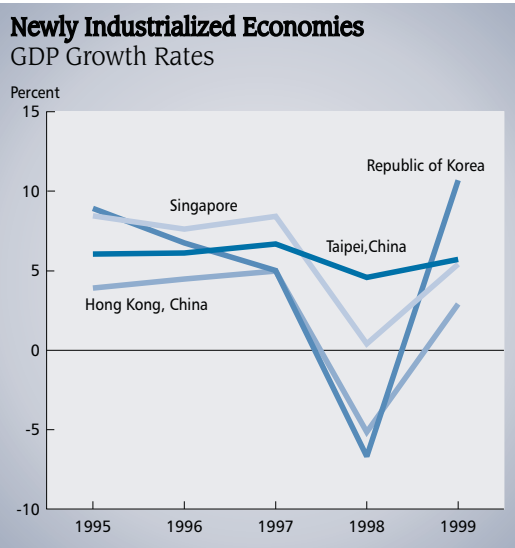
Economic performance

Economic growth: After contracting by 5.1 percent in 1998, Hong Kong, China's economy recorded a positive growth of 2.9 percent in 1999. This was mainly supported by improved private consumption, accelerated growth in government spending, and a rise in exports of goods and services. However, high real interest rates and an uncertain business outlook continued to weaken domestic investment, which fell more sharply than in 1998.

Recovery started in the second quarter of 1999, with falling nominal interest rates, improved sentiment in the local stock and property markets, and a rising number of tourists. Consumer demand improved, but the total value of retail sales still fell by 8.1 percent because of lower unit prices. This was, however, an improvement over 1998 when sales declined by 16.7 percent. Consumer sentiment improved as a result of recovery in asset prices, which moderated the negative wealth effect seen in the previous year. However, private consumption expenditure increased by a modest 1.1 percent in 1999 because of high unemployment, low wage growth, and continuing economic uncertainty that dampened consumer demand.

Although the unemployment rate stabilized in the second quarter of 1999 at 6 percent, it is still double the precrisis level of 3 percent. The construction subsector continued to have the highest unemployment rate of 12.7 percent, followed by manufacturing (7.2 percent), and wholesale/retail trade (6.5 percent). The continued strong growth of the labor force worsened the problem. The labor force participation rate also increased with more women seeking employment.

Inflation: With the economy still undergoing structural adjustments, the downward trend



in prices was more pronounced in 1999 than in 1998. Deflation, as shown by the composite consumer price index (CPI), was 4 percent in 1999. Fierce price competition, flat rental charges, and a freeze on government fees and most public utility charges contributed to the fall in the CPI. Continuing weak prices of world commodities (except fuel), a strong dollar, and deflation in the PRC minimized imported inflation.

External sector: The visible trade deficit narrowed further and the invisible trade surplus expanded in the first half of 1999. There were significant rebounds in the reexports to and from Asia, particularly to and from Indonesia, Japan, Republic of Korea, and Singapore. After five quarters of negative growth, reexports increased by 6.8 percent and 11.8 percent in the third and fourth quarters, respectively, following the pickup in export growth in the PRC after mid-1999. With export and import prices generally falling and moving in line with each other, the terms of trade did not change significantly. The structural shift from domestic exports to reexports and to offshore trading between the PRC and other countries has implications for the future of Hong Kong, China as an entry port for the PRC. However, the projected entry of the PRC into the World Trade Organization is expected to present new trade service-related opportunities for Hong Kong, China as the integration of the PRC economy with the global economy increases.

Domestic policies: Consolidation in the finance sector after the Asian financial crisis has generally been in the right direction, with the Government of the Hong Kong Special Administrative Region (HKSAR) promoting the drive for more transparency, liberalization, and better regulations. Following the completion of the Banking Sector Consultancy Study in December 1998 and taking into account the views received during the public consultation conducted in early 1999, the Hong Kong Monetary Authority developed a coherent package of policy initiatives to reform and further develop the banking subsector in Hong Kong, China. Reforms involve deregulating the remaining interest rate rules, relaxing the one-branch policy, implementing a formalized

risk-based supervisory approach, simplifying the three-tier licensing system, conducting a full study on deposit protection, and evaluating the feasibility of establishing a credit register for commercial enterprises in Hong Kong, China.

The severe recession in 1998 caused the Government of HKSAR to change its fiscal stance from a balanced budget in FY1998/99 (ending 31 March) to a deficit for both FY1999/2000 and FY2000/2001. The deficit for FY1999/2000 is estimated at HK\$1.6 billion (0.1 percent of GDP), lower than the HK\$36.1 billion (3.0 percent of GDP) originally estimated and the actual fiscal deficit recorded at 1.8 percent of GDP (HK\$23.2 billion) in FY1998/99. As a convention, the ratio of total government expenditure to GDP is capped at 20 percent. The education subsector continued to receive the largest share (21 percent) of total government recurrent expenditure; but the biggest increase in allocation went to social welfare, followed by housing and community affairs. To control expenditure and enhance civil service productivity, the Government of HKSAR imposed a freeze on civil service pay and on hiring into the permanent civil service. A new initiative taken to boost private sector demand was the 10 percent tax rebate on salaries, profits, and property. Reforms in both the education and health care subsectors were also undertaken. Environmental issues received increasing priority from the Government.

Republic of Korea

Economic performance

Economic growth: Just a year after resorting to a rescue package led by the International Monetary Fund (IMF), the Republic of Korea's economy recovered quickly. Reflecting the consistent finance and corporate sector restructuring and favorable export environment, the GDP growth rate reached 10.7 percent in 1999, which was in sharp contrast to the 6.7 percent contraction in 1998, and was the highest GDP growth rate achieved since 1988. Responding to higher export and domestic consumer demand, the manufacturing subsector led the

recovery. On the demand side, the rapid increase in private consumption, facility, and equipment investment, and slower pace of inventory reduction, contributed to the recovery. The economic recovery led to a decline in the unemployment rate to 4.8 percent by December 1999, after peaking at 8.6 percent in February 1999. While the rise in employment was led by the manufacturing subsector, the growth of new businesses in the services subsector also contributed to the decline in the unemployment rate. However, the unemployment rate is still higher than the precrisis level of 2–3 percent, and the share of transitory employment grew in 1999.

Inflation: Despite expansionary economic policy and rapid economic recovery, prices were stable. The inflation rate dropped from 7.5 percent in 1998 to 0.8 percent in 1999, which is the lowest level in recent Korean history. The Korean won contributed significantly to this deflationary trend.

External sector: Economic conditions dramatically improved in 1999. Foreign exchange liquidity recovered rapidly. As a result of the high interest rate policy, domestic demand collapsed, and the current account recorded a \$41 billion surplus in 1998. The surplus contributed to the rapid accumulation of usable foreign exchange reserves from less than \$10 billion at the end of 1997 to more than \$74 billion at the end of 1999. As the foreign exchange liquidity improved, the exchange rate stabilized to 1,150 won to the US dollar by December 1999, compared with 1,700 won to the US dollar in January 1998. Exports, which declined sharply in 1998, picked up in 1999, reflecting the yen appreciation and the recovering Asian markets. As in the past, heavy and chemical industries were the leading exports. The value of imports expanded rapidly with the recovery of domestic demand. While exports increased by 10.0 percent in 1999, imports grew by 29.0 percent. In addition, the deficit in nontrade accounts such as service and interest payments widened from \$1 billion in 1998 to around \$3.7 billion in 1999. As a result, the current account surplus decreased from \$41 billion (13.0 percent of GDP) in 1998 to \$25 billion (6.0 percent of GDP) in 1999. The capital

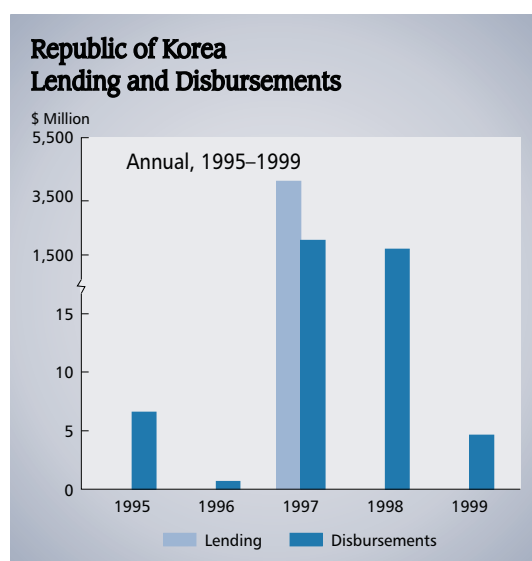
account showed a surplus of \$0.6 billion in 1999, despite the repayment of the IMF emergency loan of \$11 billion. The Republic of Korea had net inflow for nondebt instruments, such as foreign direct investment (FDI) and equity investment in 1999 as a result of the policy requiring *chaebols* (conglomerates) to reduce their debt-equity ratio.

Domestic policies: The Government maintained the expansionary policy stance adopted in mid-1998 to stimulate the economy. It was initially planned to increase the budget by 5–6 percent from the 1998 level, with the expectation of an overall fiscal deficit of 5 percent of GDP. The Government twice increased the budget during the 1999 fiscal year. As a result, fiscal expenditure increased by 9.7 percent above the 1998 level, which itself exceeded the 1997 level by 13.5 percent. Main contributors to the expansion were support for finance and corporate subsector restructuring, strengthening of social safety nets, and increased investment in infrastructure. Nevertheless, the rapid recovery enabled the Government to reduce the fiscal deficit to 2.9 percent of GDP for the year. For monetary policy, the Central Bank lowered short-term interest rates until May 1999. By that time, economic recovery had begun to gather considerable momentum. The call rate was maintained below 5 percent for the rest of the year. Because it had adopted a free floating exchange rate system in December 1997, the Government refrained from directly intervening in the foreign exchange market except to smooth out fluctuations.

During the last two years, with significant financial assistance from multilateral development finance institutions, the Republic of Korea has made considerable progress in reforming and restructuring the domestic finance and corporate sectors. In the finance sector, many non-viable financial institutions have been closed, viable institutions have been recapitalized, prudential regulations and supervision of the sector have been strengthened, and information disclosure and transparency standards have been improved.

The Government's corporate restructuring program focused on restructuring corporate finance and improving standards of corporate

governance. Capital adequacy ratios of banks are now more than 8 percent, debt-equity ratios of most large *chaebols* have been reduced, more than 87 percent of the cross-guarantees between the affiliates of the top 30 *chaebols* have been phased out, rights of minority shareholders in companies have been strengthened, and *chaebols* are now required to present consolidated financial statements. In summary, substantial progress has been attained in implementing reforms in the finance and corporate sectors; however, more needs to be done particularly in the corporate sector.



**Republic of Korea
Cumulative ADB Lending**
(as of 31 December 1999)

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

ADB operations

Project implementation: ADB's Financial Sector Program Loan (FSPL) of \$4 billion was to be disbursed in four tranches. The first tranche (\$2.0 billion), second tranche (\$1.0 billion), and third tranche (\$0.7 billion) were released in December 1997, January 1998, and December 1998, respectively. The fourth tranche of \$300 million was scheduled to be released in December 1999. However, in view of the improved economic situation, the Government, despite meeting all the conditionalities, did not draw the last tranche. ADB closely monitored the implementation of the FSPL through its Seoul-based Extended Mission and several missions from headquarters.

Singapore

Economic performance

Economic growth: Singapore's economy rebounded strongly from a nearly stagnant level in 1998 to a GDP growth of 5.4 percent in 1999. Much of the growth momentum in 1999 was led by the manufacturing subsector, reflecting strong external demand for telecommunications equipment, semiconductors, and computers and computer peripherals. The nonelectronic segment of manufacturing also performed well, with chemical output up sharply, reflecting improved global demand for industrial chemicals and pharmaceuticals. Value added in the construction subsector, however, continued to decline, mainly because of a sharp drop in private construction activity, as developers remained cautious in view of excess capacity in both residential and nonresidential markets. In 1999, the services subsector also staged a recovery. Besides the positive impact on the transport and communications sector, increased regional trade flows and tourist arrivals also boosted the wholesale and retail trade, and hotel and restaurant subsectors. Recovery in domestic demand also supported the latter two subsectors. The financial services sector also benefited from a recovery in investor sentiment toward regional equity markets and

improved regional demand for insurance and investment advice.

Despite the strong rebound in economic activity and a pickup in investment commitments in the second half of the year, overall fixed investment contracted further in 1999, largely because of sluggish construction. Bank lending, other than for housing loans, remained weak and lagged behind the recovery in industrial production.

In tandem with the recovery in the domestic economy, labor demand strengthened in 1999, with gains in employment in the services and manufacturing subsectors more than compensating for declines in construction. Job vacancy and recruitment rates increased as well. However, retrenchments remained relatively high, with more than half coming from lower-end manufacturing operations, such as the disk drive segment that has been affected by industrial restructuring. As a result of increased retrenchments, the seasonally adjusted unemployment rate increased to 4.0 percent in September 1999. This was down from the December 1998 rate of 4.4 percent.

Inflation: Having declined by 0.2 percent in 1998, and a further 0.6 percent in the first quarter of 1999, CPI inflation rate picked up from the second quarter of 1999 because of higher food prices and transportation and communication costs. Inflation in 1999, however, remained subdued at 0.4 percent because of benign global inflation and wage restraint.

External sector: Singapore's trade surplus narrowed in 1999 from its 1998 record levels. Although stronger regional and robust US growth pushed up demand for Singapore's electronic goods, this was more than offset by a higher rate of import growth because of renewed consumer confidence and a need to replenish depleted stocks of raw materials and intermediate goods. The services subsector surplus picked up as tourist arrivals to Singapore increased, and a rise in intraregional trade led to greater demand for Singapore's shipping services. In addition, financial services exports increased as the recovery in Singapore's stock market led to increased brokering services to nonresidents. As a result, Singapore's current account surplus rose in 1999. However, a

smaller deficit on the capital and financial accounts, resulting from lower net outflows in portfolio investment, enabled Singapore to maintain its stock of reserves at around \$77 billion or a healthy 8.2 months of imports.

Domestic policies: Singapore was among the least crisis-affected economies in the region. The country liberalized further its finance sector while maintaining cost competitiveness and remaining an attractive destination for foreign investment. Business operating costs in the economy were reduced by lowering various government levies, providing tax rebates, and reducing employer contributions to the Central Provident Fund.

Taipei, China

Economic performance

Economic growth: With robust export performance, the economy of Taipei, China began to recover from the impact of the Asian financial crisis and registered a rebounding GDP growth rate of 5.7 percent in 1999 from 4.6 percent in 1998. Economic activity picked up largely because of a surge in exports of electronic, information, and communications products emanating from an upturn in the global demand related to year 2000 (Y2K) compliance requirements. Export growth declined temporarily because of the adverse effect of the September earthquake. Nevertheless, the industry sector expanded by 4.7 percent in 1999 from 3.2 percent in 1998. Good weather conditions contributed to the recovery of the agriculture sector from a decline of 6.6 percent in 1998 to a growth of 0.4 percent in 1999. Adversely affected by the problem-ridden banking subsector and lackluster stock market, the services subsector growth declined from 6.2 percent in 1998 to 5.7 percent in 1999. Despite the relatively rapid growth in aggregate demand, domestic demand was weak compared with previous years. Fixed capital formation growth slowed in 1999, while capacity utilization rates in the manufacturing subsector were higher than the historical average.

Inflation: Prices remained stable throughout 1999. While international oil prices went

up, the decline in the world prices for other key stable commodities, the appreciation of the New Taiwan (NT) dollar, the reduction in import tariffs, and stable nontraded goods prices, such as housing rents and communications charges, held domestic prices down. In addition, good weather conditions, which resulted in the decline in food prices, also helped to contain inflation. The CPI inflation rate was low, at 0.2 percent in 1999. Import prices went down by 4.1 percent, and wholesale prices contracted by 4.5 percent.

External sector: Boosted by the strength of the technology subsector, exports increased by 10 percent in 1999, while imports of industrial raw materials and capital goods picked up and imports of consumer goods remained sluggish. Recovering Asian economies, sustained US economic expansion, and increasing global demand for electronic products—which led to a surge in exports of electronic, information, and communication products—were the main forces behind the rise in exports. Reflecting vigorous export growth, the trade surplus increased to \$10.9 billion in 1999, compared with \$5.9 billion in 1998. In 1999, Taipei, China's current account surplus rose to \$5.9 billion, the financial account gained a net inflow of \$13.0 billion, and the overall balance-of-payments surplus reached \$18.6 billion.

Domestic policies: The continuous inflow of foreign capital, the expansion in the trade surplus, and the active transactions in the stock market led to an increase in M2 growth in the first half of 1999. Since July, the growth rate of M2 declined, reflecting a slowdown in bank lending and investments. The average growth rate of M2 was 8.3 percent in 1999, close to the midpoint of the target range of 6–11 percent. The money supply supported the needs for funding domestic economic activities.

During the year, the Central Bank lowered the rediscount rate, issued certificates of deposits for redeposits taken from the postal savings system, and engaged in open market operations. As a result, monetary conditions in the domestic banking system were moderately

easy and the overnight interbank call-loan rate remained between 4.7 and 4.9 percent. Deposit and loan rates by banks were lowered. For example, the weighted average of interest rates on new loans, made by the five major banks, dropped from 7.6 percent at the end of 1998 to 6.9 percent at the end of 1999.

The Brazilian financial crisis and expectations of renminbi depreciation in January 1999 had a deflationary effect on the NT dollar. The NT dollar depreciated further in February in response to the depreciation of the Japanese yen. Since mid-April, the NT dollar appreciated because of continuous inflows of foreign capital, expanding trade surpluses, and increasing conversion of foreign currency deposits into NT dollars. As of the end of 1999, the NT dollar had appreciated against the US dollar by 2.6 percent over that of the previous year.

Central Asian republics¹ and Mongolia

Economic growth and prosperity in the economies of Central Asia and Mongolia depend on their successful transition from command to market economies. In early 1999, however, these countries were adversely affected by the Russian financial crisis that began in August 1998. Trade volumes declined, foreign direct investment fell, exchange rates destabilized, and external debt obligations rose. As a result, economic growth slowed, macroeconomic stabilization was interrupted, and structural reform efforts were hampered.

The economic situation in Central Asia and Mongolia remains precarious, but there were signs of recovery by the middle of 1999 as the effects of the Russian financial crisis began to recede, and currencies began to stabilize. GDP growth in the subregion in 1999 improved to 2.9 percent from 0.8 percent in 1998. Uzbekistan recorded the highest growth at 4.4 percent, followed by Tajikistan at 3.7 percent, Kyrgyz Republic at 3.6 percent, and Mongolia at 3.5 percent. After contracting by 1.9 percent in

¹ Central Asian republics include Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. Azerbaijan joined ADB in December 1999.

1998, Kazakhstan's economy began to stage a recovery in 1999, with GDP growth at 1.7 percent.

The effects of the crisis on the CARs and Mongolia were attenuated by the increasing diversification of trade from the former Soviet republics as a result of liberalizing their trade regimes. With the exception of Uzbekistan, which maintains a restrictive trade regime and limits access to foreign exchange, the CARs and Mongolia have significantly opened their economies. Mongolia, in particular, now has one of the most liberal trade regimes in the world. Most of the countries, however, still depend highly on a few primary commodities for their export earnings. As the prices of these commodities have been volatile in recent years, so have the countries' export earnings. There is a pressing need to diversify further the range of goods that are traded to reduce the vulnerability to shocks in world markets. Accelerated privatization is the best way to achieve this diversification.

Privatization efforts have been mixed. Land reform and the privatization of small enterprises have generally proceeded well while the privatization of large state-owned enterprises (SOEs) has lagged for a variety of reasons, including unrealistic pricing, reluctance of governments to cede a majority stake, and problems of transparency. Mongolia has about 60 percent of its GDP produced in the private sector, while in Tajikistan the figure is only 30 percent of GDP. Efforts need to be redoubled

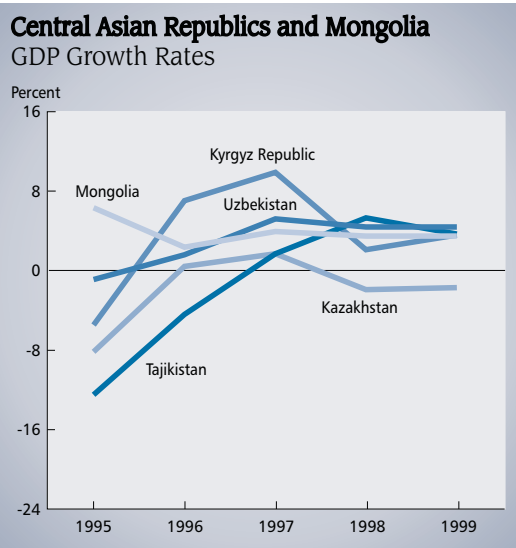
to accelerate the privatization of large SOEs as a way of fostering rapid economic growth and attracting needed foreign investment.

Strengthening regional economic cooperation is also important for realizing the development objectives of the CARs and Mongolia. The economic integration of the CARs within the former Soviet Union, with its focus on Moscow, resulted in inadequate investments in infrastructure to promote inter-republican trade and integration following independence. Moreover, these republics are sparsely populated and have low per capita incomes, resulting in limited internal markets for domestically produced goods. Economic growth and poverty reduction in the region will, therefore, depend on developing new trading relations within the region, and new trading partners and transport links to external markets. The creation of several economic cooperation institutions, such as the Central Asian Bank for Cooperation and Development, as well as bilateral trade agreements, already demonstrates a commitment to economic cooperation and an appreciation by the region's governments that common solutions must be found to regional problems.

Kazakhstan

Economic performance

Economic growth: In 1999, the economy showed signs of recovery from the recession caused by the Russian crisis in mid-August 1998. GDP grew by about 1.7 percent in 1999, compared with a contraction of 1.9 percent of GDP in 1998. The economic recovery, which occurred in the second half of 1999, was mainly attributed to a bumper harvest, a rebound in industrial production, an increase in capital investment, and rising world prices of Kazakhstan's major export commodities. The agriculture sector grew substantially as the country achieved a good grain harvest with favorable weather conditions. The output of grain for 1999 totaled 15.9 million tons, significantly higher than the output of 12.4 million tons in 1997 and 6.4 million tons in 1998. The industry sector output rose mainly because



production of crude oil and natural gas rebounded in response to increases in world prices. Because of the expansion in capital investment, construction activities remained strong in 1999, assisted by the continuing building and refurbishing of the new capital city of Astana.

Inflation: Inflation reached about 17.8 percent in 1999. This was significantly higher than the inflation rate of 1.9 percent in 1998 mainly because of the effect of the tenge devaluation. However, inflation subsided in the second half of 1999 because of the bumper harvest and the Government's prudent fiscal policy. When the Government floated the tenge in April 1999, the exchange rate depreciated sharply. However, it stabilized in the second half of the year following the recovery of the real sector and growth of exports.

External sector: The balance-of-payments situation improved in 1999, with a sharp reduction in current account deficit. The current account deficit shrank to 1.7 percent of GDP in 1999 from 5.5 percent of GDP in 1998 as imports contracted sharply in response to the devaluation. In 1999, exports decreased by 4.8 percent while imports fell by 28.2 percent. Kazakhstan continued to shift its trade away from the Commonwealth of Independent States (CIS) countries, particularly Russia, to non-CIS countries. In 1999, the share of CIS countries in total exports was 28 percent and in total imports was 43 percent, compared with 45 percent and 49 percent, respectively, in 1998. FDI declined in 1999, reflecting the negative impact of the Russian crisis. As the first CIS country to return to the global capital markets after the breakout of the Russian crisis, Kazakhstan issued, from September to November 1999, its third international bond of \$300 million, which was well received. Gross international reserves fell in the first half of 1999, but increased in the second half of the year because of the growth in exports. By the end of 1999, gross international reserves totaled \$1.8 billion, equivalent to four months of imports. External debt, which was equivalent to 18 percent of GDP, remained manageable.

Domestic policies: The authorities made strong efforts to control the crisis, promote economic recovery, and accelerate structural

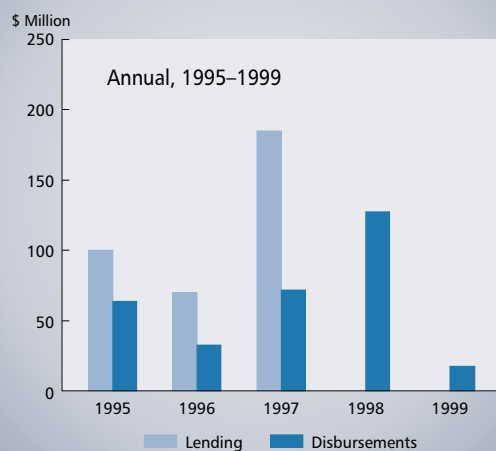
reforms in 1999. A tight fiscal policy was largely in place to keep the budget deficit under control. Measures were undertaken to improve revenue collection and limit expenditures. A more prudent government budget for 2000 was prepared and approved by the Parliament. To stimulate recovery of the real economy, the National Bank of Kazakhstan (NBK) reduced its refinance rate three times during 1999 and canceled the requirement that exporters must sell 50 percent of their export earnings to NBK. Kazakhstan imposed tariffs of 200 percent on imports from the Kyrgyz Republic and banned food imports from Russia in early 1999, but the ban was lifted in June and the tariffs on most imports from the Kyrgyz Republic were removed in September. The tenge was floated in April to lessen the negative impact of the Russian crisis and improve the competitiveness of exports. In November, the Government drew up an economic development program for 2000–2002, which will focus on promoting economic growth, reducing inflation and the budget deficit, and further liberalizing the trade system. The Government's program has obtained support from IMF under the three-year Extended Fund Facility program, which was approved in December.

ADB operations

Operational strategy: The main objectives of ADB's operational strategy in Kazakhstan include (i) encouraging the transition to a market-based economy by supporting the Government's reform agenda, promoting institutional change, and strengthening social protection; (ii) promoting the rehabilitation of the environment; (iii) strengthening the long-term potential for sustainable growth; and (iv) encouraging the creation of a new output structure and new production capacity through private sector investment. Cofinancing with other funding agencies is actively sought to address difficulties in sourcing local counterpart funds.

Kazakhstan's development needs are vast, but ADB's resources and experience in working with the country are limited. Moreover, other funding agencies provide extensive support and technical assistance. Therefore, ADB activities

Kazakhstan Lending and Disbursements



will focus on a few strategic sectors and subsectors to maximize development impacts: (i) strengthened management of reform at the central and local government levels; (ii) infrastructure, particularly rehabilitation projects; (iii) education and training; (iv) industry, focusing on the problems of reforming medium-sized enterprises; and (v) agriculture. In implementing this strategy, several strategic considerations must be addressed, including coordination with other multilateral development finance institutions.

Policy dialogue: Apart from existing projects, ADB and the Government have initiated new areas of policy dialogue, especially in roads and agriculture in line with ADB's focus. The main focus in the road subsector includes promoting cross-border movements of goods and services. In the agriculture sector, privatization of land and postprivatization farm restructuring are priorities. Although progress is slow in both as economic difficulties continue, policy dialogue is expected to lead to ADB interventions in the near future.

Kazakhstan Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	3	140.0	33.7
Others	1	100.0	24.1
Social Infrastructure	3	65.0	15.7
Multisector	2	60.0	14.5
Transport and Communications	1	50.0	12.0
Total	10	415.0	100.0

Loans and technical assistance: No loans were approved in 1999. Two technical assistance grants amounting to \$1.6 million were approved: one project preparation for the Railway Restructuring Sector Development Program loan and an advisory technical assistance for Strengthening Environmental Management.

Project implementation: Of the 10 loans approved as of end-1999, 4 were closed and 6 were being implemented. Contracts worth \$17.4 million were awarded during the year, bringing the cumulative total to \$331.6 million. The contract award ratio² for 1999 was 30 percent. Disbursements for the year totaled \$17.3 million, bringing cumulative disbursements to \$312.2 million. The disbursement ratio³ for 1999 was 14.7 percent. Fiscal constraints seriously affected the Government's ability to provide counterpart funds for ADB's and other externally financed projects.

ADB moved its resident mission from Almaty to Astana, the new capital of the country, in August 1999 to strengthen its development partnership with Kazakhstan and respond effectively to the country's requests for ADB assistance.

2 The contract award ratio is the ratio of contracts awarded during the year over the value available for contract awards at the beginning of the year. The value of contracts to be awarded under newly approved and signed loans during the period is added to the opening balance of the value available for contract awards. The ADB-wide contract award ratio (excluding program loans) is 16.1 percent.

3 The disbursement ratio is the ratio of total disbursements during the year over the net loan amount available at the beginning of the year plus the loan amounts of newly approved loans that have become effective during the year, excluding private sector loans. The ADB-wide disbursement ratio (excluding program loans) is 14.0 percent.

Kyrgyz Republic

Economic performance

Economic growth: Preliminary data indicate that real GDP grew by 3.6 percent. Although faster than the 2.1 percent recorded for 1998 when the Russian crisis first broke out, it remains to be seen if the existing rate can be sustained. As in 1998, the agriculture sector led with growth of 8.7 percent; production of all major crops increased—except for a slight decrease in the production of grain and wheat—mainly due to favorable weather conditions. Industry sector production continued to be weak, declining by 2.4 percent, and Kumtor gold production also decreased. Meanwhile the services subsector edged up by 1.8 percent.

Inflation: Despite a continued tight monetary policy, as evidenced by a decline in both M1 and M2, the CPI rose by about 40 percent in 1999, more than double that for 1998. Since the fourth quarter of 1998, inflation has been on the rise, mostly because of a weak som. The weakness of the som is, in turn, caused by a continued lack of public confidence, triggered by the Russian crisis of August 1998. In 1999, the som depreciated by 35 percent against the US dollar, subsequent to an earlier loss of 32 percent between end-August and end-December 1998. Public confidence was further shaken by a major financial fraud that involved most of the country's large commercial banks. A swift and satisfactory resolution of the case would be a major boost to public confidence in the finance sector and the currency.

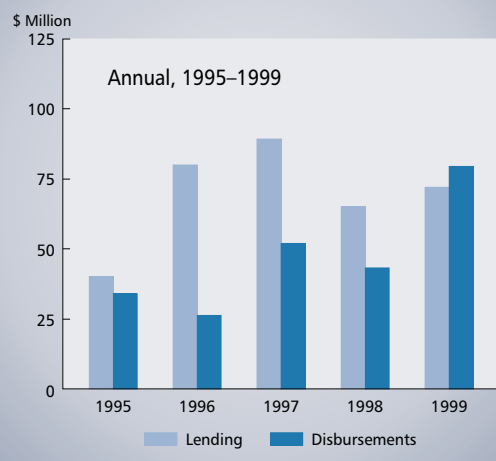
External sector: In 1999, total external trade declined by about 25 percent relative to the same period in 1998. Both imports and exports decreased; however, imports decreased faster as a direct consequence of the large depreciation of the som. As a result, both trade and current account balances improved, with the latter at negative 12.0 percent of GDP. International reserves also rose to an import cover of more than four months. External debt, public and publicly guaranteed, stood at \$1.3 billion at the end of 1999, an increase of \$156 million over December 1998.

Domestic policies: The year 1999 was a difficult one for the Kyrgyz Republic. While the country made major efforts and showed great resolve in reaching agreement with IMF to bring the Enhanced Structural Adjustment Facility program back on track in early 2000, the Government was faced with serious challenges in macro stabilization and structural reforms. On the structural side, slow progress was made in promoting private sector development, and privatization of large SOEs continued to lag behind expectations. Major government efforts—including privatization and restructuring—are needed to accelerate the growth of the private sector, considered to be the engine of growth in the long run. These measures along with reforms in the finance and other sectors will not be easy to implement in view of the forthcoming parliamentary and presidential elections in 2000.

ADB operations

Operational strategy: The primary objective of ADB's operational strategy in the Kyrgyz Republic is to facilitate the country's transition to a market economy and to help the country build a solid base for sustainable development. The basic elements of the strategy include (i) supporting the Government's reform agenda, encouraging institutional change, and strengthening social protection; (ii) arresting the rapid deterioration of economic potential by investing in physical infrastructure and human development; and (iii) encouraging the creation of a new output structure and new production capacity through private sector investment and job creation. The strategy concentrates on four priority areas: (i) improving public services, particularly social services provided by local governments, and management of reform by the central Government; (ii) agriculture, including rural finance; (iii) human resource development; and (iv) infrastructure, especially in the road and energy sectors. In early 1999, ADB revised its strategy to include selected interventions in the finance sector. This revision was necessary following the severe adverse effects of the Russian financial crisis and a major financial fraud.

Kyrgyz Republic Lending and Disbursements



Kyrgyz Republic Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Transport and Communications	2	100.0	25.9
Agriculture and Natural Resources	3	88.5	22.9
Finance	4	80.0	20.7
Multisector	3	55.0	14.2
Social Infrastructure	2	32.7	8.5
Energy	1	30.0	7.8
Total	15	386.2	100.0

Policy dialogue: ADB continued dialogue with the Government on supporting policy and institutional reforms in the finance, infrastructure, and agriculture sectors. In addition, ADB began dialogue with the Government on formulating and implementing a poverty reduction strategy in line with the Government's long-term development goal and ADB's objective of reducing poverty. ADB also assisted the Government in implementing the Comprehensive Development Framework.

Loans and technical assistance: Three loans for two projects totaling \$72 million were approved for the Kyrgyz Republic: \$36 million

for the program loan and technical assistance loan for the finance sector, and a project loan for the agriculture sector amounting to \$36 million. ADB also approved six technical assistance grants totaling \$2.9 million.

Project implementation: Since becoming a member of ADB in 1994, the Kyrgyz Republic has received a total of 15 loans, of which 3 were closed and 12 were still active at the end of 1999. Contracts worth \$89.7 million were awarded during the year, bringing the cumulative total of contracts to \$271.8 million. The contract award ratio for 1999 was 45.7 percent. Disbursements for the year totaled \$79.6 million, bringing cumulative disbursements to \$235.0 million. The disbursement ratio for 1999 was 41.5 percent.

Despite some difficulties in providing counterpart funding, project implementation was generally satisfactory. While the implementation of a few projects picked up significantly during the year, a project in the power subsector continued to suffer from a weak financial performance of the executing agency; a concrete action plan was therefore formulated to aim at financial recovery and organizational restructuring. A country project and administration seminar was held in September to familiarize the staff of executing agencies and other government offices with ADB's procedures and guidelines on procurement, consulting services, and disbursement with reference to the anticorruption policy. ADB approved establishing in the Kyrgyz Republic a resident mission, which is expected to become operational in early 2000.

Tajikistan

Economic performance

Economic growth: In 1999, GDP grew by 3.7 percent, lower than the 1998 growth rate of 5.3 percent and the original 1999 projection of 5.5 percent. The decline in the growth rate reflects the adverse effects of the Russian financial crisis, deterioration in the country's terms of trade, and weather damage to agricultural crops. The growth rate reflects a

mixed performance across sectors of the economy. The industry sector grew by 5.0 percent in 1999, led by increased production of aluminum, electricity, wood and timber, and printing. Gross production of consumer goods, however, declined by 15 percent, and transport services declined by 6 percent. The agriculture sector grew by 3.8 percent. However, production of important agricultural crops declined. In the cotton subsector, the fall in prices since April 1998 led to the country's inability to adhere to the terms of an international loan agreement that financed the 1998 crop. As a result, external financing was not available in 1999, thereby limiting credit to the agriculture sector for the purchase of inputs, especially fuel and spare parts for farm machinery. Moreover, rains and flooding damaged much of the 1999 crop. The 1999 harvest thus declined by 17.6 percent despite initial hopes of a large increase. Grain production also fell by 20 percent because of bad weather and limited financing for inputs.

Inflation: Despite an impressive decrease in inflation in 1998 to 2.7 percent after extremely high inflation rates in the previous three years, prices rose by 24.0 percent in 1999. Renewed inflation resulted from the steep depreciation of the Tajik ruble against the US dollar in the wake of the Russian financial crisis; an expansion in domestic credits to the cotton industry, Tajik Rail, the national oil company, and the Government; a rise in the prices of bread (following the bad grain harvest) and imported fuel; and administrative price hikes, including a new excise tax on gasoline and increases in the price of electricity.

External sector: Tajikistan's current account deficit declined significantly in 1999 to 2.8 percent of GDP, compared with 8.8 percent in 1998. The decline reflected both a decrease in imports and an increase in exports, following the depreciation of the Tajik ruble. Aluminum exports, in particular, have largely recovered as world market prices began to rise again. Cotton exports, however, remained low in 1999. Gross international reserves fell to \$41 million, equivalent to 1.0 month of imports by the end of the third quarter of 1999, down from \$65 million or 1.5 months of imports at

the end of 1998. However, gross international reserves are expected to rise as the current account deficit continues to narrow. Tajikistan's external debt remains high. In April 1999, however, Russia agreed to reduce Tajikistan's debt by more than 50 percent. Debt reduction or rescheduling agreements were also signed with several other countries. As a result, total debt service fell from \$41 million in 1998 to \$29 million in 1999.

Domestic policies: Tajikistan's three-year IMF reform program was largely on track through the first two quarters of 1999, particularly in terms of GDP growth and inflation. However, its current account deficit during the period was higher than expected because of the dual external shocks of the Russian financial crisis and the deteriorating terms of trade. Moreover, because taxes on the sale of cotton represent a significant source of government revenue, the government deficit was also higher than expected. In the third quarter, the budget deficit increased further because of weak tax administration and increased capital outlays. The Government took strong corrective measures in the fourth quarter, however, intensifying revenue collection and rationalizing expenditures. As a result, the budget deficit fell to 3.1 percent of GDP in 1999, compared with 3.8 percent in 1998. Payments to the poor from the Government's Cash Compensation Program, however, were significantly less than expected in 1999 because few eligible people claimed the eroded benefit. This indicated a further deterioration of Tajikistan's already fragile social safety net. Reforms of the social safety net are urgently needed.

The private sector still accounted for less than a third of Tajikistan's GDP. While the privatization of the country's small SOEs is now complete, progress remains slow in privatizing medium and large SOEs. Privatization of the state's cotton ginning factories, an important aspect of the Government's privatization program, faces problems. Twenty-three factories were offered for sale in 1999, but only seven have been sold. The Government needs to redouble its efforts to privatize its large SOEs and appraise market prices realistically.

The peace process progressed significantly in 1999. Continued progress remains the most critical factor in creating and maintaining a stable macroeconomic environment conducive to growth and prosperity.

ADB operations

Operational strategy: ADB's interim operational strategy for Tajikistan is aimed at (i) facilitating the country's transition to a market economy, (ii) assisting in its postconflict rehabilitation and reconstruction, and (iii) providing support for natural disaster rehabilitation. ADB will promote development of small and medium enterprises and assist in reducing poverty, particularly for households headed by women and communities in remote mountainous areas. To maximize the development impact of ADB's assistance, the strategy focuses on three priority areas: (i) agriculture and agroprocessing; (ii) infrastructure rehabilitation, especially roads and power; and (iii) education. Since the strategy was prepared in 1998, ADB has undertaken a detailed social sector review. To respond to the Government's request and assist in mitigating the continued deterioration of social indicators, support has been broadened to include health, social protection, and education.

Policy dialogue: The Government and ADB continued dialogue on the range of reforms in the energy and transport sectors as agreed upon under the Postconflict Infrastructure Program. ADB also supported the Government in establishing a Law Reform Commission and in preparing new energy and transport laws. ADB worked closely with the Government to produce a substantive environment profile of Tajikistan that will assist in guiding ADB's future support. Agreement was also reached with the Government to strengthen its capacity to respond effectively to serious recurrent flooding and landslides.

Loans and technical assistance: Two loans were approved in 1999 totaling \$25 million. The Social Sector Rehabilitation Project will assist in reactivating the delivery of essential social services in education, health, and social protection. ADB also responded to the severe flooding that occurred throughout Tajikistan in 1999 by approving an Emergency Flood

Rehabilitation Project. Seven technical assistance grants were approved, totaling \$3.8 million.

Project implementation: Since Tajikistan became a member in 1998, a total of three loans and nine technical assistance grants amounting to \$45 million and \$5.5 million, respectively, have been approved. ADB's first loan to the country for the Postconflict Infrastructure Program, approved in December 1998, became effective in February 1999 with the release of the first tranche of \$9.9 million. In 1999, ADB approved its second and third loans, which had not become effective by the end of the year. Total contract awards amounted to \$9.9 million, and the contract award ratio was 24.3 percent. Cumulative disbursements amounted to \$9.9 million, and the disbursement ratio was 49.4 percent. Project implementation in Tajikistan presents particular logistic and security challenges and will need to take account of the weak fiscal position and institutional capacity of the Government. In the first phase of its operations, ADB has received strong support and cooperation from both the World Bank and the United Nations (UN). World Bank logistical support was instrumental in enabling an early start to ADB's operations. The cooperation has continued with a joint mission to process assistance in response to the July 1999 floods. Following the signing of an agreement with the United Nations (UN), ADB is participating in the security arrangements for staff and consultants organized by the UN Mission of Observers in Tajikistan. The second loan for the Social Sector Rehabilitation Project, for which special arrangements were also made, would engage the UN Office for Project Services as an implementing agency for the initial stages of the project.

Uzbekistan

Economic performance

Economic growth: In 1999, real GDP grew by 4.4 percent despite the difficult macroeconomic environment and the adverse effects of the Russian crisis. Economic growth was spurred mainly by the growth of the agriculture sector

that increased by 5.9 percent in 1999, compared with a 4.0 percent increase in 1998. The strong performance of the agriculture sector was due to better weather conditions and the implementation of agricultural reforms during the year, which improved the overall incentive structure for farmers. Economic growth was also assisted by the growth of the industry sector at 6.1 percent, and the services sector at 11.5 percent.

Inflation: Despite the tight monetary and fiscal policies maintained by the Government during the year, the inflation rate for 1999 was 26 percent mainly because of the rapid depreciation of the sum by about 27.3 percent during the year. The officially reported inflation rate for 1998 was 26.1 percent.

External sector: The balance of payments remained under pressure in 1999. The Russian crisis, another bad cotton harvest in 1998, and falling world commodity prices contributed to the substantial deterioration in external balances during the year. The Government responded by further restricting imports, tightening access to foreign exchange, and resorting to increased foreign borrowings to finance public investments. The current account deficit in 1999 was 1.3 percent of GDP, compared with 0.6 percent of GDP in 1998. Although import compression continued, the widening of the current account deficit was also attributed to the 10 percent fall in total export earnings in 1999 to \$2.7 billion. Gross official reserves stood at \$1.2 billion at the end of 1999, equivalent to 5.8 months of imports, mainly because of the large surplus in the capital account, brought about by the presale of gold to a foreign commercial bank and drawdowns on previously contracted debt during the year. In the capital account, total drawings in 1999 increased to \$913 million, compared with \$905 million in 1998. Of some concern was the rise in outstanding external debt that stood at \$3.8 billion (25 percent of GDP) at the end of 1999, compared with \$3.2 billion (23.9 percent of GDP) at the end of 1998. The debt service ratio also rose to 11.0 percent in 1999, compared with 9.0 percent in 1998.

Domestic policies: Uzbekistan's long-term growth prospects have always been promising.

Rich natural endowments, the stock of human capital, and centuries of tradition in commerce and trade will contribute to a successful transition to a fast-growing market economy. The realization of this potential, however, is the central development challenge facing the authorities.

In the last two years, the economy has suffered from a weakness in commodity prices, especially those of cotton and gold, its principal exports. The economy is not sufficiently diversified and is still overdependent on a few commodity exports. The economic crises in Russia and Asia also dampened the economic recovery. These external shocks prompted the Government to adopt more restrictive trade and exchange rate policies. As a result, the country's macroeconomic stability is at serious risk: foreign reserves have fallen, the differential between the official and curb market exchange rates has widened, and the Government continued to provide directed credits through the banking system, primarily to agriculture. To preserve macroeconomic stability and ensure sustained growth over the medium term, the Government needs to accelerate the pace of reform to develop a competitive and efficient market system.

The main objectives of the Government should be the revival of economic growth and the diversification of the economy. Higher foreign exchange earnings will depend on larger quantities of commodity exports and new export items. The fallout of the Russian crisis has made it clear that a diversification of the export basket is essential. Cotton and grain yields remain low by international standards and need improvement. This requires far-reaching sector policy reform and greater market orientation. Third, although the gradual reform approach has not resulted in large-scale economic disruption, it has also not yielded high growth or large new employment opportunities. Finally, the diversification of the economy remains partial; new fast-growing export sectors are yet to emerge and the potential of the traditional productive sectors has not been fully tapped. Therefore, to revive growth and diversify the economy, the reform process needs to be accelerated.

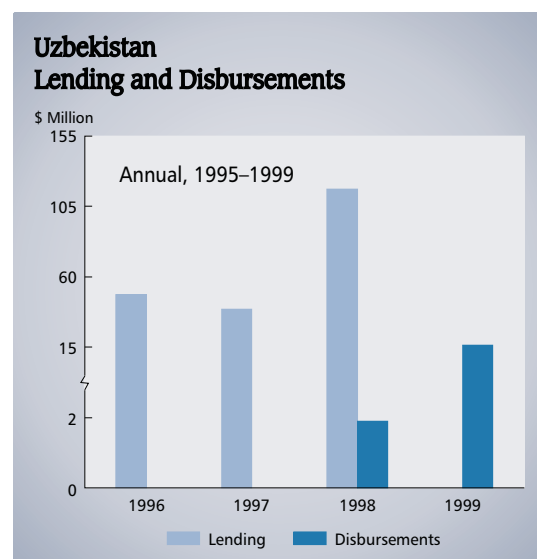
A significant step toward the integration of Uzbekistan with the world economy was achieved when the Partnership and Cooperation Agreement with the European Union came into effect in July 1999. To boost exports, the Government cut the profit tax from 31 percent to 30 percent in April 1999, with higher concession given to firms with exports above 30 percent of total sales. At the same time, it also allowed delayed payment for up to 90 days of the value-added tax on imported goods used in the production of exports. However, the multiple exchange rate system continued to be a constraint on export growth. The Government's privatization program, especially for large-scale enterprises, appeared to have run into difficulties because of limited foreign investor interest. The Government's reluctance to offer majority stakes to strategic investors, unrealistic price expectations, a difficult investment environment, and the falling commodity prices in world markets are ongoing problems.

ADB operations

Operational strategy: ADB's assistance to Uzbekistan has been guided by an interim operational strategy since 1995 when the country became a member of ADB. The 1999 lending and technical assistance programs were guided by the strategy that sharply focused on three priority areas: (i) agriculture, including

financial support for small and medium agro-industrial enterprises; (ii) infrastructure, especially rehabilitation in the road and railway subsectors; and (iii) education. However, in the years since the drafting of the strategy, there has been considerable change within each sector, particularly for the policy environment. A midterm operational strategy needs to be developed by incorporating these changes, the country's development priorities, and ADB's implementation experience and lessons learned. In this context, ADB started preparing a full-fledged country operational strategy in 1999. The central goal of the proposed strategy is to manage a transition to an economy that relies upon market-based institutions to reduce poverty and improve standards of living. The new strategy will have two major operational objectives: managing transition, including minimizing its social costs and supporting basic reforms, and enhancing the potential for growth through regional cooperation, rural sector investments, and private sector support.

Policy dialogue: In 1999, ADB initiated intensive discussions with the Government on policy reforms and major issues in the senior secondary education subsector. Policy dialogue focused on (i) enhancing curriculum relevance and flexibility to respond to labor market demand; (ii) exploring alternative ways of teacher development, recruitment, and retention; (iii) increasing financial sustainability, cost effectiveness, and cost recovery of the senior secondary education system; (iv) encouraging private industry participation in senior



Uzbekistan

Cumulative ADB Lending

(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Transport and Communications	2	120.0	57.1
Agriculture and Natural Resources	1	50.0	23.8
Social Infrastructure	2	40.0	19.1
Total	5	210.0	100.0

secondary education; (v) developing a technical certification system; and (vi) operationalizing the monitoring and evaluation system for senior secondary education. In the agriculture sector, policy dialogue centered on (i) modifying a state procurement system for cotton and grain, (ii) increasing farmers' incentives in cotton production, and (iii) restructuring farm debt.

Loans and technical assistance: No loans were approved in 1999 because of (i) prolonged policy dialogue on agriculture, (ii) a lack of project preparedness in the lending pipeline, and (iii) unsatisfactory implementation performance of the first loan project. Technical assistance was geared toward laying the groundwork for future sector lending projects, policy support, and capacity building. Eight technical assistance grants amounting to \$3.6 million were approved in 1999 for preparing projects in the areas of developing basic education staff resources, developing rural savings and credit unions, and modernizing railways.

Project implementation: Since becoming a member of ADB in 1995, Uzbekistan has received a total of five loans, all of which were still active at the end of 1999. Contracts worth \$53.1 million were awarded during the year, bringing the cumulative total to \$54.5 million. The contract award ratio for 1999 was 23.8 percent. Disbursements amounted to \$16.0 million, with cumulative disbursements reaching \$17.9 million. The disbursement ratio for 1999 was 7.7 percent.

The Railway Rehabilitation Project, which became effective in February 1999, showed impressive performance in terms of disbursements and particularly in contract awards. After an initial delay, implementation of the Rural Enterprise Development Project improved. However, cumbersome and bureaucratic procedures of the Government concerning procurement and disbursement adversely affected project implementation in general. In June 1999, ADB conducted its first country portfolio review to identify and discuss major issues in project implementation. Substantial efforts have been made with the Government and executing agencies to overcome implementation difficulties and improve project implementation performance.

Mongolia

Economic performance

Economic growth: The Mongolian economy continued to be affected negatively by external factors, most notably the ongoing economic instability in Russia and the continued low international prices of Mongolia's main exports (copper, cashmere, and gold). Real GDP posted an estimated 3.5 percent growth, the same rate achieved in 1998, continuing the trend of unstable but positive real GDP growth rates for five consecutive years since 1994. The extensive dependence of the country on exports of primary commodities means that even small changes in the international market prices can affect GDP growth significantly.

Inflation: Inflation, which declined to 9.0 percent in 1998, picked up and reached 10 percent in 1999. The main items that contributed to the rising inflationary pressures in 1999 were the disruption of oil supplies from Russia and soaring world prices of petroleum products, as well as increased domestic prices of food items.

External sector: The trade balance improved in 1999 primarily as a result of the tugrik depreciation of 18.9 percent against the US dollar. Exports declined by 2.8 percent in 1999, while imports declined by 15.4 percent. The trade deficit decreased from \$158.1 million (14.5 percent of GDP) in 1998 to \$90.1 million (9.0 percent of GDP) in 1999. The current account balance also improved in 1999, as the deficit declined to 4.7 percent of GDP, compared with 11.9 percent in 1998. With these developments, gross international reserves of \$116.9 million increased to over 14.3 weeks of imports at the end of 1999, compared with 8.8 weeks of imports at the end of 1998.

Domestic policies: Fiscal performance improved in 1999, as the full impact of new revenue measures introduced in mid-1998 became effective, and additional revenue measures were introduced in mid-1999. In May 1998, the Government announced a package of tax and revenue expenditure measures, including an increase in the value-added tax (VAT) rate from 10 to 13 percent effective in September,

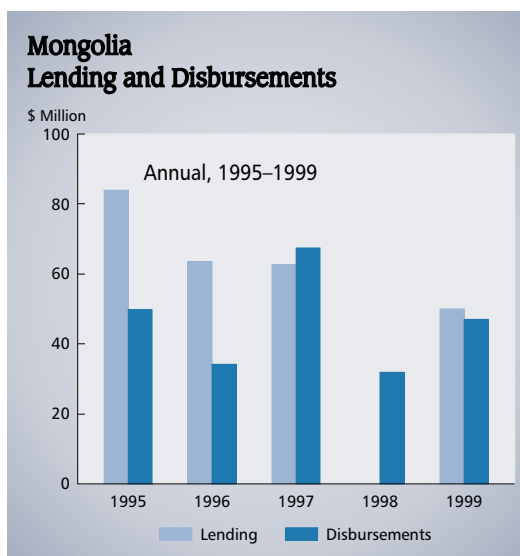
and an increase in petroleum excise taxes. These measures were intended to yield budgetary saving of about 2 percentage points of GDP on an annual basis. Additional revenue-raising measures, adopted by the Parliament in May 1999, included a uniform import duty of 5 percent and an excise tax on beer, with the expected revenue impact of 1 percent of GDP in 1999.

On this basis, tax revenues increased to 19 percent of GDP in 1999, compared with 17.5 percent of GDP in 1998. However, privatization receipts remained substantially below expectations, as the Government's efforts were met with political resistance. As a result, total revenues and grants declined to 26 percent of GDP in 1999, compared with 27 percent of GDP in 1998. Mainly by cutting current expenditure, the Government managed to reduce total expenditure to 36 percent of GDP in 1999, compared with 39 percent of GDP in 1998. This resulted in an improvement of the overall fiscal balance from a deficit of 11.5 percent of GDP in 1998 to a deficit of 10 percent of GDP in 1999.

ADB operations

Operational strategy: In 1999, a new operational strategy for Mongolia was prepared, placing poverty reduction at the same level of importance as the need to foster economic growth. It further emphasizes the need to incorporate elements of good governance in any project supported by ADB. Recognizing the success of the first strategy to foster a transition to a market economy, the new strategy emphasizes the role of the private sector in leading the economic growth process and reducing poverty.

The new strategy focuses ADB's operations on five sectors, compared with nine sectors in the first strategy. These sectors are (i) the finance sector for its potential to remove the single most important barrier to private sector's investment and saving—the fragile and thin banking system—and for developing micro-finance schemes; (ii) the agriculture sector for its potential to generate viable small industry employment and income; (iii) the public sector for its potential to reorient the machinery of



the Government to become more conducive to and supportive of private sector-led growth and to improve service delivery through devolving responsibility for public service delivery to lower levels of the Government; (iv) the social sector, including education, health, and social protection; and (v) urban development for its potential to support health improvements and living conditions.

Policy dialogue: As one of the country's major funding agencies, ADB was actively engaged in policy dialogue with the Government. Dialogue focused on public sector reform and on the finance sector, where ADB assists with bank restructuring. Road subsector reforms progressed, and assistance was provided to develop a new education policy. Significant legislative action and policy development also took place in the housing subsector with ADB's support. Key stakeholders, most notably the Parliament, private sector groups, and nongovernment organizations (NGOs), were consulted and informed of developments.

Loans and technical assistance: In 1999, ADB approved two loans totaling \$50 million and eight technical assistance grants totaling \$4.1 million. The Governance Reform Program Loan will assist the Government in launching a major public sector reform, while the Second Roads Development Project will continue the task of providing basic

Mongolia
Cumulative ADB Lending
 (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Transport and Communications	5	134.5	31.5
Energy	4	93.8	21.9
Industry and Nonfuel Minerals	2	60.0	14.0
Social Infrastructure	5	38.2	8.9
Agriculture and Natural Resources	2	38.0	8.9
Finance	2	38.0	8.9
Others	1	25.0	5.9
Total	21	427.5	100.0

infrastructure to support economic growth and link isolated communities.

Project implementation: Since becoming a member of ADB in 1991, Mongolia has received 21 loans, of which 13 were still active at the end of 1999. During the year, contracts amounting to \$26.9 million were awarded, bringing the cumulative total to \$304.0 million. The contract award ratio for 1999 was 20.8 percent. Disbursements amounted to \$46.9 million, resulting in a cumulative total of \$289.0 million and a disbursement ratio of 35.7 percent.

Despite economic uncertainty, fiscal constraints, and institutional weaknesses in all sectors, ADB's portfolio in Mongolia is performing satisfactorily and implementation is proceeding on schedule. Much of ADB's lending has been through program loans. Release of the second tranche of program loans in the industry, agriculture, and social infrastructure sectors demonstrated the Government's commitment and capability to implement difficult policy and sector reforms.

The 1999 Country Portfolio Review Mission assessed that ADB's loan portfolio in Mongolia is satisfactory, with the newer projects in the portfolio—notably those approved in 1996 and 1997 in the energy, health, education, and urban services subsectors—progressing well.

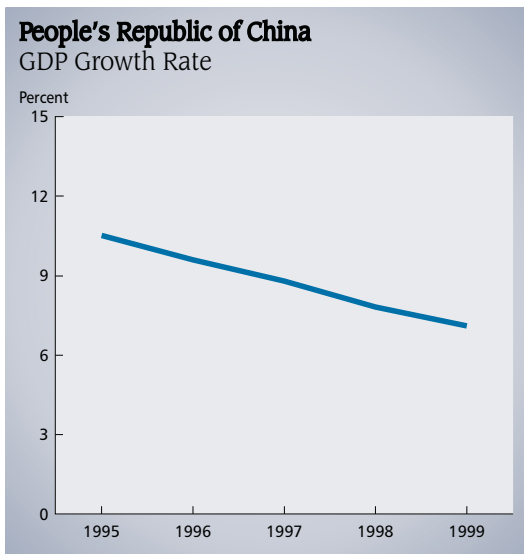
People's Republic of China

Economic performance

Economic growth: Amid the Asian financial crisis, the PRC maintained robust growth. Although the crisis caused a slowdown in exports, a decline in FDI, and a worsening of the capital account balance in the country's external transactions, the PRC avoided the contagion effects of the crisis. Two sets of factors contributed to this. First, the cautious approach in liberalizing the capital account transactions, a relatively modest external debt that is largely of medium- and long-term maturity, and the sizable official foreign exchange reserves shielded the exchange rate from speculative attacks. Second, at the initial signs of slowing exports and sluggish domestic consumer demand in the first quarter of 1998, the Government eased both fiscal and monetary policies, enabling the economy to maintain robust growth. In particular, two fiscal stimulus packages—of 100 billion yuan (\$12.1 billion) in 1998 and 60 billion yuan (\$7.2 billion) in 1999—pump primed public investment and growth. After growing by 7.8 percent in 1998, the economy maintained a robust growth of 7.1 percent in 1999.

Inflation: Domestic prices continued to decline in 1999, reflecting weak consumer demand, several years of bumper harvests, overinvestment in many industries in the past, and the overall deflationary trends in Asia following the financial crisis. After declining by 0.8 percent in 1998, the CPI declined further by 1.4 percent in 1999. At 3.0 percent, the decline in retail prices was even sharper. As in 1998, all major components of the CPI, except for services, declined in 1999.

External sector: The PRC's export growth was subdued in 1998 and the first half of 1999 because of the severe recession in Asia. Export growth accelerated in the second half of 1999. After limited export growth in 1998, exports increased by 6 percent in 1999. Import growth, after remaining weak in 1998 in the aftermath of the financial crisis, increased by a robust 18 percent in 1999. Consequently, the trade surplus declined from \$44 billion in 1998 to



\$29 billion in 1999. Reflecting the decline in trade surplus, the current account surplus fell from \$29 billion in 1998 to \$12 billion in 1999.

Available data indicate that capital inflows continued to slow in 1999. For the first time since 1990, inflows of FDI declined in 1999. Contracted FDI declined by 19 percent and actual FDI declined by 10 percent. Foreign banks, which received about \$4 billion in net payments in 1998, continued to scale back their lending to the PRC in 1999.

Despite the weakening trade and current account balances and the decline in capital flows, the PRC's external payments situation continues to be comfortable. At about \$155 billion, the PRC's foreign exchange reserves are (i) more than the \$148.6 billion external debt (as of June 1999), (ii) about nine times the short-term external debt (which constitutes about 12 percent of the PRC's total external debt), and (iii) equivalent to about 11 months' imports. At less than 10 percent, the external debt service ratio was well within prudent limits. Both the external debt and the debt service ratios of the PRC are low by developing country standards.

Domestic policies: While the Government has steered the economy through difficult times in the aftermath of the financial crisis, some structural weaknesses that characterize the crisis-affected economies are also found in the PRC. These vulnerabilities are most evident in

the finance and enterprise sectors. For sustained growth and employment generation, the PRC needs to (i) promote an efficient private sector, and (ii) develop the legal and regulatory framework for a market economy.

At a strategic level, finance sector reforms and restructuring should focus on two sets of issues: (i) recapitalizing and strengthening the banks, and (ii) developing a stable and sound capital market that promotes efficiency in resource allocation and the intermediation process.

Many problems in the finance sector are related to ailing SOEs that account for a large portion of nonperforming loans with banks. Two of the most difficult SOE reform issues are (i) putting in place alternative methods of providing the social security services that are provided by SOEs, and (ii) developing a strategy to redeploy the redundant workers in a way that keeps the resulting social costs within tolerable limits. To create the jobs necessary to redeploy surplus labor from SOEs and to absorb new labor market entrants, the Government needs to adopt policies to encourage the development of small and medium enterprises and owner-operated businesses in the private sector.

During the March 1999 annual session of the National People's Congress, the PRC's Constitution was amended to enhance the formal status of the private sector and offer it greater political protection. Building on this initiative, the key challenge is to provide equal opportunities for the private sector relative to the public sector. Three sets of issues need to be addressed: (i) a legal framework that sets the rules in a clear and transparent manner, (ii) a regulatory framework that reduces restrictions on the private sector, and (iii) improved private sector access to financial resources from financial institutions and the capital market.

A sound legal framework is an essential part of good governance in a market economy. During the last two decades, the PRC's transition to a market economy has outpaced the development of the legal and regulatory framework. The Government recognizes the weaknesses in the legal and regulatory system and has set a target to establish an appropriate

framework for a market economy. A legislative work program was adopted in 1999 to develop or revise key economic laws and the corresponding implementing regulations.

ADB operations

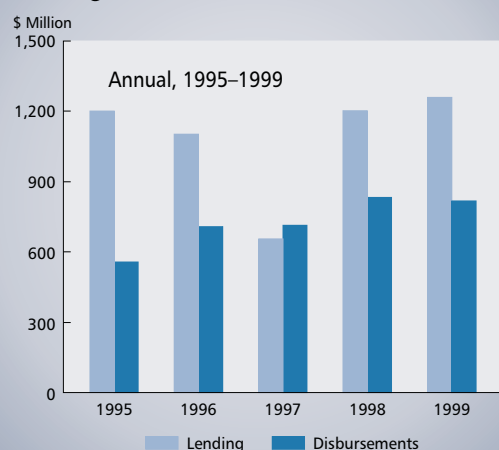
Operational strategy: ADB's operational strategy for the PRC emphasizes three broad objectives: (i) improving economic efficiency, (ii) promoting growth to reduce poverty in poor inland provinces, and (iii) environmental protection and natural resource management. The pursuit of these objectives will help maximize employment creation, correct factor market distortions, address market failures of rapid growth by spreading the benefits of growth more equitably, and reduce environmental degradation. This strategy supports the Government's objective of preserving social stability and maintaining public support for the continued implementation of the reform program.

ADB will continue to assist the Government in deepening its macroeconomic structural reforms to remove inefficiencies. Improvements in economic efficiency will be pursued by adopting market-based approaches in all sectors in which ADB operates. ADB lending and technical assistance operations will be designed to contribute to developing these frameworks, thereby strengthening overall macroeconomic management.

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

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

People's Republic of China Lending and Disbursements



People's Republic of China Cumulative ADB Lending

(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Transport and Communications	32	4,348.0	46.1
Energy	16	1,808.3	19.2
Multisector	6	730.0	7.7
Social Infrastructure	6	716.5	7.6
Industry and Nonfuel Minerals	5	686.8	7.3
Finance	6	530.0	5.6
Agriculture and Natural Resources	7	449.6	4.8
Others	1	156.0	1.7
Total	79	9,425.2	100.0

Policy dialogue: The policy dialogue in 1999 between the Government and ADB covered a broad range of areas to support the PRC's operational program—including poverty reduction—and finance sector, social security, and enterprise reforms.

Poverty reduction was an important part of ADB's operations in the PRC in 1999. Loan projects and project preparatory technical assistance projects were designed to make an impact on reducing poverty. To help sharpen this focus, work began on a profile of poverty in the PRC, and an urban poverty study will be supported with an advisory technical assistance. ADB's future poverty reduction efforts in the PRC will focus on medium-term measures, such as the social security system and capacity building, and long-term measures, such as improving infrastructure and creating jobs in areas with a high incidence of poverty.

ADB initiated policy dialogue to support the Government's efforts for SOE reform. As a result, the Government agreed that ADB would play a lead role to support social security reforms. ADB also provided support for dealing with nonperforming loans and strengthening the regulatory regimes for the capital market and the insurance industry. To create jobs and absorb laid-off workers from SOEs and new labor market entrants, ADB plans to provide strategic assistance for developing the private sector in the PRC.

ADB provided technical assistance to strengthen the economic legal framework by helping formulate key laws and regulations for the efficient functioning of a market economy. The securities law that became effective on 1 July 1999 was drafted with ADB's assistance. In 1999, a \$1.4 million technical assistance for the Development of Economic Laws was approved. Two important laws to be covered are the company law to facilitate SOE reform and improve corporate governance, and the bankruptcy law to ensure the efficient and productive use of resources by closing and restructuring the insolvent or loss-making enterprises. Under this technical assistance, ADB will also support the drafting of other laws and regulations.

For environmental protection and natural resource management, ADB loans and/or technical assistance addressed priority areas targeted by the Government, such as water pollution control of some major river basins and air and water pollution control in major cities. Of six loan projects approved in 1999, two projects (Suzhou Creek Rehabilitation and Shanxi Environment Improvement) had environmental improvement as a primary objective. Institutional strengthening of agencies involved in environment and natural resource policy planning, management, and enforcement is a key feature of ADB's capacity-building and policy support programs.

Loans and technical assistance: Eight loans for six projects totaling \$1.3 billion were approved in 1999. These included two projects in the road subsector (\$500 million); one each for flood rehabilitation (comprising three loans totaling \$330 million); two in social infrastructure (\$326.5 million); and others related to environment improvement (\$102 million). A total of 28 technical assistance grants were approved, amounting to \$19.9 million, of which 13 (\$9.4 million) were for preparing new projects, while the remaining 15 (\$10.5 million) were advisory in nature.

Project implementation: Since becoming a member in 1986, the PRC has received a total of 79 loans, of which 26 were closed and 53 remained active at the end of 1999. Contracts worth \$812.0 million were awarded during the year, bringing the cumulative total contracts to \$5.3 billion. The contract award ratio for 1999 was 23.9 percent. Disbursements for the year totaled \$819.0 million, bringing cumulative disbursements to \$5.0 billion. The disbursement ratio for 1999 was 19.3 percent.

The PRC portfolio is performing generally well. The good performance reflects the strong sense of project ownership among agencies involved in the design, implementation, and management of projects, as well as the rigorous screening process for development projects, particularly those proposed for external assistance. Recently, however, implementation difficulties have affected some ADB-financed projects in the PRC. Loans approved in 1998 experienced average delays of about nine

months before being declared effective. Delays in implementation have resulted in a deterioration of PRC's disbursement performance in 1999. These delays reflect the fact that ADB has been shifting its lending geographically to inland provinces whose institutions are generally less experienced in project implementation and/or administration. Careful monitoring and support are being provided to facilitate the implementation of projects. A country project implementation and administration seminar was conducted from 28 June to 9 July 1999 in Kunming, Yunnan Province, to familiarize executing agency staff with ADB's procedures and guidelines on procurement, use of consultants, and disbursements.

To learn lessons that might result in improved portfolio performance, the Operations Evaluation Office selected the PRC as the first country for a broad-based evaluation of ADB's Country Assistance Program Evaluation (CAPE). The CAPE concluded that ADB's performance in the transport and energy sectors, which account for 65 percent of ADB's PRC portfolio, was good. Performance in the agriculture, finance, and industry sectors—which together account for 21 percent of the PRC portfolio—was mixed. The CAPE recommended (i) more operational country strategy and more strategic country assistance plans; (ii) better targeted and more manageable technical assistance program; (iii) high-level dialogue between ADB and the PRC to better support finance sector and enterprise reforms; (iv) safety net projects as poverty projects; and (v) environment interventions focusing more on green issues. These issues were discussed in detail with the Government on several occasions. As a result of the CAPE's findings, the technical assistance program was streamlined and better targeted. Governance, and law and policy reform are being promoted as a cluster of technical assistance activities. Linkages and implementation arrangements with the Global Environment Facility are being developed to address green issues. High-level policy dialogue identified ADB's desire to play a more strategic role in the areas of finance, enterprise, and social security reforms.

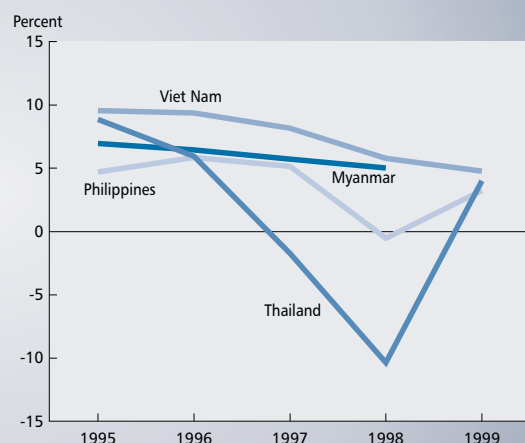
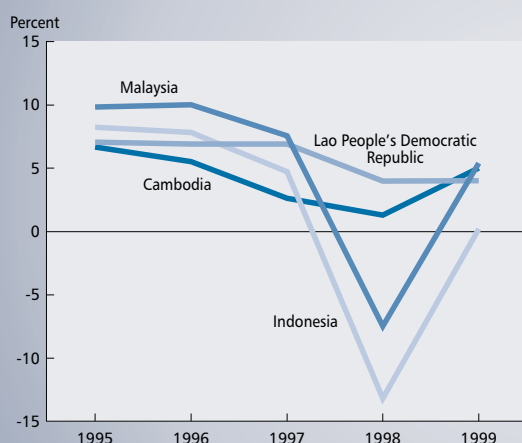
Southeast Asia

The strength and speed of recovery in 1999 in the Southeast Asian economies have exceeded expectations. The recovery built up after an initially tenuous start in the first quarter. All the countries in the subregion registered positive growth, yielding a GDP growth rate for the subregion of 3.3 percent for 1999. This is in sharp contrast with the contraction of 7.5 percent in 1998. The recovery in the crisis-affected economies has been based on an expansion in external demand, especially for semiconductors and Y2K-related electronic and computer products. The relative improvement in commodity prices and strengthening of domestic demand as a result of reflationary monetary and fiscal policies, a buildup in inventories, a surge in intraregional trade, and rallies in the industry and agriculture sectors, also contributed to the recovery.

However, domestic consumption and, to a greater extent, investment levels in these economies have remained below precrisis levels. This reflects the continuation of weak trends in domestic demand, which are a direct result of the financial crisis. The unemployment levels also remain higher than in the precrisis period and the fall in living standards that happened as a result of the crisis has not yet been restored. The number of people living below the poverty line has not declined significantly. Concerted efforts must be made to ensure that the ensuing recovery also benefits the poor and that future economic growth is broad-based and does not result in worsening equity levels in these countries. A strong commitment to continuing with the needed structural reforms, particularly in the finance and corporate sectors, and to improving the social safety net is, therefore, necessary to sustain the recovery.

Inflation rates fell sharply to 7.0 percent in 1999 from 20.9 percent in 1998. Improved climatic conditions across the region ensured a good agriculture performance in most countries of the subregion. This brought down food prices, with the most dramatic decline taking place in Indonesia where inflation dropped from 58.4 percent in 1998 to 20.5 percent in 1999. Excess capacity in the manufacturing subsector,

Southeast Asian Economies GDP Growth Rates



expectations of continued political stability, and higher inflows of capital in the second half of the year also contributed to the stable inflationary situation in the subregion.

The external balance for the subregion has improved significantly, with the foreign exchange reserves rising from around \$92 billion at the end of 1998 to about \$108 billion at the end of 1999. This was due to the sharp contraction in imports of the crisis-affected economies in 1998. Foreign capital inflows have resumed as a result of the improved macroeconomic situation, prospects for a stable political situation, and progress in structural reforms. These inflows have, to some extent, offset the weak trends in domestic capital formation. With the recovery taking hold in 1999, imports are outstripping exports in most of the Southeast Asian economies, resulting in a lowering of the current account surpluses that were achieved in 1998.

Cambodia

Economic performance

Economic growth: The growth of 5 percent in 1999 real GDP resulted from a good wet season harvest, continued strength in garment exports, and a recovery in tourism. After two years of contraction, the agriculture sector achieved

positive growth in 1999, based on increased outputs in crops, livestock, and fisheries. Strong growth in manufacturing and a rebound in construction activity contributed to double-digit growth in the industry sector. Output in textiles and clothing apparel, the dominant manufacturing subsector, expanded significantly. Moderate growth in the services subsector was partly because of a 33 percent increase in tourist arrivals in the first eight months of 1999 over the same period in 1998. However, investment declined in 1999 because the resumption of foreign aid activities was slow and because US quotas on textile imports from Cambodia reduced the pace of the garment industry's expansion.

Inflation: Average annual inflation fell to 4.0 percent in 1999, compared with 14.8 percent in 1998. The riel, which depreciated by 21.4 percent in 1997 and 8.5 percent in 1998, recovered in 1999, appreciating by a minimal 0.1 percent. Liquidity increased by 17.3 percent in 1999 as foreign currency deposits rose by 31.8 percent. However, currency in circulation shrank by nearly 4.0 percent.

External sector: Exports of timber, fish products, rubber, and particularly garments led to strong domestic exports growth of 21.8 percent in 1999. However, with similarly strong retained imports growth of 20.4 percent, the trade deficit widened from 6.8 percent of GDP in 1998 to 7.3 percent in 1999. The current

account deficit also increased to 8.4 percent of GDP in 1999 from 8.0 percent in 1998. However, with higher official loans and FDI disbursements in 1999 combined with larger transfers, a surplus was registered in the overall balance of payments, thereby increasing reserves to \$28 million from \$17 million in 1998.

Domestic policies: With greater political stability, the Government has been able to focus on marshaling political support for the reform effort. The Government made some progress on an impressive reform agenda. Revenue collections improved significantly with the introduction of the VAT and with the Government recognizing the need to improve public expenditure management to redirect spending toward the economic and social sectors. Monetary policy has remained conservative, keeping the exchange rate relatively stable and inflation low. However, supervision of the banking industry was still very weak. The Government will require external technical assistance for improvements in this area. The Government lowered tariff rates this year but is taking steps to tighten the investment regime, which is widely regarded as overly favorable to investors.

ADB operations

Operational strategy: ADB's 1995 country operational strategy in Cambodia focused on poverty reduction by (i) building capacity for good governance and project management through an integrated program of technical assistance and sector program lending activities, (ii) developing human resources, (iii) promoting economic growth as the principal means of creating employment and reducing poverty, and (iv) encouraging natural resource conservation and environmental protection. The draft 2000 country operational strategy proposes to facilitate poverty reduction through investments that (i) promote pro-poor growth in the rural areas, where most of the poor are located; (ii) enhance human and social development to ensure equitable access to the benefits of economic growth; and (iii) enable private sector participation in the development of Cambodia.

Policy dialogue: In light of Cambodia's level of development and transition to a market economy, it was essential for ADB to promote and continue dialogue with the Government on macroeconomic management and the need for good governance and poverty reduction. ADB also continued discussing policy reforms in agriculture, irrigation, and forestry, and the provision of funds for operating and maintaining physical infrastructure. ADB continued to assist in strengthening good governance practices in Cambodia in areas such as auditing, public procurement, and national account statistics.

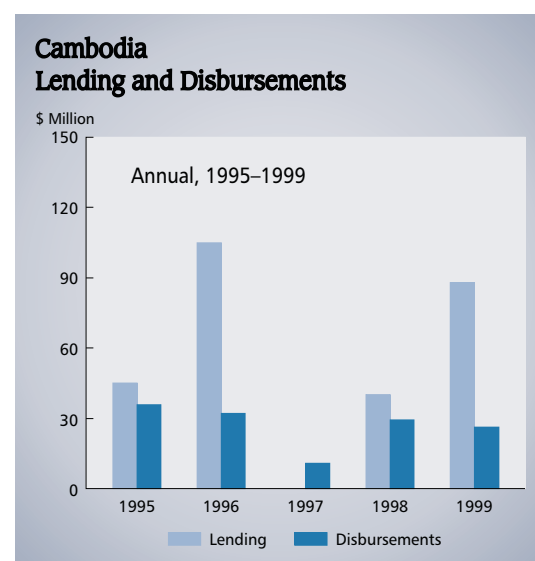
Loans and technical assistance: Two loan projects were approved in 1999: Primary Roads Restoration (\$68 million) and Provincial Towns Improvement (\$20 million). Both projects will play a key role in promoting growth over large areas of the country and in reducing poverty. Fourteen technical assistance grants were approved for \$7.5 million; two were for project preparation and 12 were for capacity building. Cambodia did not receive any loans from 1971 to 1991.

Project implementation: Since ADB reestablished lending in 1992, Cambodia has received 13 loans, of which 11 were still active at the end of 1999. Contracts amounting to \$17.0 million were awarded, bringing the cumulative total to \$173.7 million. The contract award ratio for 1999 was 9.6 percent. Disbursements in 1999 totaled more than \$26.2 million, with cumulative disbursements totaling \$152.2 million. The disbursement ratio for 1999 was 17.2 percent in contrast to the 1998 ratio of 21.5 percent.

The Government and ADB implemented several measures to improve overall portfolio performance. These included (i) preparing clearer consultant evaluation criteria; (ii) adhering to the Government's and ADB's domestic consultant recruitment procedures to ensure efficiency and transparency; (iii) ensuring the timely renewal of domestic consultant contracts to maintain continuity of project implementation; (iv) providing training seminars and hands-on training in project accounting to government staff concerned; (v) delegating contract awards and disbursement approval authority to the director/deputy director in the

Ministry of Economy and Finance (MEF); (vi) increasing the ceiling of advance accounts for counterpart funds and imprest accounts by MEF; (vii) engaging a private firm to audit project accounts and financial statements of all ADB-assisted projects, excluding projects managed by autonomous agencies; and (viii) implementing a small-scale technical assistance on improving project implementation in Cambodia.

These actions have enabled the Government to eliminate many systemic issues hampering efficient project implementation. However, some lingering issues need to be addressed to enhance portfolio performance.



Cambodia
Cumulative ADB Lending
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Transport and Communications	3 ^a	123.0	32.7
Social Infrastructure	5	100.0	26.6
Multisector	1	67.7	18.0
Agriculture and Natural Resources	2	55.1	14.7
Energy	2	29.9	8.0
Total	13	375.7	100.0

^a Includes Cambodia loan component for the Greater Mekong Subregion: Phnom Penh-Ho Chi Minh City Highway Project.

Although the streamlining measures have been adopted in the central government agencies to expedite processing of contract award documents and disbursement requests, further delegation of approval authority in line ministries would facilitate more efficient project implementation. The transfer of knowledge from international consultants to counterpart staff under loan projects has not been effective, as project supervision consultants focused more on the projects' physical outputs. Also, some executing agencies could not assign qualified counterpart staff to work with consultants. More efficient communications among ADB, executing agencies, and project supervision consultants would greatly enhance portfolio performance.

Indonesia

Economic performance

Economic growth: The crisis in Indonesia has bottomed out, and signs of recovery are appearing after nearly two years of financial and economic turmoil. GDP recorded a 0.2 percent growth rate in 1999 against the 13.2 percent contraction in 1998. Sound macroeconomic policies and the structural reform program have helped to stabilize the economy and initiate the recovery. Economic indicators showed a rise in activity in several sectors, although the recovery was initially sparked by a rebound in agriculture. Government consumption and nonmanufactured exports have provided the demand stimulus for growth.

Inflation: Inflation declined sharply in 1999. Prices have increased marginally since October after having declined successively for the previous seven months. Falling food prices contributed the most to the drop in inflation. The appreciation of the rupiah (Rp)—which was trading at Rp7,200 to the US dollar toward the end of 1999, as compared with Rp9,000/dollar at the beginning of 1999—also eased inflationary pressures. Tight monetary policy likewise kept prices in check. Average inflation declined from 58.4 percent in 1998 to 20.5 percent in 1999.

External sector: The current account continued to show a sizable surplus and reached 3.5 percent of GDP in 1999. The surplus was mainly because of low imports and near doubling of world oil prices in 1999. While natural resource-based exports increased significantly in the first half of 1999, seasonally adjusted manufactured exports remained sluggish. Export performance will depend on continued recovery in Japan and further improvement in the region's economies. Meanwhile, private capital inflows have risen, helping gross foreign reserves to reach an estimated \$27 billion at the end of the year, equivalent to more than six months of imports.

Domestic policies: The political transition that began in 1998 was completed with the election of the President and Vice-President in October. The new Government declared that implementing economic reforms will be one of its key priorities. Formation of the new Government and its affirmation to implement economic reforms had a positive impact on investor confidence. Consequently, foreign capital reflows, the Jakarta stock market, and the exchange rate rebounded in the second half of 1999. However, the uncertainty during the parliamentary elections in June, the formation of the new Government in October, and the Bank Bali affair adversely affected investor confidence and donor activities.

In 1999, the Government stepped up the work of restructuring the banking and corporate subsectors. The Indonesian Bank Restructuring Agency (IBRA) launched the bank recapitalization program, resulting in the closure of 66 banks and the takeover by the State of 12 banks. Of these, seven private banks were jointly recapitalized by their owners and the Government, with the latter injecting 80 percent of the required capital. IBRA, which owns almost 80 percent of the banking industry assets, is faced with the greater challenge of (i) completing the restructuring of state banks and preparing them for eventual privatization, (ii) ensuring that all banks observe the new prudential guidelines, and (iii) divesting the assets it acquired in an expeditious and transparent manner. In line with the economic reforms and the recovery program, the Government also

embarked on reforming public administration with a focus on decentralization. Two laws were passed during the year, which will significantly change the relationship between the central and local governments. The Law on Local Government Administration provides for a two-year phased devolution of many government functions to the local governments up to the district level. The Law on Central-Local Fiscal Balance, on the other hand, alters the structure of local government financing by providing financial resources that are consistent with the devolution of responsibilities to local governments while maintaining the balance between the often conflicting objectives of national equity and local autonomy.

Anticorruption efforts were likewise vigorously pursued in 1999. The Government revoked the special privileges granted to various interest groups and mounted an anticorruption campaign to investigate and reveal incidences of corruption, collusion, and nepotism in government agencies. The Government also began to address weaknesses in public procurement and project implementation. A new presidential decree on improved procurement procedures was drafted to facilitate and improve the implementation of public investment projects. The Government published an anticorruption strategy that calls for administrative and judicial reforms to combat corruption. Parliament passed two new laws on clean government and eradication of criminal acts of corruption. The Clean Government Law requires public officials to declare their assets prior to assuming their posts and to agree to having their assets open to official audit during and/or after their terms. The Criminal Acts Law defines the corrupt practices of criminal nature that are harmful to the finances and/or the economy of the State and establishes the basis for legal prosecution and criminal charges. The Criminal Acts Law also provides for public participation in legal surveillance and in establishing an independent anticorruption agency and/or commission for legal enforcement.

A decline in inflation and appreciation of the rupiah allowed the monetary authorities to relax the tight monetary stance. As a result, interest rates fell from a high of 70 percent

in August 1998 to 12.5 percent at the end of 1999. Despite this, monetary policy will remain cautious to maintain price and exchange rate stability.

ADB operations

Operational strategy: ADB's operations during the year continued to be guided by the interim strategy that emphasizes policy and institutional reforms in key economic sectors, support for the implementation of the decentralization agenda, and strengthened measures for poverty reduction and social protection. ADB operations focused on protecting women's health and access to education and income.

Under the Social Protection Sector Development Program (SPSDP) approved in 1998 and the Health and Nutrition Sector Development Program (HNSDP) approved in 1999, support was provided to maintain health and family planning, promote safe motherhood activities, and provide nutrition support to pregnant and lactating women. Through its scholarship program, the SPSPD ensures the access of female students to schools. The Community and Local Government Support Sector Development Program approved in 1999 supports women's needs for income-generating activities under social safety net programs. ADB closely coordinated with IMF, World Bank, and other financial institutions in pursuing the interim strategic agenda. In 1999 ADB emphasized managing the existing loan portfolio in Indonesia to ensure its continuing relevance in the current situation.

With early signs of recovery, ADB is developing a new country operational strategy that will guide its medium-term operations in Indonesia. In support of the 2000 country operational strategy, a paper on gender issues was prepared, which describes areas for assistance and policy dialogue that promote mainstreaming gender in ADB operations in Indonesia. Major strategic concerns in Indonesia include poverty reduction, governance, decentralization, return to sustainable growth, and social development. The new strategy will address these concerns through a



combined program of assistance, comprising policy reforms and priority investment.

Policy dialogue: ADB's policy dialogue with the Government focused on implementing strategies for economic reforms and measures for social protection in the aftermath of the crisis. In the finance sector, ADB deepened policy discussions with the Government on a substantial reform agenda through the Financial Governance Reforms: Sector Development Program Loan, which was approved in 1998 and being implemented in 1999. The Extended Mission to Indonesia has provided day-to-day advice to the Government on program implementation in banking subsector restructuring, capital market development, and public financial management.

In the social sectors, ADB broadened policy dialogue with the Government on effective public spending to provide for essential social services and to mitigate the adverse impact of the crisis. The policy discussions facilitated the implementation of the SPSPD and HNSDP. ADB accelerated policy discussions on the administrative and fiscal decentralization agenda and on the involvement of the local community and civil society in development planning and implementation. The policy dialogue resulted in the formulation of the policy-based Community and Local Government Support Sector Development Program.

Indonesia
Cumulative ADB Lending
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	62	4,154.1	24.4
Agriculture and Natural Resources	93	3,691.7	21.7
Energy	28	3,130.0	18.4
Finance	10	2,437.0	14.3
Transport and Communications	30	2,354.9	13.8
Multisector	7	689.0	4.1
Industry and Nonfuel Minerals	13	431.7	2.5
Others	4	140.6	0.8
Total	247	17,029.0	100.0

Real sector reforms were an integral component of ADB's policy dialogue with the Government. ADB helped the Government in the policy-based Power Sector Restructuring Program, which involves dismantling the vertical monopoly to increase private sector participation in moving toward competitive markets for power generation and distribution, and to improve cost recovery. ADB has worked closely with the Government to develop and implement policy reform agenda in other sectors, including corporate governance of state enterprises, trade and industry, and small and medium enterprises. During the year, ADB actively pursued policy dialogue on governance and anticorruption. ADB has adopted an Anticorruption Action Plan for Indonesia, which was discussed at a high-level meeting with the Government, and in an open forum with Indonesian civil society groups and nongovernment organizations (NGOs) in July 1999. The Action Plan addresses specific governance and anticorruption initiatives and policy and institutional reforms.

Loans and technical assistance: Six loans for three projects/programs, totaling \$1.0 billion, were approved during the year. All the loans were financed from ADB's ordinary capital resources, with two for the energy sector (\$400 million), two for the social sector

(\$300 million), and two for multisector (\$320 million). ADB also approved 19 technical assistance grants totaling \$11.3 million. Of these, three were for preparing new projects. In December 1999, ADB also approved a modest assistance (\$6 million) for providing clean water in West Timor, in response to the East Timor crisis, by reallocating funds from an existing Asian Development Fund (ADF) loan.

Project implementation: Since becoming a member of ADB in 1966, Indonesia has received 247 loans, of which 167 were closed and 80 were still active at the end of 1999. Contracts worth \$1.3 billion were awarded during the year, bringing the cumulative total to \$10 billion. The contract award ratio for 1999 was 30.5 percent. Disbursements amounted to \$1.3 billion, with cumulative disbursements reaching \$10.6 billion. The disbursement ratio for 1999 was 24.8 percent.

The first tranches for three program loans approved in 1999 were released, and the second tranche for another program loan approved in 1998 was disbursed. The contract award and disbursement performance for project loans were adversely affected by the continuing shortage of counterpart funding. The Indonesia Resident Mission continued to play a lead role in project administration, particularly in following up the submission of audited financial statements. Following the comprehensive portfolio review undertaken in 1998, another portfolio restructuring exercise was carried out in 1999 in partnership with the Government, which covered 24 slow-moving and poor-performing projects. Agreement was reached on the cancellation of all uncommitted loan balances of about \$121 million under two ongoing projects and in the identification of potential savings for about \$367 million under 19 other projects. Including the cancellations of projects not covered by the restructuring exercise, total actual cancellations in 1999 amounted to \$389.8 million. Through the portfolio review, ADB adopted a systematic approach to sector portfolio management that would foster greater synergy in implementation. ADB and the World Bank started discussions to prepare for the next joint country portfolio performance review, which will be conducted in early 2000.

Lao People's Democratic Republic

Economic performance

Economic growth: The Lao PDR achieved 4.0 percent growth in 1999. Agriculture, which accounted for about half of GDP, registered accelerated growth, offsetting a slowdown in the industry and services sectors. Agricultural production benefited from an expansion of irrigated area under cultivation, a government policy promoting agricultural exports, favorable cross-border trading opportunities, and improved weather conditions. Growth in the industry sector—dominated by manufacturing—slowed because of moderate growth in manufacturing and a continued slump in construction despite huge gains in the relatively small electricity, gas, and water subsectors. Growth in aggregate services decelerated, with banking, insurance, and real estate still on the decline.

Inflation: Despite a rapid expansion of liquidity in the second quarter of 1999 (70.7 percent), tightened monetary policy in the second half of the year reduced liquidity growth from 113.3 percent in 1998 to 86.3 percent through November 1999. As a result, year-end inflation decreased from 142.0 percent in 1998 to 86.7 percent in 1999. However, the improvement was accompanied by substantial volatility in the kip (KN)—which fell to nearly KN10,000 per US dollar in the parallel market in August 1999 before climbing back to KN7,686 per US dollar in December 1999. This resulted in the further depreciation of the kip by 40 percent from December 1998 to December 1999.

External sector: Preliminary staff estimates indicate an overall balance-of-payments surplus in 1999. This is due to improvements in the trade balance (a 3.0 percent increase in exports combined with a 3.0 percent decrease in imports) and FDI and official development assistance (ODA) disbursements. Official foreign exchange reserves increased from \$113 million (2.1 months of imports) at the end of 1998 to \$132 million (3.7 months of imports) at the end of 1999. Debt service was at \$56.0 million in

1999, equivalent to 11.6 percent of exports of goods and nonfactor services.

Domestic policies: Over the past several years, macroeconomic management has been inadequate. It has been characterized by expansionary fiscal policy, resulting in large fiscal deficits, accommodated by an inflationary monetary policy. Consequently, hyperinflation and substantial depreciation of the kip prevailed throughout the period. The Government has been slow to reduce liquidity because of a reluctance to finance the cost of issuing high interest rate bonds. In addition, interest and exchange rates are determined administratively. The unstable macroeconomic environment further weakened the banking system, which has suffered from excessive nonperforming loans, insolvency problems, and slow progress in banking reform. Trade policy has become more liberal recently, with the increased number of licensed trading companies compared with the previous year. Finally, although the foreign investment regime appears liberal on the surface, the prospective investor faced complex procedures in obtaining licenses, permits, and approvals, which must be periodically renewed.

ADB operations

Operational strategy: Since the beginning of operations in the Lao PDR in 1970 (the New Economic Mechanism was introduced in 1986), ADB assistance has focused primarily on the energy and transport sectors. It was then diversified to support the economic transition to a market-oriented economy and extended to such sectors as agriculture, water supply, health, education, and finance. Future ADB assistance will target poverty reduction through basic education, primary health services, power transmission, and rural infrastructure, particularly through rural roads, irrigation, small towns development, and agriculture. Lending and technical assistance programs beginning in 2000 will increasingly focus on efforts to reduce poverty. The program of activities will include direct poverty intervention projects and continue to promote economic growth projects that have high impact on reducing poverty.

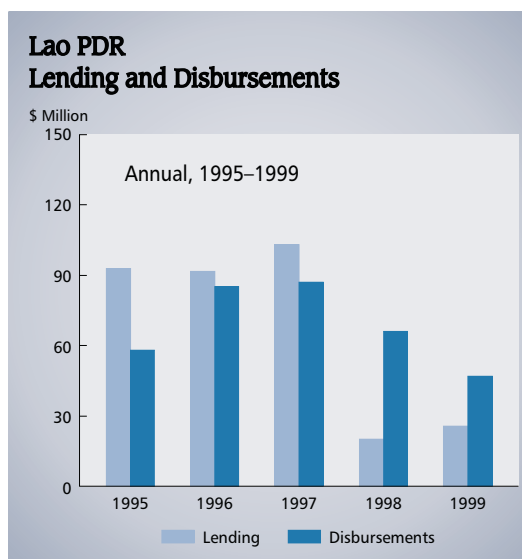
While the sector focus will depend on the country's needs and priorities, efforts will be made to maximize poverty reduction components in all project designs.

Policy dialogue: In 1999, significant achievements were made in policy support and coordination, culminating in several activities and agreements. ADB participated extensively in the Article IV Mission with IMF and the World Bank and undertook joint missions with the World Bank in formulating a Financial Sector Strategy for the Lao PDR. The Government will host a high-level seminar to discuss key issues on the economic and finance sectors. ADB also agreed to undertake a joint poverty assessment with the World Bank, leading to a Roundtable Meeting in Vientiane in November 2000 that has fighting poverty as its theme. The Government used several ADB-financed sector strategies in facilitating this process, including those on primary health care, agriculture, education development, and rural infrastructure. Technical assistance to help the Government formulate the public investment plan was also provided. Policy support was given through a technical assistance for strengthening the capacity of aid coordination and monitoring, which will link external funding assistance with the public investment plan and the budget process.

Loans and technical assistance: Three loans were approved for 1999: the \$32 million loan component of the Greater Mekong Subregion East-West Corridor, Shifting Cultivation Stabilization (\$5.6 million), and Water Supply and Sanitation (\$20 million) projects. Eleven technical assistance grants totaling \$5.9 million were approved in 1999.

Project implementation: Since becoming a member in 1966, the Lao PDR has received a total of 46 loans, of which 29 were closed and 17 were still active at the end of 1999. Contracts worth \$14.0 million were awarded during the year, bringing the cumulative total contracts to \$617.8 million. The contract award ratio for 1999 was 8.4 percent. Disbursements for the year totaled \$46.8 million, bringing cumulative disbursements to \$564.6 million. The disbursement ratio for 1999 was 19.4 percent.

Total disbursements amounted to \$46.8 million or 72 percent of that projected. ADB's initiatives to improve portfolio performance include (i) strengthening linkages between the results of annual country portfolio reviews and the design of country operational strategies and country assistance plans, and defining appropriate operational procedures for the missions; (ii) drawing on information relevant to portfolio management to decide on objectives, alternatives, potential risks, and ways to improve the sectors; (iii) developing portfolio performance indicators and introducing time-bound portfolio



**Lao People's Democratic Republic
Cumulative ADB Lending**
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Transport and Communications	10 ^a	279.0	33.7
Energy	13	223.3	27.0
Social Infrastructure	11	163.4	19.8
Agriculture and Natural Resources	10	111.3	13.5
Finance	2	50.0	6.0
Total	46	827.0	100.0

^a Includes Lao PDR loan component for the Greater Mekong Subregion: East-West Corridor.

performance targets to assess how ADB's portfolio meets mutual development objectives; (iv) requesting project management unit (PMU) managers to set and enforce high standards for their performance and quality administration; and (v) encouraging line ministries to take a more active part in portfolio management initiatives.

Overall portfolio performance of ongoing ADB projects in the Lao PDR was generally good. Of the 17 ongoing projects, 9 were classified as satisfactory for implementation progress, 5 as partially satisfactory, and 2 as highly satisfactory. In terms of development objectives, 14 were classified as satisfactory and 2 as highly satisfactory.

In the past year, the Government and ADB implemented measures to improve portfolio performance in the Lao PDR. These include (i) decentralizing project implementation responsibilities for some projects to the provincial level; (ii) strengthening PMU staff capacity in project management; (iii) streamlining internal disbursement procedures for road projects within the Ministry of Communication, Transport, Post and Construction; and (iv) issuing an interministerial decision to adopt, as an official government document, the project accounting manual prepared under the ADB-financed regional technical assistance on capacity building in project accounting. As a result of these efforts, loan signing/effectiveness and flow of funds improved.

Despite these efforts, however, portfolio performance needs to be enhanced. While start-up activities improved, difficulties have been experienced in staffing PMUs and in other activities in the latter part of the project implementation cycle. The Government's cumbersome disbursement process for imprest accounts remains a concern. To expedite project implementation, contract awards need to be streamlined by removing unnecessary layers of approval authority. Compliance with loan covenants, particularly the timely submission of audited project accounts and financial statements, also has to be improved. In many projects, insufficient institutional capacity continues to hamper efficient project implementation.

Malaysia

Economic performance

Economic growth: The Malaysian economy achieved a robust recovery in 1999 with real GDP expanding by 5.4 percent after contracting by 7.5 percent in 1998. The economic recovery was underpinned by buoyant export growth and an increased private consumption. Private investment, however, continued to contract due to excess industrial capacity. All major production sectors, with the exception of construction and mining, recorded higher rates of growth in 1999. The manufacturing subsector expanded by 8.9 percent, with strong external demand for electronic equipment and components spearheading the revival. The agriculture sector expanded by 4.6 percent, supported by a significant increase in crude palm oil production, although the output of the other agriculture subsectors declined. The services subsector recorded a growth of 2.4 percent. Although a large surplus of high-rise commercial buildings and higher-end condominiums continued to depress construction activity, the contraction in this subsector was moderate in 1999.

Inflation: Consumer price inflation decreased steadily during the year and averaged 2.8 percent, compared with 5.3 percent in 1998. The lower inflation rate reflected considerable excess capacity, greater exchange rate stability than in the corresponding period of 1998, and a slower rate of increase in food prices.

External sector: The balance-of-payments position strengthened further in 1999, aided by a large trade surplus. While the trade surplus in 1998 was driven by import compression, the trade surplus in 1999 was attributed to rapid export expansion. Export growth of 10.2 percent was buoyed by stronger regional and robust US demand for Malaysia's electronic goods. Additionally, the fixed exchange rate of the ringgit to the US dollar and the slight recovery in the values of the other regional currencies in 1999 boosted export growth. Import growth of 9.9 percent, on the other hand, was stimulated by renewed consumer confidence and the need to replenish depleted stocks of

raw materials. Imports of capital goods, however, remained subdued due to excess capacity in several production sectors. A larger trade surplus in 1999 more than offset the deficit in the services and transfers account, leading to a higher current account surplus.

In the capital account, a net outflow of short-term capital totaled \$5.8 billion. Portfolio investment amounting to \$1.7 billion was repatriated between 1 September and 15 October 1999 after the 12-month holding period for portfolio funds expired on 1 September 1999. The net inflow of long-term capital increased from \$2.2 billion in 1998 to about \$3.0 billion in 1999. The Government reentered the international bond market with a \$1 billion issue in May 1999 after a gap of nine years. The new borrowings in 1999 also included concessional loans from the Government of Japan under the New Miyazawa Initiative. The overall balance of payments was in surplus and the net international reserves of Bank Negara Malaysia increased from \$26.2 billion at the end of 1998 to \$30.9 billion or six months of imports at the end of 1999. The external debt position remained manageable in 1999. The debt service ratio declined to 6.2 percent from 6.6 percent in 1998. The ratio of short-term debt to foreign exchange reserves declined to 23 percent in 1999 from 32 percent in 1998. A noteworthy development in 1999 was Malaysia's reentry in three benchmark equity indexes: the International Finance Corporation and the Dow Jones Global Indexes (both effective November 1999) and the Morgan Stanley Capital Group of Indexes (under review).

Domestic policies: Macroeconomic management focused on aggressively stimulating domestic demand in support of output growth. The reflationary measures initiated in mid-1998 were further intensified in 1999. As a result, the fiscal deficit increased from 1.9 percent of gross national product (GNP) in 1998 to 4.9 percent in 1999. The countercyclical budgetary measures benefited the social sectors. Allocations for the health and education subsectors were increased in real terms in 1999 compared with the actual expenditures in 1998. Interest rates continued to decline, led by a 1.5 percent reduction in 1999 in Bank Negara's intervention

rate—the rate used by the banks to fix their base lending rate. As a result, the average base lending rate of commercial banks dropped to below 7 percent. The lending rates could have fallen further if the market-determined interbank rate was used as the anchor. Considerations—such as maintaining a positive real rate of return on domestic saving and profitability of banks—constrained monetary policy. Reflecting stronger economic activity, all the monetary aggregates (M1, M2, and M3) expanded in 1999, although Bank Negara Malaysia moderated the monetary expansion by mopping up liquidity. The quantitative capital controls introduced in 1998 were substantially modified. On 21 September 1999, a uniform capital gains tax of 10 percent replaced the more stringent earlier restrictions on repatriation of foreign capital.

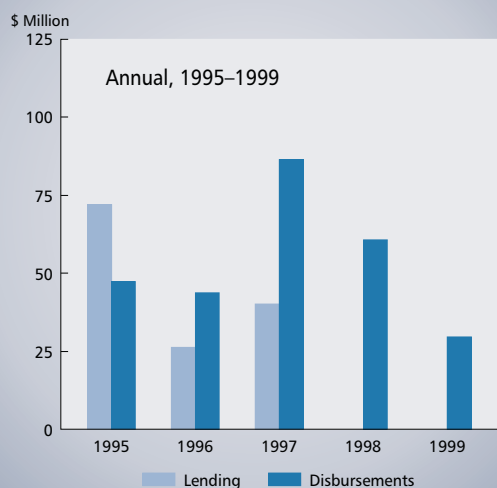
Building on policy measures introduced in 1998, the Government pursued reforms in the finance sector, restructuring the corporate sector, and strengthening corporate governance. Bank Negara Malaysia announced a merger program for the banking system in July 1999, aimed at consolidating the existing banks and financial institutions under six financial groups. Subsequently following industry requests, Bank Negara Malaysia allowed the banks greater flexibility in choosing their own merger partners. It is anticipated that all aspects of the merger exercise will be completed by the end of 2000.

ADB operations

Operational strategy: The operational strategy for Malaysia approved in 1997 is no longer relevant as it was formulated before the financial crisis in mid-1997 and the economic recovery that began in 1999. The Government and ADB are discussing the basis on which a revised assistance program for Malaysia could be envisaged. Such a program would be expected to include objectives aimed at addressing ADB's overarching goal of poverty reduction.

Policy dialogue: New areas of policy dialogue would be expected in line with the objectives and scope of the assistance program to which the Government and ADB would agree.

Malaysia Lending and Disbursements



Malaysia Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	21	750.6	37.8
Agriculture and Natural Resources	26	566.0	28.5
Energy	11	321.5	16.2
Transport and Communications	15	255.1	12.8
Industry and Nonfuel Minerals	1	53.0	2.7
Others	1	26.3	1.3
Finance	1	15.0	0.7
Total	76	1,987.5	100.0

Loans and technical assistance: No loans or technical assistance grants were approved in 1999.

Project implementation: Since becoming a member in 1966, Malaysia has received 76 loans. Of these, 67 were closed and 9 were under administration as of the end of 1999. Contract awards in 1999 amounted to \$34.4 million, bringing cumulative contract awards to \$1.4 billion. The contract award ratio was 23.1 percent. Disbursements during the year amounted to \$29.7 million,

bringing cumulative disbursements to \$1.3 billion. The disbursement ratio for 1999 was 14.4 percent.

Myanmar

Economic performance

Economic growth: Following several years of high growth rates of around 8 percent in the early 1990s, according to official estimates, growth slowed from 5.7 percent in FY1997/98 (ending 31 March) to 5.0 percent in FY1998/99. The slowdown can be attributed to the adverse impact of unfavorable weather conditions on agricultural production, the shortage of agricultural inputs such as fertilizer and pesticides caused by foreign exchange constraints, and the financial crisis in the region following the devaluation of the Thai baht in July 1997. The economy's structure has not changed since market-oriented reforms were introduced in 1988. Myanmar remains a largely agrarian economy, with agriculture accounting for 43 percent of GDP and more than 60 percent of employment. Official data indicate the unemployment rate was 7 percent in FY1997/98, part of a steady increase over the past four years.

Inflation: Inflation soared in recent years, including 30–40 percent in FY1997/98 and 40 percent in FY1998/99, largely as a result of increasing food prices and excess liquidity caused by financing government deficits through Central Bank credit. The CPI in Yangon increased from 20 percent in FY1996/97 to 34 percent in FY1997/98, and to 49 percent in FY1998/99.

External sector: Trade was heavily controlled by quantitative restrictions on imports and exports and foreign exchange controls. Weak export performance continued to substantially widen the current account deficit and put pressure on the balance of payments. Total exports amounted to only \$1.3 billion in FY1998/99, mostly consisting of primary products. Border trade with neighboring countries accounted for nearly 30 percent of total exports. Total imports amounted to \$2.6 billion, of which

50 percent were capital goods. Foreign exchange reserves were reported to be about \$400 million, or 1.8 months of imports. At the end of March 1998, the total outstanding debt of Myanmar was \$5.6 billion, of which about 90 percent was medium- and long-term debt. At the time, Myanmar had arrears totaling about \$1.6 billion, of which 70 percent were owed to bilateral sources, 28 percent to private creditors, and the rest to multilateral sources. By the end of March 1999, arrears with multilateral sources are believed to have more than tripled.

Domestic policies: The Government continues to heavily control Myanmar's economy. In April 1999, the Central Bank reduced its interest/discount rate from 15 percent to 12 percent, effectively reducing the commercial banks' profit margin further in an environment of high inflation and already negative real interest rates. Exchange rate distortions continue to favor a few importing industries at the expense of consumers. While the fiscal deficit has been reduced, this is mainly attributable to reduced public spending, particularly of social spending, to unsustainably low levels. At the same time, financing the fiscal deficit through Central Bank credit is one underlying factor of persistent high inflation.

Myanmar
Cumulative ADB Lending
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	15	316.1	59.5
Social Infrastructure	6	99.1	18.7
Transport and Communications	2	42.5	8.0
Energy	5	31.8	6.0
Industry and Nonfuel Minerals	2	21.4	4.0
Finance	2	20.0	3.8
Total	32	530.9	100.0

ADB operations

Operational strategy: ADB continued to monitor economic developments in Myanmar. An operational strategy will be formulated when appropriate.

Loans and technical assistance: No loans have been provided to Myanmar since 1986 and no technical assistance grants since 1987.

Project implementation: All 32 loans, which were approved before 1986, were closed by the end of 1998. However, Myanmar is involved in the Program of Economic Cooperation in the Greater Mekong Subregion. In that capacity, Myanmar participates in regional meetings and workshops supported by ADB's regional technical assistance. To keep ADB's institutional knowledge of socioeconomic developments up-to-date, ADB has continued to review developments in economic policies and programs to the extent possible using the limited data available.

Philippines

Economic performance

Economic growth: The impact on the Philippine economy of the El Niño phenomenon, which heavily influenced the economic downturn in 1998, dissipated in 1999. The effects of the Asian financial crisis, however, were still evident, particularly on the industry sector and investments. Overall, the economy was recovering in 1999. While GDP growth in 1998 was marginally negative, a GDP growth of 3.2 percent was achieved in 1999. The recovery was mainly supported by an output lift in the agriculture sector, which experienced a growth of 6.6 percent after the El Niño drought of 1997 and 1998. The services subsector, which had remained resilient throughout the crisis, expanded by 3.9 percent, based mainly on the growth of retail trade supported by steady growth in basic consumer goods. The industry sector's performance continued to be sluggish, with only a 0.5 percent growth in 1999 as a result of the lingering effects of depressed domestic demand.

Inflation: Inflation rates improved considerably, and averaged 6.6 percent in 1999 from 9.7 percent in 1998. Better agriculture sector performance and weak aggregate demand contributed to this outcome.

External sector: The balance-of-payments situation eased considerably in the first 10 months of 1999, as the trade environment improved and as the authorities took steps to bolster the balance of payments through officially arranged debt. The momentum of export growth, which had been robust throughout the crisis, continued in 1999. With imports slowing as a result of weak domestic demand, a trade surplus emerged; and with the rise in remittances, a significant current account surplus of \$5.6 billion resulted in the first 10 months of 1999, nearly tenfold that in 1998. The Government's active intervention through official borrowings and bond flotations in the international capital markets helped support the capital account. As a result of surpluses in both current and capital accounts, gross international reserves rose to nearly \$15 billion by December 1999. The sharp rise in the external debt to GNP ratio from 53 percent in 1997 to 65 percent as of September 1999 was the result of the peso depreciation and is cause for some concern.

However, this external debt should remain manageable with robust export growth, the favorable debt maturity structure, and the large share of concessional debt.

Domestic policies: The recovery process could be affected by the lack of progress on key reforms that were initiated by the Government at the onset of the crisis. Delays in completing the reforms are beginning to be a major source of concern for investors.

Several initiatives were begun, for example, on the taxation front. But tax administration has only been marginally improved and the drafting of legislation for tax rationalization was completed only recently. On expenditure management, several reforms were planned, including reengineering of the bureaucracy. However, structural weaknesses—such as high expenditure on wages and interest, low capital expenditures, inadequate spending on social services, and continued duplication of functions by national government agencies in areas devolved

to local governments—remain. Poor functioning of government corporations continued to contribute to large public sector deficits. While preparatory work on privatizing the National Power Corporation has begun, legislation—which is key to the process—has yet to be passed. Pursuing the privatization of other government corporations is also necessary.

Quicker action to implement the program of reforms in the finance sector and capital markets is needed to assuage investor concerns. On the banking side, progress has been made on several fronts although reform is still incomplete in crucial areas. Apart from pending legislation, current bank secrecy laws prevent full information from being made available to supervisors, making monitoring and supervision difficult. More reform is needed in the areas of prudential standards, disclosure, supervision, and bank exits and resolution. As for capital markets, delay in the passage of the vital Revised Securities Act has postponed much needed reforms in the stock market.

The Government has recently released the new Medium-Term Philippine Development Plan 1999–2004, which addresses medium-term development initiatives to correct the structural constraints facing the economy. The plan envisages a recovery of growth and poverty being reduced from 32 percent in 1997 to 25–28 percent in 2004.

A particular initiative of the plan is to establish a process of monitoring poverty incidence annually. The drop in poverty incidence from 36 percent in 1994 to 32 percent in 1997 was relatively substantial. However, poverty incidence continues at unacceptably high levels, particularly in rural areas. Evidence suggests that the financial crisis increased the ranks of the poor in 1998. Aggregate employment improved in 1999 but the unemployment rate fell only marginally and remains higher than precrisis levels. Increases in the labor force dampened the improvement in the unemployment rate and pushed underemployment higher. Despite a recovery of agriculture sector production in 1999, no marked improvement in poverty incidence on the 1997 level is expected. The Government faces a difficult task in reducing poverty.

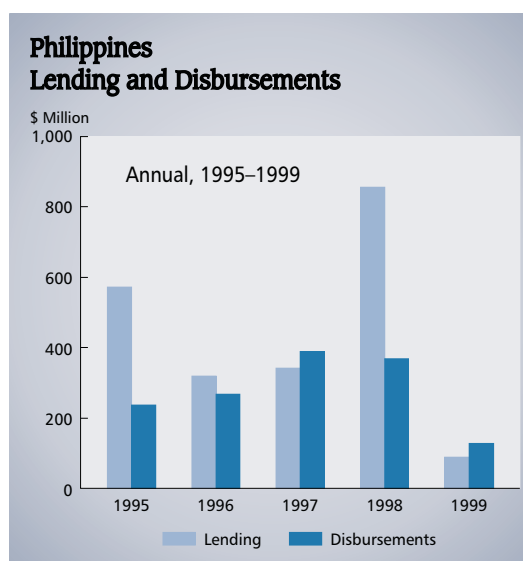
ADB operations

Operational strategy: ADB's operational strategy for the Philippines was reformulated in April 1998. The strategy takes into account the operational priorities arising from the Asian financial crisis and gives increased emphasis to poverty reduction and social development. The strategy particularly emphasizes (i) promoting equitable growth; (ii) improving the provision of basic social services, including health and education; and (iii) improving management and protection of the environment. The strategy conforms with the Government's medium-term development plan. In consultation with the Government, a sharper focus on poverty reduction began in 1999 after ADB adopted its poverty reduction strategy. Although the Philippine operational strategy cites poverty reduction as its major focus, a partnership agreement with the Government is a new initiative under the poverty reduction strategy and is expected to be finalized in mid-2000; it will provide further impetus on both sides to implement projects addressing poverty.

Policy dialogue: In 1999, ADB continued its policy dialogue in the sectors where it has ongoing program loans. These include the energy sector, particularly regarding the performance and financial health of the National Power Corporation and the restructuring of the electricity subsector; the environment subsector for air quality; and the capital market subsector. In the context of processing two new sector development program loans, ADB also entered into intensive policy dialogue on grains, including restructuring the National Food Authority through the Grains Sector Development Program, and on the urban environment through the Pasig River Environmental Management and Rehabilitation Sector Development Program.

Another major focus of the policy dialogue with the Government in 1999 was on improving the implementation performance of the country's existing portfolio. ADB and the Government undertook three portfolio reviews during the year, including one review jointly undertaken with the Japan Bank for International Cooperation and the World Bank. Through these

exercises, ADB and the Government identified project preparedness (including land acquisition), better project implementation, and the need for a better oversight structure as major urgent issues. A time-bound action plan was agreed upon with the Government for remedial measures. Special technical assistance is being provided or programmed by ADB to help the Government strengthen its capacity, particularly in the areas of procurement, local government planning and financing, and project monitoring and auditing.



Philippines
Cumulative ADB Lending
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Energy	27	2,257.6	30.6
Agriculture and Natural Resources	60	1,670.3	22.7
Social Infrastructure	33	1,160.6	15.7
Transport and Communications	25	1,060.9	14.4
Finance	15	598.0	8.1
Others	3	296.0	4.0
Multisector	6	283.7	3.9
Industry and Nonfuel Minerals	6	47.2	0.6
Total	175	7,374.3	100.0

Loans and technical assistance: Ten technical assistance grants of \$7.3 million were approved during the year. Further to 1998's record lending volume of \$855.4 million to the Philippines, ADB approved one technical assistance loan in 1999 amounting to \$3.0 million for a private infrastructure project development facility and processed two other sector development program loans for a total of \$350 million. ADB also approved two loans amounting to \$85 million in its private sector operations for the Philippines, reflecting the strategy to mobilize private sector resources for the country's development.

Project implementation: Since becoming a member in 1966, the Philippines has received a total of 175 loans, of which 121 were closed and 54 were still active at the end of 1999. Contract awards in 1999 totaled \$78.9 million, bringing the cumulative total to \$4.4 billion. The contract award ratio for 1999 was 5.5 percent. Total disbursements for the year amounted to \$127.5 million and cumulative disbursements reached \$4.7 billion. The disbursement ratio for 1999 was 6.8 percent.

Although efforts were made to prioritize counterpart budgets for ADB-assisted projects, the slow disbursements in the year partly reflect budget inadequacy. While the Government has tried to resolve the issues hampering project implementation in the Philippines, the problems have not yet been fully resolved. The implementation issues identified during the 1999 Country Portfolio Review Mission include the (i) provision of counterpart funds, (ii) procurement procedures, (iii) financial reporting, (iv) financial and implementation capacity at the local government level, (v) slow-moving legislation, and (vi) municipal development fund. Loan savings of \$126.7 million were canceled during the year.

Thailand

Economic performance

Economic growth: After an unprecedented real GDP contraction of 10.4 percent in 1998, the economy started showing positive signs of

recovery in the beginning of 1999. Real GDP growth in 1999 is estimated to be 4.0 percent, supported by increased consumption and higher capacity utilization in the manufacturing subsector and encouraged by several government stimulus packages. The manufacturing production index increased by 12.6 percent from January to December 1999, prompting the capacity utilization rate to increase to 63 percent from just over 50 percent in 1998. However, this is still below the normal levels of 70–80 percent. Domestic demand, which had contracted sharply in the previous year, rose by 8.5 percent in 1999. Only the private investment index continued its decline throughout 1999, although at a much slower pace, reaching zero growth in December 1999, compared with a 40 percent decline in 1998. The economic crisis since mid-1997 resulted in historically high unemployment. In 1999, unemployment, including the seasonally inactive labor force, reached 1.9 million persons, 5.9 percent of the total labor force. Underemployment also increased significantly. Even though transitory employment has been boosted through public programs, unemployment remains well above precrisis levels, thereby restraining the economy's revitalization.

Inflation: Following a year of relatively high inflation of 8.1 percent in 1998, it was contained at 0.3 percent in 1999 largely because of lower prices for food and agricultural commodities.

External sector: Performance of the external sector improved significantly in 1999. Export earnings in US dollar terms increased by 7.4 percent, while imports grew at a higher rate of 17.7 percent. The current account balance remained in surplus at \$11.2 billion. Despite increased FDI inflows, the net capital movements registered a deficit of \$8.2 billion, reflecting large private capital outflows as commercial banks continued to repay their external debts. Consequently, external debt stood at \$75.6 billion at the end of 1999, down from \$86.2 billion at the end of 1998; the share of short-term debt also declined from 27 to 19 percent during the same period. However, public sector debt as a proportion of total external debt has more than doubled since the crisis began

in July 1997 and now accounts for 46 percent of total debt. Official international reserves increased to \$34.8 billion or 8.7 months of imports in December 1999. The exchange rate was fairly stable at baht (B)37–39 to the US dollar for the whole year.

Domestic policies: In FY1998/99 (ending 30 September), the Government maintained its expansionary fiscal stance adopted in 1998 after the fiscal and monetary targets of the adjustment program of 1997 proved to be too contractionary. The Government continued to relax its public sector deficit target; under the eighth Letter of Intent to IMF in September 1999, the consolidated deficit, including the cost of financial restructuring, was projected at 7.2 percent of GDP for FY1999 (1.7 percent for financial restructuring), compared with 5.5 percent in 1998. In 1999, the Government launched two economic stimulus packages with expenditures of B53 billion in March and B100 billion in August, along with tax and tariff reductions. While the March package was aimed at increasing employment and stimulating private consumption, the August package focused on tax and tariff measures, equity investment funds, measures to improve the recovery of the real estate sector, and financing for small and medium enterprises (SMEs). Despite an easing of monetary policy, the growth rate of money supply continued to slow in 1999. At the end of 1999, the increase in M2 was 2.3 percent, compared with 9.5 percent at the end of 1998. Interest rates declined, with the interbank rate at 1.2 percent, prime (minimum lending) rate at 8.25–8.50 percent, and deposit rate at 4.00–4.25 percent. However, the credit crunch continued in 1999 because of the local banks' concern with high levels of nonperforming loans and tightened loan-loss provisioning requirements. Nonperforming loans, though declining from a peak of 47.7 percent of all finance sector loans outstanding in May 1999, continued to be high at 38.5 percent in December 1999.

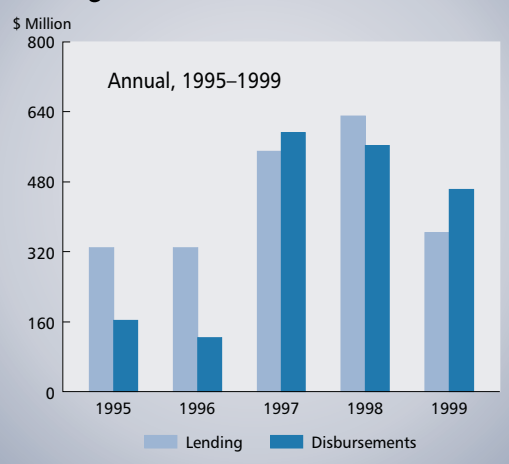
ADB operations

Operational strategy: In response to the crisis in 1997, ADB immediately changed its strategy and introduced fast-disbursing program loans

focusing on the finance, social, rural, and agriculture sectors to contain the adverse impact of the crisis. The 1999 interim strategy for Thailand provides the strategic framework for ADB operations against the background of the crisis and aims at assisting the country's recovery and future growth by addressing three key objectives: (i) reducing poverty and improving the quality of life, (ii) structural reforms of the finance sector, and (iii) restoring competitiveness to promote efficient, regionally balanced, and sustainable growth. The strategy gives priority to interventions in the finance, social, and agriculture/rural development sectors. All projects except those involving national systems are to be concentrated in the north, northeast, and southern regions of the country, which are relatively less developed and account for the majority of Thailand's population, including most of the target groups below the poverty line. The geographic focus is intended to address growing regional disparities and maximize the poverty-reducing impact of the program. The strategy also attempts to mainstream crosscutting concerns, such as reducing poverty, enhancing the role of women in development, improving governance, developing the private sector, and protecting the environment. It emphasizes both official and commercial cofinancing to maximize leverage of ADB's assistance to Thailand.

Policy dialogue: The focus of policy dialogue continued to be on longer-term reform programs to revive sustainable and equitable growth, including in the finance, social, education, and agriculture sectors. The finance and social sector reform programs, formulated immediately after the onset of the crisis, are already being implemented through the Financial Markets Reform Program and the Social Sector Program loans. The latter focuses on mitigating the short-term adverse impact of the current crisis on the labor market, social welfare, education, and health subsectors, and on addressing longer-term structural weaknesses in these sectors. Poverty reduction and health programs for the poor and other support schemes for the most vulnerable are combined with longer-term institutional reforms to create a sustainable social safety net

Thailand Lending and Disbursements



in Thailand. Both the Higher Education Development Project and the Agriculture Sector Program loans are aimed at restoring Thailand's long-term competitiveness and ensuring sustainable growth and development. Agricultural restructuring to improve productivity, export competitiveness, and sector management will increase employment and income, thereby helping reduce rural poverty.

Loans and technical assistance: Two new loans and one technical assistance loan totaling \$363.8 million were approved in 1999 for agriculture sector reform (\$300 million), higher education development (\$59.3 million), and restructuring of specialized financial institutions (\$4.5 million). Both the agriculture sector loans and the financial institutions technical assistance loan address necessary reforms and restructuring of the institutions involved, while the higher education development project was extended to enhance Thailand's competitiveness through increased research and development in science- and technology-related fields. Technical assistance grants totaling \$6.2 million for five projects were also approved, two of which were linked to the Agriculture Sector Program loan and one to the technical assistance loan for specialized financial institutions.

Project implementation: Since the start of ADB operations in Thailand in 1968, ADB has approved a total of 83 loans amounting to

Thailand Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Energy	27	1,632.3	30.5
Transport and Communications	17	1,214.5	22.7
Social Infrastructure	15	758.7	14.2
Agriculture and Natural Resources	13	709.1	13.3
Multisector	1	500.0	9.4
Finance	9	494.5	9.2
Industry and Nonfuel Minerals	1	39.0	0.7
Total	83	5,348.1	100.0

\$5.3 billion, including loans to the private sector. A total of 69 loans were closed and 14 were under administration at the end of 1999. Contract awards in 1999 totaled \$555.8 million, bringing the cumulative value to \$4.0 billion. The contract award ratio for 1999 was 59.6 percent including program loans and 47.3 percent excluding program loans. Disbursements during the year totaled \$462.1 million, bringing cumulative disbursements to \$3.8 billion. The disbursement ratio for 1999 was 39.4 percent, including program loans and 16.7 percent excluding program loans.

The high contract award and disbursement ratios were mainly attributed to the release of the second tranche of the Social Sector Program loan and the release of the first tranche of the Agriculture Sector Program loan, which was approved in September.

Project implementation on the whole was satisfactory. However, delays in achieving physical progress were encountered in the transport sector mainly due to contractors' financial difficulties arising from the financial crisis.

During the last quarter, the Government and ADB jointly conducted a review of the portfolio, focusing on implementation issues that adversely affected performance. The portfolio review resulted in (i) an agreed set of time-bound actions to improve project

implementation, (ii) identifying potential surplus loan proceeds for cancellation to improve implementation performance, and (iii) a recommended joint review of the portfolio to be undertaken with other funding agencies for a common platform in 2000.

Viet Nam

Economic performance

Economic growth: In 1999, real GDP growth was estimated to be 4.4 percent (the official estimate is 4.8 percent), which is half the average growth rate experienced during the six years from 1992 until the onset of the regional crisis in 1997. The slowdown in growth over the last two years has been due to the indirect impact of the regional crisis, stagnating domestic demand, and loss of reform momentum. Sectoral performance in 1999 has been mixed. The growth of the agriculture sector was higher in 1999 (5.0 percent) than in 1998 (3.0 percent) due to a bumper rice crop and growth in the fisheries and livestock industries. The industry and services sector growth were lower in 1999 (7.0 percent and 2.0 percent) than in 1998 (8.3 percent and 2.5 percent), respectively. The construction subsector contracted, and the manufacturing subsector experienced slower growth, with inventory buildup in key industries including cement, steel, coal, and fertilizers. The depressed services, tourism, real estate, and transportation subsectors were particularly hard hit by the economic slowdown.

Comparative results of the 1993 and 1998 Living Standards surveys, which became available in 1999, showed that poverty incidence has dropped from 58 to 37 percent based on a total poverty line, and from 25 to 15 percent if a lower food poverty line is used. Broad-based growth, liberalization of the agriculture sector, and redistributive policies were behind this impressive achievement. These dramatic gains remain fragile, as the share of population marginally above the poverty line remains quite high.

Inflation: Average annual inflation declined to 0.1 percent in 1999 from more than 9 percent in 1998. The factors mainly responsible for

the falling inflation rate were the decline in the food price index, slowdown in domestic demand, a relatively stable exchange rate, and adherence to a prudent monetary policy.

External sector: Exports recovered significantly in 1999, growing by about 22.3 percent compared with the previous year's growth of 1 percent. Rice, crude oil, seafood, garments, and footwear contributed to the pickup in export growth. Liberalization of export policies, including elimination of export tax on rice and increased access of the private sector to exports, also contributed to the strong export performance. Imports recovered by a modest 1.2 percent growth in 1999 compared with a decrease of 2.1 percent in 1998. With the compression in imports and resurgence of exports, the current account balance registered a surplus in 1999. FDI continued to fall. The regional concentration of foreign investors—two thirds of FDI inflows originated in Asia in the precrisis period—has made FDI inflows vulnerable to weaker regional GDP growth. Investor sentiment also remained lukewarm due to uncertainties about the direction and pace of reforms in Viet Nam.

Domestic policies: The Government's fiscal and monetary policies remained prudent in 1999. Additional per capita spending to stimulate demand led to a small increase in the fiscal deficit of 1.5 percent. Revenue performance was disappointing and will need to be improved, including strengthening the structure and administrative arrangements for the VAT. Money supply grew at around 30 percent, mainly because of the increase in foreign currency deposits. Several reform measures were undertaken in the critical areas of private sector development, as well as in the banking, SOE, and trade subsectors. The Enterprise Reform Act, which was approved by the National Assembly in June 1999, provides a strong basis for liberalizing private entry and unifying the legal framework for most enterprises. In the banking subsector, several prudential regulations were issued and preliminary action plans for restructuring joint-stock and state-owned commercial banks were developed. Progress in SOE reform has been slow, limited to selecting 100 large, troubled SOEs for diagnostic audits,

and completing equitizations (a term that refers to issuing shares by the affected companies) for 146 enterprises. In the area of trade reforms, regulations were issued to reduce the number of tariff rates, private firms were allowed to export rice, auctioning of export quotas for garment exports started, and the foreign exchange surrender requirement was reduced from 80 percent to 50 percent of available balances. The exchange rate mechanism was also modified in February to allow for greater flexibility in its determination, based on prevailing interbank rates.

While these and some other policy measures taken in 1999 signaled the Government's commitment to reform, much more remains to be done. The two years of comparatively low growth have resulted in rising unemployment, particularly in the urban areas, declining government revenues, and further weakening of SOEs and banks. More importantly, there is concern that the remarkable progress that Viet Nam has made in the last five years in reducing poverty will falter unless reform priorities and a reasonable time frame in which to achieve them are set out. Priorities include removing the remaining obstacles to private sector development, SOE restructuring, banking reform, and trade liberalization.

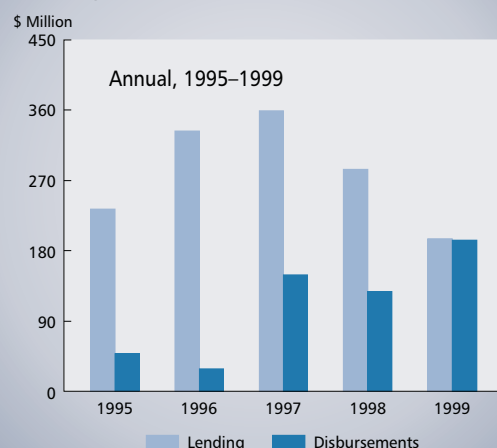
ADB operations

Operational strategy: The principal objective of ADB's operational strategy in Viet Nam is to reduce poverty and promote efficient economic growth. ADB is currently preparing a new operational strategy to reflect the changed circumstances after resuming its operations in 1993, notably the significant reduction in poverty achieved through economic growth and market liberalization, and the emergence of greater inequalities in income distribution and access to services between urban and rural areas. ADB's support to Viet Nam in the medium term will address critical constraints in the following areas: (i) policy reform and institutional development, (ii) rural development, (iii) infrastructure development, (iv) human development, (v) environmental and natural resource management, and (vi) subregional

cooperation. The new strategy will focus on the more disadvantaged central region of Viet Nam.

Policy dialogue: A vital component of ADB operations in Viet Nam is to encourage policy and structural reforms to improve public sector efficiency and develop the private sector. A policy-based loan in support of banking and finance sector reform was successfully completed in 1999. Another policy-based loan to support the Government's efforts to reform

Viet Nam Lending and Disbursements



Viet Nam Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Transport and Communications	8 ^a	531.2	28.3
Agriculture and Natural Resources	13	484.6	25.9
Social Infrastructure	10	446.6	23.8
Energy	3	186.3	9.9
Industry and Nonfuel Minerals	3	130.0	6.9
Finance	2	97.0	5.2
Total	39	1,875.7	100.0

a Includes Viet Nam loan component for the Greater Mekong Sub-region: Phnom Penh-Ho Chi Minh City Highway Project amounting to \$100 million in 1998 and Greater Mekong Subregion: East-West Corridor amounting to \$25 million in 1999.

SOEs, improve corporate governance, facilitate foreign investment inflows, and support the development of private enterprises was approved in 1999. In addition to program lending, policy dialogue was an important feature in all of ADB's loan projects. Dialogue included support for increased efficiency through tariff reform and other measures to increase cost recovery and strengthen financial management, policy analysis, and planning within state-owned utilities. Policy dialogue also plays an important role in promoting good governance and improving natural resource management and environmental protection. To facilitate policy dialogue, advisory technical assistance was provided to key government agencies.

Loans and technical assistance: ADB approved four loans totaling \$220 million for the social infrastructure, transport (including the \$25 million loan component of the Greater Mekong Subregion: East-West Corridor Project), and finance sectors. Thirteen technical assistance grants totaling \$10.3 million were also approved, three of which were for project preparation.

Project implementation: Since becoming a member in 1966, Viet Nam has received a total of 39 loans, of which 13 were closed and 26 were still active at the end of 1999. Contracts worth \$250.4 million were awarded during the year, bringing the cumulative total of contracts to \$843.1 million. The contract award ratio for 1999 was 24.8 percent. Disbursements for the year totaled \$193.8 million, bringing cumulative disbursements to \$576.3 million. The disbursement ratio for 1999 was 16.0 percent.

In the past year, the Government and ADB took steps to improve portfolio performance in Viet Nam. These included (i) adopting and disseminating the project accounting manual to line ministries to assist PMU staff in carrying out disbursement and project accounting activities; (ii) organizing training seminars on procurement procedures; (iii) ensuring that ADB's guidelines had been followed in all project implementation activities; (iv) ensuring sufficient counterpart funds and facilitating the

efficient use of imprest accounts; (v) issuing and implementing decisions to further clarify the Government's disbursement procedures; and (vi) issuing and implementing the Government's and ADB's anticorruption policies to promote good governance. These actions have resulted in improvements in several aspects of project implementation, particularly in the allocation and flow of funds.

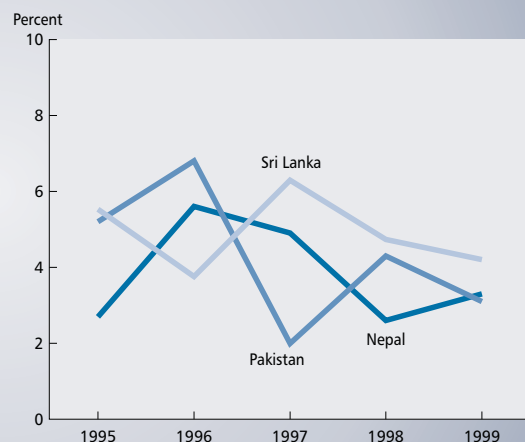
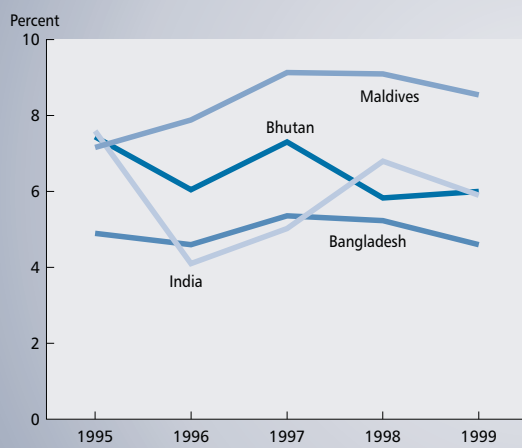
Despite these efforts, however, there were some signs of deterioration in portfolio performance in 1999. The nature of portfolio management issues has shifted with the maturity of the portfolio. Delays in loan signing and effectiveness have been acute only for a few projects, while implementation issues, particularly delays in selecting and fielding consultants, have become the main problem. Difficulties were encountered in start-up activities, such as establishing and staffing PMUs, and issuing project-specific operational and financial regulations. Delays in the last stages of processing loans and technical assistance require that the Government's and ADB's procedures be better harmonized. Surplus loan proceeds have become available in several projects because of the maturing portfolio and the remarkably low bids awarded.

South Asia⁴

The South Asian economies, which remained relatively unaffected by the Asian financial crisis, continued with their strong performance in 1999. The subregion achieved a GDP growth of 5.4 percent in 1999, compared with 6.3 percent in 1998. This growth was achieved despite a poor agricultural performance in India, a result of relatively poorer climatic conditions, and some of the worst floods and natural disasters in Bangladesh and eastern provinces of India. The uncertainties resulting from the political changes in Pakistan also affected the subregion's economic performance. The sustained growth in GDP in South Asia is a result of policy reforms that have been undertaken in

⁴ South Asia includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. ADB has not had operations in Afghanistan since 1980.

Selected South Asian Economies GDP Growth Rates



the past decade and the greater openness of their economies, which has enabled them to attract higher volumes of FDI.

The subregion, however, is host to more than half of Asia's poor. About 500 million of the 900 million poor in Asia and the Pacific live in the south Asian subcontinent. A majority of these are concentrated in the eastern region of the subcontinent, an area comprising Bangladesh, Bhutan, India, and Nepal. Other human development indicators in the region are also among the lowest in the world.

Sustained pro-poor economic growth, coupled with an attack on inequities, is needed to achieve higher human development indicators. Progress in structural reforms, a greater commitment to building social safety networks, and investing in human capital are critical for the subregion to attain its full economic potential.

Bangladesh

Economic performance

Economic growth: During FY1998/99 (ending 30 June), extensive floods adversely affected the main summer harvest, economic growth, and macroeconomic stability. GDP growth for FY1998/99 was 4.6 percent, lower than the 5.2 percent achieved in FY1997/98 but higher

than the immediate postflood estimate of 3.3 percent. Despite the heavy floods, agriculture sector growth increased to 3.9 percent in FY1998/99, compared with 3.2 percent in FY1997/98. This was due to the bumper harvest of winter crops, and the Government's prompt response of launching an agriculture sector recovery program to recoup the losses of the summer crops. Industry sector growth, however, decreased during the same period from 8.4 percent to 5.0 percent as a result of flood-induced disruptions to manufacturing subsector production. The services subsector maintained a steady growth of 5.0 percent.

Inflation: The inflation rate rose to 8.9 percent in FY1998/99, up from 7.0 percent in the previous year, because of higher food prices resulting from a shortage in food supply and expansionary monetary and fiscal policies. After the 1999 winter harvest, which partially offset the losses of the summer harvest, inflation went down to 4.5 percent in September from 7.7 percent in June.

External sector: The impact of the turbulence in east and southeast Asian financial markets on the Bangladesh economy has so far been limited. However, the floods reduced export performance in FY1998/99, with export growth declining to 2.9 percent, compared with 16.8 percent in the previous year. The garment and knitwear subsectors accounted for almost the entire increase in

exports. The growth rate of imports, on the other hand, increased from 5.1 to 6.6 percent. Remittances from expatriate workers, however, maintained an impressive growth of 12.0 percent during the period. The current account deficit increased from 1.2 to 1.4 percent of GDP. The foreign exchange reserves have been stable at about \$1.5 billion or 2.2 months of imports at the end of FY1998/99.

Domestic policies: Public expenditures for addressing the impact of the floods—additional food grain imports, postflood rehabilitation spending, and shortfalls in current revenue collection because of disrupted economic activities—resulted in an increased budget deficit of 5.3 percent of GDP in FY1998/99, compared with 4.2 percent in the previous year. To meet the flood-induced budgetary shortfall, the Government resorted to bank borrowings amounting to Tk15 billion (\$309 million) during FY1998/99.

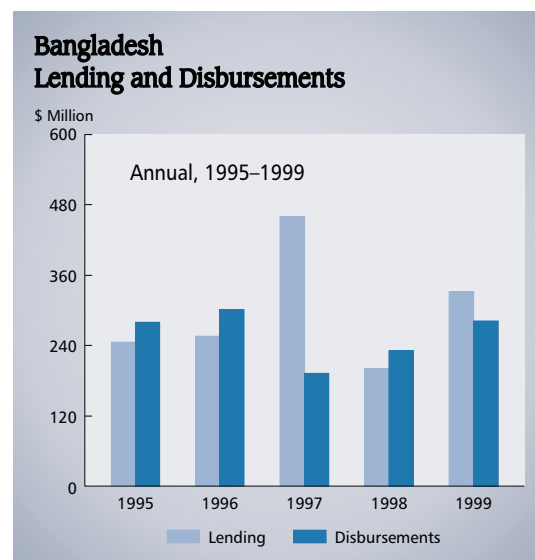
In the banking subsector, nonperforming loans remained substantial with classified loans increasing to 43.0 percent of total loans on 30 June 1999, against 41.0 percent on 31 December 1998. Some progress has been made in recent months, particularly in removing major defaulters from the directorship of commercial banks. Several initiatives were under way to amend key banking legislation and policies to improve the governance, legal framework, and institutional capacity of the banking system. Further progress was made in introducing structural reforms in the economy in 1999, especially in the finance, industry, and power sectors. In the finance sector, systematic capital market reform measures have been introduced to facilitate domestic resource mobilization. These include establishing an investor protection fund in the major stock exchanges, tightening capital adequacy norms for brokers, implementing automated trading, and establishing a central depository for the capital market. ADB's Capital Market Development Program loan has facilitated these adjustments. In the industry sector, the pace of SOE privatization has been gradual, as in most other DMCs. However, the privatization bill for establishing a privatization commission recently submitted to Parliament will help step up the

pace of privatization. In the energy sector, significant progress was made toward unbundling generation, transmission, and distribution functions, which set the basis for corporatization and future entry of private investors. ADB assistance has largely facilitated these efforts.

ADB operations

Operational strategy: ADB's strategy for Bangladesh continued to focus on poverty reduction by promoting faster private sector-led economic growth, creating better development opportunities for the poor, developing human resources, and protecting the environment. The new strategy has been reoriented to include the change in lending philosophy to focus on reducing poverty as an overarching objective, the sharper focus on long-term involvement in selected subsectors, a sector strategy requirement, and political commitment.

Policy dialogue: In line with the new country operational strategy and ADB's new poverty strategy, the main thrust of policy discussions was on approaches for reducing poverty. The Government agreed to conclude with ADB a Poverty Reduction Partnership Agreement—one of the first under the new poverty reduction strategy—and sought ADB's assistance in preparing for the Agreement. For its part, ADB agreed to provide this assistance. In 1999, policy dialogue focused on (i) developing capital market; (ii) regulating and transforming the power subsector; (iii) institutional strengthening, capacity building, and long-term planning in the road subsector; and (iv) reforming the education system. The Dhaka Power Systems Upgrade Project will enable effective and efficient evacuation and economic use of the power generated, and management capacity building for the agencies concerned in the sector. The Southwest Road Network Development Project will open a road corridor to induce economic growth and create conditions for greater regional cooperation with possible involvement of the private sector. The Secondary Education Sector Project will assist the Government in implementing its Secondary Education Sector Development Plan.



Loans and technical assistance: In 1999, ADB provided four loans amounting to \$332 million, including an ordinary capital resources (OCR) loan of \$82 million. ADB also approved 15 technical assistance grants totaling \$10.9 million (including \$3.5 million financed exclusively by the Netherlands).

Project implementation: Since ADB started lending to the country in 1973, Bangladesh has received 137 loans totaling \$5.9 billion. Of these, 98 loans were closed, and 39 loans with a net loan amount of \$2.6 billion were under implementation at the end of 1999.

Contracts worth \$295.6 million were awarded in 1999, bringing the cumulative total of contracts to \$4.2 billion. The contract award ratio for 1999 was 25.2 percent. Disbursements for the year totaled \$281.5 million, bringing cumulative disbursements to \$4.2 billion. The disbursement ratio for 1999 was 21.8 percent. As a result of concerted efforts of the Bangladesh Resident Mission (BRM) and executing agencies, project implementation performance, in terms of contract award and disbursement, was better than in 1998. This was a commendable performance given the increasingly frequent and prolonged strikes during the peak project implementation period of the last quarter of the year.

Various measures have been taken by the Government and ADB to resolve implementation constraints. ADB has coordinated

Bangladesh
Cumulative ADB Lending
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	60	2,051.5	34.7
Energy	20	1,226.8	20.7
Transport and Communications	17	1,096.8	18.5
Social Infrastructure	23	956.4	16.2
Industry and Nonfuel Minerals	8	262.5	4.4
Finance	8	217.6	3.7
Multisector	1	104.0	1.8
Total	137	5,915.6	100.0

closely with other external funding agencies to improve Bangladesh's project implementation capacity. In 1999, ADB conducted a joint review of the portfolio performance with the World Bank and prepared an aide-memoire detailing an action plan for the Government. However, progress in implementing the action plan recommendations has been slow due to inadequate capacity within the Government and the executing agencies. During the midterm review meeting of the Bangladesh Development Forum in September 1999, there was unanimity that project implementation procedures and practices in Bangladesh need to be comprehensively reviewed and improved to enhance portfolio management.

ADB continued to work with the Government to resolve portfolio performance issues; government representatives and BRM staff members meet regularly to monitor implementation targets. Efforts were made to expedite implementation by emphasizing midterm reviews and review missions. Institution-building efforts were pursued through various technical assistance activities to improve the country's capacity to implement ADB-assisted projects. Establishing a loan disbursement unit within BRM was another step toward improving portfolio performance.

Bhutan

Economic performance

Economic growth: Bhutan continued to experience strong growth in output in FY1998/99 (ending 30 June), with real GDP growth at 6 percent. Major hydropower and industry sector projects have expanded construction activities. Higher industry sector growth, particularly in electricity, was expected after the commissioning of these projects. GNP per capita has improved gradually and reached \$500 in 1998 from \$480 in 1997.

Inflation: In FY1998/99, inflation increased to more than 9 percent because of increases in food prices in India. Money supply growth slowed from a high of 42 percent in FY1997/98 to 18 percent in FY1998/99. This represents a slower increase of net foreign assets from inflows of foreign aid. The decline in domestic credit particularly to the Government has also helped reduce monetary growth from the previous year.

External sector: Export growth in 1999 was adversely affected by the floods in the region. The US dollar value of exports declined by 6 percent in FY1998/99, compared with the strong growth of 12 percent in FY1997/98 caused by weaker external demand. In addition, import growth of 20 percent as a result of requirements for large hydropower projects being constructed has resulted in substantial widening of the trade deficit from 6.4 percent of GDP to 15 percent, and the current account deficit from 12 percent of GDP to 26 percent. Bhutan reversed the slight trade surplus with India, the country's main trading partner, last year to a trade deficit of 4.8 percent of GDP. The bilateral trade in services contributed to a current account deficit of almost 18.6 percent of GDP, compared with 6.6 percent last year. Capital flows, mostly in the form of aid for infrastructure investments, were more than sufficient to cover the current account deficit, resulting in an overall balance-of-payments surplus of more than 26 percent of GDP. This surplus helped to accumulate foreign exchange reserves that reached about \$259 million at the end of FY1998/99, equivalent to almost

19 months of imports. External debt, mainly from multilateral development agencies, continued to be small. At the end of FY1998/99, total public external debt was less than 30 percent of GDP. Debt service in FY1998/99 was about 9 percent of merchandise export earnings, well within prudent limits.

Domestic policies: The Government continued to conduct a prudent fiscal policy, with current revenues exceeding current expenditures in FY1998/99. Inflows of foreign grants were not sufficient to cover development expenditure, leading to an overall budget deficit of 2.4 percent of GDP, compared with a 3.3 percent surplus in the previous year. The deterioration in the country's fiscal stance was because of a major increase in capital expenditure for hydropower and industrial projects, which were financed by concessional donor assistance. The 77th session of the National Assembly, which concluded in August 1999, passed several important bills, including the Telecommunications Act, Road Safety and Transport Act, Bankruptcy Act, Immovable and Movable Property Act, and Municipal Act. These acts are expected to strengthen the legal framework for a market-oriented economy and the capacity of the central and local government units to manage development on a sustainable basis. Under a new system of government, the King remains the head of state, but he is no longer the head of the Government. The latter position is now being rotated among members of the Cabinet of Ministers on an annual basis. In November, the Government released a report to enhance good governance by promoting efficiency, transparency, and accountability. Specific recommendations were proposed, including reorganizing the government administration. Implementation is expected to be completed by 2002.

ADB operations

Operational strategy: ADB is finalizing a new strategy for Bhutan. Translating ADB's overarching goal of poverty reduction into a strategy and operational program that reflects the reality of Bhutan's development context requires considering the (i) nature and degree

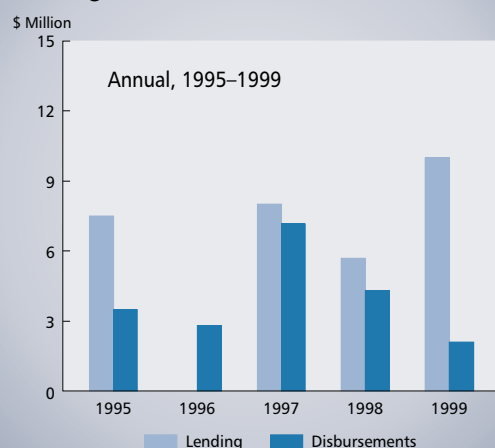
of poverty in Bhutan, (ii) effectiveness in addressing basic human needs of the Government's economic and social development programs, (iii) access to grant funds from other multilateral and bilateral funding agencies, (iv) debt-servicing and project implementation capacities, and (v) initiatives of other funding agencies. In addition, in making a small program effective, ADB must be selective to avoid spreading resources too thinly. Reducing poverty requires continued economic growth, together with the continued spread of health, education, and other facilities, to include all groups as potential beneficiaries. ADB will support poverty reduction in Bhutan by promoting pro-poor economic growth and social inclusiveness through interventions in physical and social infrastructure, private sector development, employment creation, and improved economic management. ADB's concern for poverty reduction will be addressed through income and employment generation impact of private sector-led development brought about by (i) better policy setting and more efficient financial intermediation, (ii) better road transport and expanded power transmission and distribution, and (iii) strengthened vocational, technical, and basic skills.

Policy dialogue: Key policy dialogue in supporting the implementation of the country's operational strategy includes (i) promoting

private sector development, (ii) improving the efficiency of public service delivery and cost recovery, and (iii) protecting the environment. ADB will continue to support the Government's efforts to provide an enabling environment for private sector development by (i) rationalizing and strengthening banking and financial institutions; (ii) continuing the liberalization of foreign trade, exchange, and investment regulations; (iii) liberalizing interest rates so that they reflect the true underlying cost of resource mobilization, intermediation, and risk; and (iv) preparing transparent legislation and regulatory procedures. In the energy sector, the key policy objectives include pursuing financial viability and sustainability of power operations by corporatizing the Division of Power and promoting private sector participation in power development. ADB also supports ongoing efforts to increase domestic resource mobilization, including improving the cost recovery of public service delivery, particularly in health and urban services.

Loans and technical assistance: ADB provided a \$10 million loan for sustainable rural electrification, covering more than 6,000 new customers in rural villages in 16 districts. Five technical assistance grants—including institutional strengthening and capacity building in

Bhutan Lending and Disbursements



Bhutan Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Energy	2	17.5	23.3
Social Infrastructure	3	16.1	21.4
Multisector	2	12.4	16.5
Finance	3	10.5	13.9
Transport and Communications	2	9.7	12.9
Agriculture and Natural Resources	2	7.8	10.4
Industry and Nonfuel Minerals	1	1.2	1.6
Total	15	75.2	100.0

banking supervision, project implementation, basic skills development, health care system, and power sector—amounting to \$2.2 million were also approved.

Project implementation: Since ADB started lending to Bhutan in 1983, 15 loans totaling \$75.2 million have been approved. As of 31 December 1999, there were six ongoing loans with \$12.6 million undisbursed. Contracts worth \$2.2 million were awarded during the year, bringing the cumulative total to \$47.5 million. The contract award ratio for 1999 was 7 percent. Disbursements for the year totaled \$2.1 million, bringing cumulative disbursements to \$47.2 million. The disbursement ratio for 1999 was 13.9 percent.

Since 1998, the Government has undertaken various measures to address issues raised to improve portfolio performance and its management. Liquidation of imprest accounts and timely submission of audited project accounts have improved. However, efforts need to be continued to further enhance portfolio performance, including improving compliance with loan covenants and program conditions. A list of key issues discussed in the 1999 country portfolio review mission includes (i) portfolio restructuring and management, (ii) loan effectiveness, (iii) establishment and maintenance of project implementation structure, (iv) recruitment of consultants, (v) contract awards and administrative procedures, (vi) disbursement of loan proceeds and release of counterpart funds, (vii) imprest accounts, (viii) submission of audited accounts, (ix) loan extension and ADB review mission, (x) project performance rating system, (xi) project quality; (xii) performance-based lending, (xiii) anticorruption provisions in guidelines for procurement and use of consultants, and (xiv) compliance with environmental and social measures.

The Government supports ADB's poverty reduction strategy and confirms that the framework is consistent with the overall development objectives of the country. Bhutan's Planning Commission Secretariat recently constituted a focal point at its Strategic Planning Division to coordinate and enhance activities and efforts toward poverty reduction.

India

Economic performance

Economic growth: During FY1999/2000 (ending 31 March), the Indian economy was on the way to recovery, with industrial output clearly on an upward trend. The industry sector grew, with the index of industrial production up by 6.2 percent during the first nine months of the year, compared with 3.7 percent in the previous corresponding period. Underlying this better performance was double-digit growth in the consumer durable subsector, machinery, and cement production, resulting in the revival of growth in manufacturing from 3.9 percent during April–December 1998 to 6.7 percent during April–December 1999. The growth rate of the services subsector, which showed a modest decline in FY1998/99, bounced back to the previous year's level of about 8.0 percent. After the national election in September–October 1999, investor confidence was boosted. However, because of weaker performance of the agriculture sector, GDP growth in FY1999/2000 declined to 5.9 percent, compared with 6.8 percent in the previous year. With the below-normal monsoon in some areas and a serious blow from the cyclone that hit the Orissa Coast in October 1999, growth of the agriculture sector slowed from the strong performance of 7.2 percent in 1998. Food grain production fell short of the previous year's level of about 200 million tons because of the erratic rainfall in some states.

The fiscal situation at both central and state levels continued to deteriorate, further causing serious concern for maintaining macroeconomic balances. The fiscal revenue of the central Government fell short of the target, while the rapid expansion of expenditure (particularly nonplan expenditure) continued. Consequently, the overall fiscal deficit of the central Government rose to 5.5 percent of GDP in FY1999/2000, 36 percent higher than the target for the year. The fiscal deficit at the state level, projected at 4 percent of GDP, exceeded 5 percent largely because of the sharp increase in wage expenditure following the implementation of the recommendations by the Fifth Pay Commission.

Inflation: The inflation rate for FY1999/2000, measured by the year-on-year changes in the monthly averages of the wholesale price index (WPI), was 3.3 percent—a considerable decline, following an inflation rate of 6.9 percent in the previous year. The growth of WPI on a year-on-year basis fell primarily because of low inflation in the prices of primary goods (3.0 percent) and manufactured goods (1.8 percent). Relatively stable prices in these sectors enabled the economy to absorb a 9.0 percent rise in prices of fuels and lubricants without increasing the rate of inflation. Consumer price inflation, as measured by CPI for industrial workers, slowed to 3.3 percent in FY1999/2000, compared with 12.9 percent in the previous year.

External sector: With the rebound in Asia and the recovery in the global economy, exports in FY1999/2000 are estimated to grow at more than 10 percent in US dollar terms after the disappointing 3.9 percent decline in the last fiscal year. The strong performance in manufacturing exports, at 12.9 percent during the first nine months of the year, was the driving force for the recovery. Imports in US dollar terms also recovered, estimated to have grown at 9.0 percent for the year, compared with last year's growth of 0.9 percent. The growth of imports was primarily because of the substantial increase in the prices of crude oil and petroleum products during the first half of the year, although the decline in non-oil imports slightly offset the overall increase in imports. Despite the surge in oil prices, the current account deficit in FY1999/2000 was contained at 1.5 percent of GDP because of the solid performance in invisible incomes, primarily from private remittances and software exports.

Despite positive economic prospects and increased political stability, FDI flows declined by 17.4 percent to \$1.3 billion during the first eight months in FY1999/2000, which is a cause for concern. However, foreign investment flows (direct plus institutional investments in the stock markets) increased sharply to \$3.1 billion during the first nine months of FY1999/2000—almost thrice the \$1.1 billion received during the corresponding period in FY1998/99. This is mainly because of the marked turnaround of

portfolio investment from \$752 million outflows to \$1.2 billion net inflows during the period.

By the end of February 2000, foreign exchange reserves (excluding gold and special drawing rights), estimated at \$32.8 billion or eight months equivalent of imports, have increased by \$3.3 billion, compared with the level at the end of last fiscal year. Reflecting the stable outlook of the external economy, the pressure on the exchange rate eased compared with that of the previous year. Consequently, the rupee (Rs) to US dollar exchange rate depreciated by an average of 2.8 percent during the first 10 months of the year, compared with the 7.6 percent depreciation in FY1998/99.

Domestic policies: In view of the rapidly growing fiscal deficit, the central Government's budget for FY1999/2000 proposed several measures for fiscal strengthening. The budget simplified excise taxes and customs duties, raised levels of income taxes and corporate taxes, and increased duty rates and the prices of diesel fuel. The budget also proposed to quicken the pace of disinvestment with a target of Rs100 billion for FY1999/2000. In a recent effort of deepening tax reforms, state governments have unanimously agreed to implement uniform floor rates for a sales tax, and to phase out sales tax-based incentives for industries by 1 January 2000. They have also agreed to introduce a unified VAT regime throughout the country by 1 April 2001. The lack of adequate measures for containing the expansion of government expenditures, however, remains a cause for concern. The Government's budget documents showed that the Government's staff strength, excluding the railways subsector, increased by 1.5 percent in FY1999/2000. Although a proposal to cut fertilizer and food subsidies was made, it was partially rolled back before Parliament could approve the budget.

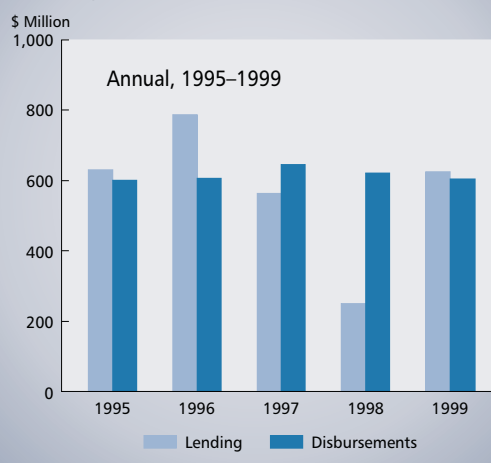
For FY1999/2000, the monetary and credit policies continued improving short-term liquidity along with stable medium- and long-term interest rates. Responding to the reduction in the cash reserve ratio and the bank rate in March and April 1999, bank deposits and non-food credits grew more rapidly during the first half of FY1999/2000 than in the previous period.

The Government's export-import policy for FY1999/2000 moved toward a more liberal trade regime with reduced quantitative restrictions and tariffs; although the latter, with a ceiling of 30 percent, is still among the highest in the region. Parliament approved the Patent Bills in March 1999. In the insurance market, Parliament approved the highly publicized Insurance Regulatory and Development Agency Bill in December 1999, paving the way to opening the insurance market to private domestic and foreign investors. In the telecommunications subsector, the Government's new policy, approved in March 1999, included reform measures that aim to remove entry/exit barriers and increase competition. The national long distance service will be opened to private operators starting 1 January 2000. Moreover, a government ordinance in January 2000 has restructured the Telecom Regulatory Authority of India, and created an independent dispute settlement body for the telecommunications subsector. Recently, measures to open up all sectors (with the exception of several industries) to FDI participation was announced in a bid to increase FDI inflows.

ADB operations

Operational strategy: ADB's operational strategy for India is designed to support efforts to promote employment and reduce poverty through improved efficiency, sustainable pro-poor economic growth, and better development opportunities for the poor. These objectives are to be achieved by reducing bottlenecks in key infrastructure sectors; developing and improving the enabling environment for private sector investment; improving public resource mobilization and management at the state level, including enhancing resource allocation for social sectors; and strengthening the focus on urban development, environmental improvement, and housing finance to reduce poverty. Consistent with its overall strategy, ADB's operational program continues to be guided by the principle of selectivity in both sectoral and geographic aspects, with state-level operations accounting for up to 50 percent of annual lending in the next few years.

India Lending and Disbursements



India Cumulative ADB Lending

(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Energy	16	2,816.8	35.7
Transport and Communications	12	1,975.6	25.1
Finance	11	1,330.0	16.9
Social Infrastructure	10	1,030.0	13.1
Multisector	3	300.0	3.8
Others	1	250.0	3.2
Industry and Nonfuel Minerals	4	175.9	2.2
Total	57	7,878.3	100.0

Policy dialogue: In 1999, policy dialogue focused on (i) urban environmental improvement and development, (ii) comprehensive economic and structural reforms at the state level, (iii) institutional strengthening and capacity building for improved municipal management, and (iv) strengthening the role of microfinance institutions in infrastructure development. The Karnataka Urban Development and Coastal Environment Management Project will encourage more balanced urban regional development, thereby reducing urban poverty and environmental concerns. The Madhya Pradesh Public Resource Management Program will improve

resource management of the public sector, strengthen corporate governance, and enhance resource allocation to social sectors, particularly health and education, to foster human development in one of the poorest states in India. The Urban and Environmental Infrastructure Facility Project will improve the living conditions of the urban population by supporting subprojects such as water supply and sanitation, drainage and sewerage, and solid waste management, and by strengthening the institutional framework for urban infrastructure financing.

Loans and technical assistance: Five loans for three projects, totaling \$625 million, were approved in 1999. Four loans amounting to \$375 million were for the social infrastructure sector (urban and environment, and health and nutrition) and one for a public resource management program (\$250 million). Eleven technical assistance grants totaling \$7.2 million were approved.

Project implementation: Since ADB started lending in 1986, India has received a total of 57 loans amounting to \$7.9 billion, of which 22 were closed and 35 were being implemented at the end of 1999. Contracts worth \$557.4 million were awarded during the year, bringing the cumulative total of contracts to \$5.3 billion. The contract award ratio for 1999 was 14.5 percent. Disbursements for the year totaled \$605.2 million exceeding the projection by 55 percent and bringing cumulative disbursements to \$5.0 billion. The high disbursement ratio of 32.9 percent in 1998 increased to 35.2 percent in 1999 as against ADB average of 22.2 percent.

Project implementation, which has improved lately, continued to suffer from some weaknesses. The project implementation structure, as envisaged during loan negotiations, has also failed in some cases because it was established without sufficient authority to implement decisions. Government attention has been drawn to these weaknesses to improve portfolio performance. The mandatory use of ADB's sample bidding documents has been implemented since 1 July 1999. As agreed in the 1998 Action Plan, the Government constituted a working group in August 1999 to study the release of funds for externally assisted projects

from the central Government to the state governments to ensure adequate funds for timely project implementation.

ADB's 1999 country portfolio review mission notified the Government of the need to improve the timeliness of submission of audited project accounts and financial statements. The mission informed the Government about the option of using private auditors in situations where inordinate delays in the audit of project accounts were envisaged.

Of the 10 specific time-bound actions agreed during the 1998 country portfolio review, six actions have been complied with. The Government is still studying two actions related to funds flow, and another one has been implemented. The Government also agreed to implement a number of actions outlined in the action plan of the 1999 country portfolio review.

Maldives

Economic performance

Economic growth: During the last three years, the Maldives' economy grew in real terms between 8 and 9 percent. The strong growth performance has been the result of favorable developments in tourism, fisheries, manufacturing (including electricity and water supply), and transport and telecommunications industries. Growth in 1999 is estimated at 8.5 percent with tourist arrivals increasing by about 10 percent to around 430,000. Increased growth in tourism continued to facilitate the construction of resorts, the growth of transportation subsectors, and the development of basic infrastructure facilities. In addition, the fisheries subsector remained buoyant in 1999, despite lower fish prices in the international market.

Inflation: As fish is the principal food item measured by the CPI, the increase in domestic fish production had a favorable impact on inflation. The annual average inflation rate was estimated at 4 percent in 1999. Given the fixed exchange rate for the rufiyaa against the US dollar, the Asian financial crisis had a positive impact on domestic inflation by lowering import prices.

External sector: The current account deficit deteriorated to 7.7 percent of GDP in 1999 from 7 percent in 1998 because of increased imports associated with investments in the tourism subsector. In addition, exports also declined in 1999. The current account deficit has, however, been more than offset by capital (especially private capital) inflows, thereby enabling the official reserves to rise to the equivalent of more than four months of imports. External debt as a percentage of GDP reached 49.8 percent in 1998. The debt service ratio remained below 4 percent during the past five years, except in 1997, when full payment was made on a \$15 million loan provided by the Kuwait Fund for balance-of-payments support in 1993.

Domestic policies: To achieve a sustainable economic growth, the Maldives needs to continue structural reforms of the economy, including fiscal consolidation by broadening the current tax base, and to enhance the efficiency of the public sector and financial system. Human resource development and regional development are also important areas of concern for sustainable growth in the medium term.

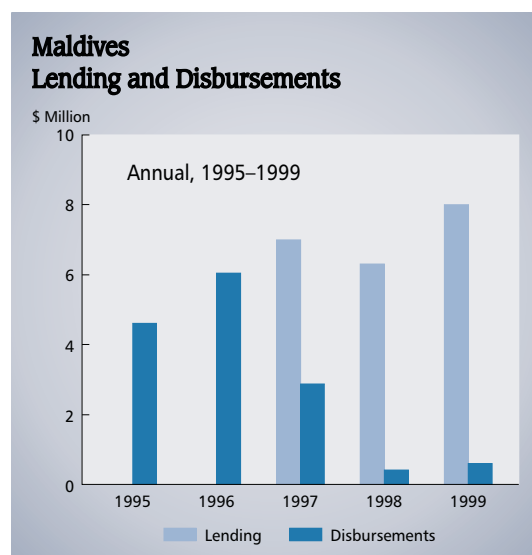
ADB operations

Operational strategy: The preparation of a new operational strategy for the Maldives began in 1999. The strategic consideration of future

assistance from ADB will take into account the Government's development priorities and ADB's overarching objective of poverty reduction. Key areas of support will include (i) regional development through the provision of basic social and economic infrastructures to help achieve growth with equity; (ii) human development, especially through higher education and skills training; (iii) environmental management for sustainable growth; and (iv) increased public sector efficiency and private sector growth. Support to develop further the finance sector is also essential to assist the country in mobilizing long-term commercial financing to meet the needs of the private sector.

Policy dialogue: The principal areas of policy dialogue between ADB and the Government in the context of regional development include (i) equitable development across islands, (ii) environmental protection, and (iii) increased private sector participation in the economy. Other important areas include enhancing the Government's audit and public accounting capacities, developing a system of national accounts, developing the legal system, and encouraging private sector participation in port operations, including corporatizing the Maldives Ports Authority.

Loans and technical assistance: One loan amounting to \$8.0 million was approved in 1999 for regional development. ADB also approved three technical assistance grants totaling \$1.8 million. Technical assistance was provided to the Government to prepare a project to



Maldives
Cumulative ADB Lending
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Energy	3	22.3	40.4
Transport and Communications	3	16.2	29.4
Multisector	2	10.4	18.8
Social Infrastructure	1	6.3	11.4
Total	9	55.2	100.0

expand and upgrade the power supply system in the outer islands, establish a modern public accounting system, and strengthen the institutional capacity of legal education and judicial training. ADB and the Government conducted a joint country portfolio review in November 1999.

Project implementation: Since becoming a member of ADB in 1978, the Maldives has received a total of nine loans, of which six were closed and three were ongoing at the end of 1999, including one to become effective in February 2000. Contracts worth \$300,000 were awarded during the year, bringing the cumulative total to \$35.2 million. The contract award ratio for 1999 was 1.7 percent. Disbursements amounted to \$610,000 in 1999, with cumulative disbursements reaching \$34.8 million. The disbursement ratio for 1999 was 4.5 percent. The relatively low contract award and disbursement ratios are indicative of the intermittent and relatively low level of lending to the country and of the early stages of implementation of all projects under administration.

Nepal

Economic performance

Economic growth: Despite the uncertainty caused by the changes in the Government, Nepal's macroeconomy was stable in FY1998/99 (ending 15 July). Real GDP growth rose to 3.3 percent in FY1998/99 from 2.6 percent in the previous year, led by better performance in both the agriculture and industry sectors. While the 2.4 percent growth in agriculture fell short of projections in the Agriculture Perspective Plan, the increase over the previous year's rate of 1.0 percent was promising despite poor weather conditions. Favorable monsoon and wider use of fertilizer have led to a strong recovery in agriculture during the first quarter of FY1999/2000. Production of food grains, particularly rice and vegetables, was expected to exceed average growth rates, which will lead to growth in overall GDP of 5–6 percent for FY1999/2000. Early indicators show downturn in tourism and negligible growth in carpet

exports, though merchandise exports suggest strong performance. However, with no large projects coming onstream until the end of the fiscal year, electricity growth should continue to be slow.

Inflation: Money growth continued to be high, despite slower inflows of foreign assets. M2 increased by about 18 percent in FY1998/99, compared with 22 percent in the previous year. Inflation rose to about 13 percent from 4 percent in the previous year, driven by rising food grain and vegetable prices that resulted from poor monsoon conditions during the year. Exports of rice averted the usual downturn in the rice price after the main harvest. The food and beverage index rose by 17.3 percent. In contrast, inflation from nonfood items was rather moderate at 4.3 percent, about a percentage point lower than the previous year's rate. This occurred because of the stability of key administered prices, notably kerosene, electricity, and diesel.

External sector: In FY1998/99, Nepal's current account deficit turned into a surplus for the first time in two decades because of strong export growth and a contraction in imports. However, the decline in imports was mainly for aid-related items because of the slowdown in investment activity prior to the elections. Non-aid imports were roughly on a par with those of the previous year. While loan disbursements from funding agencies also slowed prior to the elections, the country's foreign exchange reserves continued to rise. The current account surplus could turn into a deficit in FY1999/2000 as aid-related imports return to their previous levels, particularly if the Government succeeds in its ambitious development agenda for the year. External debt as a percentage of GDP has risen over time with foreign debt reaching 54.5 percent of GDP in FY1998/99. However, because of the concessional nature of lending, the external debt service ratio was at a manageable level of 6.1 percent of export earnings, a situation that should continue in FY1999/2000.

Domestic policies: While the recently elected Government raised expectations of reform, progress has been slow. The increase in VAT registrations is a promising sign, but key

vacancies in the VAT department need to be filled to improve administration, clear the filing backlog, initiate collection visits, and intensify audit activity. The Government also recently raised prices of kerosene, diesel, and electricity, and removed all subsidies on fertilizers, making these prices the highest in South Asia. Despite vocal public protests against these measures and a special parliamentary session called by the opposition to review the price increases, the Government has so far stood firm on its decisions, which will improve both the fiscal balances and overall resource allocation in the economy.

ADB operations

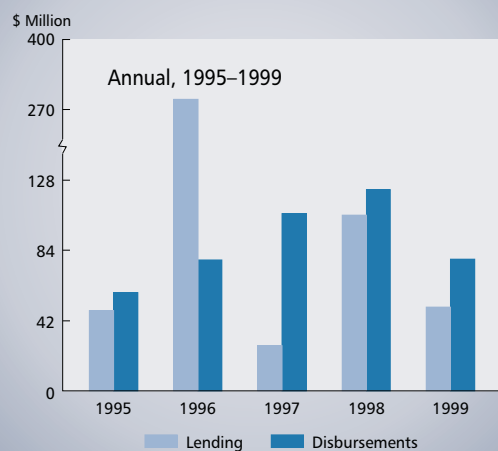
Operational strategy: A new strategy for Nepal was approved in 1999. The overarching objective of the strategy is to achieve a sustainable reduction in poverty through (i) generating productive employment opportunities and increased rural incomes resulting from faster and broad-based economic growth, (ii) equitable improvements in basic social services to enhance human development resulting in a reduced population growth, and (iii) protecting and improving the environment to sustain gains. A major difficulty in achieving these objectives is the lack of efficiency, predictability, transparency, and accountability in key development and market institutions. Thus, the approach of the new strategy is to build effective institutions needed to implement socioeconomic development in a market economy. Five key elements of the strategy will be emphasized to achieve ADB's operational objectives and build effective institutions in Nepal. The first—improved governance—will require policy and institutional reforms, particularly to strengthen key institutions in undertaking a changing role to promote private sector participation. The second element—support for the Government's initiative in decentralization, including support for local administrations (village development committees and district development committees) to plan and implement development activities and better serve local needs—is also an important crosscutting element of the strategy. The three other

strategic elements include private sector development, gender equity, and subregional cooperation.

Policy dialogue: The new strategy emphasizes that building capacity to maximize and sustain the development impact of investments must take precedence over levels of assistance. Strong stakeholder support for ADB's proposed interventions will be a prerequisite for future interventions, as will be the formulation of long-term institutional development strategies, with clearly identified road maps for sector development. Improved monitoring and supervision by ADB will need to focus on implementing road maps as a criterion in annual country programming. ADB will take the necessary measures to ensure satisfactory compliance with loan covenants during project implementation. ADB support to particular sectors/subsectors will depend on progress toward strengthening the policy and institutional environment in them. A clearly documented assessment of the policy and institutional environment will be required before considering new investment projects. Longer-term technical assistance will support the policy and institutional reforms needed to create such an environment.

To use ADB's limited concessional resources effectively, sharper focus on fewer sectors/subsectors will be necessary. In implementing the new strategy, ADB will further emphasize project design issues, economic and sector work, improved funding agency coordination, and subregional cooperation. In line with ADB's policy, future lending to Nepal will be linked to progress in addressing the major country performance issues that will improve the environment for private and public investments to generate and sustain development impact. The five key areas include human development, fiscal performance, civil service reform, governance, and portfolio performance. Performance standards were established accordingly for further monitoring and evaluating achievements. These key areas are essential to develop effective institutions, thereby ensuring sustained development impact. Progress reports, which will be prepared jointly by ADB and the Government, will be part of the annual country assistance plan for Nepal.

Nepal Lending and Disbursements



Nepal Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	50	777.5	46.2
Energy	14	432.4	25.7
Transport and Communications	12	224.7	13.4
Social Infrastructure	11	137.1	8.1
Industry and Nonfuel Minerals	5	75.1	4.5
Others	3	35.6	2.1
Total	95	1,682.4	100.0

Loans and technical assistance: In 1999, ADB approved one loan to Nepal for \$50 million in the power subsector. Eleven technical assistance grants totaling \$4.5 million were approved.

Project implementation: Since ADB started lending in 1969, Nepal has received a total of 95 loans for \$1.7 billion, of which 70 were closed and 25 were still active at the end of 1999. Contracts worth \$27.8 million were awarded during the year, bringing the cumulative total to \$1.2 billion. The contract award ratio for 1999 was 12.1 percent. Disbursements for the year totaled \$78.7 million, bringing cumulative

disbursements to \$1.2 billion. The disbursement ratio for 1999 was 21.2 percent.

Project implementation faced problems, such as the Government's resumption of premature transfer of key project personnel, inadequate staffing of some loan and technical assistance projects, lack of procedural guidelines in project implementation, delays in submission and unsatisfactory quality of audited accounts, and lack of ownership of technical assistance by some executing agencies. Technical assistance to formulate an action plan for civil service reform was also initiated during the year. The Nepal Resident Mission continued to support improved project implementation by holding monthly meetings with project directors/managers. An action plan agreed to by the Government and ADB was prepared, in addition to the country portfolio review action plan to improve implementation performance. Sectoral milestones were prepared to allow monitoring of sectoral performance as part of the operational strategy's shift to performance-based lending. ADB has strengthened its focus on governance and capacity-building efforts in the past few years. The Government also enhanced decentralization and people's participation in development activities. The local governance bill was passed by the Parliament in September 1999.

Delayed submission of audited project accounts and financial statements is a persistent problem. To address this problem and to be in line with ADB's Anticorruption Policy, the 1999 review mission reiterated that, effective 1 January 2000, ADB will move to suspend loans if their audited project accounts and financial statements are delayed by 12 months. The 1999 action plan seeks to reinforce the Government's sense of ownership and commitment toward ADB's ongoing portfolio of loan and technical assistance projects with the aim of further improving portfolio management and performance.

Given the many common implementation issues that have adversely affected ADB's and the World Bank's loan and technical assistance portfolio performance in Nepal, a joint country portfolio review will be conducted in 2000. This approach will provide both multilateral

institutions, which are major providers of funds to Nepal, with a common platform for complementary efforts and consistent policy advice to assist the Government and executing agencies concerned in improving portfolio performance.

Pakistan

Economic performance

Economic growth: FY1998/99 (ending 30 June) was a challenging year for Pakistan. Economic performance during the year was adversely affected by the impact of extraordinary policy measures, adopted in the face of sanctions imposed by G-7 countries⁵ in the wake of the May 1998 nuclear tests. Economic growth slowed to 3.1 percent in FY1998/99, compared with 4.3 percent in FY1997/98. While the economic sanctions and resultant foreign currency crisis had an adverse impact on industry sector growth, the agriculture sector suffered from poor weather conditions and crop diseases. The growth of the agriculture sector was only 0.4 percent in FY1998/99, down from 3.8 percent in the previous year. As a result of drastic declines in domestic and foreign investment and a contraction of imports, the growth rate of the manufacturing subsector declined to 4.7 percent, compared with 7.9 percent in the previous year. The services subsector, on the other hand, performed slightly better, mainly because of the improved performance in the finance and insurance services subsectors. Fiscal and financial discipline, which was the priority in the ongoing structural reforms, yielded encouraging results. The fiscal deficit declined in two consecutive years from 6.4 percent of GDP in FY1996/97 to 5.4 percent in FY1997/98, and to 4.3 percent in FY1998/99. A general sales tax (GST) increase from 12.5 percent to 15 percent helped boost tax collection.

In the first half of FY1999/2000, the economy showed a slow recovery. Large-scale

industry sector growth rebounded strongly, and production also showed an improvement. Cotton production reached 10.5 million bales, about 20 percent more than the previous year. The fiscal position also improved as revenue collections increased by 20 percent during the same period.

Inflation: A tight monetary policy was pursued and the rate of M2 growth was as low as 6.3 percent, the lowest broad money growth in the entire 1990s. The rate of inflation declined to 5.7 percent in FY1998/99, a record low level in the last 12 years, reflecting slow growth in aggregate demand complemented by a tight monetary policy. The inflation rate remained low at 3.4 percent from July to November 1999 as against 6 percent during the same period in FY1998/99.

External sector: Export earnings on balance-of-payments basis for FY1998/99 contracted by 10.2 percent over FY1997/98. Imports also declined by 9.3 percent during FY1998/99. In the services account, workers' remittances and foreign currency account deposits also dropped sharply as a result of uncertainty on policies. However, the current account deficit in FY1998/99 amounted to \$1.8 billion or 2.9 percent of GDP, slightly lower than in FY1997/98. The foreign exchange reserves amounted to \$1.8 billion by the end of FY1998/99, equivalent to about two months of imports.

However, the fragile balance-of-payments position remains the country's primary concern. While export earnings picked up by 7.4 percent during the first half of FY1999/2000, imports increased more sharply by 11.5 percent, mainly because of the rise in petroleum product prices in the world market. As a result, the trade deficit deteriorated to \$783 million during the period, from \$563 million in the first half of FY1998/99. Foreign exchange reserves declined to \$1.5 billion in January 2000, equivalent to less than two months of imports.

Domestic policies: Despite economic difficulties, the Government continued to pursue economic reforms. To reduce the budget deficit,

5 The G-7 countries include Canada, France, Germany, Italy, Japan, United Kingdom, and United States.

the reform program included (i) increasing the GST rate from 12.5 percent to 15 percent, (ii) increasing the price of petroleum products, (iii) decreasing the budget allocation for expenditures with low priority, and (iv) reducing the federal subsidy on wheat. Under the assistance of the Structural Adjustment Loan of the World Bank, some actions were undertaken to improve governance in key public sector activities of banking, tax administration, public utilities, and public expenditure. Under the ADB-financed Trade, Export Promotion and Industry Program, approved in March 1999, the Government further liberalized Pakistan's trade regime by reducing tariff and trade barriers by (i) reducing the maximum tariff from 65 percent to 35 percent, (ii) reducing the number of slab rates from 14 to 5, (iii) abolishing the 10 percent regulatory duty, and (iv) reducing outstanding export and import restrictions. However, the privatization program remains stalled and the long-standing disputes between the Government and some of the independent power producers remain unresolved. An early resolution of these disputes is vital to revive the confidence of private investors.

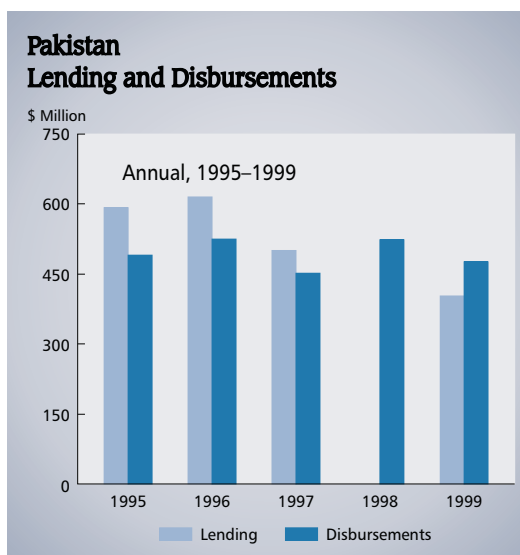
After the military takeover in October 1999, the new Government announced its broad development strategy and economic revival plan. It identified four priority areas for reviving the economy: revitalizing the agriculture sector, promoting small- and medium-scale industries, expanding the oil and gas subsector, and promoting the information technology industry. A comprehensive poverty reduction strategy is also being prepared by the Government. Several activities were initiated in the area of poverty reduction, including allocating Pakistan rupees (PR) 15–20 billion annually for poverty reduction projects, improving the poor's access to financial services by establishing a microcredit bank, and revitalizing the food stamp program.

ADB operations

Operational strategy: The strategy that was prepared for Pakistan in 1995 emphasized human development, which had been lagging despite relatively high growth rates during the

1980s. Emphasis was on enhancing the quality and delivery of services through the greater involvement of nongovernment organizations (NGOs) and the private sector, and more importantly, on improving the economic environment for the private sector to take over areas of the economy that were previously the domain of the public sector. While the strategic objectives remain broadly valid, especially for the longer term, it has been necessary to make adjustments to respond to the difficult economic environment. During 1998, a country operational framework for a consolidation period (1999–2000) and beyond was developed to define the focus of ADB assistance and further improve the balance of payments, increase economic efficiency, and promote sustained human and social development.

Policy dialogue: Policy and institutional reforms continued to be the focus of policy dialogue to improve public sector governance and efficiency, and promote private sector growth. In view of the financial crisis and the difficulties in implementing the strategy over recent years, policy dialogue centered on resolving three main issues. ADB and the Government addressed poor portfolio performance by increasing emphasis on linking the program to portfolio performance. Weak governance was recognized as a main factor contributing to the poor delivery of government services; to address this decentralization,



incentives are needed, such as increased transparency in decision making and more effective legal systems and tax reforms. Ongoing economic and sector work reviewed the reasons for low absorptive capacity in Pakistan and the need to improve governance, efficiency, and effectiveness of investments in human resource development. Policy dialogue continued in each of these areas in all sectors of ADB's program.

Loans and technical assistance: Seven loans amounting to \$402.8 million were approved in 1999 in the industry, agriculture, and social infrastructure sectors, including three technical assistance loans for \$7 million. ADB also approved seven technical assistance grants amounting to \$2.1 million.

Project implementation: Since 1968, Pakistan has received a total of 185 loans, of which 131 were closed and 54 were still active at the end of 1999. Contracts worth \$347.4 million were awarded during the year, bringing the cumulative total of contracts to \$7.1 billion. The contract award ratio for 1999 was 22.8 percent. Disbursements for the year totaled \$476.2 million, bringing cumulative disbursements to \$7.3 billion. The disbursement ratio for 1999 was 23.5 percent.

Delays in project implementation are common in Pakistan. Weak governance and low institutional capacity of public sector agencies has had an adverse impact on timely project implementation and full achievement of projects' development goals. Greater utilization should be made of past ADB assistance for capacity building. To address this situation, ADB and the Government have developed a framework to monitor compliance with specific institutional and policy covenants embedded in various project and loan agreements. Greater government involvement in project design would contribute toward ownership and sustainability of ADB-assisted projects. To achieve these objectives, the Government has agreed to prepare draft proposals with the goal of ensuring greater government participation in project formulation.

Delays in recruitment of consultants, submission of qualified audited statements, and slow release of counterpart funds affected implementation performance of some ADB-assisted projects. These and other issues are being addressed by ADB and the Government under a comprehensive portfolio management action plan. The Pakistan Resident Mission maintains a dialogue with agencies of the Government and other stakeholders for this purpose.

Pakistan Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	55	2,832.6	28.9
Energy	43	2,707.0	27.6
Finance	33	1,427.0	14.6
Social Infrastructure	24 ^a	1,078.2	11.0
Transport and Communications	11	767.0	7.8
Industry and Nonfuel Minerals	16	648.4	6.6
Multisector	3	344.0	3.5
Total	185	9,804.2	100.0

a Adjusted to exclude the \$70 million loan to the Korangi Wastewater Management Project, which was terminated in 1999.

Sri Lanka

Economic performance

Economic growth: After achieving a moderate growth of 4.7 percent in 1998, Sri Lanka recorded a lower economic growth of 4.2 percent in 1999. This was mainly the result of declining industry sector output in response to slackening world and domestic demand. During the first half of 1999, the sector recorded a moderate growth of 3.8 percent. The overall performance of the industry sector improved in the second quarter of 1999, reflecting a gradual improvement in exports. The agriculture sector performed well as reflected in the increased outputs of plantation crops, vegetables, and fruits. Output levels of tea grew by 1.3 percent, rubber by 3.9 percent, and

coconut by 10.0 percent. Growth in construction activity was largely the result of increased government expenditure on infrastructure projects, and large-scale housing and commercial building projects (funded by both local and foreign private investments).

Inflation: The Government's monetary policy in 1999 was aimed at maintaining financial market stability, while helping strengthen the declining trends in inflation. Domestic inflation declined to 5.0 percent in 1999, compared with 9.4 percent in 1998. Major factors contributing to the decline included improved domestic supply of food items, prudent macroeconomic management by the Government, and lower import prices that have contained the growth of domestic prices.

External sector: Developments in the external sector in 1999 reflect the lag effects of the depressed global demand and the resultant decline in commodity prices. Exports declined by 3.1 percent in 1999, as export prices of tea, rubber, textile, and garment products declined. Imports increased by 0.1 percent. Consumer goods imports decreased by 0.3 percent, intermediate goods by 1.6 percent. Investment goods increased by 6.0 percent. The current account deficit widened to about 3.7 percent of GDP in 1999, compared with 1.8 percent in 1998, with the purchase of aircraft for Sri Lankan Airlines in October 1999. External debt, which was 56.7 percent of GDP in 1998, rose to 58.6 percent in 1999. The Sri Lanka rupee (SLR) further depreciated by 5 percent in 1999, trading at SLR72.6 per US dollar at the end of the year. The steady depreciation of the rupee was expected to maintain the country's export competitiveness. Gross official reserves, which were recorded at \$2 billion in 1998, decreased to \$1.7 billion at the end of 1999, sufficient to finance 3.3 months of imports.

Domestic policies: The Government achieved considerable progress in the structural reform agenda, which included tax reforms and private sector participation in gas, power, telecommunications, aviation, and plantations. To sustain growth, the Government needs to continue structural adjustments, including fiscal consolidation and finance sector and

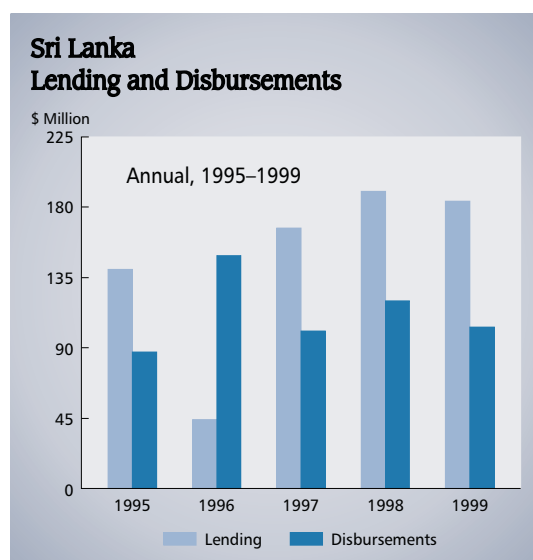
trade reforms. The medium-term strategy for fiscal consolidation includes eliminating distortionary taxes, improving tax administration, restructuring public debt, expanding public enterprise reform, and implementing a phased reduction in defense- and security-related expenditures. In view of the softening export prices and increased competition from regional producers, it is imperative to reorient the existing productive structure toward higher value-added sectors and to increase productivity levels in the economy.

ADB operations

Operational strategy: ADB's new operational strategy for Sri Lanka was finalized in March 1999. The strategy aims to assist the country's poverty reduction efforts through sustainable growth by supporting (i) policy and institutional reforms to promote private sector growth and improve public sector efficiency; (ii) human development to address the gap in marketable skills and thereby improve employment and income levels; (iii) enhancement of the country's infrastructure through public and private investments; (iv) preservation of the country's natural resource base; and (v) measures to mitigate the social and environmental impacts of the transition to a higher growth path.

Policy dialogue: Policy dialogue continued to focus on policy and institutional reforms to improve public sector efficiency and promote private sector growth. ADB provided technical assistance to improve the country's public expenditure management systems for more efficient and effective public service. In the road subsector, ADB's dialogue led to introducing new legislation for effective regulation of roads, formulating a reform program to improve road subsector management efficiency, developing a new approach to fund road maintenance, and promoting private sector contractors.

In agriculture, ongoing policy and institutional reforms included the plantation privatization programs and private sector participation in fishery harbor management and services. In natural resources, policy dialogue focused on legal and institutional reforms to improve the investment environment for private



Sri Lanka
Cumulative ADB Lending
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	39	856.6	36.3
Social Infrastructure Transport and Communications	15	447.3	18.9
Finance	13	427.3	18.1
Energy	13	346.0	14.6
Multisector	9	265.8	11.3
Industry and Nonfuel Minerals	1	14.7	0.6
	2	5.1	0.2
Total	92	2,362.8	100.0

sector participation, the access of the poor to productive natural resources, and natural resource and environmental management. In water supply and sanitation, the Government, with ADB's assistance, is working to establish a regulatory framework for possible private sector participation in urban water supply and sanitation. Dialogue with the Government also continued in public enterprise reform and restructuring, privatization, and labor and capital market reforms.

Loans and technical assistance: Three public sector loans amounting to \$148.8 million were approved during the year in agriculture and natural resources (\$40 million), transport (\$90 million), and social infrastructure (\$18.8 million). A private sector loan of \$35 million was also approved for the transport sector. Twelve technical assistance grants amounting to \$7.9 million were approved.

Project implementation: Since becoming a member in 1966, Sri Lanka has received a total of 92 loans, of which 25 were still active at the end of 1999. Contract awards during the year amounted to \$89.2 million, bringing the cumulative total to \$1.7 billion. The contract award ratio for 1999 was 13.7 percent. Disbursements during the year amounted to \$103.2 million, with cumulative disbursements reaching \$1.6 billion. The disbursement ratio for 1999 was 17.9 percent.

However, there are continued delays in project implementation resulting from time-consuming contracting, cumbersome procurement rules and procedures, and noncompliance with some major financial loan covenants. Poor performance has also been observed in respect of recruiting consultants. Another major delay has been identified in setting up PMUs.

All ongoing loans were rated satisfactory in both implementation progress and achievement of development objectives, except for two loans in the power and transport sectors. Project implementation problems in these sectors continued to be characterized by excessive delays in procurement and implementation decisions.

To resolve these problems, the Sri Lanka Resident Mission conducted monthly portfolio performance review meetings with project directors and officials of line ministries and effective policy dialogue with the Government, with particular emphasis on these two loans. The progress of the action plan for improving project implementation in Sri Lanka, which was developed with ADB's assistance in 1997, was monitored and found to be effective during the last two years.

Delays in procurement were addressed by the Procurement Support Bureau, which was established by the Government in 1998 with the assistance of ADB in close consultation with

other funding agencies. The Bureau seeks to enhance the effectiveness of the Government's procedures and to strengthen the capacity of the Government's procurement staff. It will also investigate the potential and recommend procedural reform for improving procurement practices and for training procurement staff.

The Pacific

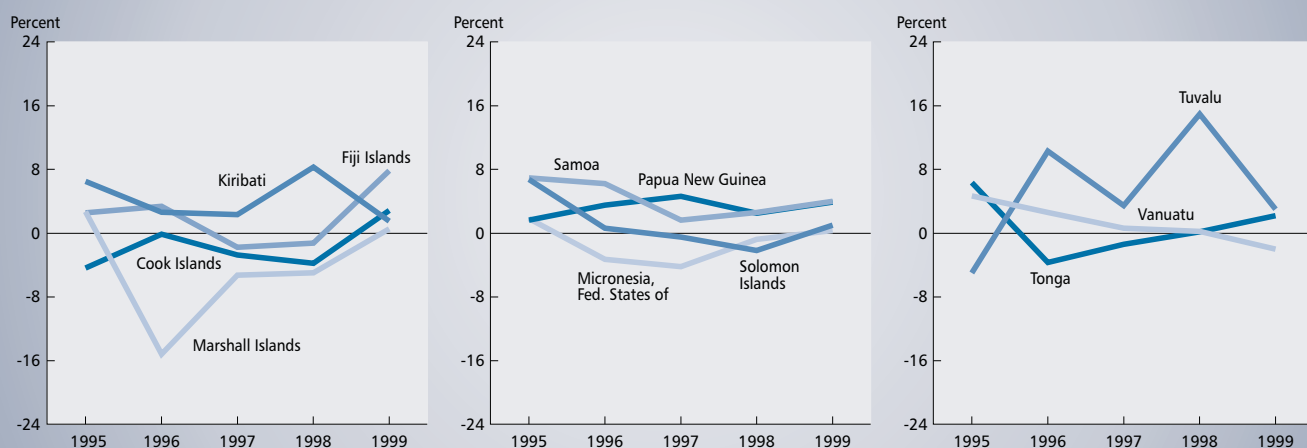
Nineteen ninety-nine was a year of improved economic performance and notable political developments in the Pacific DMCs. Real GDP increased by a weighted average of 4.4 percent, compared with 1.2 percent in 1998 and negative 3.2 percent in 1997. Economic growth rates were faster in 9 of the 12 countries. The average inflation rate for the Pacific DMCs rose to 9.9 percent, compared with 8.1 percent in 1998, largely because of an increase in Papua New Guinea's rate after substantial currency devaluation. The overall balance-of-payments position improved for most countries, and fiscal and monetary policy settings generally were consistent with the maintenance of macroeconomic stability, except in Papua New Guinea during the first half of the year. There were changes of government in Cook Islands, Fiji Islands, Marshall Islands, Federated States of Micronesia, Nauru, Papua New Guinea, and Vanuatu, with most of the new administrations

favoring stronger commitments to economic, public sector, and governance reforms.

The *Pacific Human Development Report 1999* presented evidence of significant human development in the Pacific DMCs during the 1990s, but Papua New Guinea, Solomon Islands, and Vanuatu in particular remained low on the human development index scale and exhibited significant poverty as measured by the human poverty index. For all Pacific DMCs, small size, remoteness, geographic fragmentation and dispersion, and economic vulnerability continued to impose severe development constraints. Vulnerability to natural disasters remained an unpredictable and potentially devastating variable affecting development outcomes. Nonetheless, in most cases, governments old and new showed commitment to improving the economic policy and governance environments—variables that they could influence.

An ADB review of reform programs in Pacific DMCs concluded that Samoa continues to demonstrate strong local ownership of a clearly focused and appropriately sequenced set of reforms, and has made major progress in finance sector reform and corporatization and privatization of SOEs. There has been strong bipartisan ownership and public support for the reform program in Vanuatu, where a new legislative framework for good governance was introduced and finance sector reforms were made. A determined Solomon Islands Government

Selected Pacific Economies
GDP Growth Rates



continues to take the country along the reform path despite huge obstacles, consolidating improvements in public financial management. In Cook Islands, Marshall Islands, and Federated States of Micronesia, where the reform programs were the earliest supported by ADB, substantial achievements were made, particularly in the area of fiscal strengthening. In 1999, signs emerged that commitment to reform was weakening in these three countries, but new administrations indicated their intention to revitalize the process. In Papua New Guinea also, the new Government has committed itself to restoring macroeconomic stability and economic, public sector, and governance reforms. The new Government of the Fiji Islands sought to address the problems of weak employment growth and (especially urban) poverty by encouraging private sector-led, broad-based economic growth. In Nauru, however, the reform program stalled under a new administration.

The year 1999 also saw ADB move into selective investments in physical infrastructure, health, and education. These investments are aimed at complementing ADB support for reform programs by improving the enabling environment for private sector development. ADB also began regional technical assistance on performance benchmarking for water and power utilities, and initiated assessing the status of finance sector development in selected Pacific DMCs, with the aim of formulating a strategy for building sustainable financial systems appropriate to the circumstances of small island economies. In addition, ADB began regionwide assistance to establish sound policies and management plans for coral reef ecosystems, and strengthen the capacity of Pacific DMCs in negotiating an appropriate and fair international fisheries agreement for conserving and managing the Pacific tuna resource.

Cook Islands

Economic performance

Real GDP grew by 2.8 percent in 1999. The key tourism subsector expanded as Australians, Canadians, and New Zealanders took advantage

of improved air services. Black pearl production continued to grow, and the commercial agriculture sector production recovered from the 1997–1998 drought-affected levels. Construction activity remained subdued. The inflation rate rose to 1.4 percent from 0.8 percent in 1998. The merchandise trade deficit was 45.5 percent of GDP in 1999, and continued to be substantially offset by tourism receipts, official transfers, and private remittances. A current account deficit of 8.0 percent of GDP was recorded.

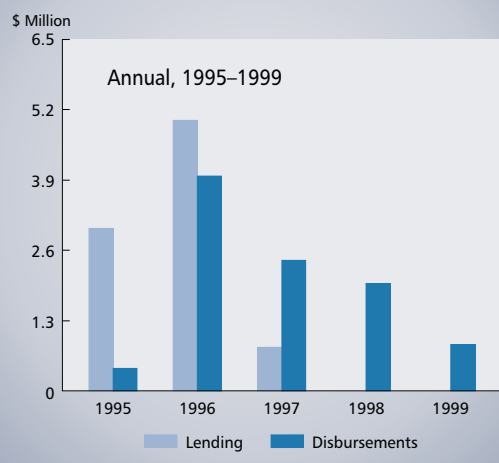
Domestic policies: Government finances strengthened in FY1998/99 (ending 30 June), with an operating surplus of New Zealand dollar (NZ\$)2.5 million and an overall surplus of NZ\$3.4 million. The debt service burden eased due to the September 1998 restructuring of external debt that now stands at 81 percent of GDP. Interest payments were, however, a modest 12 percent of tax revenue. The principal policy issue is whether, in the context of completing the Economic Restructuring Program, these fiscal gains can be consolidated and the allocative efficiency of public expenditure improved after a year characterized by political instability in the latter half and continued migration to New Zealand. The new Government committed itself to economic, public sector, and governance reforms, including improvements in the private sector enabling environment.

ADB operations

Operational strategy: ADB's strategy for the Cook Islands is to continue support for the reform process as it moves into a phase of consolidation. At the same time, ADB's assistance will aim to facilitate an enabling environment for private sector growth in sectors with strong potential, such as tourism and marine resource development. In the medium term, ADB will help address emerging poverty in isolated outer island communities.

Policy dialogue: Fiscal discipline, accountability through proper reporting and auditing, sound management of debt, and private sector development are issues that will remain high on the policy agenda. A priority objective is to

Cook Islands Lending and Disbursements



Cook Islands Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Finance	3	6.0	24.5
Transport and Communications	2	5.4	22.0
Others	1	5.0	20.4
Multisector	3	4.6	18.8
Social Infrastructure	1	2.7	11.0
Agriculture and Natural Resources	1	0.8	3.3
Total	11	24.5	100.0

establish effective regulatory and management frameworks in important sectors, such as the pearl industry, and shift public utilities to private sector control or management.

Loans and technical assistance: No loans or technical assistance grants were approved in 1999.

Project implementation: Since becoming a member in 1976, the Cook Islands has received a total of 11 loans, of which 3 were still active at the end of 1999. Contract awards for the year amounted to about \$1.0 million, bringing the cumulative total to \$23.9 million. The contract award ratio for 1999 was 16 percent. Disbursements amounted to \$860,000 for the year, with

cumulative disbursements standing at \$21.8 million. The disbursement ratio for 1999 was 32.7 percent. Project implementation was affected by a lack of qualified staff and weaknesses in management and accounting systems. Implementation of the three ongoing loans was satisfactory. The Cook Islands strictly complied with the submission of audited project accounts and financial statements for the loans, partly because of the continuous follow-up by ADB headquarters and the South Pacific Regional Mission.

Fiji Islands

Economic performance

After falling by a cumulative 3.0 percent in 1997–1998, real GDP increased by an estimated 7.8 percent in 1999. The economic rebound largely reflected the recovery of the sugar industry from the effects of a prolonged drought and was supported by growth in tourism, clothing, gold, and footwear. Simultaneous with the recovery in aggregate production in 1999, the inflation rate dropped to an end-of-year rate of zero percent because of falling prices for domestically produced foods, reduced import duties, and low inflation among major trading partners. The current account surplus was equivalent to 0.6 percent of GDP, with export revenue rising from all major sources. The capital account balance was also in surplus, and foreign reserves covered almost five months of imports of goods and nonfactor services.

Domestic policies: The Government's fiscal position in 1999 was sound, with a budget deficit of 1.2 percent of GDP and a public debt reaching 39.5 percent of GDP. Monetary policy was accommodative, and commercial bank lending rates dropped. However, private investment remained subdued, partly reflecting unresolved land tenure and structural adjustment issues in the sugar industry. Employment growth was slow. A new Government elected in May was seeking to address these problems by reorienting economic policy toward poverty reduction and growth with equity.

ADB operations

Operational strategy: ADB's operational strategy for the Fiji Islands focuses on assisting the Government in its ongoing efforts to stimulate growth by encouraging private investment and export-oriented activities through (i) expanding and diversifying the economy to provide jobs and decrease its vulnerability to volatile export markets; (ii) enhancing the pace of the reforms, particularly for improved delivery of public sector services; (iii) further implementing the long-term commitment of the Government to promote private sector-led growth, especially through corporatization and commercialization, capital market development, and targeted public sector investment for infrastructure development; and (iv) addressing environmental and natural resource management concerns.

Policy dialogue: In 1999, policy dialogue focused on enterprise reforms, capital market development, cost recovery, and operation and maintenance in the road subsector. The economic and sector work was expanded to include the preparation of an economic report identifying medium-term prospects and challenges.

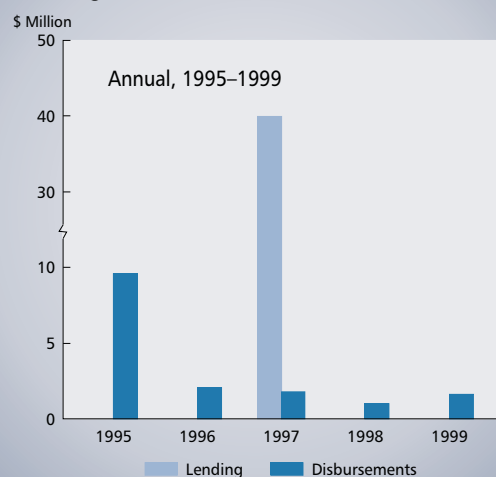
Loans and technical assistance: No loans were approved in 1999. Seven advisory technical assistance grants of \$2.5 million were

approved for preparing an economic report, improving port asset management, corporatizing water supply and sewerage services, urban sector strategy study, implementing a national women's action plan, and a public sector reform program.

Project implementation: Since becoming a member in 1970, the Fiji Islands has received a total of 13 loans, of which one was still active at the end of 1999. Contract awards for the year amounted to about \$6.3 million, bringing the cumulative total to \$115.5 million. The contract award ratio for 1999 was 15.8 percent. Disbursements for the year totaled \$1.6 million, with cumulative disbursements standing at \$114.6 million. The disbursement ratio for 1999 was 4.0 percent. One loan was closed in the first quarter of the year, leaving only one ongoing loan, the Third Road Upgrading (Sector) Project.

Overall, project implementation was slow. A few major components were behind implementation targets primarily because of (i) a delay in recruiting consultants for technical support, (ii) unforeseen prolonged wet weather, (iii) insufficient resources for force accounting works, and (iv) staff constraints and ineffective project management. These problems were addressed during project review missions, and efforts were already under way for improvement.

Fiji Islands Lending and Disbursements



Fiji Islands Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Transport and Communications	4	78.0	48.4
Energy	3	36.9	22.9
Agriculture and Natural Resources	3	27.6	17.1
Social Infrastructure	1	9.6	6.0
Finance	2	9.0	5.6
Total	13	161.1	100.0



The provision of low-cost housing can raise the living standards of the poor.

Kiribati

Economic performance

The economic growth rate in Kiribati in 1999 was estimated between 1 and 2 percent, reflecting some increased activity in the public sector, which accounts for about three quarters of GDP. Real GNP was expected to fall as fishing license fees fell from the unusually high level of 1998. The inflation rate was 2 percent in 1999, in line with rates in the major trading partners. The external position remained fundamentally sound, despite the substantial drop in fishing license fees and a consequent shift of the current account balance into a deficit of 20 percent of GDP. The capital account was in surplus and gross official reserves, which included the assets of the \$400 million Revenue Equalization Reserve Fund, were sufficient for more than five years of imports of goods and services.

Domestic policies: The Medium-Term Strategy adopted in late 1997 aims to reduce the size of core government, implement public enterprise reform, facilitate private sector development, and encourage foreign investment. Progress in implementation was slow, however, with the 1999 budget providing for a further increase in the number of civil servants. Supplementary appropriations toward the end of 1999 raised the level of recurrent government spending to 79 percent of GDP and increased concerns over the sustainability of the fiscal policy framework.

ADB operations

Operational strategy: ADB's operational strategy for Kiribati seeks to promote sustainable growth and improvements in the living standards of the country's people. The focus of ADB's operations is on three main areas: (i) strengthening policy and public sector reforms, with emphasis on improving government resource efficiency and on restructuring/reforming public enterprises; (ii) developing social infrastructure; and (iii) promoting private sector activities, including outer island development.

Policy dialogue: With ADB assistance, a comprehensive program has been prepared for infrastructure improvements in water supply, sewerage, and solid waste management. Institutional reforms, designed to enhance the effectiveness and efficiency in operation and maintenance of public utilities, have also been identified. ADB's policy dialogue with the Government during the year included restructuring the Public Utilities Board; sustainability of operations in the utilities subsector, including cost recovery, and operation and maintenance; and conserving water and protecting the environment. Kiribati looked to the consultative group process to help implement its development strategy more proactively.

Loans and technical assistance: No loans were approved in 1999. One advisory technical assistance grant for \$861,000 was approved for the second phase of strengthening institutional capacity for financial and economic management.

Kiribati Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	1	10.2	67.6
Transport and Communications	2	2.3	15.2
Energy	2	1.6	10.6
Finance	1	1.0	6.6
Total	6	15.1	100.0

Project implementation: Since becoming a member in 1974, Kiribati has received a total of six loans, of which one became effective in September 1999. No contract awards or disbursements were made during the year. Cumulative contract awards to Kiribati amounted to \$4.6 million and cumulative disbursements to \$3.8 million.

Declared effective in September, the Sanitation, Public Health, and Environment Improvement Project was the first loan since Kiribati had stopped borrowing in 1990. Project implementation began and start-up activities were satisfactory.

Marshall Islands

Economic performance

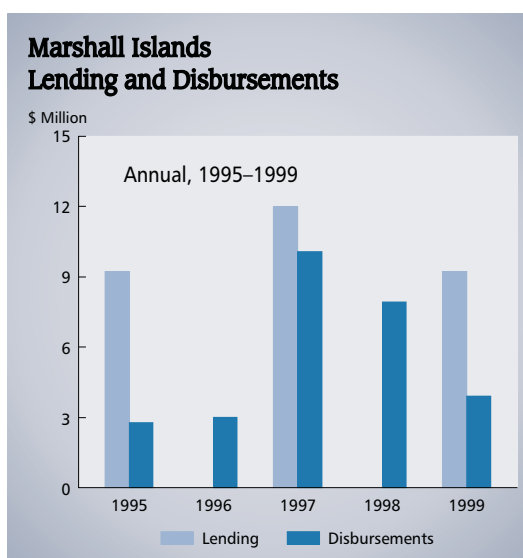
The level of economic activity in the Marshall Islands recovered in 1999 following three years of recession. The downturn was largely attributed to public service downsizing under the Policy Reform Program and poor performance in agriculture and fisheries. Real GDP rose by about 0.5 percent in 1999, reflecting the impact of aid-funded roadworks, private sector construction of a tuna loining factory, and onshore spending by crews of an expanding foreign purse seiner fleet. The inflation rate was 1 percent. The external position improved because of a rise in fishing license fees and receipt of bilateral external grants.

Domestic policies: Although public finances have been strengthened as a result of public service downsizing, concerns remained over the quality of fiscal policy formulation and implementation. The 1999 budget was passed one month into the fiscal year without revised estimates of budget outcomes in the previous year. The lowering of the general import duty from 12 to 5 percent and an increase in the copra subsidy were announced in March 1999, apparently without consideration of the budget implications. The deficit on General Fund accounts in 1999 surged from 1 to 9 percent of GDP, with unbudgeted bilateral grant funds providing the necessary budget support.

ADB operations

Operational strategy: The main objective of ADB's operational strategy for the Marshall Islands is to help the Government achieve a sustainable and self-reliant economy. ADB's assistance is aimed at economic and financial reforms; improving fiscal management capability; and supporting essential services such as education, health, and water supply.

Policy dialogue: The principal areas of ADB's policy dialogue with the Government remained focused on enhancing economic and financial management and promoting fiscal responsibility. It specifically focused on eliminating macroeconomic constraints to private



Marshall Islands
Cumulative ADB Lending
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	4	23.6	45.0
Others	1	12.0	22.9
Multisector	2	9.8	18.7
Agriculture and Natural Resources	1	7.0	13.4
Total	8	52.4	100.0

sector development, thereby reducing government intervention in all sectors and supporting the Government's reform initiatives. Assistance also included institutional strengthening of the Ministry of Finance, privatizing SOEs, and technical support to the fisheries subsector.

Loans and technical assistance: One loan for the Ebeye Health and Infrastructure Project (\$9.2 million) was approved during the year. Two advisory technical assistance grants amounting to \$600,000 were approved to prepare an economic report for the Marshall Islands and strengthen its census and survey capability.

Project implementation: Since becoming a member in 1990, the Marshall Islands has received eight loans, of which five were still active at the end of 1999, including one which has been declared effective in December 1999. Contract awards for the year amounted to \$3.0 million, bringing the cumulative total to \$32.5 million. The contract award ratio was 18.6 percent for the year. Disbursements totaled \$3.9 million for the year, with cumulative disbursements standing at \$30.1 million. The disbursement ratio for 1999 was 18.2 percent. Project implementation was streamlined to speed up project completion and ensure anticipated development impact of the loan portfolio.

In general, implementation for three ongoing project loans experienced delays mainly because of (i) problems associated with land lease agreements, (ii) weakness in project implementation capacity, (iii) lack of coordination among implementing agencies, and (iv) procurement delays. The loan for the Public Sector Reform Program also experienced delays in meeting the conditions for release of the third tranche, extending the loan closing date to June 2000.

Federated States of Micronesia

Economic performance

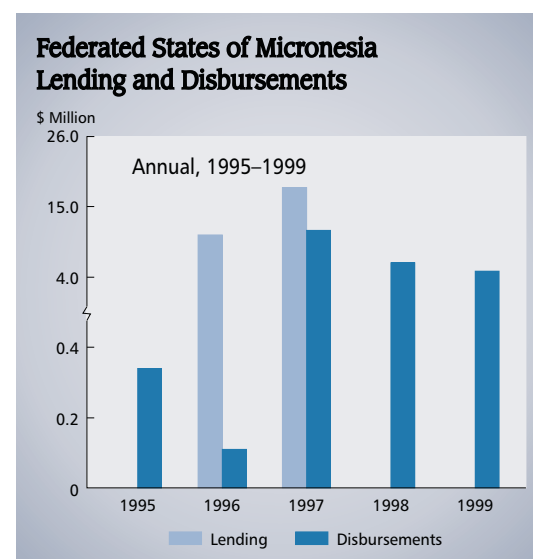
The real GDP of the Federated States of Micronesia rose by an estimated 0.3 percent in FY1998/99 (ending 30 September), reflecting

growth in private sector activity in Chuuk State. No data were available on the inflation rate, but it is expected to have tracked the US rate of 2.6 percent. Data limitations also prevented an analysis of the external accounts. However, the external debt level continued to decline, reaching 38 percent of GDP, compared with a high of 66 percent in 1993. The debt service ratio was estimated at 25 percent of export earnings.

Domestic policies: The implementation of the Public Sector Reform Program, adopted in 1997, resulted in a substantial strengthening of national and state government finances, primarily through reduction in the size and operating costs of public services. Government expenditure still remained high at about 70 percent of GDP, thereby necessitating public service reform as opposed to simple downsizing, effective public enterprise reform, and an improved private sector policy environment.

ADB operations

Operational strategy: ADB's strategy for the Federated States of Micronesia focuses on the need to shift the economy from one that is overly controlled by the public sector to an economy that is increasingly sustained by an open and competitive private sector. Private sector development was identified as the main goal



of economic strategies of the Federated States of Micronesia at the second national economic summit held in September 1999.

Policy dialogue: Policy reform and dialogue continued to be the major focus of ADB's program of assistance to the country. The core of the dialogue was a move from emphasizing fiscal and macroeconomic stability and management to stimulating private sector investment and improving performance and prioritization of the public sector, with a focus on providing better basic social services delivery. ADB helped the Federated States of Micronesia examine and discuss land, labor, and capital resource market policies, in addition to key sector policies such as fisheries, an important component of future overall development policy. ADB will convene the fourth Consultative Group meeting of the country's funding agencies in 2000 to discuss the progress of reform and future economic strategy.

Loans and technical assistance: No loans were approved during the year. Five technical assistance grants amounting to \$1.3 million were approved.

Project implementation: Since becoming a member in 1990, the Federated States of Micronesia has received three loans; one loan was closed during the year. Contract awards for the year amounted to \$4.6 million, bringing the cumulative total to \$23.8 million. The contract award ratio for 1999 was 10.2 percent. Disbursements totaled \$4.9 million for the year, with cumulative disbursements standing at



ADB's updated health sector policy, adopted in February 1999, reemphasizes primary health care, including reproductive health, family planning, and selected nutrition interventions.

about \$22.9 million. The disbursement ratio for 1999 was 30 percent.

Two project loans were ongoing, the Fisheries Development and the Majuro Water Supply and Sanitation, while the Public Sector Reform Program loan was closed in June. The program loan helped in restructuring and redirecting the economy and was assessed as generally successful. On the other hand, implementation of the project loans (particularly Fisheries Development) suffered from delays, requiring the loan closing date to be extended by one year. The good performance in disbursement and the disbursement ratio was due to the final release of the second tranche from the program loan.

Federated States of Micronesia Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Others	1	18.0	51.3
Social Infrastructure	1	10.6	30.2
Agriculture and Natural Resources	1	6.5	18.5
Total	3	35.1	100.0

Nauru

Economic performance

No official national accounts data for 1999 are available, but real GDP was likely to have increased in FY1998/99 (ending 30 June). Real government expenditure rose 15 percent,

compared with 1997–1998 and the volume of phosphate exports rose 38 percent. The Japanese-funded construction of Ainabare boat harbor began and fisheries production for the domestic market increased. The inflation rate rose to 6.7 percent in 1998–1999 because of increased import duties and utility charges. No recent trade data are available, but external debt stood at the end of March 1999 at \$84 million—more than double the total GDP.

Domestic policies: About 28 percent of the public sector workforce was retrenched in 1999 to move toward a sustainable fiscal position. However, the overall budget deficit increased from the 1997–1998 level. Improving fiscal governance is vital. The revival of the banking subsector and establishment of the true value and improved management of the assets of the Nauru Phosphate Royalty Trust also remained fundamental challenges.

ADB operations

Operational strategy: The major thrust of ADB's operational strategy is to continue support for Nauru in achieving long-term economic and financial sustainability through a reform program that includes (i) improved fiscal management, (ii) better public debt and trust fund management, (iii) public sector reforms, and (iv) restructuring of the economy. To reduce dependence on phosphate mining and move toward a more balanced real economy, ADB's assistance is directed toward diversifying and developing the private sector by promoting entrepreneurship and small business growth. The strategy should ensure future stability of income and living standards at levels sustainable by the economy without distortion through government subsidies.

Policy dialogue: In terms of economic and financial management, the major effort is to achieve all-around economic and fiscal discipline, improve returns from trust fund operations, create an enabling environment for private sector business development, and sustain the Government's commitment to the reform process.

Loans and technical assistance: No loans were approved during the year. Two advisory

technical assistance grants of \$244,000 were approved for social awareness and transitional requirements for the reform program and support for Y2K compliance.

Project implementation: Since becoming a member in 1991, Nauru has had one program loan, which became effective in February 1999, also when the first tranche was released. Contracts awarded in 1999 amounted to \$2.3 million. Disbursements for the year totaled \$2.3 million.

Significant progress was made initially in implementing the policy and reform matrix to meet the conditions for releasing the second tranche of the Fiscal and Financial Reform Program. With the change of government in June 1999, the reform momentum was lost. However, areas that could derail the reform program were discussed with the Government, and it was agreed that fundamental changes need to be effected.

Papua New Guinea

Economic performance

Papua New Guinea recorded an estimated real GDP growth rate of 3.9 percent in 1999, despite suffering the effects of economic mismanagement by an administration that lost office in July. The growth resulted from improved commodity prices and increased export volumes. The inflation rate accelerated to 16 percent, primarily as a result of a 26 percent currency depreciation. Growth in merchandise exports contributed to an improved current account balance, but the external reserve position remained precarious throughout the year, with import cover of only one month.

Domestic policies: After a long period of political instability, the new reform-minded Government promised to restore and sustain macroeconomic stability, revitalize the economic reform process, revive business confidence, and improve governance, thereby receiving strong support in its endeavors from ADB. Fiscal policy was tightened in the August 1999 supplementary budget, which aimed at

reducing the budget deficit to 1.6 percent of GDP and was endorsed by IMF. The supplementary budget provided for cuts to the national Government's development expenditure and revenue-raising increases in gaming taxes, log export taxes, and excises on petrol, alcoholic beverages, tobacco, and luxury motor vehicles.

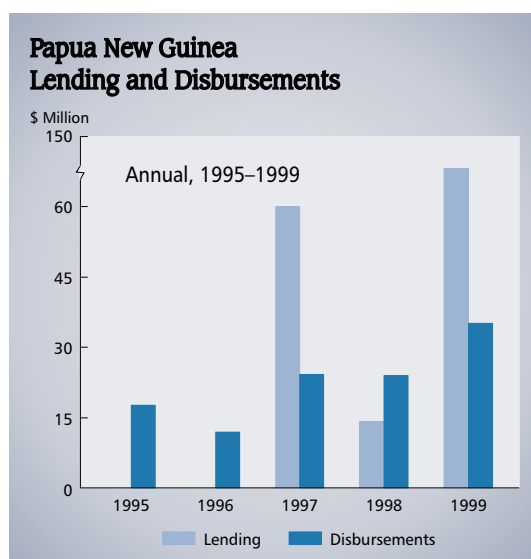
The interest withholding tax on mining and petroleum companies introduced in the original budget was subsequently removed. These measures generated a surplus in the second half of 1999, leaving a deficit of 1.6 percent of GDP for the whole year, funded by external borrowing. Fiscal tightening facilitated a refocusing of monetary policy on the credible pursuit of the objectives of price and exchange rate stability. Monetary policy was tightened by raising the Minimum Liquid Assets ratio to 25 percent.

ADB operations

Operational strategy: ADB's operational strategy for Papua New Guinea focuses on improved governance, private sector development, and improved social indicators. At the Government's request, ADB is taking a lead role in assisting the Government design and implement a program of public sector reform and improve performance; a key element is support for strengthening public sector financial manage-

ment. The generation of long-term, income-earning opportunities is another key concern to be addressed through private sector development. ADB will help improve sector policy and institutional frameworks, enhance factor productivity, and improve market access by selected infrastructure investments, especially in the transport sector. The third broad strategic concern is the critical need to improve the dismal social indicators; the emphasis is on rural areas, especially on improving the status of women.

Policy dialogue: The focus of policy dialogue was on the underlying development management weaknesses that hamper effective planning and management throughout the economy. ADB concentrated on helping the Government reform the public sector financial management systems, with a view to supporting performance-oriented management, and assisting in the refinement of the management systems themselves. Improving the efficiency of service delivery (by contracting out for services) was the core of dialogue in agriculture and general skills development while institutional strengthening and a focus on sustainability have dominated discussions on commercial fisheries. The need for rational, evidence-based decision making has underlain dialogue in the transport sector.



Papua New Guinea Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Transport and Communications	11	234.1	32.1
Social Infrastructure	15	200.1	27.5
Agriculture and Natural Resources	11	178.7	24.5
Finance	4	48.3	6.6
Energy	5	43.0	5.9
Multisector	3	16.0	2.2
Industry and Nonfuel Minerals	1	8.4	1.2
Total	50	728.6	100.0



Road projects are expected to reduce poverty by providing better access to market opportunities, social services, and employment.

Loans and technical assistance: In 1999, ADB approved three loans amounting to \$108.8 million for financial management (\$25.8 million), employment-oriented skills development (\$20 million), and road maintenance and upgrading (\$63 million) projects. In addition, seven technical assistance grants totaling \$3.6 million were approved, of which three were advisory in nature. The remaining four were for project preparation for maritime navigation aids, provincial towns water supply and sanitation, governance and public sector reform, and microfinance and employment creation.

Project implementation: Since becoming a member in 1971, Papua New Guinea has received a total of 50 loans, of which 12 loans were still active at the end of 1999. Contract awards for the year amounted to \$34.6 million, bringing the cumulative total to \$501.8 million. The contract award ratio was 21.6 percent. Disbursements totaled \$35.1 million for the year and cumulative disbursements totaled \$507.8 million.

Three new loans for three projects were declared effective during the year, bringing the number of effective loans to 12 for 10 projects. Implementation of most projects suffered from delays due to shortages in counterpart funds, inexperienced personnel, cumbersome administrative procedures, land acquisition difficulties, and law and order problems. ADB, in collaboration with the Government, undertook remedial measures to resolve these

problems to progressively improve performance. Toward the end of the first half of 1999, improved implementation progress was visible and performance of all projects was rated satisfactory.

Samoa

Economic performance

Samoa's real GDP increased by 4.0 percent in 1999. This growth was led by the fishing, commerce, and construction subsectors and supported by the expansion in the public administration subsectors. The average annual inflation rate fell to 0.3 percent, reflecting a drop in local food prices, low inflation rates in the major sources of imports, and tariff reductions. Growth in private sector imports largely accounted for a widening of the merchandise trade and current account deficits. The capital account surplus increased because of a rise in external grants and loans, and the overall balance of payments recorded a surplus. Official foreign exchange reserves were sufficient for 6.3 months of import cover, just over the policy target of six months. The nominal exchange rate remained stable, while the Government's external debt fell to 60 percent of GDP. External debt service absorbed about 4 percent of net income from exports of goods, services, and private remittances.

Domestic policies: Samoa continues to lead the Pacific subregion in its economic and reform management. The Government continued to demonstrate its commitment to and regional leadership in economic reform through corporatizing and privatizing several public enterprises, and preparing the Partnership for a Prosperous Society: A Statement of Economic Strategy 2000–2001. In the year ending 30 June 1999, an overall budget surplus of 0.5 percent of GDP was recorded, leaving room for an expansion of credit to the private sector while keeping growth in the broad money supply to a modest rate of 10 percent. In FY1999/2000 (ending 30 June), an overall budget deficit of 5.1 percent of GDP was expected, reflecting

increased development expenditure financed by external borrowing.

ADB operations

Operational strategy: ADB's strategy for Samoa is to support the Government's economic reform program, which aims to transform the economy to become more enterprise-based and competitively structured. ADB will continue to support public sector reform, liberalization of the finance sector, promotion of private sector-led growth, corporatization and privatization of SOEs, improvement in the management of

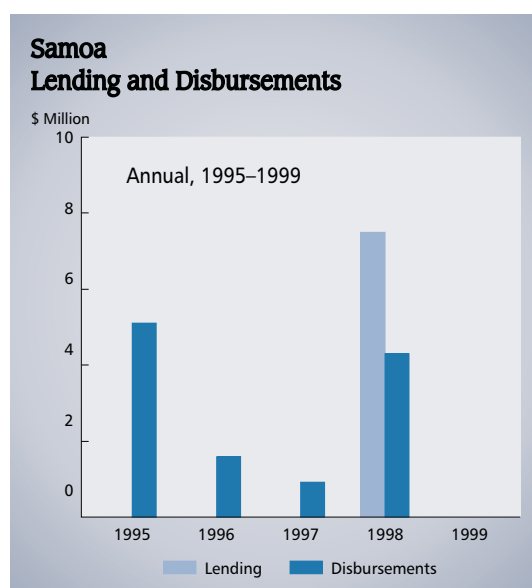
power and urban infrastructure facilities, and upgrading of the education sector's efficiency.

Policy dialogue: ADB played a catalytic role in strengthening the Government's capacity in macroeconomic management and policy formulation. Through policy dialogue and related technical assistance, ADB continued to support and encourage the Government in promoting private sector-led growth, and implementing its privatization and corporatization program. ADB's policy dialogue in Samoa also continued to promote greater financial and operational autonomy for SOEs.

Loans and technical assistance: No loans were approved during the year. ADB approved five technical assistance grants amounting to \$1.3 million, of which three were advisory.

Project implementation: Since becoming a member in 1966, Samoa has received 26 loans, of which one program loan is still active at the end of 1999. No contract awards or disbursements were made in 1999.

Only the Financial Sector Program loan was ongoing. Substantial implementation progress was made during the year, and the overall program was generally on track. The Government remained committed to the reform program.



Samoa
Cumulative ADB Lending
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	9	41.5	42.6
Finance	6	23.5	24.1
Energy	6	15.0	15.4
Transport and Communications	4	13.0	13.4
Multisector	1	4.4	4.5
Total	26	97.4	100.0

Solomon Islands

Economic performance

Economic activity in Solomon Islands was disrupted in 1999 by the civil conflict on Guadalcanal. Real GDP was estimated to have grown by about 1 percent instead of the 2–3 percent forecast at the beginning of the year. Production of logs and fish increased; but palm oil, gold, cocoa, and coconut production were curtailed as a result of the civil conflict. The size of the public service was reduced by 5 percent as part of the ongoing Policy and Structural Reform Program. The inflation rate dropped from 12.3 percent in 1998 to around 8 percent, with prices of locally grown food rising, and the currency depreciating 4.2 percent against the US dollar. Official inflows in support of macroeconomic

stabilization and economic reform were crucial to maintaining external reserves at around 3.5 months of import cover. The Government's external debt increased to about \$116 million as a result of the disbursement of an ADB loan.

Domestic policies: The progress made during 1998 and early 1999 in rehabilitating government finances was threatened by the impact of the civil conflict on revenue and expenditure. However, the Government remained committed to maintaining fiscal discipline and improving allocative efficiency. Monetary policy was tight throughout the year. The Government, attempting to create a stable macroeconomic environment and restore investor confidence within its medium-term development strategy, faced the additional problem of addressing the causes of the civil conflict.

ADB operations

Operational strategy: A major part of ADB's operational strategy for Solomon Islands is to strengthen central agency capabilities in economic policy formulation, planning, and economic management, and to facilitate legislative reforms that will underpin the Government's reform agenda. A longer-term objective is poverty reduction, based on expanding access to basic social services, strengthening local

government capacities, and improving population policy and services. Among the productive sectors, special attention will be given to marine resource development where there is untapped potential for sustainable livelihood and income generation.

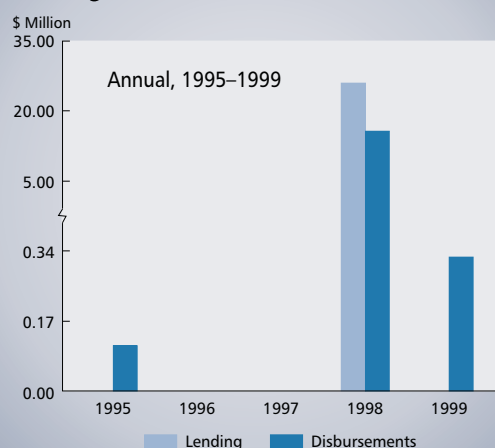
Policy dialogue: The areas for continuing policy dialogue are public expenditure management, civil service reform, privatization, and local government capacity building. Continued progress is vital in meeting the agreed-upon objectives of expanding basic services to reach outer island communities where poverty is concentrated.

Loans and technical assistance: No loans were approved in 1999. Seven technical assistance grants amounting to \$1.14 million were approved, of which four were advisory.

Project implementation: Since becoming a member in 1973, Solomon Islands has received a total of 15 loans, of which 2 were still active at the end of 1999. Contract awards for the year amounted to \$900,000, bringing the cumulative total to \$53.8 million. The contract award ratio for 1999 was 8 percent. Disbursements for the year amounted to \$325,000, with cumulative disbursements standing at \$53.6 million. The disbursement ratio for 1999 was 2.8 percent.

The implementation progress of the two ongoing loans was satisfactory.

Solomon Islands Lending and Disbursements



Solomon Islands Cumulative ADB Lending (as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Finance	4	30.0	43.3
Agriculture and Natural Resources	4	20.2	29.2
Energy	2	8.9	12.8
Transport and Communications	3	8.0	11.5
Social Infrastructure	1	1.7	2.5
Multisector	1	0.5	0.7
Total	15	69.3	100.0

Tonga

Economic performance

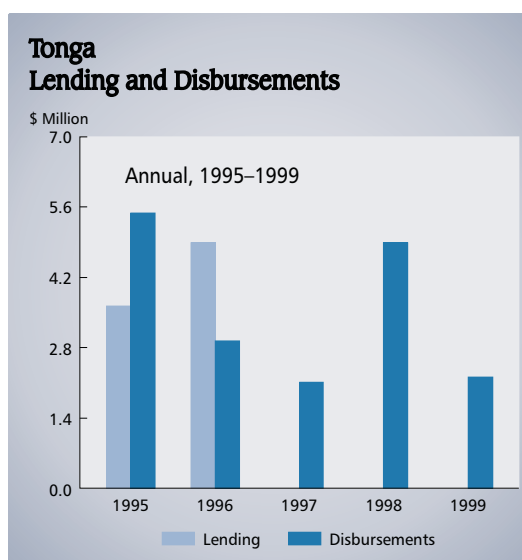
The Tongan economy recovered in FY1997/98 (ending 30 June) from three years of recession, achieving a real GDP growth of 0.1 percent. Real GDP increased by 2.2 percent in FY1998/99 as a result of increased activity in the services subsector. The primary and secondary sectors experienced negative performances. This was due to a downturn in international demand for squash, vanilla, and fish; the impact of the drought on crop production; and the destruction of crops and other damages caused by a cyclone at the end of 1998.

The inflation rate edged up to 4.4 percent because of currency devaluation and the effects of drought on domestic food prices in early 1999. The merchandise trade deficit decreased in FY1998/99 as imports increased by \$4 million, while exports increased by \$5.2 million, compared with the FY1997/98 levels. The current account deficit decreased further because of an improved services account balance; and with the capital account in surplus, gross foreign reserves rose to an equivalent of four months of imports.

Domestic policies: Official data showed an overall budget surplus of 1 percent of GDP in FY1998/99, but this involved expenditure on goods and services and development projects that was below original budget estimates, while the nominal wage bill grew. The Government's underlying fiscal capacity, as measured by the current balance, remained weak. Monetary policy remained tight, but was constrained by the weakness of the Reserve Bank's balance sheet, emphasizing the importance of improved macroeconomic policy coordination.

ADB operations

Operational strategy: In support of the Government's development strategy, ADB continued to focus on supporting private sector development and reducing the role of the Government in business activities. ADB's role will be to promote the development of an eco-



Tonga
Cumulative ADB Lending
(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Multisector	5	11.4	26.6
Transport and Communications	2	11.3	26.3
Energy	1	7.3 ^a	17.0
Finance	2	6.5	15.2
Agriculture and Natural Resources	2	6.0	14.0
Industry and Nonfuel Minerals	1	0.4	0.9
Total	13	42.9	100.0

^a Adjusted to exclude the \$4.9 million loan for the Tonga Power Development II, which was terminated in 1999.

nomic environment conducive to business activities and to improve the responsiveness of the public sector to the needs of the business community and the general public. ADB's assistance in this context will support the Government's economic and public sector reform efforts to enhance sustainable private sector-led economic growth, improve efficiencies in the delivery of public services, and reform the finance sector.

Policy dialogue: ADB's assistance to Tonga primarily focused on economic and public sec-

tor reforms. Policy dialogue will be maintained in the areas of private sector promotion, finance sector reform, and rationalization/strengthening of public sector management. ADB also encouraged the Government to develop a consensus for reform in late 1999; the Government and ADB agreed to prepare a detailed policy agenda that would form the basis for future lending.

Loans and technical assistance: No loans or technical assistance grants were approved in 1999.

Project implementation: Since becoming a member in 1972, Tonga has received a total of 13 loans, of which 3 were still active at the end of 1999. One loan was terminated in 1999. Contract awards for the year amounted to about \$1.8 million, bringing the cumulative total to \$47.0 million. Disbursements amounted to \$2.2 million for the year, with cumulative disbursements standing at \$38.0 million. The disbursement ratio for 1999 was 37.5 percent.

Tuvalu

Economic performance

Real GDP grew by an estimated 3.0 percent in 1999, largely because of expansion in the public administration and construction subsectors. The inflation rate rose to 7 percent, reflecting higher prices in the transport and miscellaneous categories of CPI. With merchandise exports falling and finance reaching less than 5 percent of imports, continued reliance was placed on fishing and telecommunications license fees, remittances from overseas workers, official transfers, and investment income from overseas assets to cover the trade deficit. Attempts were still being made to lease Tuvalu's Internet domain address to a foreign company. There were no external debt service requirements.

Domestic policies: The Government adopted a mildly expansionary fiscal policy stance in 1999, increasing expenditure on health and outer island development. The expansion was consistent with the long-

standing commitment to maintain the real value per capita of the Tuvalu Trust Fund. Use of the Australian dollar precluded an independent monetary policy. Credit was provided to the small private sector by the National Bank of Tuvalu.

ADB operations

Operational strategy: ADB's strategy for Tuvalu aims to promote sustainable economic and social development through (i) human development; (ii) reforming the public sector, including corporatizing government businesses; (iii) enhancing private sector development; and (iv) improving the economic conditions of the outer islands. Assisting the Government in coordinating with funding agencies is also an important task of ADB.

Policy dialogue: Discussions continued to center on economic management, reforming the public sector, developing the outer islands, and coordinating with funding agencies.

Loans and technical assistance: ADB's first loan to Tuvalu of \$4 million was approved in July 1999 for the Island Development Program. One advisory technical assistance grant of \$600,000 was approved for its implementation.

Project implementation: The Island Development Program loan became effective in November. The contract awards and disbursements for the year were \$2.8 million. The contract award ratio was 68.5 percent and the disbursement ratio was 70.9 percent for 1999.

Vanuatu

Economic performance

Vanuatu's real GDP fell by 2.0 percent in 1999 despite a 7.6 percent growth in secondary sector production resulting from a substantial increase in aid-funded construction. Primary sector output declined by 9.3 percent, with agricultural production being adversely affected by a cyclone in February. The services subsector contracted by 1.2 percent, as government and tourism-related services both declined.

Inflation was in the 2–3 percent range. Merchandise exports fell from the 1998 levels, but no balance-of-payments pressure was evident because imports declined in line with the downturn in economic activity. The current account deficit remained at 8 percent of GDP, official foreign reserves were equivalent to 6.5 months of imports, and exchange rate movements maintained Vanuatu's international competitiveness.

Domestic policies: Following an overall budget deficit of 10.3 percent of GDP in 1998, the fiscal position improved in 1999 with a budget deficit of 1.2 percent of GDP as a result of lower level of public expenditure. Continued efforts to maintain aggregate fiscal discipline needed to be matched by improved allocative efficiency. Investor confidence was given a boost with the amendment of the Foreign Investment Act in June 1999, which made it less restrictive of foreign investment. However, confidence was dented in late November by political instability. Some of the reform momentum was lost with the change in government.

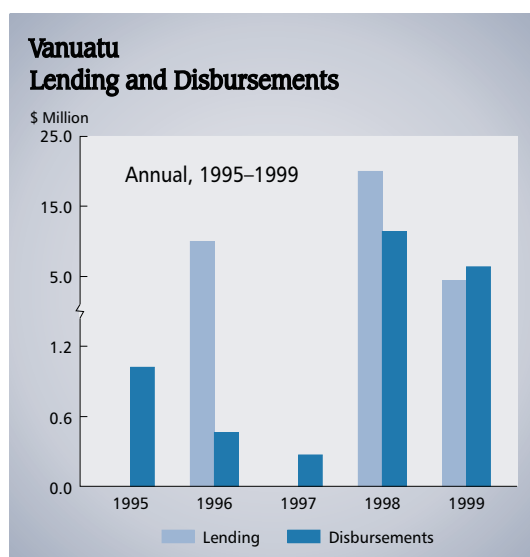
ADB operations

Operational strategy: Since February 1997, ADB has actively supported the Comprehensive Reform Program (CRP) formulation and implementation process through a program

loan and complementary technical assistance, recognizing that limited institutional capacity and technical/professional skills constitute a major constraint. The strategic thrust of ADB's operations in Vanuatu in 1999, and over the medium term, is gradually to shift the emphasis of its technical assistance support to enhance local service delivery, provide closer monitoring, pay attention to the social impact of reform, and continue to implement broader economic and public sector reforms.

Policy dialogue: In 1999, policy dialogue focused on identifying requirements to ensure sustainability of both economic and public sector reforms. In this connection, one of the key themes of ADB's policy support program continues to be institutional strengthening and capacity building in selected agencies. To ensure that the reform process is sustainable and credible within the wider community, ADB also focused more intensively on assisting to improve public service delivery at the local level, assessing the social impact of reforms, and identifying social sector issues of priority concern. ADB is also actively involved in technical assistance for CRP coordination to ensure that the various elements of economic and public sector reforms, now being supported by several funding agencies, remain part of a cohesive framework.

Loans and technical assistance: One loan of \$2 million for the Cyclone Emergency Rehabilitation Project was approved during



Vanuatu

Cumulative ADB Lending

(as of 31 December 1999)

Sector	No. of Loans	\$ Million	%
Finance	3	26.0	50.7
Social Infrastructure	1	10.0	19.5
Transport and Communications	2	9.2	17.9
Multisector	2	5.0	9.8
Agriculture and Natural Resources	1	1.1	2.1
Total	9	51.3	100.0

the year. Seven technical assistance grants amounting to \$2 million were approved, of which five are advisory and two are project preparatory.

Project implementation: Since becoming a member in 1981, Vanuatu has received a total of nine loans, of which three were still active at the end of 1999. Contract awards for the year amounted to about \$8.0 million, bringing the cumulative total to \$36.1 million. The

contract award ratio for 1999 was 41.3 percent. Disbursements totaled \$6.4 million for the year, with cumulative disbursements standing at \$35.1 million. The disbursement ratio for the year was 29.6 percent.

The Urban Infrastructure Project was rated partly satisfactory. Strong cooperative efforts by ADB's South Pacific Regional Mission and the Government to resolve the situation got the Project back on track.

Corporate Planning and Support Activities

ADB planning process

ADB defines its strategic objectives, most notably its poverty reduction strategy, through its planning process. Its corporate planning process is adaptive to changing country circumstances. It addresses the increasing scope of development assistance services needed and takes account of its own organizational capacity to deliver those services.

The organization-wide planning process is aimed at systematically establishing long-term, medium-term, and annual business objectives for ADB; setting overall and country-specific operational priorities; and achieving agreement both within ADB and with client developing member countries (DMCs) on the milestones and road maps to follow in implementing programs. While ADB's vision, strategic development objectives, and corporate agenda are set out in its Long-Term Strategic Framework, which will be updated in 2000 to cover the period 2001–2015, operations are driven by individual country operational strategies and laid out in country assistance plans (CAPs) that are formulated for rolling three-year periods. As a group, these country-based plans define

ADB's three-year rolling work program which, in turn, shapes the annual administrative budget. The corporate planning process feeds on continuous assessments of lessons learned from immediate and relevant country experiences. The process also directly guides the planning of operational support activities within ADB that play a critical role in strengthening internal capacity and competence.

A strategic reorientation

ADB undertook a fundamental strategic reorientation in 1999 with the adoption of poverty reduction as its overarching objective. With the setbacks caused by the Asian financial crisis, there was greater urgency for this refocusing. ADB uses its country-based corporate planning process not only to develop immediate and relevant responses tailored to individual country circumstances, but also to effectively incorporate its intensified attack on poverty.

A comprehensive poverty reduction strategy, which was approved by the Board of Directors in late 1999, provides the intellectual and long-term framework for ADB's strategic reorientation. To support this thrust, work began on new and broad-based operational strategies for expanded ADB roles in private sector development, good governance, and regional cooperation. These operational strategies will be fully defined in the context of each DMC's development priorities and constraints. Accordingly, the country-specific ADB assistance plans developed in 1999 for the period 2000–2002 will be updated in close consultation with government planning and sectoral ministries, and also with the direct participation of beneficiary groups and nongovernment organizations (NGOs). The CAPs set out how ADB will support policy reform, good governance, and



Capacity-building projects in DMCs are set out in ADB's three-year country assistance plans.

capacity building; regional and subregional cooperation; the creation and strengthening of productive capacity and social infrastructure; and public services to be provided through the public and private sectors in each DMC. The CAPs, posted on ADB's web site, include the planned pipeline of ADB's loan and technical assistance projects. The CAPs are being sharpened to reflect ADB's focus on poverty reduction. The development stage of each country is a primary consideration; and there is greater selectivity in the sectors, programs, and projects in which ADB is developing long-term partnerships with government.

ADB continued its deep commitment to the participatory development process, not only in designing projects and programs, but also in formulating country operational strategies. The annual country programming mission—during which project identification and selection take place in each DMC—involves extensive consultation with both government and NGOs at various levels. With the objective of making stakeholder participation an integral part of its mainstream business processes, ADB initiated a regional workshop in early 1999 to seek specific inputs from a representative range of participants from DMC governments and NGOs on how such stakeholder participation could be integrated, from the planning stage to individual project design. The workshop recommendations form an important part of the business process redesign initiative that ADB is presently implementing.

Economics and Development Resource Center

The role of the Economics and Development Resource Center (EDRC) is to help ADB achieve its goals of reducing poverty and improving the quality of life of all people in Asia and the Pacific.

As ADB's economic research arm and development resource center, EDRC provides direct operational support and services to DMCs through policy research, sector studies and methodology development, country economic studies and monitoring, capacity building in statistics and economic and financial analyses, and resource center activities for disseminating information and for representing ADB.

EDRC's work program in 1999 was increasingly centered on operational support for poverty reduction by (i) providing research and analytical support, (ii) building a poverty database, and (iii) enhancing ADB's partnership with each DMC. Work to document and analyze existing poverty data compiled by DMCs and other international agencies was begun. A poverty database will be established as part of ADB's Statistical Database System. To facilitate the preparation of country poverty strategies, a major regional study was initiated to identify and analyze major policy and institutional constraints to poverty reduction in DMCs, and recommend concrete policy actions to tackle the constraints. The study will provide a broad regional analytical framework and perspective for country poverty

REMU's Role and Operational Relevance

In response to the Asian financial crisis and its impact on ADB's developing member countries (DMCs), ADB established a new unit in 1999: the Regional Economic Monitoring Unit (REMU). REMU has three major activities: supporting the Association of Southeast Asian Nations (ASEAN) surveillance process, providing inputs on the financial crisis to various meetings and discussions, and operating the Asia Recovery Information Center (ARIC).

In 1999, REMU assisted ASEAN with three interrelated regional technical assistance activities: providing capacity building and training

support to ASEAN finance ministry and central bank officials at ADB, locating surveillance units within ministries of finance in selected ASEAN countries, and assisting officials at the ASEAN Surveillance Coordination Unit in Indonesia.

REMU also prepared two ASEAN Economic Outlook reports and participated in preparing three special issue studies in Banking Sector Safety and Efficiency, ASEAN and Global Economic Linkages, and Leading Indicators. REMU prepared ADB's statement for two meetings of the Manila Framework and represented ADB at meetings organized by the Nomura Institute and the Adam Smith Institute.

strategies. A poverty impact assessment of ADB assistance was begun in 1999, and is expected to improve ADB's methodology for distributional and poverty impact assessment and to become an integral part of project economic and financial analyses.

EDRC's capacity-building activities have also been geared toward helping DMCs improve poverty measurements and impact analysis. Resource center activities, aimed at enhancing its partnership with DMCs and their ownership of country poverty strategies, include (i) a conference on lessons learned from the past 30 years of research on poverty; (ii) a workshop on "Beyond Asian Crisis: The Persisting Social Challenge" as part of the Asian Development Forum jointly sponsored with ADB Institute and the World Bank Institute; and (iii) publication of the *Asian Development Outlook* featuring the theme chapter on poverty.

EDRC's other research activities in 1999 reflected efforts to distill lessons learned from the Asian financial crisis and expand sector policy studies and methodology research. Three major studies were undertaken to look into the governance and structural weaknesses of the Asian economies and the social ramifications of the Asian financial crisis. Research findings were widely disseminated through workshops and conferences held at ADB's headquarters and ADB Institute in Tokyo. A regional study was initiated to strengthen DMC financial management and governance, and another major study focused on the

international competitiveness of the Asian economy beyond the Asian financial crisis.

Methodology development in 1999 included the completion of methodologies on health, water supply, and build-own-operate-transfer projects. Progress was made on methodologies for benefit measurement of urban sanitation projects and the development impact of road projects. The financial analysis and governance aspects of ADB assistance were strengthened with the establishment of a lead financial specialist position in EDRC. To support expanded policy-based lending, work was also initiated to develop a conceptual and analytical framework for program lending. The *EDRC Methodology Series* was launched in early 1999 to disseminate the findings of methodology research. Statistical methodology research was carried out on data situations and measurement issues related to poverty incidence in Asia and the Pacific. Research findings were published in the *EDRC Briefing Note Series*. As part of its operational support activities, EDRC also edited a large volume of project, technical assistance, and policy documents.

Regional studies completed in 1999 include *Emerging Trading Environment: Economic Implications for DMCs, Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area, Social Sector Issues in Asian Transition Economies, Corporate Governance and Financing*, and *Asian Exports*. Other major research undertakings for which activities were carried out in 1999 include Financing Human

The ARIC web site (<http://aric.adb.org>) is one of ADB's initiatives in assisting crisis-affected countries in sustaining economic and social recovery. The web site functions as a clearinghouse for information relating to recovery from the Asian financial crisis of 1997 in all its dimensions. The site was launched by the Australian Government, which funded the initiative, and ADB in November 1999 during the Manila Social Forum (see box on page 27). The web site, which comprises seven major sections—Recovery Watch, Social Dimensions,

Country Focus, International Assistance, ARIC Indicators, Meetings and Conferences, and Key Hyperlinks—is used by DMC government agencies, international funding organizations, non-government organizations, academics, researchers, journalists, and investors. An Advisory Committee—cochaired by ADB and the Australian Agency for International Development and represented by International Monetary Fund, World Bank, United Nations Development Programme, Asia-Pacific Economic Cooperation, and ASEAN—provides policy guidance to the ARIC web site.

Resource Development in Asia, Foreign Direct Investment and Technology Transfers in the Asian Developing Countries, and Government Bond Markets in DMCs.

Statistical capacity-building activities in DMCs, completed in 1999, included four advisory technical assistance grants on statistical system and database improvements and a regional technical assistance on environment statistics. Five new advisory technical assistance activities were initiated to improve national statistical systems in DMCs, particularly in Pacific DMCs with weak national income accounts and statistical systems. Three regional technical assistance activities were approved to improve financial, monetary, and national income data. Training workshops were conducted for DMC officials in macroeconomic analysis and structural policies, project economic and financial analyses, taxation, and international finance. Work was also initiated on a CD-ROM version of the *Guidelines for the Economic Analysis of Projects* incorporating good practice examples and tutorials to complement EDRC's regular training workshops for DMC officials and ADB staff.

In 1999, EDRC's development resource center activities included networking for knowledge dissemination, ADB representation, and research dissemination. Major activities for knowledge dissemination included the (i) Fifth Joint ADB-Organisation for Economic Co-operation and Development International Forum on Asian Perspectives; (ii) ADB-World Trade Organization Workshop on Anti-Dumping and Countervailing Duty Investigation; (iii) Senior Officials' Meeting on New Trade Policy Initiatives and Their Impact on DMCs (sponsored by ADB, Economic and Social Commission for Asia and the Pacific, and United Nations Conference on Trade and Development); (iv) High-Level Regional Workshop on the Asian Financial Crisis (jointly conducted with ADB Institute); and (v) Regional Seminar on Options for Financial Restructuring.

EDRC also organized a Distinguished Speakers' Program and launched a Leaders' Forum for the exchange of views between ADB staff members, and eminent scholars and public figures. Modest financial contributions were

given to the Colombo Plan Secretariat, the Overseas Development Council, the International Economic Association, and the American Committee on Asian Economic Studies to strengthen research and capacity-building activities and enhance ADB's profile in the development community. ADB representation in the international policy and development community was also strengthened through more frequent participation by EDRC senior staff in high-profile international conferences.

EDRC produced and distributed numerous publications in 1999, including the annual *Asian Development Outlook* and *Key Indicators of Developing Asian and Pacific Countries*. The *Asian Development Outlook 1999 Update* was produced in response to the rapid change in the region's economic outlook and the need for close economic monitoring. In addition, 22 papers were published and distributed under the *Briefing Notes Series* and *Mono-graph Series*.

EDRC collaborated closely with ADB Institute in undertaking policy research, capacity-building, and development resource center activities. EDRC focused on emerging policy issues of operational relevance, while ADB Institute emphasized broader and longer-term development issues. To ensure complementarity and synergy in research, staff exchanged views regularly on research topics. EDRC and ADB Institute jointly conducted three capacity-building activities: (i) Ninth ADB Tax Conference, (ii) Ninth Seminar on International Finance, and (iii) Capacity Building Seminar on Reforming Corporate Governance in Asia. They also cosponsored a regional workshop on the Asian financial crisis.

Asian Development Bank Institute

The Tokyo-based ADB Institute's second year was marked by consolidating research and capacity-building activities and expanding into new poverty reduction initiatives. A work plan to guide ongoing and future projects and to incorporate ADB's goal to reduce poverty was developed. ADB Institute is exploring the most

appropriate development paradigms for Asia that comprise well-balanced combinations of the roles of markets, institutions, and governments in the wake of the financial crisis.

Research results were disseminated in both print and electronic versions through the new *ADB Institute Working Paper* series. Capacity-building proceedings and training materials were circulated through the *Executive Summary Series* and *Policy Paper Series* for selected workshops. ADB Institute also started producing a newsletter and public relations abstracts. *For a list of ADB Institute publications, see Major ADB Publications on page 306.*

In 1999, ADB Institute held several seminar series and evening lectures to publicize research findings, including a seminar on Capital Account Crisis and Family-Based Corporate Governance held during ADB's 32nd Annual Meeting in the Philippines. These events targeted opinion-shapers, scholars, officials, and journalists. The ADB Institute Dean also delivered presentations on the capital account crisis at the East-West Center of the University of Hawaii, and the Foreign Correspondents' Club and the National Press Club in Japan.

ADB Institute has been successful in attracting foreign and local media to cover its conferences and special evening seminars. Six major media events were organized to publicize research findings and conference outcomes. ADB Institute has been seeking to attract international media coverage for its key messages so that they can compete in the wider arena of public debate. ADB Institute's web site (<http://www.adbi.org>) has been upgraded and expanded to include its publications, media releases, speeches, conference sites, and draft papers.

Under the auspices of ADB Institute, central bankers and senior regulators from crisis-hit economies in Asia met for the first time with their counterparts from Japan, United Kingdom, and United States to review recent experiences of changing banking regulations and measures to prevent future crises. High-level roundtable discussions involving officials from the Bank for International Settlements centered on whether bank regulations can be used to prevent systemic financial failures. A major international conference on exchange

rate regimes for emerging economies also attracted leading experts in search of greater options for managing and coordinating exchange rates.

ADB Institute sponsored a new policy forum for ongoing dialogue with Asian intellectual leaders and representatives of influential policy-oriented research institutions. This open-ended policy forum was aimed at encouraging intellectual leadership to develop concrete policy recommendations on urgent topics. The 15 initial collaborating institutions began their work by tackling issues of regional financial cooperation.

In December 1999, on its second anniversary, ADB Institute held a high-profile dialogue on development paradigms, bringing together world-renowned economists and key figures working on the future development course for Asia and the Pacific, including Japan's Finance Minister, current and former ADB Presidents, ADB Institute's Advisory Council, and ADB's Board of Directors.

Seventeen capacity-building and training programs were conducted in 1999, reaching 850 individuals from 45 member countries, resulting in about 2,700 participant-days. These programs were cosponsored by 10 agencies, including the Colombo Plan Secretariat, Organisation for Economic Co-operation and Development, United Nations Children's Fund, and United Nations Development Programme. Specially commissioned case studies and learning manuals were developed for education and skill formation, public expenditure management, and public-private partnerships. Capacity-building workshops were also held for the first time in Cambodia, Sri Lanka, and Viet Nam.

At the end of 1999, ADB Institute had a staff of 27, comprising 13 professional staff members and 14 supporting staff members. Six visiting scholars, supported by 11 research associates, were at the Institute intermittently. Combined, personnel come from 18 of ADB's 58 members. The ADB Institute's Advisory Council (*see Appendix 5*) reviewed the 1999 and 2000 work programs, which were approved, together with their respective budgets, by ADB's Board of Directors.

Resident and regional missions and representative offices

ADB's resident and regional missions and representative offices support its poverty reduction goal by strengthening representation in its regional and nonregional members, and by providing broader and more direct access to ADB's constituencies.

Resident missions

ADB has 10 resident missions, one each in Bangladesh, Cambodia, India, Indonesia, Kazakhstan, Nepal, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam. Missions in the Kyrgyz Republic and the Lao People's Democratic Republic were approved in 1999 and will be established in 2000. In 1999, ADB relocated its resident mission in Kazakhstan from Almaty to Astana, the new capital of the country, allowing ADB to strengthen its development partnership with Kazakhstan and respond more effectively to the country's requests for assistance. ADB continues to use its original mission in Almaty as a liaison office. ADB also has three extended missions in Indonesia, Papua New Guinea, and Thailand, which administer specific projects and programs.

In 1999, work began on a resident mission policy¹ outlining the framework and strategic reorientation of the resident missions, in which it was noted that they provide the primary operational interface between ADB and the host DMC. The resident missions' strategic objectives are to (i) promote the implementation of ADB's overarching goal of poverty reduction and related strategic objectives in DMCs, (ii) enhance policy dialogue with DMCs by providing high-quality and timely advice, (iii) be a recognized intellectual resource and knowledge base on development issues in DMCs, and (iv) enhance the visibility of ADB and its activities in DMCs. Their partnership objectives are to (i) create strong partnerships with DMC development stakeholders, including governments, the private sector, and civil society; (ii) enhance ADB's

responsiveness to local needs and issues; (iii) take leadership in aid coordination where possible, and build strong relationships with other funding sources; and (iv) promote subregional cooperation.

The primary functions of the resident missions in 1999 were administering loans and technical assistance, coordinating funding, acting as liaison to the governments, disseminating information, and coordinating ADB's work with NGOs. For example, the Bangladesh Resident Mission (BRM) assisted in preparing the new country strategy for Bangladesh. In the area of funding coordination, the Viet Nam Resident Mission (VRM) worked closely with the World Bank Resident Mission in Viet Nam on pilot testing the comprehensive development framework in the country. Also, VRM conducted for the first time a joint portfolio review with the Government, Japan Bank for International Cooperation, and World Bank, resulting in an action plan to address issues affecting project implementation in the country. In the area of government liaison, the Indonesia Resident Mission (IRM) worked closely with the Government's audit agency to improve the submission of project financial statements and audited accounts and to assist in complying with requirements for submitting reports in English.

In their information dissemination role, several missions, including IRM and VRM, translated and distributed key documents in the local language. Several resident missions established web sites in 1999; and others, such as BRM, the India Resident Mission, and the Pakistan Resident Mission, produced newsletters.

Regional mission

The South Pacific Regional Mission (SPRM) in Port Vila, Vanuatu was opened in 1984 to liaise with the eight member nations in the South Pacific: Cook Islands, Fiji Islands, Kiribati, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. SPRM assists with administering loan and technical assistance projects

1 The Resident Mission Policy was approved by the Board of Directors on 17 February 2000.

in the South Pacific; promoting coordination with the governments and bilateral and multi-lateral funding agencies; undertaking activities relating to country programming, processing of new loan and technical assistance projects, and managing portfolios; providing economic and other inputs for ADB's policy, project, and institutional development in the region; disseminating information about ADB activities; and promoting private sector development.

Representative offices

ADB has representative offices in Europe (Frankfurt), Japan (Tokyo), and North America (Washington, DC). Each strengthens ADB's representation in its donor members and assists in its resource mobilization efforts by promoting cofinancing with official and commercial sources. Through its representative offices, ADB interacts regularly with key decision makers and informs them of ADB activities. The representative offices also help raise ADB's profile with key interest groups and the public at large. They enable ADB to communicate more effectively and in a more timely manner with the development community, businesses, academics, and NGOs. Other important functions are information dissemination and public relations through their respective newsletters, attendance at book fairs and exhibits, speaking engagements, and media arrangements.

In 1999, ADB reviewed the activities of the representative offices, noting their primary responsibility of enhancing public awareness of and support for ADB.

Support activities

Information systems and technology

In 1999, guidelines were developed for using the Information Systems and Technology Strategy (ISTS) Capital Expenditure Budget, 1998–2002. Procedures were put in place to monitor the

technical and budgetary aspects of the ISTS and to provide periodic reports on its progress.

Under ISTS, the initial phase of ADB's network infrastructure project was undertaken and an optical fiber backbone and new hubs were installed to connect the local area networks on each floor of the headquarters building. Seven powerful servers were installed to replace 27 existing servers. Two additional servers were acquired to support Internet access. A new software package was installed to replace the existing Society for Worldwide Interbank Financial Telecommunications terminal system. A project to upgrade ADB's network, security, and backup servers was also begun.

In the area of systems development, technical support was provided in the development of the Loan Financial Information Web Services, which was implemented for access over the Internet by ADB and its DMCs (*see box on page 54*). This system makes available comprehensive loan financial information and debt service projections.

The Environment and Social Monitoring System was redeveloped to add new features and convert the system from a mainframe application to a client-server application. Euro conversion facilities were developed for the Capital Subscription System, the Borrowings Portfolio System, and the Staff Retirement System. With the exception of one country, all loans denominated wholly or partially in currencies of European Monetary Union members were converted to the euro.

The last phases of ADB's internal year 2000 (Y2K) compliance program were completed.² All remaining noncompliant hardware and software were replaced or upgraded, and the new components were certified by their suppliers. A Y2K contingency plan was prepared and coordinated with all departments and offices to ensure that ADB's critical business functions would continue uninterrupted from 1 January 2000 onward.

In-country dial-up connections from most members to ADB's headquarters network were also made available.

2 See page 54 for information on ADB's external Y2K program for assisting its DMCs.

Archives

The Archives preserves and makes available records of permanent value on the history of ADB. The Archives repository conforms to international standards on archival storage and is listed in the *Guide to the Archives of International Organizations*, an electronic publication of the United Nations Educational, Scientific and Cultural Organization.

In 1999, to increase awareness of the archival program, the Archives held two exhibits: Changing Directions of the Bank, which coincided with the 32nd Annual Meeting of the Board of Governors; and ADB Staff: The Way We Were, which was held in December and focused on the staff during ADB's first 10 years. The Archives also continued its active program to acquire historical ADB documents and add them to the collection.

Library

The Library, with a collection of approximately 200,000 volumes, is ADB's knowledge resource center for printed and electronic information. It provides research assistance in all disciplines related to ADB's strategic objectives, programs, and projects. The collection specializes in development economics, key economic sectors, and the countries of Asia and the Pacific. Sectoral emphasis includes agriculture, energy, finance, environment, law, transport and communications, and social infrastructure.

A full range of library services supports ADB's operational staff working in 38 DMCs. In addition, educational institutions and individual researchers from around the world make regular use of the Library's collections and

services via the Internet, telephone or fax inquiries, or in-person visits.

Internet services and access were enhanced in the Library in 1999.

The Library continued to broaden its outreach activities with exhibits. In 1999, the Library held three exhibits: (i) Focus: Central Asia; (ii) Resettlement: Improving Benefits, Minimizing Losses; and (iii) a publications exhibit for the Manila Social Forum.

Public Information Center

The Public Information Center (PIC) under the Office of External Relations increases awareness and understanding of ADB's activities, strategies, and objectives among the public and policymakers in its DMCs and donor members by making available to the public—either free of charge or for purchase, depending on the publication—ADB publications, information brochures, documents, and videos.

The PIC is the dispatch point for ADB's Depository Library Program, a worldwide network of about 140 libraries that offers the public free access to ADB documents and publications, and for the NGO network. More than 2,500 documents were sent to NGOs in 1999.

In 1999, more documents were made available on ADB's web site (<http://www.adb.org>), especially those covered by the Policy on Confidentiality and Disclosure of Information. Also, several new publications were published, in print and electronic formats, to increase awareness of ADB's focus on reducing poverty.

ADB produced 22 publications in 1999, including *Asian Development Outlook* and *Key Indicators of Developing Member Countries*.

Administration

Human resource management and development

Human resource management activities in 1999 focused on further developing and implementing effective human resource-related policies and strategies. These efforts included putting into effect ADB's nine-point Gender Action Plan to achieve gender balance, enhancing the external recruitment and selection of professional staff, revising the selection system for supporting staff positions, and improving the procedures for selecting staff in resident and regional missions and representative offices.

In support of ADB's overarching goal of fighting poverty, a Poverty Reduction Unit was established in the Strategy and Policy Department. Also in 1999, attention was focused on managing ADB's desired skills-mix through redeployment efforts; recruiting professionals with skills in critical areas of ADB operations; and supporting associated policy initiatives such as private sector development, governance, capacity building, and anticorruption.

As part of its continuing assessment of training needs, ADB broadened its coverage of managerial and supervisory training and developed specific training oriented to its operational

needs. New technical training was offered in the areas of economic analysis, privatization and commercialization, environmental instruments, financial analysis and management, public-private partnerships in the social sector, fiscal decentralization, and governance. Senior staff members were also included in training programs on ethics and anticorruption. Many staff members attended training seminars and conferences in the Philippines and elsewhere to update their skills and keep abreast of the latest developments in their expertise. To actively support staff members in formal education programs at the duty station and through distance learning, ADB is now providing 10 working days to staff members taking examinations and defending theses or dissertations, or attending activities related to operations. As part of its outreach training, ADB conducted its annual Orientation Program for Developing Member Country Officials to help participants better understand ADB's operations. ADB also provided students in master's and doctorate programs from accredited universities the opportunity for a two-month internship in its Internship Program.

At the end of 1999, ADB had a staff of 1,973 coming from 46 of its 58 members. The total comprised 685 professional staff members¹ and 1,288 supporting staff members,² of which

1 Includes Management, i.e., the President and Vice-Presidents, Directors' Advisors, and staff on loan to the ADB Institute and on special leave without pay.

2 Includes staff on special leave without pay.

ADB's Gender Action Plan

The Gender Action Plan is a key initiative to increasing women's representation as part of ADB's professional staff.

The Gender Action Plan uses a three-pronged approach: (i) increase external recruitment of women in operational areas and at higher-level positions; (ii) enlarge the internal pipeline of women for higher-level positions; and (iii) improve

coordination on women's issues and retention of women.

The representation of women as part of ADB's total professional staff increased significantly from 10 percent in 1994 to 22 percent in 1999. About 47 percent of professional staff appointed in 1999 were women, compared with 21 percent in 1994.



180³ were in the resident and regional missions and representative offices. During the year, there were 68 appointments and 68 departures of professional staff, while 54 supporting staff members joined ADB and 59 left. At the end of 1999, women professional staff numbered 151, or 22 percent of the total.

Compensation and benefits

A comprehensive review of the professional staff compensation and benefits scheme, leading to budgetary savings, was completed in 1999. In response to changes in market salaries, ADB approved a 2 percent salary increase for professional staff effective 1 May 1999 and an 11.5 percent salary increase for supporting staff effective 1 April 1999. ADB also changed the timing of the professional staff salary increase to 1 January to coincide with ADB's fiscal year and the performance evaluation review. As a result, a 1.9 percent salary increase was approved for 2000. The supporting staff compensation system was examined and a comprehensive benefits survey was conducted in 1999, with the results to be incorporated in the 2000 review of supporting staff salaries and benefits. A review of the terms and conditions of employment at field offices was initiated. Increased emphasis was also placed on health education and the provision of medical services to staff.

Administrative services

ADB continued to rationalize its administrative services, enhance cost-effectiveness and strengthen internal control, streamline its business processes, and simplify and automate work procedures.

Initiatives undertaken in the administrative area included the computerization of various work processes, resulting in a reduction of consumables and cost savings in the publication of documents. Management of office

supplies was streamlined, thereby saving three staff positions. An increase in the number of ocean/air freight origin/destination services in overseas locations led to cost-effectiveness and improved quality of services because of increased competition. For transportation services, agency drivers have been engaged, resulting in significant savings.

Budget

Actual internal administrative expenses (IAE) for 1999 amounted to \$198.5 million, a saving of \$8.5 million against the original budget of \$207.0 million. The saving resulted because of lower-than-expected staff costs and effective budgetary resource management.

The IAE 2000 budget of \$215.4 million (*summarized in Appendix 8*) has been formulated with an increase of 30 new professional staff positions to (i) implement ADB's overarching objective of reducing poverty and its interlinked initiatives such as good governance, anticorruption, private sector development, regional cooperation, and policy on resident missions; (ii) provide adequate staff resources in strengthening ADB's operational capacity to deliver a broader range and higher volume of quality services; and (iii) respond to the changing needs of its developing member countries (DMCs). Against the increase in staff resources, ADB has continued its cost-saving measures, including extensive staff redeployment, business process reforms, and benefits rationalization to keep budget growth at a minimum level.

Financial management and human resource management information system

In October 1999, ADB launched its Financial Management and Human Resource Management Information System (FM/HRMIS) Project

3 Includes 34 professional staff, 49 national officers (locally recruited professional staff), and 97 supporting staff.

with the signing of a \$13.4 million contract⁴ with Oracle Systems (Philippines) Inc. and its partners⁵ for an integrated software package, ancillary implementation services, and required hardware. The FM/HRMIS Project, a major component of ADB's Information Systems and Technology Strategy for 1998–2002, will result in the migration of ADB's major application systems to a client/server technology environment.

The FM/HRMIS Project aims to strengthen ADB's delivery of its development services by streamlining, automating, and integrating business processes in the human resource, finance, treasury/banking, and project/product areas. Information access, quality, reliability, and timeliness will improve with the introduction of better business practices and processes founded on an integrated software package.

Project implementation officially commenced on 15 November 1999 and will be phased over three years. The human resource module will be introduced in January 2001, followed by finance and treasury/banking in June 2001, and the project/product areas in January 2002. The software package will be implemented at headquarters and at ADB's resident and regional missions and representative offices. Work undertaken in 1999 included training project team members, documenting ADB's current business processes, building staff awareness about the project, and developing a project web site.

Audit and anticorruption

ADB's focus on good governance is of paramount significance in achieving its overarching objective to reduce poverty. For good governance, it is necessary to have adequate and effective control in the functioning of activities being funded by ADB and to ensure streamlined procedures therein.

The Office of the General Auditor (OGA) conducts periodic, independent, and objective appraisals of ADB activities to ensure the adequacy and effectiveness of controls, and to identify the means of improving economy and efficiency in the use of resources in carrying out ADB's development mission. OGA is also the focal point in ADB's drive against corruption and for dealing with alleged incidents of corruption or fraud in its projects or by its staff, which is aimed at ensuring proper discipline in governance. OGA reports directly to the President. Its activities are reviewed by the Audit Committee of the Board of Directors.

Internal audits conducted in 1999 led to recommendations for (i) minimizing foreign exchange exposures in ADB's equity investment portfolio through alternative funding options, hedging of these exposures, and enhancing management information to monitor them adequately; (ii) establishing stop-loss limits on income-enhancement activities involving the use of financial derivatives on the investment portfolio; (iii) enhancing the management and monitoring of ADB's credit risk relating to settlement by introducing daily delivery limits for each counterparty; (iv) improving the imprest account operations and the verification process of Statement of Expenditures transactions; (v) providing an integrated database of cofinancing information and facilitating access to that database; (vi) dovetailing the Project Processing Information System with the requirements of the users regarding cofinancing data; (vii) facilitating the timely calculation of guarantee fees on cofinancing accounts; and (viii) reviewing existing criteria for short- and long-term consultancies for placing suitable limitations on engagements with ADB to address the risk posed by the frequent reengagement of consultants. OGA likewise audited six consulting contracts in 1999 with the assistance of independent auditors. These audits confirmed the effectiveness of the control procedures for

⁴ Includes software and hardware maintenance costs for the first five years.

⁵ Deloitte & Touche Consulting Group, IBM Philippines, Inc., and Australian Continuous Improvement Group International Pty. Ltd.

selecting consultants for ADB-financed technical assistance projects. The ADB-wide Study on Internal Controls relating to procurement of goods and services for ADB-financed projects was completed in 1999.

Consequent to ADB's adoption of the Anticorruption Policy in 1998, an Anticorruption Unit (OGA-AU) was established within OGA in 1999. OGA-AU prepared the *Procedural Guidelines for Dealing with Complaints and Allegations of Fraud and Corruption* consistent with the draft *Operations Manual* and the *Guidelines on Operational Procedures on Anticorruption*. Management approved the procedural guidelines in November 1999. Guiding principles for sanctions in the context of fraud and corruption were also prepared and approved. As of 31 December 1999, OGA-AU had processed 55 cases, of which 42 (76 percent) have subsequently been closed and 13 (24 percent) were still being investigated. Management has declared 10 firms and 14 individuals ineligible to participate in ADB-financed projects for various periods as a result of corrupt or fraudulent acts. In pursuing ADB's Anticorruption Policy, OGA-AU also conducted a project audit in a selected DMC to identify measures for improving the accountability for managing project funds and supervising ADB-financed projects, by ADB and by the executing agencies and their auditors. OGA-AU has taken steps to collaborate with the DMCs' supreme audit institutions in conducting further project audits. In coordination with ADB's Human Resources Division, OGA-AU prepared training materials and conducted fraud awareness seminars for ADB's managers and regional/resident representatives,

and conducted briefings on the Anticorruption Policy for new staff.

OGA has taken a proactive role by directly contributing to ADB's efforts to upgrade auditing capabilities in DMCs as part of its long-term anticorruption initiatives. Improvements in government accounting and auditing systems will promote accountability and prevent or minimize fraud and corruption in public sector management. OGA continued to supervise a regional technical assistance project for the Asian Organization of Supreme Audit Institutions. OGA supervised another regional technical assistance project to provide long-term audit training programs to the South Pacific Association of Supreme Audit Institutions, and a technical assistance project to strengthen the auditing system of the Government of the People's Republic of China.

OGA actively participated in (i) ADB's efforts to ensure that all hardware and software would function correctly from 1 January 2000; (ii) the working group that monitored the activities of DMCs in addressing the year 2000 (Y2K) issue; and (iii) the fallback tests of the Society for World Interbank Financial Telecommunications (SWIFT) in Manila and Hong Kong, China to ensure that SWIFT activities can continue at these fallback sites if necessary. At SWIFT's request, OGA independently conducted mandatory tests on the SWIFT system and certified the system to be Y2K compliant.

In addition, OGA provided integrated assistance to ADB's external auditors, PricewaterhouseCoopers LLP (International Firm), who undertook a continuing audit of ADB's annual financial statements throughout the year.

ADB Resources and Financial Management

ADB's financial resources comprise its ordinary capital resources (OCR) and special funds. Both are examined in this chapter, as are other funds administered by ADB.

Ordinary capital resources

OCR funds come from three distinct sources: (i) private capital markets in the form of borrowings; (ii) paid-in capital provided by government funds; and (iii) accumulated retained income (reserves), which provides a buffer for any operational risk.

Financial policies: ADB's loan charges were reviewed in 1999 to determine how ADB can maintain its financial soundness while taking into account the interest of all stakeholders. The review focused on how ADB can maintain the desired levels of its decisive income indicators: the interest coverage ratio (ICR) and the reserve:loan ratio (RLR). The ICR is the ratio of net income to financial expenses plus a factor of one. It measures the extent to which net income can fall without jeopardizing its ability to service ADB's financial expenses from current income. Because loan income and financial expenses are closely related, the ICR also provides a direct measure of the extent loan income can drop without resulting in a negative net income. The review of ADB's income and reserves policy, undertaken by the Board of Directors in 1997, concluded that the minimum policy level for the ICR should be about 1.31.

The RLR is a ratio that measures the adequacy of ADB's earning base relative to its loan assets. It is computed by dividing total reserves by outstanding loans plus equity investments and the present value of guarantees. The adequacy of the RLR is determined in

terms of the capacity of the earning base to generate the minimum net income requirements to protect ADB against country credit risks or the minimum policy level for ICR. The policy approved in the 1997 review was to maintain the RLR at about 25 percent.

To comply with ADB's policies on these two decisive income indicators, maintain ADB's financial soundness, and address concerns of increased risk in its loan portfolio, the Board of Directors approved a new loan charge policy in December 1999 to take effect from 1 January 2000. The new loan charge structure has three components.

- (i) The lending spread—the difference between the cost to the borrower and ADB's funding cost—will be raised to 0.6 percent from 0.4 percent. This will apply to all outstanding pool-based loans for both existing and new loans. The overwhelming majority of OCR loans are pool-based. The increased spread will also apply to new public sector loans under the market-based loan window.
- (ii) A new front-end fee of 1 percent will be charged on new loans. Borrowers will have the option of including this charge in the loan.
- (iii) The commitment fee for new program loans will carry a flat 0.75 percent annual fee instead of a progressive rate as before. The commitment fee for new project loans will remain unchanged.

Capitalization: As of 31 December 1999, ADB's authorized capital stock amounted to \$47.9 billion (special drawing rights [SDR]34.9 billion). The subscribed capital stock of ADB stood at \$47.6 billion (SDR34.7 billion).

During the year, Azerbaijan's membership subscription became effective.

Performance and allocation of net income

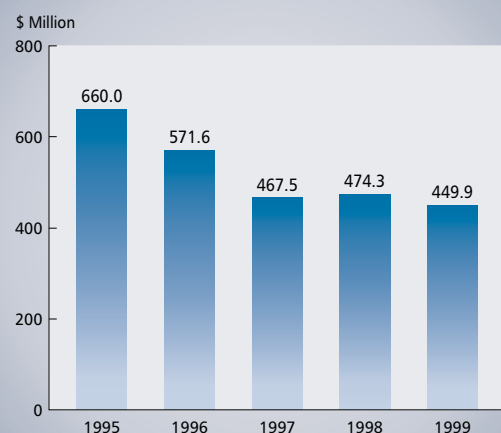
At the end of 1999, ADB's ICR was 1.31 and the RLR was 25.97 percent. During the year, in accordance with the income and reserves policy approved in 1997, ADB reviewed its income outlook and allocation of 1998 net income. On the basis of the review, the Board of Directors approved the following:

- (i) ADB can convert currency for 1999 in the amount of about \$300 million as part of its long-term strategy to align currencies in reserves with those of outstanding loans;
- (ii) the Board of Directors recommend to the Board of Governors that the entire amount of \$464.2 million of 1998 net income after appropriation of guarantee fees to the special reserve be allocated to the ordinary reserve; and
- (iii) the Board of Directors recommend to the Board of Governors that \$80 million of the amount currently held in ADB's surplus account be reallocated to the Technical Assistance Special Fund (TASF).

Lending rates: ADB has three lending windows for loans from OCR: the pool-based multicurrency loan window, the pool-based single currency loan window in US dollars, and the market-based loan (MBL) window. The lending rates for the pool-based multicurrency and pool-based single currency loan windows are determined on the basis of the average cost of borrowings as well as a Board-approved loan spread (40 basis points up to 31 December 1999).¹ The MBL window provides single-currency loans in US dollars, Japanese yen, or Swiss francs to private sector borrowers and government-guaranteed financial intermediaries at current terms. The interest rates on loans from the MBL window are on either fixed or floating rate terms.

ADB's pool-based variable lending rates for the first half of 1999 were 5.84 percent for multicurrency loans and 6.38 percent for US dollar loans. For the second half of 1999, the lending rate for multicurrency loans decreased

Net Income^a



a After appropriation of commissions/guarantee fees to the Special Reserve.

Lending Rates^a

(% per annum)

	1998	1999	
1 January	6.01	5.84	multicurrency
	6.93	6.38	US dollar
1 July	6.02	5.65	multicurrency
	6.76	6.24	US dollar

a Lending rates are set on 1 January and 1 July every year and are valid for six-month periods.

to 5.65 percent, while that for US dollar loans declined to 6.24 percent.

The lending rates for MBLs are determined on the basis of the six-month London interbank offered rate (LIBOR) plus a lending spread. The lending spread for MBL loans to financial intermediaries in the public sector is the same as that applicable for OCR pool-based loans. For private enterprises, the lending spread is determined on a case-to-case basis to cover ADB's risk exposure to particular borrowers and projects.

Income and expenses: Gross income increased by 10.7 percent, from \$1.8 billion in 1998 to \$2 billion in 1999, because of an increase in loan income and income from other sources net of a decrease in investment income. Of the

¹ Effective 1 January 2000, the Board-approved loan spread will be 60 basis points and a 1 percent front-end fee will apply.

total gross income, \$1.7 billion was generated by the loan portfolio, \$344.0 million by the investment portfolio, and \$9.2 million from other sources (*see table at right*).

The average yield on the loan portfolio declined to 6.4 percent in 1999 from 6.8 percent in 1998, mainly because of an increasing share of lower-yielding, variable-rate loans in the portfolio. The share of such loans increased from 94.3 percent in 1998 to 95.7 percent in 1999. The yield on the investment portfolio decreased to 3.9 percent in 1999 from 5.3 percent in 1998. This decrease was attributed to losses on the disposal of security holdings as part of the transition to the new investment strategy. The overall net return on average operating assets achieved for the year was 1.3 percent, compared with 1.7 percent in 1998.

Total operating expenses were \$1.6 billion, up by \$212.3 million, or 15.5 percent from the previous year. The rise in expenses was because of a \$240.7 million increase in financial expenses, net of a \$15.8 million decrease in administrative expenses, and a \$12.6 million decrease in the provision for losses. Total operating expenses accounted for 77.8 percent of the gross income, compared with 74.5 percent in 1998.

Net income for 1999, before appropriation of guarantee fees to the Special Reserve, amounted to \$449.9 million, a 3.6 percent decrease from 1998. This compared with a 0.2 percent decrease in net income in 1998.

Loans

OCR loan approvals, disbursements, and repayments: In 1999, 34 OCR loans totaling \$3.9 billion were approved, compared with 39 loans totaling \$5.0 billion approved in 1998. Of the 1999 amount, 74.3 percent of the loans were made to People's Republic of China, Indonesia, and India. Disbursements in 1999 totaled \$3.7 billion, a decrease of 34.0 percent from \$5.6 billion in 1998. High disbursements in 1998 resulted from emergency program loans in response to the Asian financial crisis. Principal repayments for the year were \$1.1 billion, of

Income and Expenses—Ordinary Capital Resources (\$ million)

	Actual				
	1995	1996	1997	1998	1999
Total Income	1,745.3	1,561.7	1,449.7	1,832.5	2,027.8
From Loans	1,312.8	1,170.0	1,127.9	1,440.9	1,674.6
From Investments	418.7	359.8	311.7	382.9	344.0
From Other Sources	13.8	31.9	10.1	8.7	9.2
Less: Expenses					
Interest and Other					
Financial	962.6	877.9	853.2	1,206.5	1,447.2
Administrative ^a	108.3	108.8	95.7	121.7	105.9
Provision for Losses	14.0	2.9	32.9	37.4	24.8
Total Expenses	1,084.9	989.6	981.8	1,365.6	1,577.9
Net Income^b	660.4	572.1	467.9	466.9	449.9

Note: Figures may not add because of rounding.

a Net of administration charge allocated to the Asian Development Fund.

b Before appropriation of guarantee fees to the Special Reserve.

which \$74.6 million represented prepayment on loans. On 31 December 1999, cumulative loans outstanding after allowance for possible losses amounted to \$28.3 billion.

Status of loans: Two public sector OCR loans to Myanmar and 11 private sector loans were in nonaccrual status at the end of 1999. The total outstanding balances of these loans amounted to \$929,000 and \$72.0 million, respectively, comprising about 0.3 percent of the total OCR loans outstanding.

Borrowings

The major objectives of ADB's borrowing and liability management strategy are to ensure the availability of long-term funds for lending operations, fund the liquidity portfolio, and minimize the cost of borrowing for ADB and its borrowing member countries. To achieve these objectives, ADB seeks to

- (i) maintain a borrowing presence in the major capital markets and, where possible, increase the size of its public bond issues to provide benchmark issues that increase liquidity in the

- (ii) secondary markets, broaden the distribution of its bonds, and favorably align its funding and trading spreads with those of other supranational borrowers; emphasize borrowings in the longer-maturity range (to the extent that the related borrowing costs remain attractive) to minimize fluctuations in its lending rates and ensure a reasonable maturity relationship between borrowings and loans;
- (iii) expand its investor base by borrowing in the private placement markets of various currencies;
- (iv) tap new markets, especially where this will help develop capital markets in Asia and the Pacific;
- (v) use swap markets where cost-efficient arbitrage can significantly lower the cost of target currencies and transform structured financing into conventional fixed-rate liabilities; and
- (vi) use short-term bridge financing should temporary deficiencies arise in currencies required for disbursements or debt service, and if market conditions are not attractive for bond issues with longer maturities.

Borrowings, 1999
(amounts in millions)

			Borrowing	Principal Amount	US\$ Equivalent ^a
Long Term					
Global	Public Offering	5.50% 5-Year Bonds due 2004	US\$1,250	1,250.0	
	Public Offering	6.50% 3-Year Bonds due 2002	US\$1,000	1,000.0	
Eurobond Market	Private Placement	6.00% 10-Year Notes due 2009	US\$250	250.0	
	Private Placement	5.85% 10-Year Loan due 2009 ^b	US\$125	125.0	
	Private Placement	5.9475% 10-Year Notes due 2009 ^b	US\$350	350.0	
	Public Offering	5.25% 3-Year Notes due 2002	US\$500	500.0	
Australia	Public Offering	5.25% 5-Year Bonds due 2004	A\$500	329.7	
Switzerland	Public Offering	2.25% 6-Year Bonds due 2005	SwF300	201.8	
Taipei,China	Public Offering				
	Tranche A	5.20% 3-Year Bonds due 2002	NT\$2,000	61.9	
	Tranche B	5.35% 5-Year Bonds due 2004	NT\$6,000	185.6	
	Tranche C	5.40% 7-Year Bonds due 2006	NT\$2,000	61.9	
United States	Public Offering	6.64% 15-Year Bonds due 2014 ^b	US\$500	500.0	
Subtotal				4,815.9	
Short Term					
Euro-Commercial Paper (ECP)			US\$370	370.0 ^c	
Total				5,185.9	

Key: US\$=United States dollar, A\$=Australian dollar, SwF=Swiss franc, and NT\$=New Taiwan dollar.

a At ADB's exchange rates effective on the date the terms of the borrowings were determined by the President.

b With put option.

c Represents outstanding ECP as of 31 December 1999.

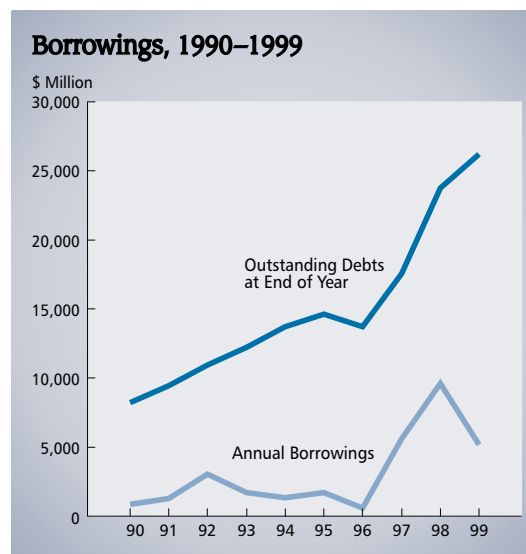
In 1999, ADB raised funds totaling about \$5.2 billion, of which \$4.8 billion was in longer-maturity borrowings and the remainder in euro-commercial paper liabilities. The average life of the 1999 longer-maturity borrowings was about 4.5 years, assuming exercise of put options for certain borrowings. After swaps, about \$3.0 billion of the total longer-maturity funds was in US dollar fixed-rate liabilities with an average all-in cost of 5.6 percent per annum, compared with 5.3 percent per annum in 1998. The remainder consisted of US dollar floating-rate liabilities with an average life of 3.3 years. Of the total borrowings, about \$3.4 billion was designated for use in the US dollar pool-based lending window, \$1.5 billion for the \$4.0 billion Financial Sector Program loan to the Republic of Korea, and \$309 million for the MBL window.

In 1999, ADB successfully completed several benchmark transactions: two US dollar global bond issues in the principal amounts of \$1.2 billion and \$1.0 billion; an Australian dollar (A\$) domestic public bond issue in the principal amount of A\$500 million with a five-year maturity; and a New Taiwan dollar (NT\$) multi-tranche public bond offering of NT\$10 billion in the domestic bond market of Taipei, China. The Australian dollar offering represents ADB's second benchmark issue in the domestic bond market of Australia, while the NT\$10 billion transaction was the largest ever foreign bond issue in the New Taiwan dollar debt market. Apart from the benchmark transactions, ADB completed six targeted opportunistic financing and private placements totaling about \$1.9 billion.

Liquidity portfolio management

The liquidity portfolio functions as a buffer on the balance sheet; it provides protection against adverse cash flow situations. ADB's policy is to maintain the year-end level of liquid assets at no less than 40 percent of undisbursed loan balances. This helps ensure the uninterrupted availability of funds to meet loan disbursements, debt servicing, and other expenses. In addition, the liquidity portfolio contributes to ADB's earning base.

The Investment Authority, which is approved by the Board of Governors, governs the



investment of liquid assets. Its primary objective is to ensure security and liquidity of funds invested. Subject to meeting this objective, ADB seeks to maximize the return on investments.

ADB's investments are made in the same currencies as received. In accordance with its Charter, ADB does not convert currencies for investment purposes. At present, liquid investments are held in 21 currencies.

In 1999, the Board of Directors approved a new investment strategy and authority. The new investment strategy is designed to optimize the combination of assets in the portfolio to maximize the expected portfolio return for a given risk level. This involves introducing higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities; extending core portfolio durations; and efficiently restructuring the liquidity portfolio into core and cash segments to maximize overall return while continuing to meet ADB's liquidity requirements. Portfolio performance will be compared with the return of external performance benchmarks. In addition, external asset managers will be hired to manage certain parts of the liquidity portfolio. The transition phase leading to full implementation of the new investment strategy is expected to last at least until the end of 2000.

In 1999, the liquid assets were held mainly in obligations of member governments and

other official entities, time deposits, and other money market investments. OCR investments increased to \$8.2 billion equivalent as of 31 December 1999 from \$8.1 billion equivalent as of 31 December 1998. The realized rate of return on overall OCR investments was 3.9 percent, compared with 5.3 percent in 1998.

Risk management: The Risk Management Division of the Treasurer's Department, established in September 1998, is responsible for formulating and implementing guidelines, procedures, and systems for treasury risk management activities. The Division identifies, quantifies, and monitors credit and market-risk exposure relating to the Treasurer's Department activities. In addition, the Division undertakes performance measurement and monitoring compared with benchmarks, and administers the selection and monitoring of external asset managers for ADB's liquidity portfolio and for its Staff Retirement Plan.

Special funds

ADB is authorized by its Charter to establish and administer special funds, which currently comprise the Asian Development Fund (ADF); Technical Assistance Special Fund (TASF); Japan Special Fund (JSF), including the Asian Currency Crisis Support Facility (ACCSF); and ADB Institute Special Fund.

Asian Development Fund

The ADF is the concessional lending window of ADB that provides loans to its developing member countries (DMCs) with low per capita gross national product and limited debt repayment capacity. The governments of 26 donor members (both regional and nonregional) have contributed to the ADF, which is the only multilateral source of concessional assistance dedicated exclusively to the needs of Asia and the Pacific. The ADF supports activities that promote poverty reduction and improvement in the quality of life of ADB's poorer DMCs. The ADF is therefore an important instrument of multilateral cooperation for achieving poverty reduction through equitable and sustainable development in the poorest countries of Asia and the Pacific.

ADF VIII initial meeting: The first meeting for the ADF VIII negotiations was held on 13–14 October 1999 in Brisbane, Australia. The meeting was highlighted by discussions on the existing environment for ADF VIII; the ADF VIII vision, theme, and strategic focus; elements of ADB's strategies for poverty reduction and good governance; performance-based allocation as applied to ADF operations; and various issues relating to the ADF's financial management.

ADF VII: The current replenishment of the ADF (known as ADF VII) was authorized by Resolution No. 247 of the Board of Governors on 22 March 1997. The replenishment total, based on the exchange rates specified in the Resolution, was \$2.6 billion. By the end of December 1999, all the donors had deposited their Instruments of Contribution to ADF VII. The Instruments of Contribution of Canada; Taipei, China; and United States contained qualifications, as permitted by the Resolution, that payment of all installments, except the first, was subject to subsequent budgetary appropriations.

The Resolution envisaged that contributions to ADF VII would become available to ADB for operational commitments in four equal installments during 1997–2000. All except two donors paid their first and second installments in 1997 and 1998. One donor paid its first

ADF Commitment Authority

(\$ million) (year-end)

	1998	1999 ^a
ADF VII Contributions	1,085.0	1,601.6
ADF VI Arrears and Pro Rata Releases	118.6	430.1
Expanded Advance Commitment Authority	1,000.0	1,500.0
Total ADF Resources	2,203.6	3,531.7
Less:		
Loans Committed	2,114.7	3,367.9
Provision for Disbursement Risk	78.2	132.1
Total	10.7	31.8

a Total does not add because of rounding.

installment in 1998 and its second installment in 1999, while the United States paid its first installment in January 1998 and 23 percent of its second installment in January 1999. As the United States was unable to pay its second installment in full, five donors—Austria, France, Germany, Malaysia, and Turkey—exercised their pro rata rights permitted by the Resolution and provided only 23 percent of their third installments. All except three donors provided their third installments during 1999, either fully or partially.

In April 1999, a Progress Report on the Implementation of the ADF VII Donors' Report, prepared in January 1997, was submitted to donors. The Progress Report discussed progress on policy issues as well as ADF VII availability and allocation of resources and financial management, and concluded that there was a need to commence ADF VIII negotiations in the second half of 1999 and complete them in 2000 to enable ADF VIII to become effective in 2001.

ADF VI: In January 1999, the United States made available \$187 million, which represented the balance of its ADF VI third and fourth tranches. As a result, Austria, France, Germany, Switzerland, and Turkey—which had exercised their pro rata rights—released the full amount of their ADF VI fourth tranches, totaling \$134 million.

ADF loan approvals, disbursements, and repayments: In 1999, 32 ADF loans totaling \$1.1 billion were approved, compared with 27 loans totaling \$987.1 million approved in 1998. Of the 1999 amount, about 54.1 percent went to Bangladesh, Viet Nam, and Sri Lanka. Disbursements in 1999 totaled \$1.1 billion, approximately the same level as in 1998. At the end of the year, cumulative disbursements from ADF resources were \$15.4 billion. Loan repayments during the year amounted to \$177.3 million, and cumulative repayments were \$1.4 billion. As of 31 December 1999, ADF loans outstanding amounted to \$16.0 billion, net of the allowance for possible losses of \$6.9 million.

Status of loans: Four ADF loans to Afghanistan and 28 to Myanmar were in nonaccrual status as of the end of the year. Total outstanding ADF loans to Afghanistan amounted to \$33.1 million and to Myanmar \$502.6 million, together comprising about 3.4 percent of the total ADF loans outstanding.

Portfolio position: The ADF investment portfolio at the end of 1999 amounted to \$2.1 billion, compared with \$1.4 billion at the end of 1998. About 86 percent of the portfolio was invested in deposits and other bank instruments in member countries. The remainder was held in securities issued or guaranteed by their governments. The realized rate of return on ADF investments in 1999 was 4.0 percent, compared with 4.6 percent in 1998.

The portfolio was denominated in 14 currencies, with yen and US dollars accounting for 37.6 percent of the portfolio.

ADF revenue and expenses: In 1999, the excess of ADF revenue over expenses (net income) was \$122.4 million, bringing the accumulated surplus to \$1.3 billion at the end of the year.

Gross revenue, consisting mainly of revenue from ADF investments and service fees on ADF loans, amounted to \$218.4 million. Expenses primarily comprise administration charges payable to OCR of \$95.5 million and provision for losses of \$469,000.

Technical Assistance Special Fund

Review of activities: In May 1999, the Board of Governors approved the reallocation of \$80 million from OCR's surplus account to the TASF. During the year, Pakistan made a direct voluntary contribution (its 23rd) to the TASF, amounting to \$70,000 equivalent. This was made on a wholly untied basis.

At the end of 1999, total TASF resources amounted to \$809.2 million. Of this, \$692.9 million had been committed, leaving an uncommitted balance of \$116.3 million. *For details, see Table 32 in the Statistical Annex.*

Operations and resource position: Technical assistance committed (approved and effective) increased from \$36 million in 1998 to \$63.1 million in 1999 with 164 technical assistance projects effective during the year. During 1999, \$7 million (\$15.6 million in 1998), representing completed and canceled technical assistance projects, was written back as a reduction in technical assistance for the period and the corresponding undisbursed commitment was eliminated. Revenue from investments increased from \$5.9 million in 1998 to

Technical Assistance Special Fund Cumulative Resources

(\$ million)

	1998	1999
Regularized Replenishment Contributions	238.0	238.0
Allocations from OCR Net Income	341.0	421.0
Direct Voluntary Contributions	87.1	87.2
Income from Investment and Other Sources	59.1	66.5
Transfers from TASF to ADF	(3.5)	(3.5)
Total	721.7	809.2

() Negative.

\$7.1 million in 1999, mainly because of an increase in the size of the investment portfolio resulting from an allocation of \$80 million from OCR surplus account. As a result, the uncommitted balances available for future commitments increased from \$97.2 million in 1998 to \$116.3 million in 1999. In terms of technical assistance approved during the year, the TASF contributed 50.9 percent of funding for total technical assistance.

At the end of 1999, TASF investments stood at \$216.2 million, up 18.1 percent from 1998. Other assets—comprising due from banks, advances to consultants, and others—totaled \$13.9 million. Accounts payable to OCR and others amounted to \$94,000.

Japan Special Fund

Review of activities: In 1999, the Government of Japan contributed yen (¥)5.8 billion (\$48.6 million equivalent) to the JSF, comprising regular contributions of ¥2.0 billion (\$16.8 million equivalent), and supplementary contributions of ¥3.8 billion (\$31.8 million equivalent). As of 31 December 1999, Japan's cumulative contribution to the JSF, since its inception in 1988, amounted to ¥86.5 billion (about \$745 million equivalent). This amount comprised regular contributions of ¥68.4 billion and supplementary contributions of ¥18.1 billion. In 1999, ADB approved 91 technical assistance grants for JSF funding in an aggregate amount of \$61.0 million. The uncommitted balance as of 31 December 1999 was \$69.9 million. *For details, see Table 33 in the Statistical Annex.*

In connection with ADB's overarching goal of eliminating poverty from the region, the JSF continued to support ADB operations

aimed at poverty reduction in line with the three pillars of the new strategy: pro-poor, sustainable economic growth, social development, and good governance. In 1999, the JSF also continued to provide significant support to ADB's technical assistance program, with emphasis on agriculture and natural resources, transport and communications, social infrastructure, and energy.

Sectoral activities: In 1999, the JSF financed 35 percent of the total amount of technical assistance approved by ADB, including 65 percent of the total amount of project preparatory technical assistance approved during the year. *The breakdown of JSF approvals by sector is shown in the table below.*

Asian Currency Crisis Support Facility

Review of activities: The ACCSF was established in March 1999 as an independent component of the JSF. The ACCSF is funded entirely by the Government of Japan as part of its financial assistance under the New Miyazawa Initiative to those countries in the region most affected by the recent financial crisis. The ACCSF assists these DMCs by helping to augment and enhance the financial support extended by ADB. The ACCSF is administered by ADB. The beneficiary

Japan Special Fund Technical Assistance by Sector, 1999

	\$ Million	%
Agriculture and Natural Resources	13.7	22.5
Transport and Communications	11.2	18.3
Others	10.9	17.8
Social Infrastructure	10.0	16.3
Energy	7.0	11.5
Finance	4.5	7.4
Industry and Nonfuel Minerals	2.6	4.3
Multisector	1.1	1.9
Total	61.0	100.0

countries presently include Indonesia, Republic of Korea,² Malaysia, Philippines, and Thailand. The ACCSF modalities comprise (i) interest payment assistance (IPA) and technical assistance grants, and (ii) guarantees. The IPA, technical assistance, and guarantees for the ACCSF financing need to be approved during the three-year period after the establishment of the ACCSF or during such extended period as the Government of Japan and ADB may agree if the beneficiary countries are not fully out of the crisis.

In 1999, the Government of Japan contributed ¥12.5 billion (\$104.4 million equivalent) for the IPA and technical assistance component of the ACCSF. The uncommitted balance of funds for IPA and technical assistance was \$19.3 million as of 31 December 1999. *For details, see Table 34 in the Statistical Annex.*

In 1999, ADB approved \$99.5 million of the ACCSF funding, comprising \$89 million for two IPA operations and \$10.5 million for 11 technical assistance projects (out of the total amount approved, \$95.6 million became effective: IPA \$89 million and technical assistance \$6.6 million). IPA was approved for the Health and Nutrition Sector Development Program (\$44 million) and the Community and Local Government Support Sector Development Program (\$45 million), both in Indonesia, to alleviate the adverse financial conditions faced by the country and effectively reduce the interest cost for funding critical social safety nets during the period of economic difficulties.

The ACCSF financing is targeted at activities that support policy dialogue, human resource development, institutional strengthening, and other relevant efforts focusing on bank restructuring and corporate debt restructuring; creating or developing sound financial monitoring, supervision, and regulation; enhancing public sector and corporate governance; developing social safety nets; and protecting the environment.

In 1999, the ACCSF financed eight advisory technical assistance activities as part of ADB's response to the financial crisis. This included advisory services to implement social safety

Asian Currency Crisis Support Facility Technical Assistance by Sector, 1999

	\$ Million	%
Social Infrastructure	5.4	51.4
Finance	3.0	28.6
Agriculture and Natural Resources	1.2	11.4
Others	0.9	8.6
Total	10.5	100.0

net programs to restructure public sector services in Indonesia, support capacity building for decentralization of the environmental impact assessment process in Indonesia, and restructure financial institutions in Thailand. The ACCSF also financed three important technical assistance operations to prepare a natural resource and environment project in Indonesia, formulate a project for developing poor urban communities in the Philippines, and develop community-based forest resource management in the Philippines.

The Government of Japan also deposited a promissory note for ¥360.0 billion (\$3.5 billion equivalent) in the ACCSF custodian account, which may be encashed to meet a call on any guarantees issued under the ACCSF. Although opportunities for using the ACCSF guarantees in relation to ADB operations in the DMCs eligible for ACCSF financing were identified, no ACCSF guarantee operations were concluded during the year.

Sectoral activities: In 1999, the ACCSF financed 6 percent of the total amount of technical assistance approved by ADB. *The breakdown of the ACCSF technical assistance approvals by sector is shown in the table above.*

ADB Institute Special Fund

The costs for operating ADB Institute are met from the ADB Institute Special Fund, which is administered by ADB in accordance with the

2 Although the Republic of Korea was severely affected at the onset of the Asian financial crisis, the country has made significant progress in macroeconomic stabilization and overall economic recovery. Given these improvements, the Republic of Korea will not receive assistance under the ACCSF as long as the present situation continues.

Statute of the ADB Institute. Japan made its third contribution in the amount of ¥794 million (equivalent to \$6.7 million) in March 1999.

As of 31 December 1999, cumulative commitments amounted to ¥4.3 billion (equivalent to about \$34.7 million) excluding translation adjustments. Of the total contributions received, \$22.7 million had been used as of 31 December 1999, mainly for research and capacity-building activities, including organizing symposia and training, preparing research reports and publications, and associated administrative expenses.

As of 31 December 1999, the balance of net current assets available for future projects and programs of the ADB Institute was about \$12 million.

Other funds managed by ADB

Japan Scholarship Program

The Japan Scholarship Program (JSP) was established in 1988 with financing from the Government of Japan. The main objective of the program is to provide an opportunity for well-qualified citizens of ADB's DMCs to undertake postgraduate studies in economics, management, science and technology, and other development-related fields at selected educational institutions in Asia and the Pacific. Upon completing their studies, scholars are expected to contribute to the economic and social development of their home countries. The scholarships cover tuition, books, subsistence allowance, housing allowance, medical insurance, travel, and research subsidies. Currently, 16 institutions in 10 countries participate in the JSP.

Between 1988 and 1999, the Government of Japan contributed more than \$34 million to the JSP. A total of 1,033 scholarships have been awarded to scholars from 31 member countries. The number of new scholarships awarded annually has grown from 49 in 1988 to 122 in 1999. Of the 1,033 scholars, 764 have already completed their courses. Women have received 288 scholarships.

Channel financing arrangements

The mobilization of official grant cofinancing plays a vital role in ADB operations. In recent years, given the TASF and ADF resource constraints, the need has been increasing for ADB to mobilize grant funds from external sources to support its technical assistance program and to finance soft components of loan projects.

A majority of such grants are provided by bilateral donors under channel financing arrangements (CFAs). ADB acts as administrator of the funds and applies its own guidelines and procedures on recruitment of consultants, procurement, disbursement, and project supervision.

Under a CFA, the donor enters into a comprehensive agreement with ADB whereby (i) the donor provides an untied grant fund to be administered by ADB (but the fund does not become part of ADB's own resources); (ii) the donor indicates its preferred sectors and recipient countries in the use of the fund; (iii) ADB regularly provides the donor with a list and description of technical assistance grants that satisfy the donor's preferences; and (iv) the donor and ADB agree on the specific activities to be financed under the fund. Funds provided under a CFA are transferred to an interest-bearing account and may also be invested by ADB pending disbursement. Donors are provided with quarterly financial statements and progress reports on the use of the fund. ADB is responsible for project preparation, processing, and administration. CFAs may be replenished with additional funds at the donor's discretion.

The primary advantage of CFAs is that funding for a number of individual technical assistance projects may be provided under a single agreement. Accordingly, they minimize the need for detailed negotiations on a case-by-case basis and foster administrative efficiency. The first CFA was negotiated in 1980. Since then, ADB has entered into CFAs with 10 bilateral donors: Australia, Belgium, Finland, France, Italy, Netherlands, New Zealand, Norway, Sweden, and Switzerland. Since 1980, 111 technical assistance grants have been financed under CFAs for a total of about \$50 million.

Financial Statements and Reports of Independent Auditors

I. Ordinary Capital Resources (OCR)

Report of Independent Auditors	169
OCR-1 Balance Sheet, 31 December 1999 and 1998	170
OCR-2 Statement of Income and Expenses for the Years Ended 31 December 1999 and 1998	172
OCR-3 Statement of Cash Flows for the Years Ended 31 December 1999 and 1998	173
OCR-4 Statement of Changes in Capital and Reserves for the Years Ended 31 December 1999 and 1998	174
OCR-5 Summary Statement of Loans, 31 December 1999 and 1998	176
OCR-6 Summary Statement of Borrowings, 31 December 1999 and 1998	178
OCR-7 Statement of Subscriptions to Capital Stock and Voting Power, 31 December 1999	180
OCR-8 Notes to Financial Statements, 31 December 1999 and 1998	182

II. Special Funds Resources

Asian Development Fund (ADF)

Report of Independent Auditors	197
ADF-1 Balance Sheet, 31 December 1999 and 1998	198
ADF-2 Statement of Revenue and Expenses for the Years Ended 31 December 1999 and 1998	199
ADF-3 Statement of Cash Flows for the Years Ended 31 December 1999 and 1998	200
ADF-4 Statement of Changes in Unexpended Balances and Capital for the Years Ended 31 December 1999 and 1998	201
ADF-5 Summary Statement of Loans, 31 December 1999 and 1998	202
ADF-6 Statement of Resources, 31 December 1999	204
ADF-7 Notes to Financial Statements, 31 December 1999 and 1998	205

Technical Assistance Special Fund (TASF)

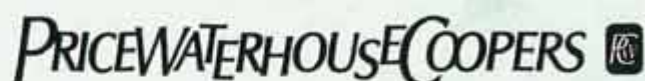
Report of Independent Auditors	210
TASF-1 Statement of Financial Position, 31 December 1999 and 1998	211
TASF-2 Statement of Activities and Changes in Net Assets for the Years Ended 31 December 1999 and 1998	212
TASF-3 Statement of Cash Flows for the Years Ended 31 December 1999 and 1998	213
TASF-4 Statement of Resources, 31 December 1999	214
TASF-5 Summary Statement of Technical Assistance Approved and Effective for the Year Ended 31 December 1999	215
TASF-6 Notes to Financial Statements, 31 December 1999 and 1998	216

Japan Special Fund (JSF)

Report of Independent Auditors	218
JSF-1 Statement of Financial Position, 31 December 1999 and 1998	219
JSF-2 Statement of Activities and Changes in Net Assets for the Years Ended 31 December 1999 and 1998	220
JSF-3 Statement of Cash Flows for the Years Ended 31 December 1999 and 1998	221
JSF-4 Notes to Financial Statements, 31 December 1999 and 1998	222

Asian Development Bank Institute Special Fund (ADBISF)

Report of Independent Auditors	226
ADBISF-1 Statement of Financial Position, 31 December 1999 and 1998	227
ADBISF-2 Statement of Activities and Changes in Net Assets for the Years Ended 31 December 1999 and 1998	228
ADBISF-3 Statement of Cash Flows for the Years Ended 31 December 1999 and 1998	229
ADBISF-4 Notes to Financial Statements, 31 December 1999 and 1998	230

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REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying balance sheet and the related statements of income and expenses, of cash flows, and of changes in capital and reserves present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank—Ordinary Capital Resources at 31 December 1999 and 1998, and the results of its operations, its cash flows, and the changes in its capital and reserves for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying summary statements of loans and of borrowings as at 31 December 1999 and 1998, and of statement of subscriptions to capital stock and voting power as at 31 December 1999 are presented for purposes of additional analyses and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

1 March 2000

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

BALANCE SHEET

31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

A S S E T S				
	1999		1998	
DUE FROM BANKS (Notes B and C)	\$	72,972	\$	62,617
INVESTMENTS (Notes B, C, D, and J)				
Government and government-guaranteed obligations	\$	2,295,714	\$	4,500,649
Time deposits		3,643,433		3,446,843
Other obligations of banks		2,259,544		128,028
		8,198,691		8,075,520
LOANS OUTSTANDING (OCR-5) (Notes A, B, and E)				
Members and guaranteed by members		27,936,529		24,358,635
Private sector		407,612		401,257
		28,344,141		24,759,892
Less—allowance for possible losses		72,991		61,507
		28,271,150		24,698,385
EQUITY INVESTMENTS (Notes A, B, and F)		272,616		237,008
Less—allowance for possible losses		61,522		51,115
		211,094		185,893
ACCRUED INCOME				
On investments		86,564		107,122
On loans		372,502		362,474
		459,066		469,596
RECEIVABLE FROM MEMBERS				
Nonnegotiable, noninterest-bearing demand obligations (Notes C and I)		381,576		350,289
Amounts required to maintain value of currency holdings (Note I)		5,495		13,541
Subscription installments (Note I)		1,943		5,964
		389,014		369,794
OTHER ASSETS				
Receivable from currency swaps (Note H)		6,666,875		6,773,746
Notional amounts required to maintain value of currency holdings (Note I)		708,431		718,693
Property, furniture, and equipment (Notes B and G)		155,395		160,155
Unamortized issuance costs of borrowings		56,135		63,815
Miscellaneous (Note L)		105,834		74,604
		7,692,670		7,791,013
TOTAL		\$45,294,657		\$41,652,818

See notes to financial statements (OCR-8).

OCR-1

LIABILITIES, CAPITAL, AND RESERVES

	1999		1998	
	<hr/>		<hr/>	
BORROWINGS (OCR-6) (Note H)		\$26,285,451		\$23,743,713
ACCRUED INTEREST ON BORROWINGS		405,960		367,540
ACCOUNTS PAYABLE AND OTHER LIABILITIES				
Payable for currency swaps (Note H)	\$ 7,484,515		\$ 7,095,896	
Notional amounts required to maintain value of currency holdings (Note I)	340,351		247,931	
Investment related payables	79,405		—	
Advance payments on subscriptions (Note I)	8,802		6,496	
Miscellaneous (Note G)	126,937	8,040,010	127,995	7,478,318
	<hr/>		<hr/>	
CAPITAL AND RESERVES (OCR-4)				
Capital Stock (OCR-7) (Notes B and I)				
Authorized (SDR34,909,940,000)				
Subscribed				
(SDR34,656,690,000 - 1999,				
SDR34,414,060,000 - 1998)	47,596,805		48,456,029	
Less—"callable" shares subscribed	44,249,150		45,041,908	
	<hr/>		<hr/>	
"Paid-in" shares subscribed	3,347,655		3,414,121	
Less—subscription installments not due	160,426		244,542	
	<hr/>		<hr/>	
Subscription installments matured	3,187,229		3,169,579	
Less—capital transferred to the Asian Development Fund	65,386		67,036	
	3,121,843		3,102,543	
	<hr/>		<hr/>	
Ordinary Reserve (Note J)	6,688,873		6,211,102	
Special Reserve (Note J)	181,608		181,608	
Surplus (Note J)	196,645		276,645	
Net income after allocations and appropriations (OCR-2) (Note J)	449,873		464,257	
Accumulated other comprehensive income (OCR-4) (Note J)	(75,606)	10,563,236	(172,908)	10,063,247
	<hr/>		<hr/>	
TOTAL		\$45,294,657		\$41,652,818

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	1999		1998	
INCOME (Note K)				
From loans (Notes B and E)				
Interest	\$1,625,654		\$1,392,056	
Commitment charge	47,789		47,773	
Others	1,192	\$1,674,635	1,100	\$1,440,929
From investments (Notes B and D)				
Interest	386,426		353,592	
Net (loss) gain on sales	(42,475)	343,951	29,272	382,864
From other sources—net (Notes E and P)		9,233		8,747
TOTAL INCOME		\$2,027,819		\$1,832,540
EXPENSES (Note K)				
Interest and other financial expenses		1,447,218		1,206,478
Administrative expenses (Note M)		105,894		121,701
Provision for possible losses (Notes B, E, and F)		24,834		37,465
TOTAL EXPENSES		1,577,946		1,365,644
NET INCOME		449,873		466,896
APPROPRIATION OF GUARANTEE FEES TO SPECIAL RESERVE (Note J)		—		(2,639)
NET INCOME AFTER APPROPRIATION TO SPECIAL RESERVE		\$ 449,873		\$ 464,257

See notes to financial statements (OCR-8).

OCR-3

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on loans received	\$ 1,425,823	\$ 1,066,994
Interest on investments received	407,745	363,414
Interest and other financial expenses paid	(1,257,541)	(987,994)
Administrative expenses paid	(121,937)	(121,908)
Others—net	12,400	25,905
Net Cash Provided by Operating Activities	466,490	346,411
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash (invested in) withdrawn from time deposits and other obligations of banks	(2,246,019)	525,129
Sales of investment securities	8,300,935	7,799,209
Maturities of investment securities	87,602,260	81,397,038
Purchases of investment securities	(93,773,186)	(90,727,988)
Principal collected on loans	1,151,803	953,808
Loans disbursed	(3,492,014)	(5,344,655)
Property, furniture, and equipment acquired	(3,754)	(2,263)
Net purchases of equity investments	(20,013)	(63,398)
Net Cash Used in Investing Activities	(2,479,988)	(5,463,120)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds of new borrowings	7,508,639	12,971,107
Bonds purchased for redemption and borrowings redeemed	(5,523,641)	(7,897,339)
Matured capital subscriptions collected ¹	35,207	29,160
Borrowing issuance expenses paid	(10,708)	(17,019)
Demand obligations of members encashed	25,413	28,191
Net currency swaps	61,446	(18,297)
Resources transferred to TASF	(80,000)	—
Net Cash Provided by Financing Activities	2,016,356	5,095,803
Effect of Exchange Rate Changes on Due from Banks	7,497	7,797
Net Increase (Decrease) in Due from Banks	10,355	(13,109)
Due from Banks at Beginning of Year	62,617	75,726
Due from Banks at End of Year	\$ 72,972	\$ 62,617
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income (OCR-2)	\$ 449,873	\$ 466,896
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in accrued interest and other expenses	32,432	50,841
Change in accrued income, including interest and commitment charges added to loans	(228,254)	(381,927)
Depreciation and amortization	153,303	165,897
Net loss (gain) from sales of investments	42,475	(29,272)
Change in accrued administrative expenses	(39,643)	(2,833)
Provision for possible losses charged	24,834	37,465
Others—net	31,470	39,344
Net Cash Provided by Operating Activities	\$ 466,490	\$ 346,411

1 In addition, nonnegotiable, noninterest-bearing demand promissory notes amounting to \$56,697 (\$44,770 – 1998) were received from members. See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Notes B and I)

	Capital Stock	Ordinary Reserve	Special Reserve	Surplus	Net Income After Allocations and Appropriations	Accumulated Other Comprehensive Income	Total
Balance—							
1 January 1998	\$2,892,939	\$5,867,429	\$178,969	\$256,645	\$467,458	\$(361,584)	\$ 9,301,856
Comprehensive income for the year 1998 (Note J)					464,257	188,676	652,933
Appropriation of guarantee fees to Special Reserve			2,639				2,639
Change in SDR value of paid-in shares subscribed	140,800						140,800
Additional paid-in shares subscribed during the year	6,538						6,538
Change in subscription installments not due	65,064						65,064
Change in SDR value of capital transferred to Asian Development Fund	(2,798)						(2,798)
Allocation of 1997 net income to ordinary reserve (Note J)		367,458			(367,458)		—
Allocation of 1997 net income to surplus (Note J)				100,000	(100,000)		—
Allocation of surplus to Technical Assistance Special Fund (Note J)				(80,000)			(80,000)
Charge to ordinary reserve for change in SDR value of capital stock (Note J)		(23,785)					(23,785)
Balance—							
31 December 1998 (Forward)	\$3,102,543	\$6,211,102	\$181,608	\$276,645	\$464,257	\$(172,908)	\$10,063,247

OCR-4

	Capital Stock	Ordinary Reserve	Special Reserve	Surplus	Net Income After Allocations and Appropriations	Accumulated Other Comprehensive Income	Total
Balance—							
31 December 1998	\$3,102,543	\$6,211,102	\$181,608	\$276,645	\$464,257	\$(172,908)	\$10,063,247
(Forward)							
Comprehensive income for the year 1999 (Note J)					449,873	97,302	547,175
Appropriation of guarantee fees to Special Reserve				—			—
Change in SDR value of paid-in shares subscribed	(66,367)						(66,367)
Additional paid-in shares subscribed during the year	15,417						15,417
Change in subscription installments not due	68,600						68,600
Change in SDR value of capital transferred to Asian Development Fund	1,650						1,650
Allocation of 1998 net income to ordinary reserve (Note J)		464,257			(464,257)		—
Allocation of surplus to Technical Assistance Special Fund (Note J)				(80,000)			(80,000)
Credit to ordinary reserve for change in SDR value of capital stock (Note J)		13,514					13,514

Balance—							
31 December 1999	\$3,121,843	\$6,688,873	\$181,608	\$196,645	\$449,873	\$ (75,606)	\$10,563,236

Accumulated Other Comprehensive Income (Note J)
For the Years Ended 31 December 1999 and 1998
Expressed in Thousands of United States Dollars (Note B)

	Accumulated Translation Adjustments		Unrealized Investment Holding Gains (Losses)		Accumulated Other Comprehensive Income	
	1999	1998	1999	1998	1999	1998
Balance, 1 January	\$(200,036)	\$(393,018)	\$ 27,128	\$31,434	\$(172,908)	\$(361,584)
Other comprehensive income for the year	121,707	192,982	(24,405)	(4,306)	97,302	188,676
Balance, 31 December	\$ (78,329)	\$(200,036)	\$ 2,723	\$27,128	\$ (75,606)	\$(172,908)

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF LOANS

31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

Borrower/Guarantor	Loans Outstanding ¹	Undisbursed Balance of Effective Loans ²	Loans Not Yet Effective	Total Loans	Percent of Total Loans
Bangladesh	\$ 10,000	\$ 6,667	\$ 122,000	\$ 138,667	0.33
China, People's Rep. of	4,531,464	3,340,044	902,000	8,773,508	20.92
Fiji Islands	57,050	38,923	—	95,973	0.23
India	4,279,868	1,096,382	700,000	6,076,250	14.49
Indonesia	6,925,801	3,631,894	—	10,557,695	25.17
Kazakhstan	265,158	85,236	—	350,394	0.84
Korea, Rep. of	4,076,338	310,389	—	4,386,727	10.46
Malaysia	528,463	168,969	—	697,432	1.66
Myanmar	929	—	—	929	n.a. ³
Nauru	2,300	2,700	—	5,000	0.01
Nepal	36,882	9,651	—	46,533	0.11
Pakistan	2,275,001	468,454	—	2,743,455	6.54
Papua New Guinea	165,742	51,535	63,000	280,277	0.67
Philippines	2,697,317	1,490,325	88,074	4,275,716	10.20
Sri Lanka	10,917	35,000	—	45,917	0.11
Thailand	2,448,697	710,118	4,500	3,163,315	7.54
Uzbekistan	17,385	172,615	—	190,000	0.45
Viet Nam	2,655	27,345	40,000	70,000	0.17
	28,331,967	11,646,247	1,919,574	41,897,788	99.90
Regional	12,174	27,826	—	40,000	0.10
TOTAL – 31 December 1999	28,344,141	11,674,073	1,919,574	41,937,788	100.00
Allowance for possible losses	(72,991)			(72,991)	
NET BALANCE – 31 December 1999	\$28,271,150	\$11,674,073	\$1,919,574	\$41,864,797	
Made up of loans to:					
Members and guaranteed by members	\$27,936,529	\$11,533,289	\$1,769,574	\$41,239,392	
Private sector (net of allowance for possible losses)	334,621	140,784	150,000	625,405	
Net balance – 31 December 1999	\$28,271,150	\$11,674,073	\$1,919,574	\$41,864,797	
TOTAL – 31 December 1998	\$24,759,892	\$11,658,258	\$2,601,276	\$39,019,426	
Allowance for possible losses	(61,507)			(61,507)	
NET BALANCE – 31 December 1998	\$24,698,385	\$11,658,258	\$2,601,276	\$38,957,919	
Made up of loans to:					
Members and guaranteed by members	\$24,358,635	\$11,531,796	\$2,514,576	\$38,405,007	
Private sector (net of allowance for possible losses)	339,750	126,462	86,700	552,912	
Net balance – 31 December 1998	\$24,698,385	\$11,658,258	\$2,601,276	\$38,957,919	

1 The interest rates charged on loans outstanding range from 5.44297% per annum to 11.00% per annum on loans to governments or with government-guarantee and 6.33% per annum to 13.73% per annum for loans to the private sector. Amounts outstanding on loans made under the Pool-Based Variable Interest Rate System and market-based variable interest rate loans totaled \$27,117,644 (\$23,339,784 – 1998). The average yield on loans was 6.41% in 1999 (6.78% – 1998).

2 Of the undisbursed balances, ADB has made irrevocable commitments to disburse various amounts totaling \$309,432 (\$499,767 – 1998).

3 Below 0.01%.

See notes to financial statements (OCR-8).

OCR-5

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amount	Five Years Ending 31 December	Amount
2000	\$1,272,136	2009	13,922,112
2001	1,357,450	2014	10,475,907
2002	1,624,611	2019	5,879,518
2003	1,749,357	2024	1,785,269
2004	1,803,866	2028	147,988
		Total	\$40,018,214

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1999	1998	Currency	1999	1998
Australian dollar	\$ 188	\$ 220	Malaysian ringgit	–	41
Deutsche mark	7,000	44,778	New Zealand dollar	983	1,233
Euro	20,370	–	Swiss franc	978,709	1,186,268
Japanese yen	10,773,863	10,173,726	United States dollar	16,563,028	13,353,626
			Total	\$28,344,141	\$24,759,892

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF BORROWINGS

31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	B o r r o w i n g s		
	Principal Outstanding ¹		Weighted Average Cost (%)
	1999	1998	1999
Long-Term Borrowing:			
Australian dollar	\$ 969,000	\$ 614,000	5.57
Austrian schilling	73,093	85,036	8.08
Canadian dollar	172,307	161,447	7.88
Deutsche mark	—	1,019,306	—
Euro	773,071	—	5.55
Hong Kong dollar	385,976	580,832	8.39
Japanese yen	6,549,570	6,536,291	4.82
Korean won	69,777	66,918	12.33
Netherlands guilder	329,336	393,790	7.10
New Taiwan dollar	622,716	297,859	5.73
Pound sterling	522,615	537,495	8.86
Swiss franc	1,013,278	1,213,773	4.77
United States dollar	14,418,609	10,475,531	6.27
Subtotal	25,899,348	21,982,278	5.91
Short-Term Borrowing:			
United States dollar	370,000	1,797,500	5.13
Principal amount outstanding	26,269,348	23,779,778	5.90 ²
Unamortized discounts and premiums	16,103	(36,065)	
TOTAL	\$26,285,451	\$23,743,713	

MATURITY STRUCTURE OF BORROWINGS OUTSTANDING

Twelve Months Ending 31 December		Five Years Ending 31 December	
	Amount		Amount
2000	\$1,453,074	2009	6,928,010
2001	1,387,582	2014	1,050,667
2002	5,438,800	2019	834,565
2003	4,077,815	2024	48,828
2004	3,590,007	2028	1,460,000
		Total	\$26,269,348

1 Includes zero coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings (in United States dollar equivalents) are:

Currency	Aggregate Face Amount		Discounted Value	
	1999	1998	1999	1998
Swiss franc	\$ 307,064	\$ 353,707	\$134,565	\$147,263
United States dollar	1,254,591	1,254,591	906,987	838,909

OCR-6

Currency Swap Arrangements³

Payable (Receivable)		Weighted Average Cost (Return) %	Net Currency Obligation	
1999	1998		1999	1998
\$ (964,236)	\$ (609,318)	(5.57)	\$ 4,764	\$ 4,682
(73,313)	(85,325)	(8.08)	(220)	(289)
(171,570)	(160,573)	(7.88)	737	874
(773,074)	(1,019,294)	(5.55)	(773,074)	12
—	—	—	773,071	—
(385,801)	(580,348)	(8.39)	175	484
2,999,202	2,992,437	5.66 ⁴	9,402,288	9,052,608
(146,484)	(476,120)	(4.14) ⁴	—	—
(69,777)	(66,918)	(12.33)	—	—
(328,771)	(393,029)	(7.10)	565	761
(622,442)	(297,533)	(5.73)	274	326
(362,497)	(372,451)	(7.47)	160,118	165,044
331,802	392,811	6.23	907,023	1,316,903
(438,057)	(289,681)	(2.41)	—	—
4,153,511	3,710,648	5.68 ⁴	16,241,267	11,763,023
(2,330,853)	(2,423,156)	(7.31) ⁴	—	—
—	—	—	370,000	1,797,500

INTEREST RATE SWAP ARRANGEMENTS⁵

	Notional Amount	Average Rate (%)			Maturing Through
		Receive	Pay		
			Fixed	Floating	
Receive Fixed Swaps:					
Australian dollar ⁶	\$ 292,969	6.34	4.89		2001-2005
Deutsche mark ⁷	97,656	4.40	3.62		2010
Japanese yen	97,656	5.50		0.13	2004
United States dollar	3,731,840	6.02		5.97	2002-2004
Receive Floating Swaps:					
Japanese yen	488,281	1.94	4.56		2002-2004
United States dollar	5,000	5.88	6.76		2007
Total	\$4,713,402				

2 The weighted average cost of long-term borrowings outstanding at 31 December 1999, after adjustment for swap activities, was 5.66% (5.70% – 1998).

3 At 31 December 1999, the remaining duration of currency swap agreements ranged from 1 to 23 years. Approximately 26.19% of the currency swap receivables and 25.31% of the payables are due from 31 December 2004 through 1 August 2022.

4 Includes cost of related interest rate swap transaction.

5 The interest rate swap information is based on interest rates at 31 December 1999. To the extent that interest rates change, variable interest rate information will change.

6 Consists of a currency coupon swap with interest receivable in Australian dollar and interest payable in Japanese yen.

7 Consists of a currency coupon swap with interest receivable in Deutsche mark and interest payable in Japanese yen.

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

31 December 1999

Expressed in Thousands of United States Dollars (Note B)

MEMBER	SUBSCRIBED CAPITAL					VOTING POWER	
	Number of Shares	Percent of Total	Par Value of Shares			Number of Votes	Percent of Total
			Total	Callable	Paid-in		
REGIONAL							
Afghanistan	1,195	0.034	\$ 16,412	\$ 11,166	\$ 5,246	16,133	0.372
Australia	204,740	5.908	2,811,858	2,614,943	196,915	219,678	5.071
Azerbaijan	15,736	0.454	216,115	200,912	15,203	30,674	0.708
Bangladesh	36,128	1.042	496,175	461,428	34,747	51,066	1.179
Bhutan	220	0.006	3,021	2,706	316	15,158	0.350
Cambodia	1,750	0.050	24,034	19,941	4,093	16,688	0.385
China, People's Rep. of	228,000	6.579	3,131,306	2,911,964	219,343	242,938	5.608
Cook Islands	94	0.003	1,291	1,209	82	15,032	0.347
Fiji Islands	2,406	0.069	33,044	30,723	2,321	17,344	0.400
Hong Kong, China	19,270	0.556	264,650	246,110	18,541	34,208	0.790
India	224,010	6.464	3,076,509	2,861,066	215,442	238,948	5.516
Indonesia	192,700	5.560	2,646,503	2,461,179	185,324	207,638	4.793
Japan	552,210	15.934	7,583,942	7,052,828	531,114	567,148	13.092
Kazakhstan	28,536	0.823	391,908	364,454	27,454	43,474	1.004
Kiribati	142	0.004	1,950	1,813	137	15,080	0.348
Korea, Rep. of	178,246	5.143	2,447,995	2,276,583	171,412	193,184	4.459
Kyrgyz Republic	10,582	0.305	145,331	135,154	10,177	25,520	0.589
Lao PDR	492	0.014	6,757	6,029	728	15,430	0.356
Malaysia	96,350	2.780	1,323,252	1,230,576	92,676	111,288	2.569
Maldives	142	0.004	1,950	1,813	137	15,080	0.348
Marshall Islands	94	0.003	1,291	1,209	82	15,032	0.347
Micronesia, Fed. States of	142	0.004	1,950	1,813	137	15,080	0.348
Mongolia	532	0.015	7,306	6,798	508	15,470	0.357
Myanmar	19,270	0.556	264,650	246,110	18,541	34,208	0.790
Nauru	142	0.004	1,950	1,813	137	15,080	0.348
Nepal	5,202	0.150	71,443	66,430	5,013	20,140	0.465
New Zealand	54,340	1.568	746,295	694,038	52,257	69,278	1.599
Pakistan	77,080	2.224	1,058,601	984,466	74,135	92,018	2.124
Papua New Guinea	3,320	0.096	45,596	42,424	3,173	18,258	0.421
Philippines	84,304	2.433	1,157,814	1,076,744	81,071	99,242	2.291
Samoa	116	0.003	1,593	1,428	165	15,054	0.348
Singapore	12,040	0.347	165,355	153,777	11,578	26,978	0.623
Solomon Islands	236	0.007	3,241	3,021	220	15,174	0.350
Sri Lanka	20,520	0.592	281,818	262,082	19,735	35,458	0.818
Taipei, China	38,540	1.112	529,301	492,247	37,054	53,478	1.234
Tajikistan	10,134	0.292	139,178	129,386	9,792	25,072	0.579
Thailand	48,174	1.390	661,612	615,274	46,338	63,112	1.457
Tonga	142	0.004	1,950	1,813	137	15,080	0.348
Tuvalu	50	0.001	687	632	55	14,988	0.346
Uzbekistan	23,834	0.688	327,331	304,410	22,922	38,772	0.895
Vanuatu	236	0.007	3,241	3,021	220	15,174	0.350
Viet Nam	12,076	0.348	165,849	146,828	19,021	27,014	0.624
Total Regional (Forward)	2,203,473	63.580	\$30,262,058	\$28,128,361	\$2,133,697	2,830,869	65.347

OCR-7

MEMBER	SUBSCRIBED CAPITAL					VOTING POWER	
	Number of Shares	Percent of Total	Par Value of Shares			Number of Votes	Percent of Total
			Total	Callable	Paid-in		
Total Regional (Forward)	2,203,473	63.580	\$30,262,058	\$28,128,361	\$2,133,697	2,830,869	65.347
NONREGIONAL							
Austria	12,040	0.347	165,355	153,777	11,578	26,978	0.623
Belgium	12,040	0.347	165,355	153,777	11,578	26,978	0.623
Canada	185,086	5.341	2,541,934	2,363,930	178,004	200,024	4.617
Denmark	12,040	0.347	165,355	153,777	11,578	26,978	0.623
Finland	12,040	0.347	165,355	153,777	11,578	26,978	0.623
France	82,356	2.376	1,131,061	1,051,844	79,217	97,294	2.246
Germany	153,068	4.417	2,102,205	1,954,979	147,226	168,006	3.878
Italy	63,950	1.845	878,277	816,763	61,514	78,888	1.821
Netherlands	36,294	1.047	498,455	463,557	34,898	51,232	1.183
Norway	12,040	0.347	165,355	153,777	11,578	26,978	0.623
Spain	12,040	0.347	165,355	153,777	11,578	26,978	0.623
Sweden	12,040	0.347	165,355	153,777	11,578	26,978	0.623
Switzerland	20,650	0.596	283,603	263,730	19,873	35,588	0.822
Turkey	12,040	0.347	165,355	153,777	11,578	26,978	0.623
United Kingdom	72,262	2.085	992,432	922,939	69,493	87,200	2.013
United States	552,210	15.934	7,583,942	7,052,828	531,114	567,148	13.092
Total Nonregional	1,262,196	36.420	17,334,747	16,120,789	1,213,958	1,501,204	34.653
TOTAL	3,465,669	100.000	\$47,596,805	\$44,249,150	\$3,347,655	4,332,073	100.000

Note: Figures may not add due to rounding.

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

NOTE A—NATURE OF OPERATIONS AND LIMITATIONS ON LOANS, GUARANTEES, AND EQUITY INVESTMENTS

Nature of Operations

The Asian Development Bank (ADB), a multilateral development finance institution, was established in 1966 with its headquarters in Manila, Philippines. ADB and its operations are governed by the Agreement Establishing the Asian Development Bank (the Charter). Its purpose is to foster economic development and co-operation in the Asian and Pacific region and to contribute to the acceleration of the process of economic development of the developing member countries (DMCs) in the region, collectively and individually. ADB provides financial and technical assistance (TA) for projects and programs which will contribute to achieving this purpose.

Mobilizing financial resources, including cofinancing, is an integral part of ADB's operational activities. In addition, ADB, alone or jointly, administers on behalf of donors, including members, their agencies and other development institutions, funds restricted for specific uses which include technical assistance grants as well as regional programs.

ADB's ordinary operations comprise loans, equity investments, and guarantees. It finances its ordinary operations through borrowings, paid-in capital, and retained earnings.

Limitations on Loans, Guarantees, and Equity Investments

Article 12, paragraph 1 of the Charter provides that the total amount outstanding of loans, equity investments, and guarantees made by ADB shall not exceed the total of ADB's unimpaired subscribed capital, reserves, and surplus, exclusive of the special reserve. At 31 December 1999, the total of such loans, equity investments, and guarantees aggregated approximately 77.4% (71.7% - 1998) of the total subscribed capital, reserves, and surplus as defined.

Article 12, paragraph 3 of the Charter provides that equity investments shall not exceed 10% of the unimpaired paid-in capital together with reserves and surplus, exclusive of the special reserve. At 31 December 1999, such equity investments represented approximately 3.5% (3.7% - 1998) of the paid-in capital, reserves, and surplus, as defined.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

The currencies of members are all functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

Valuation of Capital Stock

The authorized capital stock of ADB is defined in Article 4, paragraph 1 of the Charter "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar) and the value of each share is defined as 10,000 1966 dollars. The capital stock had historically been translated into the current United States dollar (ADB's unit of account) on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending ADB's selection of the appropriate successor to the 1966 dollar, the capital stock has been valued for purposes of these financial statements in terms of the Special Drawing Right (SDR) at the value in current United States dollars as computed by the IMF, with each share valued at SDR10,000.

As of 31 December 1999, the value of the SDR in terms of the current United States dollar was \$1.37338 (\$1.40803 - 1998) giving a value for each share of ADB's capital equivalent to \$13,733.80 (\$14,080.30 - 1998). However, ADB could decide to fix the value of each share at \$12,063.50 based on the 31 March 1978 par value of the United States dollar in terms of gold.

Translation of Currencies

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments other than those relating to maintenance

CONTINUED

of SDR capital values (see Notes I and J), are charged or credited to "Accumulated translation adjustments" and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income."

Investments

All investment securities held by ADB other than derivative instruments are considered by Management to be available for sale and are reported at estimated fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income." All derivative instruments are marked to market. Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). Realized gains and losses are included in income from investments and are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Loans

ADB's loans are made to or guaranteed by members, with the exception of loans to the private sector, and have maturities ranging between 4 and 30 years. ADB requires its borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies which it has disbursed. It is the policy of ADB to place in nonaccrual status loans for which principal, interest, or other charges are overdue by six months. Interest and other charges on nonaccruing loans are included in income only to the extent that payments have actually been received by ADB. ADB follows a policy of not taking part in debt rescheduling agreements with respect to public sector loans. In the case of private sector loans, ADB may agree to debt rescheduling only after alternative courses of action have been exhausted.

ADB determines that a loan is impaired and therefore subject to provisioning when principal or interest is in arrears for one year for public sector loans made to or guaranteed by a member (unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning) and six months for private sector loans. If the present value of expected future cash flows discounted at the loan's effective interest rate is less than the carrying value of the loan, a valuation allowance is established with a corresponding charge to provision for possible losses.

ADB's periodic evaluation of the adequacy of the allowance for possible losses is based on its past loan loss experience, known and inherent risks in existing loans, and adverse situations that may affect a borrower's ability to repay.

Equity Investments

Investments in equity securities without readily determinable fair values are reported at cost less an allowance for possible losses.

Provisions for possible loss of value are established quarterly based on Management's evaluation of potential losses for such investments. Equity securities with readily determinable fair values are reported at fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income." ADB applies the equity method of accounting to one investment where it has the ability to exercise significant influence.

Property, Furniture, and Equipment

Property, furniture, and equipment are stated at cost and, except for land, depreciated over estimated useful lives on a straight-line basis. Maintenance, repairs, and minor betterments are charged to expense.

Accounting Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the year and the reported amounts of revenues and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, ADB considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

NOTE C—RESTRICTIONS ON USE OF CURRENCIES AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i) of the Charter, the use by ADB or by any recipient from ADB of certain currencies may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 38 DMCs for 1999 (37 – 1998), cash in banks (due from banks) and demand obligations totaling \$63,377,000 (\$52,270,000 – 1998) and \$233,248,000 (\$221,478,000 – 1998), respectively, may be, but are not currently so restricted.

In accordance with Article 24, paragraphs 2(i) and (ii) of the Charter, two members have restricted the use by ADB or by any recipient from ADB of their currencies to payments for goods or services produced in their territories. Cash in banks (due from banks), demand obligations of members, and investments totaling \$23,000 (\$22,000 – 1998), \$3,495,000 (\$2,579,000 – 1998) and \$3,427,000 (\$4,460,000 – 1998), respectively, have been so restricted.

NOTE D—INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1999 and 1998 expressed in United States dollars were as follows:

Currency	1999	1998
Australian dollar	\$ 301,277,000	\$ 342,733,000
Canadian dollar	321,462,000	429,372,000
Deutsche mark	23,090,000	216,295,000
Euro	476,069,000	–
Italian lira	17,854,000	326,480,000
Japanese yen	1,619,039,000	1,223,655,000
Pound sterling	244,327,000	281,856,000
Swiss franc	175,648,000	456,100,000
United States dollar	4,672,815,000	4,162,395,000
Others	347,110,000	636,634,000
Total	<u>\$8,198,691,000</u>	<u>\$8,075,520,000</u>

The estimated fair value and amortized cost of the investments by contractual maturity at 31 December 1999 were as follows:

	Estimated Fair Value	Amortized Cost
Due in one year or less	\$7,177,151,000	\$7,178,126,000
Due after one year through five years	952,564,000	964,053,000
Due after five years through ten years	68,976,000	73,627,000
Total	<u>\$8,198,691,000</u>	<u>\$8,215,806,000</u>

Additional information relating to investments in government and government-guaranteed obligations and other obligations of banks is as follows:

	1999	1998
As of 31 December		
Amortized cost	\$4,572,373,000	\$4,608,278,000
Estimated fair value	4,555,258,000	4,628,677,000
Gross unrealized gains	551,000	25,500,000
Gross unrealized losses	17,666,000	5,101,000
For the years ended 31 December		
Change in net unrealized (losses) gains	(37,514,000)	4,352,000
Proceeds from sales	8,300,935,000	7,799,209,000
Gross realized gains	14,511,000	39,646,000
Gross realized losses	56,986,000	10,374,000

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments.

In 1999, the Board of Directors approved a new Investment Authority. The new Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities.

ADB is restricted by its Investment Authority to invest in (a) securities which are obligations of a limited class of issuers, primarily government or government-guaranteed obligations, multilateral banks, and selected commercial banks; and (b) exchange-traded derivatives of such securities.

OCR-8

CONTINUED

Exposure to interest rate risk may be adjusted within defined bands to reflect changing market circumstances. These adjustments are made through the purchase and sale of both securities and exchange-traded financial futures and options. The use of options has been minimal and there were no outstanding options as of 31 December 1999 (nil - 1998). To increase returns, ADB may invest in securities denominated in currencies other than the originating functional currencies and then enter into covered forward foreign exchange agreements in order to maintain its original mix of functional currency holdings. Accordingly, the financial futures, options, and covered forwards are held for risk management rather than for trading purposes.

Futures: Futures are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities, and changes in the market prices are settled daily. Changes in the market value of open futures contracts are recognized as gains or losses in the period of the change and included in income from investments. At 31 December 1999, there were no outstanding purchase nor sales contracts (nil - 1998).

Covered forwards: Covered forwards are agreements in which cash in one currency is converted into a different currency and simultaneously a forward exchange agreement is executed providing for a future exchange of the two currencies

in order to recover the currency converted. ADB records the covered forward as an investment in the underlying currency. A receivable is created for the forward contract of the originating currency and a payable for the underlying instrument to be converted into the originating currency at maturity. Premiums or discounts are deferred and amortized as adjustments to income from investments over the life of the underlying instrument. No covered forward agreements were outstanding at 31 December 1999 (nil - 1998).

Short sales: Short sales are sales of securities not held in ADB's portfolio at the time of the sale. ADB must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered. The payable created upon entering into a short sale is stated at the market value of the security subject to the short sale and gains and losses resulting from changes in market value are included in income from investments in the period of the change. Short sales are used by ADB for adjusting the risk exposure of the investment portfolio and for establishing spread positions to enhance income. As of 31 December 1999, there was no open short sale position (nil - 1998).

NOTE E—LOANS AND GUARANTEES

Loans

The carrying amount and estimated fair value of loans outstanding at 31 December 1999 and 1998 were as follows:

	1999		1998	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Loans to the public sector with interest at variable rates	\$26,815,606,000	\$26,815,606,000	\$23,053,815,000	\$23,053,815,000
Loans to the public sector with interest at fixed rates	1,120,923,000	1,386,947,000	1,304,821,000	1,631,770,000
Loans to the private sector	334,621,000	352,283,000	339,749,000	358,121,000
Total	<u>\$28,271,150,000</u>	<u>\$28,554,836,000</u>	<u>\$24,698,385,000</u>	<u>\$25,043,706,000</u>

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

Prior to 1 July 1986, the lending rate of ADB was based on a multicurrency fixed lending rate system under which loans carried interest rates fixed at the time of loan approval for the entire life of the loans. Effective 1 July 1986, ADB adopted a multicurrency pool-based variable lending rate system. In addition, in July 1992, ADB introduced a pool-based variable United States dollar lending system, and in November 1994, a market-based variable lending system was made available to financial intermediaries in the public sector and to the private sector. For loans to the private sector, approximately 72% (71% – 1998) of the loans were based on a variable interest rate.

Undisbursed loan commitments and an analysis of loans by borrowing member countries as of 31 December 1999 are shown in OCR-5. The carrying amounts of loan outstanding by loan products at 31 December 1999 and 1998 were as follows:

	1999	1998
Public Sector		
Fixed rate		
multicurrency loans	\$ 1,044,517,000	\$ 1,227,329,000
Pool-based		
multicurrency loans	10,918,735,000	10,404,222,000
Pool-based single		
currency (US\$) loans	11,773,000,000	8,731,130,000
Market-based loans –		
floating rate	4,200,277,000	3,995,954,000
	<u>27,936,529,000</u>	<u>24,358,635,000</u>
Private Sector		
Pool-based		
multicurrency loans	26,746,000	30,914,000
Currency specific loans	217,899,000	248,471,000
Private sector		
facility loans	24,673,000	33,005,000
Market-based loans –		
floating rate	115,203,000	83,867,000
Market-based loans –		
fixed rate	10,917,000	5,000,000
Revolving facility – AFIC	12,174,000	–
	<u>407,612,000</u>	<u>401,257,000</u>
Less: Allowance for		
possible loss	72,991,000	61,507,000
	<u>334,621,000</u>	<u>339,750,000</u>
Total	<u>\$28,271,150,000</u>	<u>\$24,698,385,000</u>

Public Sector Loans

The fair value of loans outstanding to or guaranteed by members with interest rates which vary based on the pool-based variable lending rate system were determined using the entry value method. Under this method, fair value was determined based on the terms at which a similar loan would currently be made by ADB to a similar borrower. For such loans, fair value approximated the carrying amount. For undisbursed balances of effective loans and for loans not yet effective, the contractual amount approximated fair value.

The fair value of loans outstanding to or guaranteed by members with fixed interest rates (principally loans made prior to 1 July 1986) were determined using a discounted cash flow method. This method takes into account the scheduled cash flows over the average life, by currency, of the loans, and current funding costs for the average life, including a factor for administrative costs.

The estimated fair value of loans to or guaranteed by members was not affected by credit risks based on ADB's experience with its borrowers.

Two public sector loans to Myanmar were in nonaccrual status as of 31 December 1999 (two – 1998). The principal outstanding and overdue at that date was \$929,000 (\$935,000 – 1998). Loans in nonaccrual status resulted in \$68,000 (\$68,000 – 1998) not being recognized as income from public sector loans for the year ended 31 December 1999. The accumulated interest and other charges that are not recognized as income on these loans would have totaled \$139,000 (\$70,000 – 1998).

Private Sector Loans

The fair value of loans outstanding to the private sector were determined using a discounted cash flow method.

Eleven private sector loans were in nonaccrual status as of 31 December 1999 (seven – 1998). The principal outstanding at that date was \$72,048,000 (\$51,609,000 – 1998) of which \$30,770,000 (\$17,752,000 – 1998) was overdue. Loans in nonaccrual status resulted in \$6,289,000 (\$5,226,000 – 1998) not being recognized in income from private sector loans for the year ended 31 December 1999. The accumulated interest and other charges on these loans that are not recognized would have totaled \$13,033,000 (\$6,665,000 – 1998).

OCR-8

CONTINUED

Loan Loss Provision

ADB has not suffered any losses of principal on loans made to or guaranteed by members. No loan loss provisions have been made against loans outstanding to or guaranteed by members, but loan loss provisions have been made against private sector loans during the year (See Note K).

Information pertaining to loans which are subject to loan loss provisions at 31 December 1999 and 1998 is as follows:

	1999	1998
Loans not subject to loss provisions	\$27,936,529,000	\$24,358,635,000
Loans subject to loss provisions	407,612,000	401,257,000
Total	<u>\$28,344,141,000</u>	<u>\$24,759,892,000</u>
Average amount of loans subject to loss provisions	\$ 79,534,000	\$ 76,858,000
Related interest income on such loans	\$ 5,687,000	\$ 5,746,000
Cash received on related interest income on such loans	\$ 1,431,000	\$ 1,839,000

The changes in the allowance for possible loan losses during 1999 and 1998 were as follows:

	1999	1998
Balance – 1 January	\$61,507,000	\$50,401,000
Provision during the year	11,014,000	10,981,000
Provision written off	–	(218,000)
Translation adjustments	470,000	343,000
Balance – 31 December	<u>\$72,991,000</u>	<u>\$61,507,000</u>

Loan Guarantees and Cofinancings

ADB extends guarantees for the benefit of its members which are not reflected in the financial statements. Such guarantees include partial credit guarantees where only certain principal and/or interest payments are covered. Such guaranteed payments are generally due 10 or more years from the loan inception date. The present value of the contingent future payment obligations of all outstanding guarantees at 31 December 1999 and 1998 is used to calculate ADB's lending limitation. None of these amounts were subject to call as of that date. ADB estimates that the fair value of guarantees outstanding at 31 December 1999 approximates their present value. The estimated fair value of loans to or guaranteed by members was not affected by credit risks based on ADB's experience with its borrowers.

As of 31 December 1999 and 1998, the outstanding amount and present value of ADB's guarantee obligations covered:

	1999		1998	
	Outstanding Guaranteed Amount	Present Value	Outstanding Guaranteed Amount	Present Value
Complementary Loans				
China, People's Rep. of	\$ 29,358,000	\$ 16,361,000	\$ 28,674,000	\$ 14,857,000
India	73,242,000	36,876,000	65,374,000	30,431,000
Indonesia	27,822,000	15,395,000	24,833,000	12,704,000
Papua New Guinea	2,695,000	2,419,000	3,863,000	3,346,000
Subtotal	<u>133,117,000</u>	<u>71,051,000</u>	<u>122,744,000</u>	<u>61,338,000</u>
Bond Issue				
Philippines	<u>117,188,000</u>	<u>34,340,000</u>	<u>104,598,000</u>	<u>28,381,000</u>
Term Loans				
Sri Lanka	117,568,000	62,051,000	115,144,000	56,200,000
Thailand	–	–	108,963,000	97,449,000
Subtotal	<u>117,568,000</u>	<u>62,051,000</u>	<u>224,107,000</u>	<u>153,649,000</u>
Total	<u>\$367,873,000</u>	<u>\$167,442,000</u>	<u>\$451,449,000</u>	<u>\$243,368,000</u>

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

ADB functions as lead lender in cofinancing arrangements with other participating financial institutions who also provide funds to ADB's public and private sector borrowers. In such capacity, ADB provides loan administration services, which include loan disbursement and loan collection. The

participating financial institutions have no recourse to ADB for their outstanding loan balances.

Loans administered by ADB on behalf of participating institutions as of 31 December 1999 and 1998 were as follows:

	1999		1998	
	Amount	No. of Loans	Amount	No. of Loans
Public Sector Loans	\$1,617,530,000	44	\$ 931,603,000	41
Private Sector Loans	253,454,000	12	157,634,000	11
Total	<u>\$1,870,984,000</u>	<u>56</u>	<u>\$1,089,237,000</u>	<u>52</u>

During the year ended 31 December 1999, a total of \$510,000 (\$1,583,000 – 1998) was received as compensation for arranging and administering such loans. This amount has been included in "Income from Other Sources."

NOTE F—EQUITY INVESTMENTS

ADB's investments in equity securities issued by private enterprises located in DMCs include a \$11,908,000 (\$10,342,000 – 1998) investment in the Asian Finance and Investment Corporation Ltd. (AFIC) which is accounted for on the equity method. The holding represents 30.3% of the investee's issued ordinary share capital and net assets. ADB also holds 100% of AFIC issued convertible noncumulative preference shares in the amount of \$25,000,000 (\$25,000,000 – 1998). In 1999, ADB together with other financiers, renewed the revolving credit facility provided to AFIC in 1998 up to a maximum aggregate principal amount outstanding at any time of \$92,000,000 (\$105,000,000 – 1998). ADB's obligations amount to \$40,000,000, of which, at 31 December 1999, the outstanding loan is \$12,174,000 (\$9,524,000 – 1998). This amount has been included in "Loans Outstanding" (See Note E).

Unrealized gains on equity investments reported at market value were \$19,838,000 at 31 December 1999 (\$6,729,000 – 1998) and are reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income."

Undisbursed equity investment commitments were \$149,928,000 at 31 December 1999 (\$175,429,000 – 1998).

NOTE G—PROPERTY, FURNITURE, AND EQUIPMENT

In 1991, under the terms of an agreement with the Philippines (Government), ADB returned the former headquarters premises which had been provided by the Government. In accordance with the agreement as supplemented by a memorandum of understanding, ADB was compensated \$22,657,000 for the return of these premises. The compensation is in lieu of being provided premises under the agreement and accordingly, is deferred and amortized over the estimated life of the new headquarters building as a reduction of occupancy expense. The amortization for the years ended 31 December 1999 and 1998 amounted to \$566,000 reducing depreciation expense for the new headquarters building for 1999 and 1998 from \$4,700,000 to \$4,134,000. At 31 December 1999, the unamortized deferred compensation balance (included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES – Miscellaneous") was \$17,608,000 (\$18,174,000 – 1998). At 31 December 1999, accumulated depreciation for property, furniture, and equipment was \$69,910,000 (\$61,396,000 – 1998).

NOTE H—BORROWINGS AND SWAPS

ADB uses derivative financial instruments in connection with its borrowing activities to diversify its funding sources across public and private debt markets, currencies and instruments. Currency swaps are used to convert a currency borrowed under advantageous terms into one of ADB's major operational currencies, taking advantage of the opportunities offered in different financial markets. Such currency swaps enable ADB to raise operationally needed currencies in a

OCR-8

CONTINUED

cost-efficient way and to maintain its borrowing presence in the major capital markets. Interest rate swaps are used generally to reduce balance sheet interest rate mismatches arising from lending operations.

ADB issues structured debt which includes embedded currency and/or interest rate derivatives in order to decrease its cost of borrowing. However, ADB enters into simultaneous currency and/or interest rate swaps to hedge fully against the effects of such embedded derivatives.

ADB has a potential risk of loss if the swap counterparty fails to perform its obligations (*see Note O*). In order to reduce such credit risk, ADB only enters into long-term swap transactions with counterparties eligible under ADB's swap guidelines which include a requirement that the counterparties have a credit rating of double A or higher. ADB does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

Interest rate swaps: Under a typical interest rate swap agreement used by ADB, one party agrees to make periodic payments based on a notional principal amount and an interest rate that is fixed at the outset of the agreement. The counterparty agrees to make floating rate payments based on the same notional principal amount. Amounts receivable or payable under the terms of the swap are accrued over the period to which the payment relates and the related cost or

income is included in interest and other financial expenses. The terms of ADB's interest rate swap agreements specifically match the terms of particular borrowings.

Currency swaps: Under a typical currency swap agreement, one party agrees to make periodic payments in one currency while the counterparty agrees to make periodic payments in another currency. The payments may be fixed at the outset of the agreement or vary based on interest rates. A receivable is created for the currency swapped out, and a payable is created for the currency swapped in. Swap premiums and discounts are deferred and amortized into interest and other financial expenses over the life of the underlying instruments. The terms of ADB's currency swap agreements specifically match the terms of particular borrowings.

The fair value of borrowings outstanding is estimated using prevailing market prices where available, or estimated replacement values where market prices are not available.

The fair value of outstanding currency and interest rate swap agreements are determined at the estimated amount that ADB would receive or pay to terminate the agreements based upon market quotes from dealers.

As of 31 December 1999 and 1998, the carrying amounts and estimated fair values of borrowings and swaps were as follows:

	1999		1998	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Balance sheet financial instruments:				
Borrowings	\$26,285,451,000	\$26,315,305,000	\$23,743,713,000	\$23,009,165,000
Currency swap receivables	6,666,875,000	6,779,405,000	6,773,746,000	7,029,990,000
Currency swap payables	7,484,515,000	7,767,028,000	7,095,896,000	7,563,385,000
	Notional Amount	Unrealized Gain (Loss)	Notional Amount	Unrealized Gain (Loss)
Off-balance sheet financial instruments:				
Interest rate swaps	\$ 4,713,402,000	\$ (75,534,000)	\$ 3,158,490,000	\$ 115,676,000

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

NOTE I—CAPITAL STOCK, CAPITAL TRANSFERRED TO
ASIAN DEVELOPMENT FUND, MAINTENANCE
OF VALUE OF CURRENCY HOLDINGS, AND
MEMBERSHIP*Capital Stock*

The authorized capital stock of ADB as of the end of 1999 and 1998 consists of 3,490,994 shares, of which 3,465,669 shares (3,441,406 – 1998) have been subscribed by members. Of the subscribed shares, 3,221,916 (3,198,931 – 1998) are “callable” and 243,753 (242,475 – 1998) are “paid-in.” The “callable” share capital is subject to call by ADB only as and when required to meet ADB’s obligations incurred on borrowings of funds for inclusion in its ordinary capital resources or on guarantees chargeable to such resources. The “paid-in” share capital has been paid or is payable in installments, partly in convertible currencies and partly in the currency of the subscribing member which may be convertible. In accordance with Article 6, paragraph 3 of the Charter, ADB accepts nonnegotiable, noninterest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, provided such currency is not required by ADB for the conduct of its operations. The settlement of such amounts is not determinable and, accordingly, it is not practicable to determine a fair value for these receivables.

As of 31 December 1999, all matured installments amounting to \$3,187,229,000 (\$3,169,579,000 – 1998) were received, except for \$1,814,000 (\$5,964,000 – 1998) from two countries (five – 1998). Installments not due aggregating \$160,426,000 (\$244,542,000 – 1998) are receivable as follows:

Year ending 31 December:

2000	\$78,137,000	2002	\$16,420,000
2001	65,869,000		

Payments in respect of capital subscription installments in advance of due dates are shown in the balance sheet (under the caption “ACCOUNTS PAYABLE AND OTHER LIABILITIES”) as “Advance payments on subscriptions” pending the determination of the full value of such payments based on the rate of exchange to be used by ADB as of the date on which such payments are actually due.

Capital Transferred to Asian Development Fund

Pursuant to the provisions of Article 19, paragraph 1(i) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired “paid-in” capital paid by members pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973 to be used as a part of the special funds of ADB. The resources so set aside amounting to \$65,386,000 as of 31 December 1999 (\$67,036,000 – 1998) expressed in terms of the SDR on the basis of \$1.37338 (\$1.40803 – 1998) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar—see Note B), were allocated and transferred to the Asian Development Fund.

Maintenance of Value of Currency Holdings

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, ADB implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of the Charter and relevant resolutions of the Board of Directors. The “Amounts required to maintain value of currency holdings” under “RECEIVABLE FROM MEMBERS” represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purpose of computing maintenance of value of ADB’s holdings of certain member currencies. The settlement of such amounts is not determinable and, accordingly, it is not practicable to determine a fair value for these receivables.

Since 1 April 1978, inasmuch as the valuation of ADB’s capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain and, accordingly, it is not practicable to determine a fair value for such receivables and payables. The notional amounts as of 31 December 1999 consisting of receivables of \$708,431,000 (\$718,693,000 – 1998) and payables of \$340,351,000 (\$247,931,000 – 1998) consist of (a) the increase of \$369,650,000 (\$423,006,000 – 1998) in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the

OCR-8

CONTINUED

United States dollar during the period from 1 April 1978 to 31 December 1999 and (b) the net increase of \$1,570,000 (decrease of \$47,756,000 – 1998) in the value of such currency holdings in relation to the United States dollar during the same period.

Membership

As of 31 December 1999, ADB is owned by 58 member countries, 42 countries from the region and 16 countries from outside the region (see OCR-7). During 1999, the Board of Governors approved the membership application of Azerbaijan. As at 31 December 1999, Azerbaijan has subscribed to 15,736 shares (10,134 shares by Tajikistan – 1998) of ADB's capital stock and remitted the required paid-in portion of its subscription.

NOTE J—RESERVES

Ordinary Reserve and Net Income

Under the provisions of Article 40 of the Charter, the Board of Governors shall determine annually what part of the net income shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. During 1999, \$464,257,000 of the net income after appropriation of guarantee fees to Special Reserve for the year ended 31 December 1998 was allocated to the Ordinary Reserve, (\$367,458,000 to Ordinary Reserve and \$100,000,000 to Surplus – 1998) and \$80,000,000 (\$80,000,000 – 1998) was allocated to Technical Assistance Special Fund from Surplus.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Note B) resulted in a net credit of \$13,514,000 to the Ordinary Reserve during the year ended 31 December 1999 (charge of \$23,785,000 – 1998). That credit is the decrease in the value of the matured and paid capital subscriptions caused by the change during the year in the value of the SDR in relation to the United States dollar not allocated to members as notional maintenance of value adjustments in accordance with resolutions of the Board of Directors.

Special Reserve

The Special Reserve includes commissions on loans and guarantee fees on guarantees set aside pursuant to Article

17 of the Charter. Special Reserve assets consist of term deposits and government and government-guaranteed obligations and are included under the heading "INVESTMENTS." For the year ended 31 December 1999, the net refund of guarantee fees of \$1,553,000 due to the non-utilization of the full amount of guarantee under the Cofinancing Facility Agreement with Thailand resulted in a net charge to guarantee fees of \$896,000. Accordingly, no amount was appropriated to Special Reserve for 1999 (\$2,639,000 – 1998).

Surplus

During 1999, the Board of Governors allocated \$80,000,000 (\$80,000,000 – 1998) out of Surplus to Technical Assistance Special Fund. Surplus represents funds for future use to be determined by the Board of Governors.

Comprehensive Income and Accumulated Other Comprehensive Income

In 1998, ADB adopted Statement of Financial Accounting Standards (SFAS) No. 130—Reporting Comprehensive Income issued by the Financial Accounting Standards Board. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general-purpose financial statements. Comprehensive income has two major components: net income and other comprehensive income. Other comprehensive income includes such items as unrealized gains and losses on available-for-sale securities and listed equity investments, as well as foreign currency translation adjustments.

NOTE K—INCOME AND EXPENSES

Total income from loans for the year ended 31 December 1999 was \$1,674,635,000 (\$1,440,929,000 – 1998). The average yield on the loan portfolio during the year was 6.41% (6.78% – 1998).

Total income from investments for the year ended 31 December 1999 was \$343,951,000 (\$382,864,000 – 1998). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 3.93% (5.27% – 1998). If unrealized gains and losses were included, the annualized rate of return would have been 3.51% (5.32% – 1998).

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

Income from other sources includes an increase in the share of the net assets of an equity investment of \$1,573,000 (reduction of \$25,951,000 – 1998) accounted for on the equity method.

Dividends received for the year ended 31 December 1999 amounted to \$3,525,000 (\$18,173,000 – 1998).

Total interest expense incurred for the year ended 31 December 1999 amounted to \$1,425,535,000 (\$1,187,630,000 – 1998).

Other financial expenses consist of amortization of borrowings' issuance costs and other expenses of \$19,775,000 (\$16,039,000 – 1998). They also include charges of \$1,908,000 (\$2,809,000 – 1998) representing the difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity.

Administrative expenses (other than those pertaining directly to ordinary operations and special operations) for the year ended 31 December 1999 were apportioned between Ordinary Capital Resources and the Asian Development Fund, according to the number of loans and equity investments approved during the year. Of the total administrative expenses of \$201,433,000 (\$193,176,000 – 1998), \$95,528,000 (\$71,475,000 – 1998) was accordingly charged to the Asian Development Fund.

For the year ended 31 December 1999, the provision for possible losses totaled \$24,834,000 (\$14,047,000 for private sector loans and \$10,787,000 for equity investments). For the year ended 31 December 1998, the provision for losses totaled \$37,465,000 (\$10,981,000 for private sector loans and \$26,484,000 for equity investments).

NOTE L—OTHER ASSETS—MISCELLANEOUS

Included in miscellaneous assets are amounts receivable from the following related funds as of 31 December 1999 and 1998:

	1999	1998
Asian Development Fund (Note K)	\$42,476,000	\$12,101,000
Technical Assistance Special Fund	91,000	65,000
Japan Special Fund	205,000	512,000
Asian Development Bank Institute Special Fund	252,000	78,000
Total	<u>\$43,024,000</u>	<u>\$12,756,000</u>

NOTE M—STAFF RETIREMENT PLAN AND POSTRETIREMENT MEDICAL BENEFITS

Staff Retirement Plan

ADB has a contributory defined benefit Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant from the first day of service, provided that at such a date, the employee has not reached the normal retirement age of 60. The Plan applies also to members of the Board of Directors who elect to join the Plan. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service. The Plan assets are segregated and are not included in the accompanying balance sheet. The costs of administering the Plan are absorbed by ADB, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their salary to the Plan and may also make voluntary contributions. ADB's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

Postretirement Medical Benefits Plan

In 1993, ADB adopted a cost-sharing plan for retirees' medical insurance premiums. Under the plan, ADB is obligated to pay 80% of the Group Medical Insurance Plan premiums for retirees, including retired members of the Board of Directors, and their eligible dependents who elected to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits.

OCR-8

CONTINUED

The following table sets forth the pension and postretirement benefits at 31 December 1999 and 1998:

	Pension Benefits		Postretirement Medical Benefits	
	1999	1998	1999	1998
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 505,507,000	\$ 439,427,000	\$ 57,130,000	\$ 51,476,000
Service cost	19,978,000	16,813,000	1,754,000	1,714,000
Interest cost	34,092,000	31,853,000	3,802,000	3,696,000
Participants' contributions	23,260,000	19,802,000	—	—
Amendments	64,000	—	—	—
Actuarial (gain) loss	(28,555,000)	20,335,000	(4,700,000)	1,236,000
Benefits paid	(23,480,000)	(22,723,000)	(1,195,000)	(992,000)
Benefit obligation at end of year	<u>\$ 530,866,000</u>	<u>\$ 505,507,000</u>	<u>\$ 56,791,000</u>	<u>\$ 57,130,000</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 634,314,000	\$ 527,904,000	\$ —	\$ —
Actual return on plan assets	108,047,000	97,866,000	—	—
Employer's contribution	12,317,000	11,465,000	1,195,000	992,000
Plan participants' contributions	23,260,000	19,802,000	—	—
Benefits paid	(23,480,000)	(22,723,000)	(1,195,000)	(992,000)
Fair value of plan assets at end of year	<u>\$ 754,458,000</u>	<u>\$ 634,314,000</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status	\$ 223,592,000	\$ 128,807,000	\$(56,791,000)	\$(57,130,000)
Unrecognized actuarial (loss) gain	(224,303,000)	(132,209,000)	(3,439,000)	1,261,000
Unrecognized prior service cost	3,821,000	4,739,000	—	—
Unrecognized transition obligation	(4,427,000)	(5,532,000)	12,524,000	14,933,000
Net amount recognized	<u>\$ (1,317,000)</u>	<u>\$ (4,195,000)</u>	<u>\$(47,706,000)</u>	<u>\$(40,936,000)</u>
Amounts recognized in the balance sheet consist of:				
Accrued benefit liability	(1,455,000)	(4,278,000)	(47,706,000)	(40,936,000)
Intangible asset	64,000	—	—	—
Accumulated other comprehensive income	74,000	83,000	—	—
Net amount recognized	<u>\$ (1,317,000)</u>	<u>\$ (4,195,000)</u>	<u>\$(47,706,000)</u>	<u>\$(40,936,000)</u>
Weighted-average assumptions as of 31 December				
Discount rate	7.75%	6.50%	7.75%	6.50%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase varies with age and averages	6.75%	5.50%	6.75%	5.50%

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

For measurement purposes, a 10.75% annual rate of increase in the per capita cost of covered health care benefits was assumed for the valuation as at 31 December 1999.

The rate was assumed to decrease gradually to 4.75% for 2009 and remain at that level thereafter.

	Pension Benefits		Postretirement Medical Benefits	
	1999	1998	1999	1998
Components of net periodic benefit cost:				
Service cost	\$ 19,978,000	\$ 16,813,000	\$1,754,000	\$1,714,000
Interest cost	34,092,000	31,853,000	3,802,000	3,696,000
Expected return on plan assets	(44,542,000)	(41,824,000)	—	—
Amortization of prior service cost	982,000	982,000	—	—
Amortization of transition obligation	(1,105,000)	(1,105,000)	2,409,000	2,409,000
Recognized actuarial loss (gain)	34,000	(3,622,000)	—	—
Net periodic benefit cost	<u>\$ 9,439,000</u>	<u>\$ 3,097,000</u>	<u>\$7,965,000</u>	<u>\$7,819,000</u>

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were \$574,000,000, \$572,000,000, and \$289,000,000, respectively as of 31 December 1999 and \$487,000,000, \$487,000,000, and \$218,000,000, respectively, as of 31 December 1998.

A one-percentage-point change in assumed health care trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest cost components	\$ 1,199,000	\$ (949,000)
Effect on postretirement benefit obligation	10,625,000	(8,505,000)

OCR-8

CONTINUED

NOTE N—FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of ADB's significant financial instruments as of 31 December 1999 and 1998 are summarized as follows:

	1999		1998	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
On-balance sheet financial instruments:				
ASSETS:				
Due from banks	\$ 72,972,000	\$ 72,972,000	\$ 62,617,000	\$ 62,617,000
Investments (Note D)	8,198,691,000	8,198,691,000	8,075,520,000	8,075,520,000
Loans outstanding (Note E)	28,271,150,000	28,554,836,000	24,698,385,000	25,043,706,000
Equity investments	211,094,000	211,094,000	185,893,000	185,893,000
Other assets				
Nonnegotiable, noninterest-bearing demand obligations	381,576,000	381,576,000	350,289,000	350,289,000
Currency swap receivables (Note H)	6,666,875,000	6,779,405,000	6,773,746,000	7,029,990,000
LIABILITIES:				
Borrowings (Note H)	26,285,451,000	26,315,305,000	23,743,713,000	23,009,165,000
Other liabilities				
Currency swap payables (Note H)	7,484,515,000	7,767,028,000	7,095,896,000	7,563,385,000
	Notional/Contract Amount	Unrealized Gain (Loss)	Notional/Contract Amount	Unrealized Gain (Loss)
Off-balance sheet financial instruments:				
Borrowings (Note H)				
Interest rate swaps	\$ 4,713,402,000	\$ (75,534,000)	\$ 3,158,490,000	\$ 115,676,000
Guarantees (Note E)	367,873,000	—	451,449,000	—

Additional fair value information, including methods used to estimate certain values, is included in the notes referenced in the above table.

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

NOTE O—OFF-BALANCE SHEET CREDIT RISK

ADB is a party to off-balance sheet financial instruments. These financial instruments involve elements of credit risk in excess of amounts reflected on the balance sheet. Credit risk represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contract.

	1999	1998
Credit risk at 31 December:		
Currency swaps (Note H)	\$ 97,323,000	\$156,657,000
Interest rate swaps (Note H)	18,110,000	117,823,000
Guarantees (Note E)	167,442,000	243,368,000

NOTE P—SPECIAL AND TRUST FUNDS

ADB's operations include special operations, which are financed from special funds resources, consisting of the Asian Development Fund, the Technical Assistance Special Fund, Japan Special Fund, and the Asian Development Bank Institute Special Fund.

In addition, ADB, alone or jointly with donors, administers on behalf of the donors, including members of ADB, their agencies and other development institutions, projects/programs supplementing ADB's operations. Such projects/programs are funded with external funds administered by ADB and with external funds not under ADB's administration. The funds are restricted for specific uses, including technical assistance to borrowers and technical assistance for regional programs. The responsibilities of ADB under these arrangements range from project processing to project implementation, including the facilitation of procurement of goods and services.

Special funds and funds administered by ADB on behalf of the donors are not included in the assets of Ordinary Capital Resources. The breakdown of the total of such funds, together with the funds of the special operations as of 31 December 1999 and 1998, was as follows:

	1999		1998	
	Total Net Assets	No. of Funds	Total Net Assets	No. of Funds
Special Funds				
Asian Development Fund	\$22,086,878,000	1	\$20,535,398,000	1
Technical Assistance Special Fund	116,289,000	1	97,187,000	1
Japan Special Fund	218,318,000	1	183,170,000	1
Asian Development Bank Institute Special Fund	15,115,000	1	17,998,000	1
Subtotal	22,436,600,000	4	20,833,753,000	4
Trust Funds				
Funds administered by ADB	60,038,000	24	48,585,000	21
Funds not administered by ADB	12,503,000	1	17,322,000	1
Subtotal	72,541,000	25	65,907,000	22
Total	\$22,509,141,000	29	\$20,899,660,000	26

During the year ended 31 December 1999, a total of \$911,000 (\$992,000 - 1998) was received as compensation

for administering projects/programs under Trust Funds. The amount has been included in "Income from Other Sources."

ADF-1

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	1999		1998	
ASSETS				
DUE FROM BANKS (Note B)	\$	30,151	\$	7,893
INVESTMENTS (Notes B and C)				
Government and government-guaranteed obligations	\$	297,644	\$	116,375
Time deposits		1,226,719		1,319,512
Other obligations of banks		562,621		—
		2,086,984		1,435,887
LOANS OUTSTANDING (ADF-5) (Notes B and D)		15,960,241		14,324,035
Less—allowance for possible losses		6,929		6,267
		15,953,312		14,317,768
ACCRUED REVENUE				
On investments		18,188		10,736
On loans		37,062		36,959
		55,250		47,695
DUE FROM CONTRIBUTORS (Notes B and E)		4,066,554		4,738,765
OTHER ASSETS		182		3,471
TOTAL		\$22,192,433		\$20,551,479
LIABILITIES, UNEXPENDED BALANCES, AND CAPITAL				
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$	42,476	\$	12,101
ADVANCE PAYMENTS ON CONTRIBUTIONS (ADF-6)		29,601		—
OTHER LIABILITIES				
Investment related payables	\$	32,729	\$	—
Others		749		3,980
		33,478		3,980
UNEXPENDED BALANCES AND CAPITAL				
Amounts available for loan commitments (ADF-6)				
Contributed Resources (Note B)		20,452,212		19,020,422
Set-Aside Resources (Note G)		65,386		67,036
Transfers from Ordinary Capital Resources and Technical Assistance Special Fund (Note A)		232,855		233,256
		20,750,453		19,320,714
Accumulated surplus (ADF-4)		1,299,577		1,177,152
Accumulated other comprehensive income (ADF-4) (Note H)		36,848		37,532
		22,086,878		20,535,398
TOTAL		\$22,192,433		\$20,551,479

See notes to financial statements (ADF-7).

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

STATEMENT OF REVENUE AND EXPENSES

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	<u>1999</u>		<u>1998</u>	
REVENUE				
From loans (Notes B and D)		\$141,187		\$122,184
From investments (Notes B and C)				
Interest	\$76,754		\$59,542	
Net gain on sales	193	76,947	—	59,542
From other sources—net		<u>296</u>		<u>297</u>
		\$218,430		\$182,023
EXPENSES				
Administrative expenses (Note F)		95,536		71,502
Provision for possible losses (Notes B and D)		<u>469</u>		<u>822</u>
		96,005		72,324
EXCESS OF REVENUE OVER EXPENSES— NET INCOME		\$122,425		\$109,699

See notes to financial statements (ADF-7).

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest charges on loans received	\$ 105,748	\$ 99,447
Interest on investments received	66,397	55,202
Cash received from other sources	307	297
Administrative expenses paid	(55,893)	(58,680)
Net Cash Provided by Operating Activities	116,559	96,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash invested in time deposits and other obligations of banks	(492,118)	(383,566)
Sales of investment securities	504,171	738,558
Maturities of investment securities	11,583,696	5,900,540
Purchases of investment securities	(12,240,970)	(6,693,268)
Principal collected on loans	177,296	147,637
Loans disbursed	(1,085,246)	(1,121,384)
Net Cash Used in Investing Activities	(1,553,171)	(1,411,483)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received and encashed ¹	1,462,481	1,323,739
Cash received from Ordinary Capital Resources and others	—	287
Net Cash Provided by Financing Activities	1,462,481	1,324,026
Effect of Exchange Rate Changes on Due from Banks	(3,611)	(4,215)
Net Increase in Due from Banks	22,258	4,594
Due from Banks at Beginning of Year	7,893	3,299
Due from Banks at End of Year	\$ 30,151	\$ 7,893
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES—NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenue over expenses—net income (ADF-2)	\$ 122,425	\$ 109,699
Adjustments to reconcile excess of revenue over expenses—net income to net cash provided by operating activities:		
Change in accrued revenue on investments and loans	(5,870)	(8,080)
Change in accrued/prepaid administrative expenses	39,643	12,822
Capitalized charges on loans	(27,412)	(20,724)
Decrease in payables	(9,609)	—
Provision for possible losses charged	469	822
Amortization of discounts/premiums	(2,935)	1,727
Net gain on sales of securities	(193)	—
Others—net	41	—
Net Cash Provided by Operating Activities	\$ 116,559	\$ 96,266

¹ In addition, nonnegotiable, noninterest-bearing demand promissory notes amounting to \$781,718 (\$736,879 - 1998) were received from contributing members.

See notes to financial statements (ADF-7).

ADF-4

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

STATEMENT OF CHANGES IN UNEXPENDED BALANCES AND CAPITAL

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	Contributed Resources	Set-Aside Resources	Transfers from OCR and TASF	Accumulated Surplus	Accumulated Other Comprehensive Income	Total
Balance—						
1 January 1998	\$16,902,469	\$64,237	\$233,057	\$1,067,453	\$(47,987)	\$18,219,229
Comprehensive income for the year 1998 (Note H)				109,699	85,519	195,218
Change in amount available for loan commitment	2,117,953					2,117,953
Change in SDR value of set-aside resources		2,799				2,799
Change in value of transfers from Technical Assistance Special Fund			199			199
Balance—						
31 December 1998	\$19,020,422	\$67,036	\$233,256	\$1,177,152	\$ 37,532	\$20,535,398
Comprehensive income for the year 1999 (Note H)				122,425	(684)	121,741
Change in amount of contributed resources available for loan commitments	1,431,790					1,431,790
Change in SDR value of set-aside resources		(1,650)				(1,650)
Change in value of transfers from Technical Assistance Special Fund			(401)			(401)
Balance—						
31 December 1999	\$20,452,212	\$65,386	\$232,855	\$1,299,577	\$ 36,848	\$22,086,878

Accumulated Other Comprehensive Income (Note H)

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	Accumulated Translation Adjustments		Unrealized Investment Holding Gains (Losses)		Accumulated Other Comprehensive Income	
	1999	1998	1999	1998	1999	1998
Balance, 1 January	\$35,880	\$(48,180)	\$ 1,652	\$ 193	\$37,532	\$(47,987)
Other comprehensive income for the year	3,950	84,060	(4,634)	1,459	(684)	85,519
Balance, 31 December	\$39,830	\$ 35,880	\$(2,982)	\$1,652	\$36,848	\$ 37,532

See notes to financial statements (ADF-7).

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

Borrower/Guarantor ¹	Loans Outstanding	Undisbursed Balance of Effective Loans ²	Loans Not Yet Effective ²	Total Loans	Percent of Total Loans
Afghanistan	\$ 33,082	\$ —	\$ —	\$ 33,082	0.15
Bangladesh	4,370,955	939,878	189,823	5,500,656	25.55
Bhutan	46,258	12,567	9,897	68,722	0.32
Cambodia	154,097	122,025	88,417	364,539	1.69
Cook Islands	21,270	1,695	—	22,965	0.11
Indonesia	687,731	167,419	—	855,150	3.97
Kazakhstan	44,381	14,492	—	58,873	0.27
Kiribati	3,374	9,986	—	13,360	0.06
Kyrgyz Republic	248,054	108,111	35,926	392,091	1.82
Lao PDR	573,556	188,122	51,688	813,366	3.78
Maldives	33,061	12,672	8,054	53,787	0.25
Marshall Islands	32,035	17,307	—	49,342	0.23
Micronesia, Fed. States of	25,071	11,023	—	36,094	0.17
Mongolia	294,284	80,464	50,230	424,978	1.97
Myanmar	502,645	—	—	502,645	2.34
Nepal	1,113,781	253,021	49,734	1,416,536	6.58
Pakistan	4,102,135	1,042,508	54,427	5,199,070	24.14
Papua New Guinea	295,442	24,559	20,039	340,040	1.58
Philippines	892,436	183,095	—	1,075,531	4.99
Samoa	79,607	3,591	—	83,198	0.39
Solomon Islands	49,767	11,042	—	60,809	0.28
Sri Lanka	1,615,364	439,491	147,482	2,202,337	10.23
Tajikistan	9,868	9,752	24,984	44,604	0.21
Thailand	64,610	—	—	64,610	0.30
Tonga	35,498	3,552	—	39,050	0.18
Tuvalu	2,800	1,289	—	4,089	0.02
Uzbekistan	554	19,314	—	19,868	0.09
Vanuatu	38,245	14,787	—	53,032	0.25
Viet Nam	590,280	970,702	179,677	1,740,659	8.08
BALANCE – 31 December 1999	15,960,241	4,662,464	910,378	21,533,083	100.00
Allowance for possible losses	(6,929)	—	—	(6,929)	—
NET BALANCE – 31 December 1999	\$15,953,312	\$ 4,662,464	\$ 910,378	\$21,526,154	—
BALANCE – 31 December 1998	\$14,324,035	\$ 4,751,253	\$ 1,211,891	\$20,287,179	—
Allowance for possible losses	(6,267)	—	—	(6,267)	—
NET BALANCE – 31 December 1998	\$14,317,768	\$ 4,751,253	\$1,211,891	\$20,280,912	—

1 Loans other than those made directly to a member or to its central bank have been guaranteed by the member with the exception of loans to the private sector amounting to \$10,765 (\$16,209 – 1998).

2 Loans negotiated before 1 January 1983 were denominated in current United States dollars. Loans negotiated after that date are denominated in Special Drawing Rights (SDR) for the purpose of commitment. The undisbursed portions of such SDR loans are translated into United States dollars at the applicable exchange rates as of the end of a reporting period. Of the undisbursed balances, ADB has entered into irrevocable commitments to disburse various amounts totaling \$105,523 (\$161,061 – 1998).

ADF-5

MATURITY OF EFFECTIVE LOANS

<u>Twelve Months Ending 31 December</u>	<u>Amount</u>	<u>Five Years Ending 31 December</u>	<u>Amount</u>
2000	\$385,614	2009	2,848,170
2001	322,195	2014	3,722,219
2002	357,202	2019	4,161,644
2003	389,334	2024	3,817,756
2004	436,722	2029	2,466,672
		2034	1,350,893
		2039	364,284
		Total	<u>\$20,622,705</u>

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

<u>Currency</u>	<u>1999</u>	<u>1998</u>	<u>Currency</u>	<u>1999</u>	<u>1998</u>
Australian dollar	\$ 421,550	\$ 391,511	Japanese yen	9,864,985	8,092,001
Austrian schilling	677	125,068	Korean won	73	23
Belgian franc	39	142,441	Netherlands guilder	–	387,413
Canadian dollar	761,906	676,201	New Zealand dollar	25,962	26,613
Danish krone	82,942	94,504	Norwegian krone	49,882	73,271
Deutsche mark	–	1,056,399	Pound sterling	297,710	326,311
Euro	2,344,711	–	Spanish peseta	–	49,337
Finnish markka	–	73,716	Swedish krona	80,481	82,773
French franc	–	482,818	Swiss franc	175,784	188,977
Italian lira	–	254,008	United States dollar	1,853,539	1,800,650
			Total	<u>\$15,960,241</u>	<u>\$14,324,035</u>

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1999

Expressed in Thousands of United States Dollars (Note B)

	Effective Amounts Committed During 1999	Effective Amounts At Exchange Rates Per Resolutions	Effective Committed At 31 Dec. 1999 Exchange Rates	Amounts Not Yet Available For Loan Commitments	Amounts Available For Loan Commitments	Amounts Received	Amounts Receivable
CONTRIBUTED RESOURCES							
Australia	\$ —	\$ 1,139,532	\$ 864,646	\$ 37,402	\$ 827,244	\$ 827,244	\$ —
Austria	—	144,706	146,954	7,863	139,091	139,091	—
Belgium	—	138,556	129,130	3,666	125,464	125,464	—
Canada	—	1,280,180	1,087,267	29,682	1,057,585	1,057,585	—
Denmark	—	154,229	140,676	4,620	136,056	136,056	—
Finland	—	100,391	77,535	3,391	74,144	74,144	—
France	—	831,755	734,627	47,929	686,698	686,698	—
Germany	—	1,132,547	1,152,658	59,312	1,093,346	1,093,346	—
Hong Kong, China	—	20,270	20,270	3,848	16,422	16,422	—
Indonesia	—	14,960	14,960	2,500	12,460	12,460	—
Italy	—	707,302	464,920	44,230	420,690	420,690	—
Japan	—	6,441,291	11,646,244	263,129	11,383,115	11,383,115	—
Korea, Rep. of	—	77,170	59,960	9,265	50,695	50,695	—
Malaysia	—	10,000	6,708	2,968	3,740	3,740	—
Nauru	—	1,933	1,933	—	1,933	1,433	500
Netherlands	—	413,497	414,564	12,333	402,231	402,231	—
New Zealand	—	70,473	52,108	8,754	43,354	43,354	—
Norway	—	138,458	106,678	4,855	101,823	101,823	—
Spain	81	103,513	80,379	2,610	77,769	77,769	—
Sweden	—	249,844	176,824	7,885	168,939	168,939	—
Switzerland	—	214,910	229,917	6,675	223,242	223,242	—
Taipei, China	—	31,080	29,004	3,174	25,830	25,830	—
Thailand	—	4,000	2,691	673	2,018	2,018	—
Turkey	—	100,386	100,386	7,133	93,253	93,253	—
United Kingdom	—	725,477	664,221	27,062	637,159	637,159	—
United States	—	2,924,928	2,924,928	277,017	2,647,911	2,647,911	—
Total	81	17,171,388	21,330,188	877,976	20,452,212	20,451,712 ¹	500
SET-ASIDE RESOURCES							
(Note G)	—	—	65,386	—	65,386	—	—
TRANSFER FROM							
ORDINARY CAPITAL	—	—	230,000	—	230,000	—	—
RESOURCES	—	—	230,000	—	230,000	—	—
TRANSFERS FROM							
TECHNICAL ASSISTANCE	—	—	2,855	—	2,855	—	—
SPECIAL FUND ²	—	—	2,855	—	2,855	—	—
TOTAL	\$81	\$17,171,388	\$21,628,429	\$877,976	\$20,750,453	\$20,451,712	\$500

¹ Excludes \$29,601 equivalent representing advance payments received but not yet available for loan commitments as of 31 December 1999.² Includes translation adjustments amounting to \$617 as of 31 December 1999.

See notes to financial statements (ADF-7).

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

CONTINUED

NOTE A—NATURE OF OPERATIONS

The Asian Development Fund (the Fund) was established on 28 June 1974 to more effectively carry out the special operations of the Asian Development Bank (ADB) by providing resources on concessional terms which are made available almost exclusively to the least developed borrowing countries.

The resources of the Fund have been subsequently augmented by six replenishments, the most recent of which became effective in September 1997 in a total amount equivalent to US\$2,657,777,000 to cover the operational requirements for the four-year period from January 1997. In 1997, unallocated net income of \$230,000,000 held in the surplus account of ADB's Ordinary Capital Resources was allocated to the Fund to supplement donors' contributions.

NOTE B—SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES*Functional Currencies and Reporting Currency*

The currencies of contributing member countries are functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities, amounts available for loan commitments and advance payments on contributions are translated from their functional currencies to the reporting currency, generally at the applicable rates of exchange at the end of a reporting period. Revenue and expense amounts are translated for each semimonthly period, generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments relating to set-aside resources (see Note G) are recorded as notional amounts receivable from or payable to Ordinary Capital Resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments" and reported in "UNEXPENDED BALANCES AND CAPITAL" as part of "Accumulated other comprehensive income." Exchange gains or losses on currency transactions among functional currencies are included in revenue.

Investments

All investment securities held by the Fund are considered by Management to be available for sale and are reported at estimated fair value, with unrealized gains and losses excluded from revenue and reported in "UNEXPENDED BALANCES AND CAPITAL" as part of "Accumulated other comprehensive income." Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). Realized gains and losses are included in revenue from investments and are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Loans

It is the policy of the Fund to place in nonaccrual status loans made to eligible developing member countries if the principal or interest with respect to any such loans are overdue by six months. Interest on nonaccruing loans are included in revenue only to the extent that payments have actually been received by the Fund. ADB follows a policy of not taking part in debt rescheduling agreements with respect to public sector loans. In the case of private sector loans, ADB may agree to debt rescheduling only after alternative courses of action have been exhausted.

ADB determines that a loan is impaired and, therefore, subject to provisioning when principal or interest are in arrears for one year for public sector loans made to or guaranteed by a member country (unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning) and six months for private sector loans. If the present value of expected future cash flows discounted at the loan's effective interest rate is less than the carrying value of the loan, a valuation allowance is established with a corresponding charge to provision for possible losses.

ADB's periodic evaluation of the adequacy of the allowance for possible losses is based on its past loan loss experience, known and inherent risks in existing loans and adverse situations that may affect a borrower's ability to repay.

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

Contributed Resources

Contributions by member countries are included in the financial statements as amounts committed from the date Instruments of Contribution are deposited and related formalities are completed.

Contributions are generally paid or to be paid in the currency of the contributor either in cash or notes.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Fund considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

NOTE C—INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1999 and 1998, expressed in United States dollars, were as follows:

Currency	1999	1998
Australian dollar	\$ 251,443,000	\$ 142,529,000
Austrian schilling	—	27,998,000
Belgian franc	—	23,922,000
Canadian dollar	173,470,000	99,276,000
Danish krone	29,447,000	18,139,000
Deutsche mark	—	40,890,000
Euro	401,454,000	—
French franc	—	118,489,000
Italian lira	—	81,671,000
Japanese yen	233,903,000	178,867,000
Netherlands guilder	—	26,222,000
Norwegian krone	54,580,000	22,123,000
Pound sterling	318,618,000	233,076,000
Spanish peseta	—	33,291,000
Swedish krone	41,337,000	19,833,000
United States dollar	551,096,000	343,458,000
Others	31,636,000	26,103,000
Total	<u>\$2,086,984,000</u>	<u>\$1,435,887,000</u>

The estimated fair value and amortized cost of the investments by contractual maturity at 31 December 1999 were as follows:

	Estimated Fair Value	Amortized Cost
Due in one year or less	\$2,036,159,000	\$2,036,941,000
Due after one year through five years	30,010,000	30,591,000
Due after five years through ten years	20,815,000	22,434,000
Total	<u>\$2,086,984,000</u>	<u>\$2,089,966,000</u>

Additional information relating to investments in government and government-guaranteed obligations and other obligations of banks is as follows:

	1999	1998
As of 31 December		
Amortized cost	\$863,247,000	\$114,723,000
Estimated fair value	860,265,000	116,375,000
Gross unrealized gains	—	1,652,000
Gross unrealized losses	2,982,000	—
For the years ended 31 December		
Change in net unrealized (losses) gains	(4,634,000)	1,459,000
Proceeds from sales	504,171,000	738,558,000
Gross gains	245,000	1,000
Gross losses	52,000	1,000

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 3.99% (4.56% – 1998). If unrealized gains and losses were included, the annualized rate of return would have been 3.75% (4.67% – 1998).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on the Fund's investments.

In 1999, the Board of Directors approved a new Investment Authority. The new Investment Authority allows investment in higher-yielding investment instruments, such as high-

ADF-7

CONTINUED

quality corporate bonds, mortgage-backed securities, and asset-backed securities.

NOTE D—LOANS AND LOAN LOSS PROVISION

Loans

Prior to 1 January 1999, loans of the Fund were extended to eligible developing member countries, which bore a service charge of 1% and required repayment over periods ranging from 35 to 40 years. On 14 December 1998, the Board of Directors approved an amendment to ADF loan terms, as follows: (i) for loans to finance specific projects, 32-year maturity including an 8-year grace period; (ii) program loans to support sector development, 24-year maturity including an 8-year grace period; and (iii) all new loans bear a 1% interest charge during the grace period, and 1.5% during the amortization period, with equal amortization. The new ADF lending terms took effect on 1 January 1999 and apply only to new loans for which formal loan negotiations were completed on or after 1 January 1999. The Fund requires borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed.

The fair value of loans are determined using an entry value method. Under this method, fair value is determined based on the terms at which a similar loan would currently be made by ADB to a similar borrower. For such loans, fair value approximates the carrying amount. The estimated fair value of loans is not affected by credit risks because the amount of any such adjustment is not considered to have a material effect based on ADB's experience with its borrowers.

Undisbursed loan commitments and an analysis of loans by countries as of 31 December 1999 are shown in ADF-5.

The principal amount outstanding of public sector loans in nonaccrual status as of 31 December 1999 was \$535,727,000 (\$492,379,000 – 1998) of which \$40,152,000 (\$22,253,000 – 1998) was overdue. Loans in nonaccrual status resulted in \$5,045,000 (\$5,740,000 – 1998) not being recognized as income from loans for the year ended 31 December 1999. The loans in nonaccrual status as of 31 December 1999 were four loans made to Afghanistan and 28 loans to Myanmar. (Four loans to Afghanistan and 27 loans to Myanmar were in nonaccrual status as of 31 December 1998). The accumulated interest that are not recognized as income on these loans would have totaled \$12,877,000 (\$6,960,000 – 1998).

Private sector loans outstanding as of 31 December 1999 were \$7,778,000 (\$13,885,000 – 1998), net of accumu-

lated provision for possible loan losses as of 31 December 1999 of \$2,986,000 (\$2,324,000 – 1998), and there were no undisbursed loan commitments (nil – 1998).

Loan Loss Provision

ADB makes provision for possible losses on loans to the private sector, based on an evaluation by ADB of the collectibility of loans outstanding.

ADB makes provision for possible losses on loans made to the public sector when principal or interest is in arrears for a year or more unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning. The amount of any loss provision is determined by comparing the carrying value of the loan to the present value of expected cash inflows discounted at the loan's effective interest rate.

During the 1999 financial year, no loan loss provisions (nil – 1998) were made against public sector loans while \$469,000 (\$822,000 – 1998) has been provided against private sector loans.

Information pertaining to loans which are subject to loan loss provisions as at 31 December 1999 and 1998 is as follows:

	1999	1998
Loans without loss provisions	\$15,917,379,000	\$14,284,233,000
Loans subject to loss provisions	42,862,000	39,802,000
Total	\$15,960,241,000	\$14,324,035,000
Average amount of loans subject to loss provisions	\$ 39,873,000	\$ 36,197,000
Related interest charges on such loans	\$ 427,000	\$ 387,000
Cash received on related interest charges on such loans	\$ 63,000	\$ 81,000

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

The changes in the allowance for possible loan losses during 1999 and 1998 were as follows:

	1999	1998
Balance – 1 January	\$6,267,000	\$5,577,000
Provision during the year	469,000	822,000
Translation adjustments	193,000	(132,000)
Balance – 31 December	<u>\$6,929,000</u>	<u>\$6,267,000</u>
Made up of:		
Against public sector loans		
Afghanistan	\$3,943,000	\$3,943,000
Against private sector loans	2,986,000	2,324,000
Total	<u>\$6,929,000</u>	<u>\$6,267,000</u>

NOTE E—NOTES OF CONTRIBUTORS

Notes of contributors are nonnegotiable, noninterest-bearing and, subject to certain restrictions imposed by applicable Board of Governors' resolutions encashable by ADB at par upon demand.

ADB currently expects that the notes outstanding at 31 December 1999 will be encashed in varying amounts over the eight-year period ending 31 December 2007.

The fair value of notes of contributors are determined using an entry value method whereby fair value is determined, based on the terms at which notes are currently being accepted from contributors. On this basis, the fair value of outstanding notes of contributors approximates their carrying amount.

NOTE F—ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include an administration charge from Ordinary Capital Resources amounting to \$95,528,000 (\$71,475,000 – 1998). The charge represents an apportionment of all administrative expenses of ADB (other than those pertaining directly to ordinary operations and special operations), based on the number of loans and equity investments approved during the year.

NOTE G—SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(i) of the Articles of Agreement Establishing the Asian Development Bank (the Charter), the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by member countries pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by member countries pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973, to be used as a part of the Special Funds of ADB. The capital so set aside was allocated and transferred from the Ordinary Capital Resources to the Fund as Set-Aside Resources.

The capital stock of ADB is defined in Article 4, paragraph 1 of the Charter, "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (ADB's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer had par values in terms of gold. Pending ADB's selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources have been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1999, the value of the SDR in terms of the current United States dollar was \$1.37338 (\$1.40803 – 1998). On this basis, Set-Aside Resources amounted to \$65,386,000 (\$67,036,000 – 1998). If the capital stock of ADB as of 31 December 1999 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

NOTE H—COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

In 1998, ADB adopted Statement of Financial Accounting Standards (SFAS) No. 130—Reporting Comprehensive Income issued by the Financial Accounting Standards Board. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general-purpose financial statements. Comprehensive income

has two major components: net income and other comprehensive income. Other comprehensive income include such items as unrealized gains and losses on available-for-sale securities and foreign currency translation adjustments.

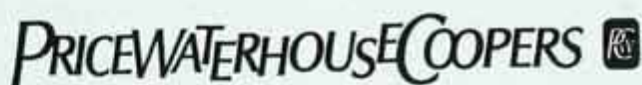
NOTE 1—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction, or whether they are actually exchangeable is not determinable.

The Fund's balance sheet carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B, C, D, and E for discussions with respect to investments, loans, and notes of contributors, respectively.



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REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank—Technical Assistance Special Fund at 31 December 1999 and 1998, and the results of its activities and changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying statement of resources as at 31 December 1999 and summary statement of technical assistance approved and effective for the year ended 31 December 1999 are presented for purposes of additional analyses and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

1 March 2000

TASF-1

ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF FINANCIAL POSITION

31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	1999	1998
ASSETS		
DUE FROM BANKS (Note B)	\$ 3,672	\$ 1,216
INVESTMENTS (Notes B and C)		
Government and government-guaranteed obligations	\$ 50,346	\$ 36,111
Time deposits and other obligations of banks	<u>165,813</u> 216,159	<u>146,966</u> 183,077
ACCRUED REVENUE	2,138	2,209
OTHER ASSETS	8,095	11,804
TOTAL	\$230,064	\$198,306
LIABILITIES AND UNCOMMITTED BALANCES		
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ 91	\$ 65
ACCOUNTS PAYABLE AND OTHER LIABILITIES	3	17
UNDISBURSED COMMITMENTS (Notes B and E)	113,681	101,037
UNCOMMITTED BALANCES (TASF-2 and TASF-4) (Note B), represented by:		
Unrestricted net assets	116,289	97,187
TOTAL	\$230,064	\$198,306

See notes to financial statements (TASF-6).

TASF-2

ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	1999	1998
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS (TASF-4) (Notes B and D)	\$ 80,070	\$80,066
REVENUE		
From investments (Notes B and C)		
Interest	\$7,806	\$5,918
Unrealized investment losses	(699)	(40)
Net gain on sales	—	7
	7,107	5,885
From other sources—net (Note E)	322	766
	7,429	6,651
NET ASSETS RELEASED FROM RESTRICTIONS (Note B)	—	192
Total	87,499	86,909
EXPENSES		
Technical assistance (TASF-5) (Notes B and E)	63,059	36,037
Financial expenses	2	7
Total	63,061	36,044
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	24,438	50,865
EXCHANGE LOSSES—net (Note B)	(5,336)	(7,454)
INCREASE IN UNRESTRICTED NET ASSETS	19,102	43,411
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
NET ASSETS RELEASED FROM RESTRICTIONS (Note B)	—	(192)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	—	(192)
INCREASE IN NET ASSETS	19,102	43,219
NET ASSETS AT BEGINNING OF YEAR	97,187	53,968
NET ASSETS AT END OF YEAR	\$116,289	\$97,187

See notes to financial statements (TASF-6).

TASF-3

ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$80,000	\$ 2,461
Interest on investments received	8,374	5,457
Cash received from other activities	61	704
Technical assistance disbursed	(46,629)	(49,616)
Financial expenses paid	(2)	(7)
Net Cash Provided by (Used in) Operating Activities	41,804	(41,001)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash (invested in) withdrawn from time deposits and other obligations of banks	(27,637)	64,736
Sales of investment securities	839	4,060
Maturities of investment securities	6,534	9
Purchases of investment securities	(18,548)	(27,294)
Net Cash (Used in) Provided by Investing Activities	(38,812)	41,511
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid to Ordinary Capital Resources and others—net	—	(42)
Net Cash Used in Financing Activities	—	(42)
Effect of Exchange Rate Changes on Due from Banks	(536)	107
Net Increase in Due from Banks	2,456	575
Due from Banks at Beginning of Year	1,216	641
Due from Banks at End of Year	\$ 3,672	\$ 1,216
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Increase in net assets (TASF-2)	\$19,102	\$ 43,219
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Noncash contributions from OCR	—	(78,658)
Change in contributions receivable	(70)	1,053
Change in undisbursed commitments	12,644	(13,986)
Translation adjustments	5,075	7,392
Unrealized investment losses	699	40
Change in advances for technical assistance to member countries	4,470	407
Amortization of discounts/premiums	497	527
Gain on sale of investments	—	(7)
Change in accrued interest receivable and others	(613)	(988)
Net Cash Provided by (Used in) Operating Activities	\$41,804	\$(41,001)

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF RESOURCES

31 December 1999

Expressed in Thousands of United States Dollars (Note B)

	Contributions Committed During 1999	Cumulative Contributions Committed	Contributions Utilized During 1999	Cumulative Contributions Utilized	Contributions Unutilized
DIRECT VOLUNTARY CONTRIBUTIONS					
Australia	\$ —	\$ 2,484	\$ —	\$ 2,484	\$ —
Austria	—	159	—	159	—
Bangladesh	—	47	—	47	—
Belgium	—	1,394	—	1,394	—
Canada	—	3,346	—	3,346	—
China, People's Rep. of	—	600	—	600	—
Denmark	—	1,963	—	1,963	—
Finland	—	237	—	237	—
France	—	1,697	—	1,697	—
Germany	—	3,315	—	3,315	—
Hong Kong, China	—	100	—	100	—
India	—	2,659	—	2,659	—
Indonesia	—	250	—	250	—
Italy	—	774	—	774	—
Japan	—	47,710	—	47,710	—
Korea, Rep. of	—	1,900	—	1,900	—
Malaysia	—	909	—	909	—
Netherlands	—	1,338	—	1,338	—
New Zealand	—	1,096	—	1,096	—
Norway	—	3,279	—	3,279	—
Pakistan	70	1,387	—	1,317	70
Singapore	—	1,100	—	1,100	—
Spain	—	190	—	190	—
Sri Lanka	—	6	—	6	—
Sweden	—	861	—	861	—
Switzerland	—	1,035	—	1,035	—
Taipei, China	—	200	—	200	—
United Kingdom	—	5,617	—	5,617	—
United States	—	1,500	—	1,500	—
Total	70	87,153	—	87,083	70
REGULARIZED TASF REPLENISHMENTS, ALLOCATION FROM ORDINARY CAPITAL RESOURCES NET INCOME, AND OTHER RESOURCES ¹ (Note D)					
	80,000	725,090	68,397	609,327	115,763
TRANSFERS TO ASIAN DEVELOPMENT FUND	—	(3,472)	—	(3,472)	—
UNREALIZED INVESTMENT HOLDING GAINS	—	456	—	—	456
TOTAL	\$80,070	\$809,227	\$68,397²	\$692,938	\$116,289

¹ Other resources represent income and replenishments accruing to TASF since 1 April 1980.² Includes exchange loss amounting to \$5,336.

See notes to financial statements (TASF-6).

TASF-5

ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND

SUMMARY STATEMENT OF TECHNICAL ASSISTANCE APPROVED AND EFFECTIVE

For the Year Ended 31 December 1999

Expressed in Thousands of United States Dollars (Note B)

Recipient	Project Preparation	Project Implementation/ Advisory	Total
Bangladesh	\$ 450	\$ 356	\$ 806
Bhutan	150	275	425
Cambodia	300	3,379	3,679
China, People's Rep. of	541	7,804	8,345
Fiji Islands	—	1,258	1,258
India	1,394	931	2,325
Indonesia	150	2,291	2,441
Kazakhstan	(3)	316	313
Kiribati	—	2,276	2,276
Kyrgyz Republic	—	1,059	1,059
Lao PDR	—	510	510
Maldives	(46)	(24)	(70)
Marshall Islands	(12)	262	250
Micronesia, Fed. States of	300	882	1,182
Mongolia	—	205	205
Nauru	—	844	844
Nepal	100	1,053	1,153
Pakistan	1,893	116	2,009
Papua New Guinea	1,513	520	2,033
Philippines	800	2,320	3,120
Samoa	125	368	493
Solomon Islands	590	352	942
Sri Lanka	770	3,541	4,311
Tajikistan	150	895	1,045
Thailand	—	(134)	(134)
Tuvalu	(16)	600	584
Uzbekistan	150	1,950	2,100
Vanuatu	1,000	739	1,739
Viet Nam	—	1,115	1,115
Total	<u>\$10,299</u>	<u>\$36,059</u>	46,358
Regional Activities			16,701
TOTAL			\$63,059

Negative amounts represent net undisbursed commitments written back to balances available for future commitments (Notes B and E).

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

NOTE A—NATURE OF OPERATIONS

The Technical Assistance Special Fund (TASF) was established to provide technical assistance on a grant basis to developing member countries of the Asian Development Bank (ADB) and for regional technical assistance. TASF resources consist of direct voluntary contributions by members, allocations from the net income of Ordinary Capital Resources (OCR) and Asian Development Fund (ADF) contributions, and revenue from investments and other sources.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the TASF are presented on the basis of unrestricted and temporarily restricted net assets.

TASF reports contributed cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Investments

All investment securities held by TASF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Contributions

Contributions from members are included in the financial statements from the date contribution agreements become effective. Contributions from donors which are restricted by them to technical assistance (TA) projects/programs with specified procurement sources are classified as temporarily restricted contributions. Those without any stipulations as to specific use are accounted for as unrestricted contributions.

Technical Assistance to Member Countries

Technical assistance is recognized in the financial statements when the related project is approved and becomes effective. Upon completion of the TA project, any undisbursed amount is written back as a reduction in Technical Assistance for the period and the corresponding undisbursed commitment is eliminated accordingly.

Reporting Currency

The financial statements of TASF are expressed in thousands of current United States dollars. As a matter of convenience, the United States dollar is the functional and reporting currency and is used to measure exchange gains and losses.

Translation of Currencies

Assets, liabilities, and uncommitted balances in currencies other than United States dollars are translated at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are recognized at applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in currencies other than United States dollars are translated for each semimonthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments are accounted for as exchange gains or losses and are charged or credited to operations.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the TASF considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

TASF-6

NOTE C—INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1999 and 1998 expressed in United States dollars were as follows:

Currency	1999	1998
Australian dollar	\$ 5,757,000	\$ 5,299,000
Canadian dollar	128,083,000	85,137,000
Deutsche mark	–	6,103,000
Euro	60,886,000	–
Italian lira	–	5,032,000
Netherlands guilder	–	2,542,000
Swiss franc	17,924,000	72,884,000
Others	3,509,000	6,080,000
Total	<u>\$216,159,000</u>	<u>\$183,077,000</u>

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 3.50% (4.10% – 1998).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on TASF investments.

In 1999, the Board of Directors approved a new Investment Authority. The new Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities.

NOTE D—FUNDING

Since inception in 1967, direct contributions have been made by 29 member countries. In 1986 and 1992, the Board of Governors, in authorizing a replenishment of the ADF, provided for an allocation to the TASF in an aggregate amount equivalent to \$72,000,000 and \$140,000,000, respectively, to be used for technical assistance to ADF borrowing developing member countries and for regional technical assistance.

In addition, an aggregate amount equivalent to \$421,000,000 has been allocated to TASF out of OCR in 1992, 1993, 1994, 1995, 1998, and 1999.

Some of the direct contributions received were subject to restricted procurement sources, while some were given

on condition that the Technical Assistance be made on a reimbursable basis.

The total contributions received for the years ended 31 December 1999 and 1998 were without restrictions.

NOTE E—UNDISBURSED COMMITMENTS

Undisbursed commitments are denominated in United States dollars and represent effective ongoing grant-financed TA projects/programs which are not yet disbursed as of the end of the year. During 1999, an amount of \$7,038,000 (\$15,557,000 – 1998) representing completed and canceled TA projects has been written back as a reduction in Technical Assistance of the period and the corresponding undisbursed commitment has been eliminated. The fair value of undisbursed commitments approximates the amounts undisbursed because ADB expects that grants will be made for all projects/programs covered by the commitments. When TA provided as a project preparatory grant leads to an ADB loan, the amount of the grant exceeding \$250,000 will be refunded by the borrower through the loan proceeds under the terms of that ADB loan. Refinanced amounts of \$296,000 (\$714,000 – 1998) were charged to such loans and credited to revenue from other sources of the TASF during the year ended 31 December 1999.

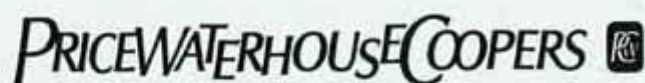
NOTE F—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B and E for discussions with respect to investments and undisbursed commitments, respectively.



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REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank—Japan Special Fund at 31 December 1999 and 1998, and the results of its activities and changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

1 March 2000

JSF-1

ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND

STATEMENT OF FINANCIAL POSITION

31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	1999			1998
	ACCSF	JSF Regular and Supplementary	Total	JSF Regular and Supplementary
ASSETS				
DUE FROM BANKS (Note B)	\$ 73	\$ 4,535	\$ 4,608	\$ 329
INVESTMENTS (Notes A, B, and C)				
Government and government-guaranteed obligations	98	–	98	–
Time deposits	116,754	255,227	371,981	309,782
Other obligations of banks	–	39,679	39,679	–
	<u>116,852</u>	<u>294,906</u>	<u>411,758</u>	<u>309,782</u>
EQUITY INVESTMENTS (Notes A, B, and D), net	–	709	709	216
ACCRUED REVENUE	30	5,803	5,833	3,279
OTHER ASSETS	–	4,781	4,781	4,362
TOTAL	\$116,955	\$310,734	\$427,689	\$317,968
LIABILITIES AND UNCOMMITTED BALANCES				
ACCOUNTS PAYABLE AND OTHER LIABILITIES				
Payable to Ordinary Capital Resources	\$ 11	\$ 194	\$ 205	\$ 512
Miscellaneous	<u>485</u>	<u>59</u>	<u>544</u>	<u>36</u>
	<u>496</u>	<u>253</u>	<u>749</u>	<u>548</u>
UNDISBURSED COMMITMENTS (Notes B and E)				
Technical assistance	6,182	118,295	124,477	134,250
Interest payment assistance	<u>84,145</u>	<u>–</u>	<u>84,145</u>	<u>–</u>
	<u>90,327</u>	<u>118,295</u>	<u>208,622</u>	<u>134,250</u>
NET ASSETS (JSF-2) (Note B), represented by:				
Uncommitted Balances (Note F)				
Unrestricted	–	66,718	66,718	103,071
Temporarily restricted (Notes A and G)	<u>26,129</u>	<u>54,710</u>	<u>80,839</u>	<u>24,464</u>
	<u>26,129</u>	<u>121,428</u>	<u>147,557</u>	<u>127,535</u>
Net Accumulated Investment Income				
Temporarily restricted (Notes A and G)	<u>3</u>	<u>70,758</u>	<u>70,761</u>	<u>55,635</u>
	<u>26,132</u>	<u>192,186</u>	<u>218,318</u>	<u>183,170</u>
TOTAL	\$116,955	\$310,734	\$427,689	\$317,968

See notes to financial statements (JSF-4).

JSF-2

ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Years Ended 31 December 1999 and 1998
 Expressed in Thousands of United States Dollars (Note B)

	1999			1998
	ACCSF	JSF Regular and Supplementary	Total	JSF Regular and Supplementary
CHANGES IN UNRESTRICTED NET ASSETS				
CONTRIBUTIONS (Notes B and G)	\$ –	\$ 16,781	\$ 16,781	\$ 46,479
REVENUE FROM OTHER SOURCES	–	72	72	64
UNREALIZED INVESTMENT HOLDING GAINS (LOSSES) ON EQUITY INVESTMENTS	–	506	506	(152)
NET ASSETS RELEASED FROM RESTRICTIONS (Notes B and G)	95,678	3,463	99,141	26,926
Total	95,678	20,822	116,500	73,317
EXPENSES				
Technical assistance (Notes B and E)	6,628	55,801	62,429	95,651
Interest payment assistance (Note B)	89,000	–	89,000	–
Administrative expenses	50	1,368	1,418	1,080
Provision for possible losses (Notes B and D)	–	–	–	134
Total	95,678	57,169	152,847	96,865
CONTRIBUTIONS AND REVENUE LESS THAN EXPENSES	–	(36,347)	(36,347)	(23,548)
EXCHANGE GAINS (LOSSES) (Note B)	–	532	532	(1,585)
DECREASE IN UNRESTRICTED NET ASSETS BEFORE TRANSLATION ADJUSTMENTS	–	(35,815)	(35,815)	(25,133)
TRANSLATION ADJUSTMENTS (Note B)	–	(538)	(538)	(1,259)
DECREASE IN UNRESTRICTED NET ASSETS	–	(36,353)	(36,353)	(26,392)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS				
CONTRIBUTIONS (Notes B and G)	104,367	31,838	136,205	16,068
REVENUE FROM INVESTMENTS (Notes B and C)	53	16,576	16,629	16,560
NET ASSETS RELEASED FROM RESTRICTIONS (Notes B and G)	(95,678)	(3,463)	(99,141)	(26,926)
EXCHANGE LOSSES (Note B)	(35)	–	(35)	–
TRANSLATION ADJUSTMENTS (Note B)	17,425	418	17,843	(561)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	26,132	45,369	71,501	5,141
INCREASE (DECREASE) IN NET ASSETS	26,132	9,016	35,148	(21,251)
NET ASSETS AT BEGINNING OF YEAR	–	183,170	183,170	204,421
NET ASSETS AT END OF YEAR	\$ 26,132	\$192,186	\$218,318	\$183,170

See notes to financial statements (JSF-4).

JSF-3

ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	1999			1998
	ACCSF	JSF Regular and Supplementary	Total	JSF Regular and Supplementary
CASH FLOWS FROM OPERATING ACTIVITIES				
Contributions received	\$104,367	\$48,619	\$152,986	\$ 62,547
Interest on investments received	11	13,767	13,778	13,738
Technical assistance disbursed	–	(72,389)	(72,389)	(69,012)
Interest assistance paid	(4,855)	–	(4,855)	–
Administrative expenses paid	–	(972)	(972)	(1,446)
Others—net	(35)	141	106	(1,666)
Net Cash Provided by (Used in) Operating Activities	99,488	(10,834)	88,654	4,161
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash (invested in) withdrawn from time deposits	(108,770)	15,159	(93,611)	(43,904)
Sales of investment securities	66,161	49,181	115,342	63,478
Maturities of investment securities	174,840	–	174,840	–
Purchases of investment securities	(231,268)	(47,964)	(279,232)	(63,070)
Net Cash (Used in) Provided by Investing Activities	(99,037)	16,376	(82,661)	(43,496)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash paid to Ordinary Capital	–	–	–	–
Resources and others—net	–	–	–	(139)
Effect of Exchange Rate Changes on Due from Banks	(378)	(1,336)	(1,714)	1,345
Net Increase (Decrease) in Due from Banks	73	4,206	4,279	(38,129)
Due from Banks at Beginning of Year	–	329	329	38,458
Due from Banks at End of Year	\$ 73	\$ 4,535	\$ 4,608	\$ 329
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Increase (Decrease) in net assets (JSF-2)	\$ 26,132	\$ 9,016	\$ 35,148	\$(21,251)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:				
Unrealized investment (gains) losses	–	(506)	(506)	152
Translation adjustments	(17,425)	120	(17,305)	1,820
Provision for possible losses charged	–	–	–	134
Change in undisbursed commitments	90,327	(15,955)	74,372	27,667
Amortization of discounts/premiums	(13)	(284)	(297)	(3)
Others—net	467	(3,225)	(2,758)	(4,358)
Net Cash Provided by (Used in) Operating Activities	\$ 99,488	\$(10,834)	\$ 88,654	\$ 4,161

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

NOTE A—NATURE OF OPERATIONS

The Japan Special Fund (JSF) was established in March 1988 when Japan and the Asian Development Bank (ADB) entered into a financial arrangement whereby Japan agreed to make an initial contribution and ADB became the administrator. The purpose of JSF is to help developing member countries (DMCs) of ADB restructure their economies and broaden the scope of opportunities for new investments, thereby assisting the recycling of funds to DMCs of ADB. While the JSF resources are used mainly to finance technical assistance (TA) operations, these resources may also be used for equity investment operations in ADB's DMCs. Under the agreement between ADB and Japan, ADB may invest the proceeds of JSF pending disbursement. The revenue from such investments, if retained by ADB, may only be used to pay for direct and identifiable costs incurred in the administration of JSF.

In March 1999, the Board approved the acceptance and administration by ADB of a new facility, the Asian Currency Crisis Support Facility (ACCSF) to assist Asian currency crisis-affected member countries (CAMCs). Funded by Japan, ACCSF was established within the Japan Special Fund (JSF) to assist in the economic recovery of CAMCs through interest payment assistance (IPA) grants, TA grants and guarantees. ACCSF funds must be committed within three years after the date the facility became effective. Thereafter, the use of any residual funds, if and when the purpose of ACCSF is considered to be fulfilled, shall be decided in consultation between ADB and Japan.

NOTE B—SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES*Presentation of the Financial Statements*

The financial statements of the JSF are presented on the basis of unrestricted and temporarily restricted net assets. ACCSF funds are separately reported in the financial statements.

JSF reports the contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Investments

All investment securities held by the JSF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Contributions

Contributions by Japan are included in the financial statements from the date indicated by Japan that funds are expected to be made available. Contributions which are restricted by the donor for specific TA projects/programs or for IPA grants are classified as temporarily restricted contributions. Those without any stipulation as to specific use are accounted for as unrestricted contributions and reported as such.

Technical Assistance and Interest Payment Assistance

Technical assistance and interest payment assistance are recognized in the financial statements when the related project or assistance is approved and becomes effective. Upon completion of the TA project, any undisbursed amount is written back as a reduction in TA for the period and the corresponding undisbursed commitment is eliminated, accordingly.

Functional Currency and Reporting Currency

The functional currency of JSF is the Japanese yen, while the reporting currency is the United States dollar. The financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities, and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are translated at the applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in Japanese yen are translated for each semimonthly period at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period.

JSF-4

CONTINUED

Exchange gains or losses on currency transactions arise on translation differences between the date a project/program is committed and the timing of disbursements. Exchange gains or losses are charged or credited to operations.

Equity Investments

Equity investments with readily determinable fair values are reported at fair value. ADB makes provisions for possible loss of value quarterly based on Management's evaluation of potential losses on investments without readily determinable fair values.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires

Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the JSF considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

NOTE C—INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1999 and 1998 expressed in United States dollars were as follows:

Currency	1999			1998
	ACCSF	JSF Regular and Supplementary	Total	JSF Regular and Supplementary
Japanese yen	\$116,852,000	\$ —	\$116,852,000	\$ —
United States dollar	—	294,906,000	294,906,000	309,782,000
Total	<u>\$116,852,000</u>	<u>\$294,906,000</u>	<u>\$411,758,000</u>	<u>\$309,782,000</u>

The annualized rates of return on the average investments held under ACCSF and JSF funds during the year, based on the portfolio held at the beginning and end of each month were 0.07% and 5.22%, respectively (5.08% for JSF - 1998).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on JSF's investments.

In 1999, the Board of Directors approved a new Investment Authority. The new Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities.

NOTE D—EQUITY INVESTMENTS

ADB used JSF resources to make an equity investment in India in 1990 totaling \$709,000 at 31 December 1999

(\$216,000 - 1998). The investment is reported at its estimated fair value and the unrealized gain of \$506,000 (loss of \$152,000 - 1998) is included in income for the year.

NOTE E—UNDISBURSED COMMITMENTS

Undisbursed commitments are denominated in United States dollars and represent effective TA for projects/programs and IPA grants which have not been disbursed. During 1999, an amount of \$4,779,000 (\$9,169,000 - 1998), representing completed and canceled TA projects, has been written back as a reduction in TA for the period and the corresponding undisbursed commitment has been eliminated. The fair value of undisbursed commitments approximates the amounts outstanding because JSF expects that disbursements will substantially be made for all the projects/programs covered by the commitments.

ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

NOTE F—UNCOMMITTED BALANCES

Uncommitted balances are composed of amounts which have not been committed by ADB at 31 December 1999.

These balances include TA projects/programs that had been approved but which had not yet become effective.

As of 31 December 1999 and 1998 these balances were as follows:

	1999			1998
	ACCSF	JSF Regular and Supplementary	Total	JSF Regular and Supplementary
Uncommitted balances	\$26,129,000	\$121,428,000	\$147,557,000	\$127,535,000
TA projects/programs approved by Japan and ADB but not yet effective	(3,850,000)	(32,859,000)	(36,709,000)	(35,108,000)
TA projects/programs approved by Japan and not yet effective	(3,000,000)	(18,630,000)	(21,630,000)	(29,050,000)
Uncommitted balances available for new commitments	<u>\$19,279,000</u>	<u>\$ 69,939,000</u>	<u>\$ 89,218,000</u>	<u>\$ 63,377,000</u>

NOTE G—CONTRIBUTIONS AND TEMPORARILY RESTRICTED NET ASSETS

All contributions for the years ended 31 December 1999 and 1998 were received during the respective years. Some of the contributions received were with the restriction that they were to be utilized for specific TA projects/programs and IPA grants. Such contributions were classified as temporarily restricted support.

Temporarily restricted uncommitted balances are available for the following purposes as of 31 December 1999 and 1998:

	1999	1998
Asian Currency Crisis Support Facility	\$26,129,000	\$ -
Japan Special Fund		
Environment-Related Activities	27,710,000	13,917,000
Financial Sector	10,843,000	-
Private Sector Promotion	9,032,000	5,458,000
Gender and Development	6,777,000	4,809,000
Training/Symposium	348,000	280,000
	<u>54,710,000</u>	<u>24,464,000</u>
Total	<u>\$80,839,000</u>	<u>\$24,464,000</u>

Accumulated investment income net of accumulated administrative expenses has been categorized as temporarily restricted net assets because, under the terms of the agreement between ADB and the donor, it may only be used for defraying of the Fund's administrative expenses.

Net assets released from restrictions relate to commitments for technical assistance and interest payment assistance satisfying the conditions specified by the donor and, in the case of accumulated investment income, to defray the administrative expenses of the Fund.

NOTE H—GUARANTEES

To assist in the economic recovery of CAMCs, a guarantee facility is provided under ACCSF. In this connection, Japan has made available a noninterest-bearing, nonnegotiable note in the amount of ¥360 billion (\$3.5 billion), encashable by ADB at any time to meet any calls on the guarantee facility. As of 31 December 1999, no guarantee has been made.

NOTE I—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current

transaction or whether they are actually exchangeable is not determinable.

The Fund's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B, C, D, and E for discussions with respect to investments, equity investments, and undisbursed commitments, respectively.



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REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets, and of cash flows present fairly, in all material respects in terms of United States dollars, the financial position of the Asian Development Bank—Asian Development Bank Institute Special Fund at 31 December 1999 and 1998, and the results of its activities and changes in net assets and its cash flows for the years ended 31 December 1999 and 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

1 March 2000

ADBISF-1

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

STATEMENT OF FINANCIAL POSITION

31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	1999	1998
ASSETS		
DUE FROM BANKS (Note B)	\$ 595	\$ 714
INVESTMENTS (Notes B, C, and D)		
Time deposits and government securities	10,665	12,233
PROPERTY, FURNITURE, AND EQUIPMENT (Note B)	\$5,291	\$4,722
Less—allowance for depreciation	<u>2,194</u> 3,097	<u>1,146</u> 3,576
OTHER ASSETS	2,074	1,946
TOTAL	\$16,431	\$18,469
LIABILITIES AND UNCOMMITTED BALANCES		
ACCOUNTS PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ 252	\$ 78
ACCOUNTS PAYABLE AND OTHER LIABILITIES	1,064	393
UNCOMMITTED BALANCES (ADBISF-2)	15,115	17,998
TOTAL	\$16,431	\$18,469

See notes to financial statements (ADBISF-4).

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	<u>1999</u>	<u>1998</u>
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS (Note B)	\$ 6,654	\$16,254
REVENUE		
Income from investments (Notes B and C)	13	57
Income from other sources—net	<u>4</u>	<u>—</u>
Total	<u>6,671</u>	<u>16,311</u>
EXPENSES		
Administrative expenses	9,718	7,476
Program expenses	<u>2,059</u>	<u>1,269</u>
Total	<u>11,777</u>	<u>8,745</u>
CONTRIBUTIONS AND REVENUE (LESS THAN) IN EXCESS OF EXPENSES	(5,106)	7,566
EXCHANGE GAINS (LOSSES)—NET	73	(37)
TRANSLATION ADJUSTMENTS (Note B)	<u>2,150</u>	<u>1,579</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS AFTER TRANSLATION ADJUSTMENTS	(2,883)	9,108
NET ASSETS AT BEGINNING OF YEAR	17,998	8,890
NET ASSETS AT END OF YEAR	\$15,115	\$17,998

See notes to financial statements (ADBISF-4).

ADBISF-3

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1999 and 1998

Expressed in Thousands of United States Dollars (Note B)

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 6,654	\$ 16,254
Interest on investments received	9	52
Expenses paid	(9,981)	(8,241)
Net Cash (Used in) Provided by Operating Activities	<u>(3,318)</u>	<u>8,065</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash withdrawn from (invested in) time deposits	2,815	(6,115)
Sales of investment securities	49,741	28,753
Purchases of investment securities	(49,012)	(29,821)
Furniture and equipment acquired	—	(47)
Net Cash Provided by (Used in) Investing Activities	<u>3,544</u>	<u>(7,230)</u>
Effect of Exchange Rate Changes on Cash	<u>(345)</u>	<u>(397)</u>
Net (Decrease) Increase in Due From Banks	(119)	438
Due from Banks at Beginning of Year	<u>714</u>	<u>276</u>
Due from Banks at End of Year	<u>\$ 595</u>	<u>\$ 714</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
(Decrease) Increase in net assets (ADBISF-2)	\$ (2,883)	\$ 9,108
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Translation adjustments	(2,150)	(1,579)
Amortization of discounts/premiums	(3)	(4)
Depreciation	813	719
Others—net	<u>905</u>	<u>(179)</u>
Net Cash (Used in) Provided by Operating Activities	<u>\$ (3,318)</u>	<u>\$ 8,065</u>

See notes to financial statements (ADBISF-4).

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

NOTE A—NATURE OF OPERATIONS

In 1996, the Asian Development Bank (ADB) approved the establishment of the Asian Development Bank Institute (the Institute) in Tokyo, Japan as a subsidiary body of ADB. The Institute's operations commenced upon the receipt of the first funds from Japan on 24 March 1997, and it was inaugurated on 10 December 1997. The Institute's funds may consist of voluntary contributions, donations, and grants from ADB member countries, nongovernment organizations, and foundations. The objectives of the Institute, as defined under its Statute, are the identification of effective development strategies and capacity improvement for sound development management in developing member countries.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the Institute are presented on the basis of those for not-for-profit organizations.

The Institute reports donor's contributions of cash and other assets as unrestricted support as these are made available to the Institute without conditions other than for the purposes of pursuing the objectives of the Institute.

Investments

All investment securities held by the Institute are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Property, Furniture, and Equipment

Property, furniture, and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method.

Contributions

Contributions from donors are included in the financial statements from the date committed.

Functional Currency and Reporting Currency

The currencies of contributing members are functional currencies. The reporting currency is the United States dollar and the financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities, and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the period are translated at the applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in currency other than the United States dollar are translated for each semimonthly period at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Institute considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

ADBISF-4

CONTINUED

NOTE C—INVESTMENTS

The investment portfolio was composed wholly of investments denominated in Japanese yen. As of 31 December 1999 and 1998, the estimated fair value of the investments approximates the amortized cost. All such investments are due within one year.

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 0.10% (0.48% – annualized rate of return for the period ended 31 December 1998).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments.

In 1999, the Board of Directors approved a new Investment Authority. The new Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities.

NOTE D—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

The Institute's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments.

NOTE E—STAFF RETIREMENT PLAN AND
POSTRETIREMENT MEDICAL BENEFITS*Staff Retirement Plan*

The Institute participates in the contributory defined benefit Staff Retirement Plan (the Plan) of ADB. Every member of the professional staff, as defined under the Plan, shall, as a condition of service, become a participant from the first day of service, provided that at such a date, the staff has not reached the normal retirement age of 60. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service. The Plan assets are segregated and are not included in the statement of financial position. The costs of administering the Plan are absorbed by ADB, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their salary to the Plan and may also make voluntary contributions. The Institute's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

Postretirement Medical Benefits Plan

The Institute participates in the cost-sharing plan of ADB for retirees medical insurance premiums of ADB. Under the plan, the Institute is obligated to pay 80% of the Group Medical Insurance Plan premiums for retirees and their eligible dependents who elect to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits.

ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1999 and 1998

The following table sets forth the pension and postretirement benefits at 31 December 1999 and 1998:

	Pension Benefits		Postretirement Medical Benefits	
	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 264,000	\$ –	\$ 110,000	\$ –
Service cost	298,000	193,000	117,000	103,000
Interest cost	42,000	17,000	15,000	7,000
Plan participants' contributions	59,000	54,000	–	–
Actuarial gain	(103,000)	–	(63,000)	–
Benefit obligation at end of year	<u>\$ 560,000</u>	<u>\$ 264,000</u>	<u>\$ 179,000</u>	<u>\$ 110,000</u>
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 140,000	\$ –	\$ –	\$ –
Actual return on plan assets	37,000	–	–	–
Employer contribution	94,000	86,000	–	–
Plan participants' contributions	59,000	54,000	–	–
Fair value of plan assets at end of year	<u>\$ 330,000</u>	<u>\$ 140,000</u>	<u>\$ –</u>	<u>\$ –</u>
Funded status	<u>\$(230,000)</u>	<u>\$(124,000)</u>	<u>\$(179,000)</u>	<u>\$(110,000)</u>
Unrecognized actuarial loss	(119,000)	–	(63,000)	–
Net amount recognized	<u>\$(349,000)</u>	<u>\$(124,000)</u>	<u>\$(242,000)</u>	<u>\$(110,000)</u>
Amounts recognized in the statement of financial position consist of:				
Accrued benefit liability	<u>\$(349,000)</u>	<u>\$(124,000)</u>	<u>\$(242,000)</u>	<u>\$(110,000)</u>
Net amount recognized	<u>\$(349,000)</u>	<u>\$(124,000)</u>	<u>\$(242,000)</u>	<u>\$(110,000)</u>
Weighted-average assumptions as of 31 December				
Discount rate	7.75%	6.50%	7.75%	6.50%
Expected return on plan assets	8.00%	8.00%	n/a	n/a
Rate of compensation increase varies with age and averages	6.75%	5.50%	6.75%	5.50%

ADBISF-4

For measurement purposes, a 10.75% annual rate of increase in the per capita cost of covered health care benefits was assumed for the valuation as at 31 December 1999. The rate was assumed to decrease gradually to 4.75% for 2009 and remain at that level thereafter.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were \$264,000, \$220,000, and \$140,000, respectively, as of 31 December 1998, and \$560,000, \$430,000, and \$330,000, respectively, as of 31 December 1999.

	Pension Benefits		Postretirement Medical Benefits	
	1999	1998	1999	1998
Components of net periodic benefit cost:				
Service cost year	\$298,000	\$193,000	\$117,000	\$103,000
Interest cost	42,000	17,000	15,000	7,000
Expected return on plan assets	(21,000)	—	—	—
Net periodic benefit cost	<u>\$319,000</u>	<u>\$210,000</u>	<u>\$132,000</u>	<u>\$110,000</u>

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest cost components	\$25,000	\$(22,000)
Effect on postretirement benefit obligation	34,000	(28,000)

Statistical Annex

Operational Data	236
1. Public and Private Sector Loan Approvals by Country, 1999	236
2. Loan Approvals by Sector: Three-Year Moving Averages, 1968–1970—1997–1999	239
3. Loan Approvals by Sector, 1999	240
4. Distribution of Lending Among Developing Members, 1968–1999	242
5. Sectoral Distribution of Loans, 1999	244
6. Loan Approvals by Country and Source of Funds, 1999	244
7. Projects Involving Cofinancing, 1999	245
8. Private Sector Approvals and Total Project Costs by Country, 1999	246
9. Private Sector Approvals and Total Project Costs by Sector, 1999	246
10. Private Sector Loan and Equity Investment Approvals by Year, 1987–1999	247
11. Cumulative Private Sector Approvals by Country, 1983–1999	247
12. Number of Loans and Projects Approved and Under Administration, Project Completion Reports Circulated, Projects Completed, Loans Closed, and Project/Program Performance Audit Reports Circulated	248
13. Amount of Loans Approved, Contracts Awarded, and Disbursements	250
14. Loan Disbursements, 1998 and 1999	252
15. Program Loan Disbursements, 1999	252
16. Distribution of Contracts Awarded by Country of Origin, Project and Program Loans Combined—OCR	253
17. Distribution of Contracts Awarded by Country of Origin, Project and Program Loans Combined—ADF	254
18. Contracts Awarded by Country of Origin, 1999, Project Loans—OCR	255
19. Contracts Awarded by Country of Origin, 1999, Project Loans—ADF	256
20. Contracts Awarded by Country of Origin, 1999, Project Loans—OCR and ADF Combined	257
21. Estimates of Payment to Supplying Countries for Foreign Procurement Under Program Lending, 1999	258
22. Cumulative Contracts Awarded by Country of Origin—Technical Assistance Operations	259
23. Contracts Awarded by Country of Origin, 1997–1999—Technical Assistance Operations	260
24. Technical Assistance Grants, 1999	261
25. Loans Resulting from Earlier ADB Technical Assistance, 1999	268
26. Technical Assistance Grants by Country and Regional Activities, 1967–1999, 1998, 1999	270
27. Technical Assistance Grants by Sector, 1967–1999, 1998, 1999	272
28. Regional Technical Assistance Activities, 1999	273
29. Net Transfer of Resources (OCR and ADF), 1997–1999	275
30. Net Transfer of Resources (OCR and ADF Combined), 1990–1999	276
Financial Resources	277
31. Asian Development Fund Resources and Commitment Authority	277
32. Technical Assistance Special Fund	278
33. Japan Special Fund—Regular and Supplementary Contributions	279
34. Japan Special Fund—Asian Currency Crisis Support Facility	279
Economic Data	280
35. Estimates of Real GDP Growth Rate, 1989–1999 and Per Capita GNP, 1998	280
36. Gross Domestic Saving, Gross Capital Formation, and Resource Gap as Percentage of GDP, 1997–1999	281
37. Changes in Consumer Prices, 1997–1999	282
38. Merchandise Trade, 1997–1999	283
39. International Reserves and Ratio of Reserves to Imports, 1997–1999	284
40. Net Flows of Financial Resources, 1996–1998	285
41. Total External Debt and Debt Service Ratio, 1996–1998	286
Social Indicators	287
42. Environment Indicators	287
43. Human Development Indicators	288

Table 1
PUBLIC AND PRIVATE SECTOR LOAN APPROVALS BY COUNTRY, 1999
(\$ million)

	OCR	ADF	Total	Total Project Cost ^a	Date Approved
BANGLADESH					
Secondary Education Sector Improvement	–	60.00	60.00	86.00	22 Jun
Southwest Road Network Development	–	115.00	115.00	214.40	16 Nov
Dhaka Power System Upgrade	82.00	75.00	157.00	300.00	21 Dec
Subtotal	82.00	250.00	332.00	600.40	
BHUTAN					
Sustainable Rural Electrification	–	10.00	10.00	12.50	25 Nov
Subtotal	–	10.00	10.00	12.50	
CAMBODIA					
Primary Roads Restoration	–	68.00	68.00	88.10	21 Sep
Provincial Towns Improvement	–	20.00	20.00	26.30	17 Dec
Subtotal	–	88.00	88.00	114.40	
CHINA, PEOPLE'S REPUBLIC OF					
Chengdu Générale des Eaux-Marubeni Waterworks Co. Ltd. ^b	26.50	–	26.50	106.50	11 Feb
Northeast Flood Damage Rehabilitation					22 Apr
- Inner Mongolia Autonomous Region	110.00	–	110.00	550.00	
- Heilongjiang Province	110.00	–	110.00		
- Jilin Province	110.00	–	110.00		
Southern Yunnan Road Development	250.00	–	250.00	770.30	24 Jun
Suzhou Creek Rehabilitation	300.00	–	300.00	876.00	29 Jun
Shanxi Road Development	250.00	–	250.00	726.10	30 Sep
Shanxi Environment Improvement	102.00	–	102.00	183.00	7 Dec
Subtotal	1,258.50	–	1,258.50	3,211.90	
INDIA					
Karnataka Urban Development and Coastal Environmental Management	175.00	–	175.00	251.40	26 Oct
Madhya Pradesh Public Resource Management Program	250.00	–	250.00	250.00	14 Dec
Urban and Environmental Infrastructure Facility					17 Dec
- Housing and Urban Development Corporation Ltd.	90.00	–	90.00	90.00	
- Industrial Credit and Investment Corporation of India Ltd.	80.00	–	80.00	80.00	
- Infrastructure Development Finance Co. Ltd.	30.00	–	30.00	30.00	
Subtotal	625.00	–	625.00	701.40	
INDONESIA					
Power Sector Restructuring Program	380.00	–	380.00	780.00	23 Mar
- Technical Assistance Loan for Capacity Building for Establishment of a Competitive Electricity Market	20.00	–	20.00	20.00	
Health and Nutrition Sector Development Program					25 Mar
- Policy Loan	100.00	–	100.00	400.00	
- Project Loan	200.00	–	200.00	479.05	
Community and Local Government Support Sector Development Program					25 Mar
- Policy Loan	200.00	–	200.00	200.00	
- Project Loan	120.00	–	120.00	200.00	
Subtotal	1,020.00	–	1,020.00	2,079.05	

a Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

b Private sector loan without government guarantee.

CONTINUED

	OCR	ADF	Total	Total Project Cost ^a	Date Approved
KYRGYZ REPUBLIC					
Financial Intermediation and Resource Mobilization Program					
- Program Loan	–	35.00	35.00	100.00	17 Dec
- Technical Assistance Loan for Commercial Bank Audits	–	1.00	1.00	1.25	
Agriculture Area Development	–	36.00	36.00	45.00	20 Dec
Subtotal	–	72.00	72.00	146.25	
LAO PEOPLE'S DEMOCRATIC REPUBLIC					
Shifting Cultivation Stabilization Pilot Project	–	5.60	5.60	8.83	11 May
Water Supply and Sanitation	–	20.00	20.00	25.00	16 Nov
Subtotal	–	25.60	25.60	33.83	
MALDIVES					
Regional Development	–	8.00	8.00	14.00	2 Sep
Subtotal	–	8.00	8.00	14.00	
MARSHALL ISLANDS					
Ebeye Health and Infrastructure	–	9.25	9.25	11.60	12 Aug
Subtotal	–	9.25	9.25	11.60	
MONGOLIA					
Second Roads Development	–	25.00	25.00	33.50	30 Sep
Governance Reform Program	–	25.00	25.00	30.00	2 Dec
Subtotal	–	50.00	50.00	63.50	
NEPAL					
Rural Electrification, Distribution and Transmission	–	50.00	50.00	94.50	21 Dec
Subtotal	–	50.00	50.00	94.50	
PAKISTAN					
Women's Health	–	47.00	47.00	75.00	16 Mar
Malakand Rural Development	–	41.00	41.00	62.90	18 Mar
Punjab Farmer-Managed Irrigation	–	7.80	7.80	12.70	25 Mar
Trade, Export Promotion and Industry Program	300.00	–	300.00	500.00	31 Mar
- Modernization of Customs Administration	3.00	–	3.00	4.60	
- Institutional Support for the Trade Regime	3.00	–	3.00	4.10	
- Institutional Strengthening of the Board of Investment	1.00	–	1.00	1.27	
Subtotal	307.00	95.80	402.80	660.57	
PAPUA NEW GUINEA					
Financial Management	25.80	–	25.80	46.90	21 Oct
Employment-Oriented Skills Development	–	20.00	20.00	39.00	28 Oct
Road Maintenance and Upgrading (Sector)	63.00	–	63.00	114.70	16 Nov
Subtotal	88.80	20.00	108.80	200.60	
PHILIPPINES					
Maynilad Water Services, Inc. ^b	45.00	–	45.00	565.00	14 Sep
Philippine International Air Terminals Co. Inc. ^b	40.00	–	40.00	500.00	17 Dec
Local Government Unit Private Infrastructure Project Development Facility	3.00	–	3.00	4.52	20 Dec
Subtotal	88.00	–	88.00	1,069.52	

a Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

b Private sector loan without government guarantee.

CONTINUED

	OCR	ADF	Total	Total Project Cost ^a	Date Approved
SRI LANKA					
Colombo Port Development ^b	35.00	–	35.00	244.60	11 May
Skills Development	–	18.80	18.80	38.50	28 Oct
Southern Transport Development	–	90.00	90.00	295.90	25 Nov
Coastal Resource Management	–	40.00	40.00	80.00	7 Dec
Subtotal	35.00	148.80	183.80	659.00	
TAJIKISTAN					
Social Sector Rehabilitation	–	20.00	20.00	25.00	26 Oct
Emergency Flood Rehabilitation	–	5.00	5.00	6.25	2 Dec
Subtotal	–	25.00	25.00	31.25	
THAILAND					
Agriculture Sector Program	300.00	–	300.00	600.00	23 Sep
Higher Education Development	59.32	–	59.32	169.90	28 Sep
Restructuring of Specialized Financial Institutions	4.50	–	4.50	10.76	21 Dec
Subtotal	363.82	–	363.82	780.66	
TUVALU					
Island Development Program	–	4.00	4.00	12.75	13 Jul
Subtotal	–	4.00	4.00	12.75	
VANUATU					
Cyclone Emergency Rehabilitation	–	2.00	2.00	2.00	20 Apr
Subtotal	–	2.00	2.00	2.00	
VIET NAM					
Ho Chi Minh City Environmental Improvement	–	70.00	70.00	100.00	7 Oct
Teacher Training	–	25.00	25.00	35.40	14 Dec
State-Owned Enterprise Reform and Corporate Governance Program	40.00	60.00	100.00	100.00	21 Dec
Subtotal	40.00	155.00	195.00	235.40	
REGIONAL					
Greater Mekong Subregion: East-West Corridor					20 Dec
- Lao PDR	–	32.00	32.00	40.00	
- Viet Nam	–	25.00	25.00	36.00	
Subtotal	–	57.00	57.00	76.00	
TOTAL	3,908.12	1,070.45	4,978.57	10,811.08	

a Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

b Private sector loan without government guarantee.

Table 2
LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968–1970—1997–1999

	Total Lending ^a (\$ million)	Agriculture and Natural Resources	Energy	Financial	Industry and Nonfuel Minerals	Social Infrastructure	Transport and Communications	Multi-sector/ Others
		(percent of total lending)						
Average during								
1968–1970	128.44	19.48	11.98	23.36	15.06	6.10	24.03	0.00
1969–1971	199.25	20.48	25.38	19.57	8.69	4.20	21.68	0.00
1970–1972	271.92	15.69	33.06	13.97	5.04	10.75	21.48	0.00
1971–1973	330.53	15.78	32.18	15.49	0.42	12.25	23.88	0.00
1972–1974	428.42	18.76	26.71	15.06	4.02	14.12	21.32	0.00
1973–1975	543.16	27.87	23.03	16.73	4.25	10.44	17.68	0.00
1974–1976	661.30	29.27	21.35	17.44	5.48	9.85	16.61	0.00
1975–1977	774.22	30.51	22.02	15.46	4.19	10.85	16.97	0.00
1976–1978	940.36	27.42	21.53	14.37	7.25	13.45	15.98	0.00
1977–1979	1,098.92	29.86	24.03	11.81	5.62	16.55	12.10	0.04
1978–1980	1,282.01	30.95	24.88	10.96	3.93	16.84	12.39	0.06
1979–1981	1,454.96	32.56	27.21	10.72	0.90	19.11	9.41	0.09
1980–1982	1,598.97	34.00	27.71	10.00	0.74	15.97	11.53	0.06
1981–1983	1,751.46	33.68	26.60	10.61	2.36	18.26	7.52	0.96
1982–1984	1,937.03	34.18	28.98	7.01	1.91	14.36	12.12	1.43
1983–1985	1,978.52	32.42	24.63	6.50	1.87	20.30	12.75	1.53
1984–1986	2,013.77	35.46	25.26	4.65	0.34	17.48	14.40	2.40
1985–1987	2,081.84	30.63	17.47	11.24	3.06	15.24	20.54	1.81
1986–1988	2,512.17	26.90	18.76	12.84	7.46	11.32	21.27	1.45
1987–1989	3,053.71	22.37	16.41	17.16	6.69	14.60	21.94	0.82
1988–1990	3,564.93	25.83	20.78	12.67	4.50	15.15	19.37	1.71
1989–1991	4,115.48	25.30	26.04	10.83	3.58	14.86	17.93	1.45
1990–1992	4,561.39	21.63	28.15	9.53	3.79	12.95	20.82	3.13
1991–1993	4,973.89	13.87	30.33	9.09	5.45	14.30	23.70	3.25
1992–1994	4,616.65	10.98	27.80	7.63	4.44	14.16	29.49	5.49
1993–1995	4,791.51	12.07	30.62	6.59	3.36	17.56	26.67	3.13
1994–1996	4,831.49	14.06	26.71	7.60	2.57	17.07	25.30	6.71
1995–1997	6,718.20	12.68	18.11	29.09	1.30	18.32	16.27	4.24
1996–1998	6,883.75	10.07	11.13	33.78	1.29	15.21	18.43	10.10
1997–1999	6,768.38	9.14	9.00	32.41	2.22	18.70	16.86	11.67
Cumulative (1968–1999)	82,238.67	18.76	21.47	15.53	3.40	16.16	19.50	5.17

0.00 Data negligible.

a Total column may not tally because of rounding.

Table 3
LOAN APPROVALS BY SECTOR, 1999

		\$ Million		
		OCR	ADF	Total
AGRICULTURE AND NATURAL RESOURCES				
KGZ	Agriculture Area Development	–	36.00	36.00
LAO	Shifting Cultivation Stabilization Pilot Project	–	5.60	5.60
PAK	Malakand Rural Development	–	41.00	41.00
PAK	Punjab Farmer-Managed Irrigation	–	7.80	7.80
SRI	Coastal Resource Management	–	40.00	40.00
THA	Agriculture Sector Program	300.00	–	300.00
	Subtotal	300.00	130.40	430.40
ENERGY				
BAN	Dhaka Power System Upgrade	82.00	75.00	157.00
BHU	Sustainable Rural Electrification	–	10.00	10.00
PRC	Shanxi Environment Improvement	102.00	–	102.00
INO	Power Sector Restructuring Program	380.00	–	380.00
	- Technical Assistance Loan for Capacity Building for Establishment of a Competitive Electricity Market	20.00	–	20.00
NEP	Rural Electrification, Distribution and Transmission ^a	–	50.00	50.00
	Subtotal	584.00	135.00	719.00
FINANCE				
KGZ	Financial Intermediation and Resource Mobilization			
	- Program Loan	–	35.00	35.00
	- Technical Assistance Loan for Commercial Bank Audits	–	1.00	1.00
PNG	Financial Management	25.80	–	25.80
PHI	Local Government Unit Private Infrastructure Project Development Facility	3.00	–	3.00
THA	Restructuring of Specialized Financial Institutions	4.50	–	4.50
	Subtotal	33.30	36.00	69.30
INDUSTRY AND NONFUEL MINERALS				
PAK	Trade, Export Promotion and Industry Program	300.00	–	300.00
	- Modernization of Customs Administration	3.00	–	3.00
	- Institutional Support for the Trade Regime	3.00	–	3.00
	- Institutional Strengthening of the Board of Investment	1.00	–	1.00
VIE	State-Owned Enterprise Reform and Corporate Governance Program	40.00	60.00	100.00
	Subtotal	347.00	60.00	407.00
SOCIAL INFRASTRUCTURE				
BAN	Secondary Education Sector Improvement	–	60.00	60.00
CAM	Provincial Towns Improvement	–	20.00	20.00
PRC	Chengdu Générale des Eaux-Marubeni Waterworks Co. Ltd. ^a	26.50	–	26.50
PRC	Suzhou Creek Rehabilitation	300.00	–	300.00
IND	Karnataka Urban Development and Coastal Environmental Management	175.00	–	175.00
IND	Urban and Environmental Infrastructure Facility			
	- Housing and Urban Development Corporation Ltd.	90.00	–	90.00
	- Industrial Credit and Investment Corporation of India Ltd.	80.00	–	80.00
	- Infrastructure Development Finance Co. Ltd.	30.00	–	30.00
INO	Health and Nutrition Sector Development Program			
	- Policy Loan	100.00	–	100.00
	- Project Loan	200.00	–	200.00
LAO	Water Supply and Sanitation	–	20.00	20.00
PAK	Women's Health	–	47.00	47.00
PNG	Employment-Oriented Skills Development	–	20.00	20.00
PHI	Maynilad Water Services, Inc. ^a	45.00	–	45.00

– Data not applicable.

^a Private sector loan without government guarantee.

Key: BAN (Bangladesh), BHU (Bhutan), CAM (Cambodia), PRC (People's Republic of China), IND (India), INO (Indonesia), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MLD (Maldives), MON (Mongolia), NEP (Nepal), PAK (Pakistan), PNG (Papua New Guinea), PHI (Philippines), REG (Regional), RMI (Marshall Islands), SRI (Sri Lanka), TAJ (Tajikistan), THA (Thailand), TUV (Tuvalu), VAN (Vanuatu), and VIE (Viet Nam).

CONTINUED

		\$ Million		
		OCR	ADF	Total
SRI	Skills Development	–	18.80	18.80
THA	Higher Education Development	59.32	–	59.32
VIE	Ho Chi Minh City Environmental Improvement	–	70.00	70.00
VIE	Teacher Training	–	25.00	25.00
	Subtotal	1,105.82	280.80	1,386.62
TRANSPORT AND COMMUNICATIONS				
BAN	Southwest Road Network Development	–	115.00	115.00
CAM	Primary Roads Restoration	–	68.00	68.00
PRC	Southern Yunnan Road Development	250.00	–	250.00
PRC	Shanxi Road Development	250.00	–	250.00
MON	Second Roads Development	–	25.00	25.00
PNG	Road Maintenance and Upgrading (Sector)	63.00	–	63.00
PHI	Philippine International Air Terminals Co. Inc. ^a	40.00	–	40.00
SRI	Colombo Port Development ^a	35.00	–	35.00
SRI	Southern Transport Development	–	90.00	90.00
REG	Greater Mekong Subregion: East-West Corridor			
	- Lao PDR	–	32.00	32.00
	- Viet Nam	–	25.00	25.00
	Subtotal	638.00	355.00	993.00
MULTISECTOR				
PRC	Northeast Flood Damage Rehabilitation			
	- Inner Mongolia	110.00	–	110.00
	- Heilongjiang Province	110.00	–	110.00
	- Jilin Province	110.00	–	110.00
INO	Community and Local Government Support Sector Development Program			
	- Policy Loan	200.00	–	200.00
	- Project Loan	120.00	–	120.00
MLD	Regional Development	–	8.00	8.00
RMI	Ebeye Health and Infrastructure	–	9.25	9.25
TAJ	Social Sector Rehabilitation	–	20.00	20.00
TAJ	Emergency Flood Rehabilitation	–	5.00	5.00
VAN	Cyclone Emergency Rehabilitation	–	2.00	2.00
	Subtotal	650.00	44.25	694.25
OTHERS				
IND	Madhya Pradesh Public Resource Management Program	250.00	–	250.00
MON	Governance Reform Program	–	25.00	25.00
TUV	Island Development Program	–	4.00	4.00
	Subtotal	250.00	29.00	279.00
TOTAL		3,908.12	1,070.45	4,978.57

– Data not applicable.

a Private sector loan without government guarantee.

Key: BAN (Bangladesh), BHU (Bhutan), CAM (Cambodia), PRC (People's Republic of China), IND (India), INO (Indonesia), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MLD (Maldives), MON (Mongolia), NEP (Nepal), PAK (Pakistan), PNG (Papua New Guinea), PHI (Philippines), REG (Regional), RMI (Marshall Islands), SRI (Sri Lanka), TAJ (Tajikistan), THA (Thailand), TUV (Tuvalu), VAN (Vanuatu), and VIE (Viet Nam).

Table 4
DISTRIBUTION OF LENDING AMONG DEVELOPING MEMBERS, 1968–1999
 Percentage of Value of Loans Approved in Period

	1968–1972		1973–1977		1978–1982	
	OCR	ADF	OCR	ADF	OCR	ADF
Afghanistan	–	2.6	–	7.1	–	0.9
Bangladesh	–	–	0.5	27.3	–	32.8
Bhutan	–	–	–	–	–	–
Cambodia	–	0.8	–	–	–	–
China, People's Rep. of	–	–	–	–	–	–
Cook Islands	–	–	–	–	–	0.1
Fiji Islands	0.6	–	0.1	–	0.8	–
Hong Kong, China	2.9	–	1.7	–	0.8	–
India	–	–	–	–	–	–
Indonesia	–	34.6	17.2	4.5	28.4	2.1
Kazakhstan	–	–	–	–	–	–
Kiribati	–	–	–	0.2	–	–
Korea, Rep. of	26.2	1.8	20.9	–	18.4	–
Kyrgyz Republic	–	–	–	–	–	–
Lao PDR	–	2.2	–	0.8	–	1.1
Malaysia	10.6	1.6	10.9	–	9.6	–
Maldives	–	–	–	–	–	0.1
Marshall Islands	–	–	–	–	–	–
Micronesia, Fed. States of	–	–	–	–	–	–
Mongolia	–	–	–	–	–	–
Myanmar	–	–	0.3	13.6	–	11.4
Nauru	–	–	–	–	–	–
Nepal	0.3	17.7	–	9.1	–	7.3
Pakistan	8.9	9.0	12.8	19.2	5.1	27.1
Papua New Guinea	–	7.1	0.8	2.2	0.8	1.9
Philippines	13.5	1.7	21.2	1.2	19.1	2.7
Samoa	–	2.7	–	1.4	–	0.7
Singapore	12.1	1.5	1.4	–	1.1	–
Solomon Islands	–	–	–	1.0	–	0.2
Sri Lanka	1.7	11.1	0.1	8.4	–	8.6
Taipei, China	13.3	–	–	–	–	–
Tajikistan	–	–	–	–	–	–
Thailand	9.9	–	11.9	0.8	15.9	2.7
Tonga	–	–	–	0.2	–	0.2
Tuvalu	–	–	–	–	–	–
Uzbekistan	–	–	–	–	–	–
Vanuatu	–	–	–	–	–	0.1
Viet Nam	–	5.6	0.2	3.0	–	–
Regional	–	–	–	–	–	–
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Lending (\$ million)	753.9	201.5	2,326.9	964.9	4,856.2	2,351.1

– nil.

0.0 is equivalent to value less than 0.05.

1983–1987		1988–1992		1993–1997		1998–1999		
OCR	ADF	OCR	ADF	OCR	ADF	OCR	ADF	
–	–	–	–	–	–	–	–	Afghanistan
–	31.7	–	25.4	0.2	21.2	1.1	21.1	Bangladesh
–	0.8	–	0.2	–	0.3	–	0.8	Bhutan
–	–	–	1.1	–	2.5	–	4.3	Cambodia
2.0	–	12.3	–	23.3	–	27.6	–	China, People's Rep. of
–	0.1	–	0.1	–	0.2	–	–	Cook Islands
0.2	–	0.4	–	0.2	–	–	–	Fiji Islands
–	–	–	–	–	–	–	–	Hong Kong, China
9.5	–	24.9	–	13.2	–	9.8	–	India
33.7	3.7	31.0	5.7	22.2	3.6	32.1	–	Indonesia
–	–	–	–	1.6	0.8	–	–	Kazakhstan
–	0.0	–	0.0	–	–	–	0.5	Kiribati
9.2	–	0.9	–	18.3	–	–	–	Korea, Rep. of
–	–	–	–	–	3.5	–	6.6	Kyrgyz Republic
–	1.9	–	3.5	–	5.8	–	2.2	Lao PDR
8.3	–	3.1	–	0.9	–	–	–	Malaysia
–	0.2	–	0.2	–	0.2	–	0.7	Maldives
–	–	–	0.1	–	0.5	–	0.4	Marshall Islands
–	–	–	–	–	0.5	–	–	Micronesia, Fed. States of
–	–	–	0.5	–	4.8	–	2.4	Mongolia
–	3.5	–	–	–	–	–	–	Myanmar
–	–	–	–	–	–	0.1	–	Nauru
–	9.5	0.0	7.3	0.2	5.2	–	7.5	Nepal
15.9	34.3	10.1	29.0	4.1	20.5	3.4	4.6	Pakistan
1.3	1.6	0.6	2.4	0.2	0.6	1.2	1.0	Papua New Guinea
12.1	1.4	10.9	11.7	6.7	3.1	10.5	0.4	Philippines
–	0.4	–	0.6	–	0.0	–	0.4	Samoa
–	–	–	–	–	–	–	–	Singapore
–	0.6	–	0.1	–	0.0	–	1.3	Solomon Islands
–	9.8	–	11.7	0.0	7.8	0.5	16.2	Sri Lanka
–	–	–	–	–	–	–	–	Taipei, China
–	–	–	–	–	–	–	2.2	Tajikistan
7.8	–	5.5	–	8.5	–	11.2	–	Thailand
–	0.2	–	0.3	–	0.2	–	–	Tonga
–	–	–	–	–	–	–	0.2	Tuvalu
–	–	–	–	0.3	0.3	1.3	–	Uzbekistan
–	0.3	–	0.1	–	0.1	–	1.1	Vanuatu
–	–	–	–	0.1	18.2	0.4	16.5	Viet Nam
–	–	0.3	–	–	–	0.8	9.6	Regional
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	TOTAL
6,755.7	3,617.3	13,978.5	6,428.3	21,903.8	7,139.4	8,903.5	2,057.6	Lending (\$ million)

Table 5
SECTORAL DISTRIBUTION OF LOANS,^a 1999

	OCR		ADF		Total		%
	No.	\$ Million	No.	\$ Million	No. of Projects ^b	\$ Million	
Agriculture and Natural Resources	1	300.00	5	130.40	6	430.40	8.65
Energy	4	584.00	3	135.00	5	719.00	14.44
Finance	3	33.30	2	36.00	4	69.30	1.39
Industry and Nonfuel Minerals	5	347.00	1	60.00	2	407.00	8.18
Social Infrastructure	10	1,105.82	8	280.80	15	1,386.62	27.85
Transport and Communications	5	638.00	6	355.00	10	993.00	19.95
Multisector	5	650.00	5	44.25	7	694.25	13.94
Others	1	250.00	2	29.00	3	279.00	5.60
TOTAL	34	3,908.12	32	1,070.45	52	4,978.57	100.00

a Includes private sector loans.

b A project with multiple loans is counted as one project.

Table 6
LOAN APPROVALS BY COUNTRY AND SOURCE OF FUNDS,^a 1999
(amounts in \$ million)

	OCR	ADF	Total	%
Bangladesh	82.00	250.00	332.00	6.67
Bhutan	–	10.00	10.00	0.20
Cambodia	–	88.00	88.00	1.77
China, People's Rep. of	1,258.50	–	1,258.50	25.28
India	625.00	–	625.00	12.55
Indonesia	1,020.00	–	1,020.00	20.49
Kyrgyz Republic	–	72.00	72.00	1.45
Lao PDR	–	25.60	25.60	0.51
Maldives	–	8.00	8.00	0.16
Marshall Islands	–	9.25	9.25	0.19
Mongolia	–	50.00	50.00	1.00
Nepal	–	50.00	50.00	1.00
Pakistan	307.00	95.80	402.80	8.09
Papua New Guinea	88.80	20.00	108.80	2.19
Philippines	88.00	–	88.00	1.77
Sri Lanka	35.00	148.80	183.80	3.69
Tajikistan	–	25.00	25.00	0.50
Thailand	363.82	–	363.82	7.31
Tuvalu	–	4.00	4.00	0.08
Vanuatu	–	2.00	2.00	0.04
Viet Nam	40.00	155.00	195.00	3.92
Regional	–	57.00	57.00	1.14
TOTAL	3,908.12	1,070.45	4,978.57	100.00

– Data not applicable.

a Includes loans to private sector without government guarantee.

Table 7
PROJECTS INVOLVING COFINANCING, 1999
(\$ million)

	Member	ADB Loan		Amount of Cofinancing	Source of Cofinancing
		OCR	ADF		
Dhaka Power System Upgrade	BAN	82.00	75.00	7.00	Islamic Development Bank (IsDB)
Southwest Road Network Development	BAN	—	115.00	0.40 ^a	Danish International Development Agency, Denmark
		—	—	4.00	Nordic Development Fund (NDF)
		—	—	15.00	OPEC Fund for International Development (OPEC Fund)
Primary Roads Restoration	CAM	—	68.00	0.86 ^a	Australian Agency for International Development (AusAID)
		—	—	6.00	OPEC Fund
Chengdu Générale des Eaux-Marubeni Waterworks Co. Ltd	PRC	26.50	—	3.30	ANZ Bank, Australia
		—	—	3.30	Barclays Capital, United Kingdom
		—	—	3.30	Credit Lyonnais, France
		—	—	3.30	Development Bank of Singapore
		—	—	26.50	European Investment Bank (EIB)
		—	—	5.00	Fuji Bank, Ltd, Japan
		—	—	3.30	KBC Bank N.V., Belgium
Shanxi Environment Improvement	PRC	102.00	—	23.00	Domestic banks, People's Republic of China (PRC)
Shanxi Road Development	PRC	250.00	—	48.20	Bank of Communications, PRC
Southern Yunnan Road Development	PRC	250.00	—	156.60	China Development Bank, PRC
Suzhou Creek Rehabilitation	PRC	300.00	—	285.30	State Development Bank, PRC
Community and Local Government Support Sector Development Program	INO	320.00	—	150.00	Japan Bank for International Cooperation (JBIC) (official development assistance [ODA])
Health and Nutrition Sector Development Program	INO	300.00	—	300.00	JBIC (ODA)
Power Sector Restructuring Program	INO	400.00	—	400.00	JBIC (non-ODA)
Greater Mekong Subregion: East-West Corridor	LAO & VIE	—	57.00	180.00	JBIC (ODA)
		—	—	65.00 ^a	Japan International Cooperation Agency
		—	—	25.00	Thailand
		—	—	15.00	World Bank
Shifting Cultivation Stabilization	LAO	—	5.60	1.30 ^a	United Nations Drug Control Program
Regional Development	MLD	—	8.00	4.07	IsDB
Ebeye Health and Infrastructure	RMI	—	9.25	0.47 ^a	United States Department of Interior
Rural Electrification, Distribution and Transmission	NEP	—	50.00	10.00	OPEC Fund
Women's Health	PAK	—	47.00	10.00	OPEC Fund
		—	—	3.00 ^a	United Nations Children's Fund
Employment-Oriented Skills Development	PNG	—	20.00	2.49 ^a	AusAID
		—	—	2.44 ^a	German Development Service, Germany
Financial Management	PNG	25.80	—	12.00 ^a	AusAID
		—	—	0.50 ^a	United Nations Development Programme
Maynilad Water Services, Inc.	PHI	45.00	—	126.00	Complementary Financing Scheme (CFS)
		—	—	120.00	Compagnie Francaise d' Assurance pour le Commerce Exterieur, France
		—	—	59.00	EIB
Philippine International Air Terminals Co. Inc.	PHI	40.00	—	40.00	CFS
		—	—	120.00	JBIC (non-ODA)
		—	—	150.00	Kreditanstalt für Wiederaufbau, Germany
Coastal Resource Management	SRI	—	40.00	12.76 ^a	Netherlands
Skills Development	SRI	—	18.80	7.00	NDF
		—	—	7.43	OPEC Fund
South Asia Gateway Terminals Ltd. for the Colombo Port Development	SRI	35.00	—	35.00	Commonwealth Development Corporation, United Kingdom
		—	—	35.00	International Finance Corporation
		—	—	39.00	Private Sector Infrastructure Development Company Ltd.
Southern Transport Development	SRI	—	90.00	180.00	JBIC (ODA)
		—	—	6.70	NDF
		—	—	1.00 ^a	Swedish International Development Cooperation Agency, Sweden
Agriculture Sector Program	THA	300.00	—	300.00	JBIC (ODA)
Ho Chi Minh City Environmental Improvement	VIE	—	70.00	1.80 ^a	Norwegian Agency for International Cooperation
Teacher Training	VIE	—	25.00	0.40 ^a	New Zealand
TOTAL		2,476.30	698.65	3,016.72	

^a Refers to a grant.

Key: BAN (Bangladesh), CAM (Cambodia), PRC (People's Republic of China), INO (Indonesia), LAO (Lao People's Democratic Republic), MLD (Maldives), RMI (Marshall Islands), NEP (Nepal), PAK (Pakistan), PNG (Papua New Guinea), PHI (Philippines), SRI (Sri Lanka), THA (Thailand), and VIE (Viet Nam).

Table 8**PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS BY COUNTRY, 1999**

(\$ million)

	Loan	Equity Investment	Total ADB Funds	Complementary Loan	Total ADB Approvals	Project Cost/ Fund Size
China, People's Rep. of						
Chengdu Générale des Eaux-Marubeni Waterworks Co. Ltd	26.50	–	26.50	21.50	48.00	106.50
Philippines						
Maynilad Water Services Inc. (Maynilad)	45.00	–	45.00	126.00	171.00	564.80
Philippine International Air Terminals Co. Inc.	40.00	–	40.00	40.00	80.00	500.00
Sri Lanka						
South Asia Gateway Terminals (Pvt.) Ltd. for the Colombo Port Development Project	35.00	7.40	42.40	–	42.40	241.20
TOTAL	146.50	7.40	153.90	187.50	341.40	1,412.50

Table 9**PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS BY SECTOR, 1999**

(\$ million)

	Loan	Equity Investment	Total ADB Funds	Complementary Loan	Total ADB Approvals	Total Project Cost
Infrastructure	146.50	7.40	153.90	187.50	341.40	1,412.50
Investment Funds	–	–	–	–	–	–
Financial Institutions	–	–	–	–	–	–
Agriculture, Manufacturing, and Other Industries	–	–	–	–	–	–
TOTAL	146.50	7.40	153.90	187.50	341.40	1,412.50

Table 10**PRIVATE SECTOR LOAN AND EQUITY INVESTMENT APPROVALS BY YEAR, 1987–1999**

(amounts in \$ million)

	No. of Projects ^a	Loan	Equity Investment ^b	Total ADB Funds	Complementary Loan	Total ADB Approvals ^a
1987	7	20.50	27.61	48.11	5.00	53.11
1988	12	58.00	35.67	93.67	–	93.67
1989	16	95.70	67.59	163.29	51.10	214.39
1990	17	78.85	35.94	114.79	24.00	138.79
1991	10	156.80	20.52	177.32	–	177.32
1992	4	50.00	5.42	55.42	81.50	136.92
1993	9	182.10	20.70	202.80	19.30	222.10
1994	9	–	48.60	48.60	–	48.60
1995	8	68.00	99.41	167.41	5.83	173.24
1996	8	123.50	97.15	220.65	191.50	412.15
1997	6	45.00	59.50	104.50	–	104.50
1998	8	136.12	62.44	198.56	151.08	349.64
1999	4	146.50	7.40	153.90	187.50	341.40

– Data not applicable.

a Net of cancellations.

b Includes equity investments, lines of equity, and equity underwritings.

Table 11**CUMULATIVE PRIVATE SECTOR APPROVALS BY COUNTRY, 1983–1999**

(amounts in \$ million)

	No. of Projects ^a	Loan	Equity Investment ^b	Total ADB Funds	Complementary Loan	Total ADB Approvals ^a
Bangladesh	5	67.20	14.46	81.66	–	81.66
Bhutan	1	–	0.53	0.53	–	0.53
China, People's Rep. of	6	116.50	47.30	163.80	171.50	335.30
Fiji Islands	1	–	0.25	0.25	–	0.25
India	19	160.70	105.70	266.40	105.00	371.40
Indonesia	11	82.00	26.65	108.65	63.50	172.15
Korea, Rep. of	4	–	8.96	8.96	–	8.96
Malaysia	1	–	2.00	2.00	–	2.00
Nepal	4	49.55	3.26	52.81	5.83	58.64
Pakistan	21	241.80	28.63	270.43	129.90	400.33
Philippines	16	237.32	36.85	274.17	208.58	482.74
Sri Lanka	8	46.00	13.22	59.22	–	59.22
Thailand	5	31.46	26.82	58.28	–	58.28
Viet Nam	1	30.00	–	30.00	26.50	56.50
Regional	19	105.00	286.37	391.37	–	391.37
TOTAL	122	1,167.53	601.00	1,768.53	710.81	2,479.34

– Data not applicable.

a Net of cancellations.

b Includes equity investments, lines of equity, and equity underwritings.

Table 12

NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION, PROJECT COMPLETION REPORTS (PCRs) CIRCULATED, PROJECTS COMPLETED, LOANS CLOSED, AND PROJECT/PROGRAM PERFORMANCE AUDIT REPORTS (PPARs) CIRCULATED

(as of 31 December 1999)

	Cumulative No. of Loans Approved ^a	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved ^b	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Loans	Cumulative No. of Cofinanced Projects
Afghanistan	9	8	8	—	1	2
Bangladesh	137	132	128	4	5	60
Bhutan	15	14	14	—	—	5
Cambodia	13	11	12	—	—	4
China, People's Rep. of	79	75	77	—	—	28
Cook Islands	11	11	11	—	—	1
Fiji Islands	13	13	13	—	—	5
Hong Kong, China	5	5	5	—	—	—
India	57	50	50	1	—	17
Indonesia	247	247	222	16	2	56
Kazakhstan	10	10	7	2	—	—
Kiribati	6	6	6	—	—	1
Korea, Rep. of	81	81	80	—	—	8
Kyrgyz Republic	15	14	12	—	—	5
Lao PDR	46	44	42	—	3	26
Malaysia	76	76	74	1	1	9
Maldives	9	8	9	—	—	5
Marshall Islands	8	8	8	—	—	1
Micronesia, Fed. States of	3	3	3	—	—	—
Mongolia	21	19	18	—	—	4
Myanmar	32	32	28	2	2	12
Nauru	1	1	1	—	—	—
Nepal	95	94	84	1	9	40
Pakistan	185	182	155	22	5	70
Papua New Guinea	50	48	39	10	—	8
Philippines	175	172	149	17	4	57
Samoa	26	25	22	—	4	9
Singapore	14	14	14	—	—	2
Solomon Islands	15	15	14	—	—	5
Sri Lanka	92	89	86	1	5	29
Taipei, China	12	12	12	—	—	—
Tajikistan	3	1	3	—	—	—
Thailand	83	82	79	2	2	36
Tonga	13	13	13	—	—	3
Tuvalu	1	1	1	—	—	—
Uzbekistan	5	5	4	1	—	—
Vanuatu	9	9	8	—	1	3
Viet Nam	39	32	34	3	—	11
Regional	3	3	5 ^f	—	—	—
TOTAL	1,714	1,665	1,550	83	44	522

a Includes special implementation assistance loans, special assistance, and private sector loans; excludes loans withdrawn by borrowers.

b Blended loans and multiloan projects are counted as one project; supplementary loans and special implementation assistance loans are not counted as separate projects.

c Includes projects/loans that have been approved but still awaiting effectivity, inactive loans, fully disbursed private sector loans without government guarantee but still under administration; excludes projects/loans exclusively financed from other sources.

No. of Projects Under Administration ^{a,c}	No. of Loans Under Administration ^c	Cumulative No. of PCRs Circulated/ Prepared	No. of Projects Completed in 1999 ^d	No. of Loans Closed in 1999 ^e	No. of PCRs Circulated in 1999	No. of PPARs Circulated in 1999	
—	—	—	—	—	—	—	Afghanistan
38	39	82	8	6	5	1	Bangladesh
5	6	7	2	—	—	—	Bhutan
11	11	1	1	—	—	—	Cambodia
51	53	23	14	3	5	1	China, People's Rep. of
3	3	8	1	1	2	—	Cook Islands
1	1	10	—	1	1	1	Fiji Islands
—	—	5	—	—	—	—	Hong Kong, China
27	35	17	2	4	4	2	India
70	80	132	11	5	9	2	Indonesia
4	6	2	1	1	2	—	Kazakhstan
1	1	4	—	—	—	—	Kiribati
1	2	59	—	—	1	—	Korea, Rep. of
10	12	2	4	1	2	—	Kyrgyz Republic
17	17	19	2	2	2	1	Lao PDR
9	9	47	2	—	1	—	Malaysia
3	3	6	—	—	—	—	Maldives
5	5	2	2	—	—	—	Marshall Islands
2	2	—	2	1	—	—	Micronesia, Fed. States of
12	13	3	3	5	1	—	Mongolia
—	—	26	—	—	—	—	Myanmar
1	1	—	—	—	—	—	Nauru
24	25	59	3	2	7	2	Nepal
50	54	91	12	13	7	3	Pakistan
11	12	26	2	2	—	2	Papua New Guinea
44	54	92	5	7	6	5	Philippines
1	1	19	—	—	—	—	Samoa
—	—	7	—	—	—	—	Singapore
1	2	13	—	—	—	—	Solomon Islands
25	25	48	6	7	3	1	Sri Lanka
—	—	1	—	—	—	—	Taipei, China
3	3	—	—	—	—	—	Tajikistan
13	14	43	3	5	—	—	Thailand
3	3	12	1	—	—	—	Tonga
1	1	—	—	—	—	—	Tuvalu
4	5	—	—	—	—	—	Uzbekistan
3	3	5	—	—	2	—	Vanuatu
25	26	5	2	1	—	—	Viet Nam
—	—	1	—	—	1	—	Regional
479	527	877	89	67	61	21	TOTAL

d Projects that were physically completed in 1999.

e Excludes two loans withdrawn after signing.

f Includes the regional projects—Greater Mekong Subregion (GMS): Phnom Penh to Ho Chi Minh City Highway Project and GMS: East-West Corridor Project.

Table 13**AMOUNT OF LOANS APPROVED, CONTRACTS AWARDED, AND DISBURSEMENTS**

(as of 31 December 1999)

(amounts in \$ million)

	Cumulative Loan Amounts Approved ^a	Cumulative Net Effective Loans ^{b,c}	Contracts Awarded in 1999 ^{c,d}	Cumulative Contracts Awarded ^{c,d}
Afghanistan	95.10	27.90	–	34.21
Bangladesh	5,915.61	5,142.43	295.64	4,231.34
Bhutan	75.16	59.81	2.21	47.52
Cambodia	375.67	274.28	16.98	173.69
China, People's Rep. of	9,425.20	8,345.35	812.04	5,336.67
Cook Islands	24.47	23.47	0.99	23.87
Fiji Islands	161.10	153.47	6.28	115.49
Hong Kong, China	101.50	94.50	–	94.50
India	7,878.30	6,180.94	557.42	5,334.45
Indonesia	17,028.99	14,649.40	1,287.94	9,980.21
Kazakhstan	415.00	411.90	17.41	331.62
Kiribati	15.14	13.75	–	4.57
Korea, Rep. of	6,338.33	5,867.46	4.79	5,569.48
Kyrgyz Republic	386.20	343.12	89.73	271.77
Lao PDR	827.04	752.72	14.01	617.76
Malaysia	1,987.54	1,478.93	34.37	1,351.53
Maldives	55.18	47.47	0.30	35.24
Marshall Islands	52.30	47.37	2.99	32.49
Micronesia, Fed. States of	35.10	33.96	4.55	23.83
Mongolia	427.52	369.48	26.88	303.99
Myanmar	530.86	411.83	–	418.77
Nauru	5.00	5.00	2.30	2.30
Nepal	1,682.38	1,415.59	27.80	1,161.53
Pakistan	9,804.24	8,850.62	347.41	7,079.07
Papua New Guinea	728.63	583.87	34.56	501.80
Philippines	7,374.27	6,464.58	78.88	4,448.06
Samoa	97.42	94.26	–	94.45
Singapore	181.08	144.44	–	130.22
Solomon Islands	69.31	64.65	0.90	53.77
Sri Lanka	2,362.75	2,075.47	89.15	1,687.96
Taipei, China	100.39	91.14	–	90.28
Tajikistan	45.00	19.62	9.87	9.87
Thailand	5,348.07	4,461.64	555.78	4,030.83
Tonga	42.88	41.60	1.75	46.99
Tuvalu	4.00	4.09	2.80	2.80
Uzbekistan	210.00	209.86	53.11	54.54
Vanuatu	51.25	49.90	8.05	36.11
Viet Nam	1,875.68	1,574.36	250.43	843.09
Regional ^f	105.00	105.00	–	–
TOTAL	82,238.67	70,985.22	4,637.32	54,606.66

– Data not applicable.

a Includes special assistance loans and private sector loans but excludes loans withdrawn by the borrower. The US dollar equivalent is in accordance with the exchange rate prevailing within ADB at the time of loan signing.

b Net refers to cancellation and refund of unused loan amounts.

c The US dollar equivalent is in accordance with the exchange rate prevailing in ADB on 31 December 1999. The cumulative contracts awarded exceed the net effective loan amounts due to the following reasons:

- (i) for countries without active loans, the base contract amount of loans closed prior to computerization does not reflect the adjustment with regard to procurement data, e.g. Afghanistan; and
- (ii) for countries with active loans, the contract amount inputted is the percentage of ADB-financed portion and each contract amount was adjusted upon completion of disbursement.

% of Cumulative Contracts Awarded to Cumulative Net Effective Loans ^c	Disbursements in 1999	Cumulative Disbursements ^e	% of Cumulative Disbursements to Cumulative Net Effective Loans	
122.6	–	27.90	100.0	Afghanistan
82.3	281.47	4,195.85	81.6	Bangladesh
79.5	2.10	47.24	79.0	Bhutan
63.3	26.16	152.25	55.5	Cambodia
63.9	819.01	5,005.31	60.0	China, People's Rep. of
101.7	0.86	21.77	92.8	Cook Islands
75.3	1.63	114.55	74.6	Fiji Islands
100.0	–	94.50	100.0	Hong Kong, China
86.3	605.15	5,053.30	81.8	India
68.1	1,329.41	10,626.66	72.5	Indonesia
80.5	17.29	312.17	75.8	Kazakhstan
33.2	–	3.77	27.4	Kiribati
94.9	4.61	5,557.06	94.7	Korea, Rep. of
79.2	79.60	235.00	68.5	Kyrgyz Republic
82.1	46.77	564.60	75.0	Lao PDR
91.4	29.66	1,302.96	88.1	Malaysia
74.2	0.61	34.80	73.3	Maldives
68.6	3.90	30.07	63.5	Marshall Islands
70.2	4.93	22.94	67.5	Micronesia, Fed. States of
82.3	46.93	289.02	78.2	Mongolia
101.7	–	411.83	100.0	Myanmar
46.0	2.30	2.30	46.0	Nauru
82.1	78.71	1,152.92	81.4	Nepal
80.0	476.22	7,326.31	82.8	Pakistan
85.9	35.09	507.77	87.0	Papua New Guinea
68.8	127.52	4,688.70	72.5	Philippines
100.2	–	90.66	96.2	Samoa
90.2	–	144.44	100.0	Singapore
83.2	0.32	53.61	82.9	Solomon Islands
81.3	103.22	1,601.03	77.1	Sri Lanka
99.1	–	91.14	100.0	Taipei, China
50.3	9.87	9.87	50.3	Tajikistan
90.3	462.15	3,751.11	84.1	Thailand
113.0	2.22	38.05	91.5	Tonga
68.5	2.80	2.80	68.5	Tuvalu
26.0	16.05	17.94	8.5	Uzbekistan
72.4	6.39	35.11	70.4	Vanuatu
53.6	193.83	576.31	36.6	Viet Nam
–	6.86	81.38	77.5	Regional
76.9	4,823.64	54,275.00	76.5	TOTAL

d Excludes private sector loans without government guarantee.

e The cumulative disbursements may exceed the cumulative contracts awarded due to disbursed amount without procurement contract summary sheet, e.g., interest during construction, contingencies, and private sector loans that do not require procurement.

f A private sector loan to Asian Finance and Investment Corporation.

Table 14
LOAN DISBURSEMENTS, 1998 AND 1999
(amounts in \$ thousand)

	1 9 9 8					
	OCR	% of Total OCR	ADF	% of Total ADF	Total	% of Total Disbursements
Project^a						
Nondevelopment Finance Institution	1,682,592	30	882,308	78	2,564,900	38
Development Finance Institution	300,923	5	14,653	1	315,576	5
Total Project Loans	1,983,515	35	896,961	79	2,880,476	43
Sector^b	393,195	7	128,966	11	522,161	8
Program^c	3,162,176	56	117,754	10	3,279,930	48
Private Sector^d	83,717	2	–	–	83,717	1
TOTAL	5,622,603	100	1,143,681	100	6,766,284	100

	1 9 9 9						% Change (1999/1998)		
	OCR	% of Total OCR	ADF	% of Total ADF	Total	% of Total Disburse- ments	OCR	ADF	Total
Project^a									
Nondevelopment Finance Institution	1,562,939	42	824,353	74	2,387,292	49	(7)	(7)	(7)
Development Finance Institution	267,455	7	5,187	–	272,642	6	(11)	(65)	(14)
Total Project Loans	1,830,394	49	829,540	74	2,659,934	55	(8)	(8)	(8)
Sector^b	271,811	7	155,175	14	426,986	9	(31)	20	(18)
Program^c	1,544,800	42	129,114	12	1,673,914	35	(51)	10	(49)
Private Sector^d	62,806	2	–	–	62,806	1	(25)	–	(25)
TOTAL	3,709,811	100	1,113,829	100	4,823,640	100	(34)	(3)	(29)

– Data not applicable.

() Negative.

a A project loan is a loan provided to finance specific projects. ADB uses development finance institutions in its developing member countries (DMCs) as vehicles to finance small- to medium-sized projects in the private sector.

b A sector loan is a loan provided to develop a specific sector or subsector. It finances a large number of subprojects in a single sector or subsector.

c A program loan is a loan provided to support DMCs' efforts to improve the policy, institutional, and investment environment of sector development. It helps meet short-term costs that policy adjustments entail.

d Excludes equity investments.

Table 15
PROGRAM LOAN DISBURSEMENTS, 1999
(\$ million)

	OCR	ADF	Total
India	150.00	–	150.00
Indonesia	820.00	–	820.00
Kyrgyz Republic	–	46.18	46.18
Micronesia, Fed. States of	–	3.68	3.68
Mongolia	–	16.08	16.08
Nauru	2.30	–	2.30
Pakistan	200.00	–	200.00
Papua New Guinea	22.50	2.41	24.91
Tajikistan	–	9.87	9.87
Thailand	350.00	–	350.00
Tuvalu	–	2.80	2.80
Vanuatu	–	5.19	5.19
Viet Nam	–	42.90	42.90
TOTAL	1,544.80	129.11	1,673.91

– Data not applicable.

Table 16

DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a
PROJECT AND PROGRAM LOANS COMBINED—ORDINARY CAPITAL RESOURCES

	1967–1976		1977–1986		1987–1996		1997–1999	
	Goods, Related Services, and Civil Works	Consulting Services	Goods, Related Services, and Civil Works	Consulting Services	Goods, Related Services, and Civil Works	Consulting Services	Goods, Related Services, and Civil Works	Consulting Services
	%	%	%	%	%	%	%	%
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1.15	3.91	1.43	2.46	1.90	4.09	1.57	5.83
Austria	2.38	0.84	0.57	0.30	0.28	0.31	0.47	3.34
Bangladesh	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00
Belgium	0.22	0.53	0.49	0.04	0.48	0.00	0.23	0.00
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cambodia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	2.19	2.29	0.91	6.79	0.81	4.48	0.59	2.05
China, People's Rep. of	0.00	0.00	0.00	0.00	9.39	0.00	14.39	0.00
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	0.13	1.94	0.29	2.91	0.15	1.89	0.28	2.07
Fiji Islands	0.09	0.00	0.24	0.00	0.16	0.03	0.03	0.00
Finland	0.05	0.00	0.04	0.31	0.47	0.32	0.17	0.23
France	3.78	6.05	2.02	2.98	2.27	4.39	1.11	5.09
Germany	7.57	10.36	4.79	4.34	5.66	6.21	3.20	3.13
Hong Kong, China	0.60	0.00	1.65	0.47	1.17	0.08	0.50	0.75
India	1.45	3.35	0.67	0.34	9.97	1.29	9.10	0.66
Indonesia	0.00	0.00	8.54	9.58	17.36	29.08	12.86	19.85
Italy	3.36	11.06	1.35	4.08	3.82	2.27	1.02	3.08
Japan	42.33	7.33	22.82	12.58	11.63	7.31	7.37	4.24
Kazakhstan	0.00	0.00	0.00	0.00	0.00	0.00	0.51	0.00
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	9.67	1.31	16.74	4.06	6.40	0.79	17.30	1.48
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.01	0.00	0.02	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	3.32	0.17	4.86	0.88	3.42	1.20	2.88	0.25
Maldives	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00
Nepal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Netherlands	2.17	2.20	0.90	2.60	0.61	5.60	0.44	6.53
New Zealand	0.17	1.42	0.42	1.46	0.09	0.17	0.06	1.17
Norway	0.15	0.00	0.03	0.25	0.06	0.00	0.02	1.82
Pakistan	0.01	0.00	0.57	0.04	3.02	0.37	1.88	0.00
Papua New Guinea	0.00	0.00	0.25	0.07	0.27	0.19	0.26	0.02
Philippines	1.14	0.94	8.43	1.59	3.36	4.14	0.70	7.93
Samoa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	0.56	0.00	1.53	0.32	1.56	0.12	2.34	2.05
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.00	0.00	0.00	0.00	0.19	0.00	0.13	0.00
Sri Lanka	0.00	0.00	0.00	0.03	0.01	0.02	0.00	0.01
Sweden	0.57	0.13	0.54	0.04	0.81	0.15	0.25	0.41
Switzerland	1.91	1.07	1.51	5.86	1.69	6.19	0.48	3.50
Taipei, China	1.77	0.09	1.70	3.20	0.75	1.01	0.69	2.02
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	2.28	0.00	6.94	0.09	3.48	1.64	3.55	2.90
Tonga	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.00	0.00	0.00	0.00	0.19	0.00	0.10	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	4.03	3.61	2.76	11.08	1.53	6.90	1.73	5.87
United States	6.94	41.40	7.01	21.26	6.55	9.76	6.97	13.73
Uzbekistan	0.00	0.00	0.00	0.00	0.02	0.00	0.40	0.00
Vanuatu	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00
Viet Nam	0.00	0.00	0.00	0.00	0.04	0.00	0.01	0.00
Regional	0.00	0.00	0.00	0.00	0.00	0.00	6.31	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL VALUE (\$ million)	1,151.81	65.59	5,006.38	327.46	17,780.48	825.74	12,685.87	258.37

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 17

DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a
PROJECT AND PROGRAM LOANS COMBINED—ASIAN DEVELOPMENT FUND

	1967–1976		1977–1986		1987–1996		1997–1999	
	Goods, Related	Consulting	Goods, Related	Consulting	Goods, Related	Consulting	Goods, Related	Consulting
	Services, and Civil Works %	Services %	Services, and Civil Works %	Services %	Services, and Civil Works %	Services %	Services, and Civil Works %	Services %
Afghanistan	0.00	0.00	0.37	0.00	0.00	0.00	0.00	0.00
Australia	4.89	6.10	0.83	3.75	1.18	5.64	0.84	5.77
Austria	0.12	0.00	0.34	0.00	0.16	0.00	0.26	0.02
Bangladesh	0.20	0.00	5.80	0.94	14.03	3.73	14.49	5.27
Belgium	0.18	0.00	0.58	0.05	0.36	0.00	0.05	0.05
Bhutan	0.00	0.00	0.00	0.00	0.18	0.01	0.16	0.00
Cambodia	0.00	0.00	0.00	0.00	0.31	0.00	0.92	0.01
Canada	0.61	18.30	0.51	7.39	0.40	3.11	0.20	9.75
China, People's Rep. of	0.00	0.00	0.00	0.00	5.68	0.00	5.89	0.00
Cook Islands	0.00	0.00	0.04	0.00	0.05	0.01	0.04	0.18
Denmark	0.02	0.93	0.79	0.00	0.33	1.68	0.16	3.50
Fiji Islands	0.12	0.00	0.05	0.00	0.02	0.02	0.09	0.00
Finland	0.01	0.00	0.07	1.34	0.18	0.20	0.26	2.95
France	0.13	0.00	1.37	2.57	1.43	4.01	2.49	9.01
Germany	14.61	22.63	5.08	1.68	3.69	5.35	1.94	5.84
Hong Kong, China	0.27	0.00	0.74	0.00	0.83	0.00	0.40	0.00
India	4.42	1.63	6.30	9.30	2.27	1.84	2.85	0.36
Indonesia	0.00	0.00	1.14	1.85	3.49	4.70	2.12	1.11
Italy	5.68	5.49	2.75	0.82	1.68	2.94	2.75	0.07
Japan	38.73	21.17	25.35	15.18	5.47	3.56	3.67	8.40
Kazakhstan	0.00	0.00	0.00	0.00	0.32	0.00	0.87	0.19
Kiribati	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Korea, Rep. of	5.66	1.84	5.31	2.01	6.79	1.70	6.45	0.00
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.44	0.00	1.07	0.30
Lao PDR	0.00	0.00	0.05	0.00	0.79	0.08	0.73	0.15
Malaysia	0.57	2.56	0.36	0.54	1.02	0.00	1.02	0.00
Maldives	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.06	0.00	0.16	0.04
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.00
Mongolia	0.00	0.00	0.00	0.00	0.14	0.00	0.27	0.26
Myanmar	0.00	0.00	0.78	0.00	0.13	0.00	0.01	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.82	0.00	2.28	0.50	3.27	1.16	2.83	2.76
Netherlands	1.68	5.57	1.22	2.22	1.61	5.22	0.42	2.57
New Zealand	0.56	2.46	0.81	2.00	0.46	3.48	0.47	1.53
Norway	0.05	0.00	0.02	0.57	0.36	0.28	0.01	0.81
Pakistan	0.00	0.00	4.76	0.47	15.57	9.91	13.26	5.00
Papua New Guinea	2.60	0.00	1.52	0.19	1.16	0.39	0.34	0.18
Philippines	0.14	1.10	2.74	2.83	4.85	5.04	2.43	3.45
Samoa	0.09	0.00	0.28	0.07	0.06	0.07	0.02	0.00
Singapore	4.83	0.00	1.85	0.11	4.02	0.16	3.00	0.32
Solomon Islands	0.00	0.00	0.28	0.09	0.10	0.00	0.49	0.00
Spain	0.00	0.00	0.00	0.00	0.06	0.00	0.09	0.00
Sri Lanka	0.00	0.12	3.11	0.26	4.38	1.39	5.47	0.76
Sweden	0.01	0.14	1.64	0.04	0.57	2.19	0.19	1.10
Switzerland	0.33	0.00	2.64	6.18	0.93	2.58	0.41	0.59
Taipei, China	0.74	0.11	0.20	0.04	0.76	0.00	0.40	2.12
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00	0.33	0.00
Thailand	1.66	0.20	2.35	0.05	0.94	0.01	0.74	0.00
Tonga	0.00	0.00	0.15	0.00	0.07	0.06	0.13	0.00
Turkey	0.00	0.00	0.00	0.00	0.30	0.00	5.39	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	6.96	2.83	6.44	21.11	2.02	17.81	0.51	9.77
United States	3.30	6.82	8.98	15.96	6.28	11.68	2.44	14.76
Uzbekistan	0.00	0.00	0.00	0.00	0.05	0.00	0.58	0.00
Vanuatu	0.00	0.00	0.01	0.00	0.04	0.00	0.09	0.00
Viet Nam	0.00	0.00	0.08	0.00	0.68	0.00	9.15	1.07
Regional	0.00	0.00	0.00	0.00	0.00	0.00	0.42	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL VALUE (\$ million)	260.83	27.69	2,447.95	155.37	9,288.56	568.07	3,198.77	233.59

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 18
CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a 1999
PROJECT LOANS—ORDINARY CAPITAL RESOURCES
(amounts in \$ million)

	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded ^b	% Distribution ^b
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	7.71	0.39	8.19	9.50	15.90	0.77
Austria	34.04	1.72	0.00	0.00	34.04	1.65
Bangladesh	0.00	0.00	0.00	0.00	0.00	0.00
Belgium	1.16	0.06	0.00	0.00	1.16	0.06
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00
Cambodia	0.50	0.03	0.00	0.00	0.50	0.02
Canada	4.75	0.24	0.83	0.97	5.58	0.27
China, People's Rep. of	721.39	36.53	0.00	0.00	721.39	35.00
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	6.37	0.32	3.76	4.36	10.13	0.49
Fiji Islands	3.75	0.19	0.00	0.00	3.75	0.18
Finland	0.15	0.01	0.00	0.00	0.15	0.01
France	24.69	1.25	1.66	1.93	26.35	1.28
Germany	60.71	3.07	0.00	0.00	60.71	2.95
Hong Kong, China	23.99	1.21	0.00	0.00	23.99	1.16
India	332.39	16.83	1.50	1.74	333.89	16.20
Indonesia	317.86	16.10	24.57	28.50	342.43	16.62
Italy	32.83	1.66	0.65	0.75	33.48	1.62
Japan	122.92	6.22	7.24	8.40	130.16	6.32
Kazakhstan	0.28	0.01	0.00	0.00	0.28	0.01
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	67.65	3.43	3.82	4.43	71.47	3.47
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.00	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	35.66	1.81	0.64	0.74	36.30	1.76
Maldives	0.00	0.00	0.00	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.00	0.00	0.00	0.00	0.00	0.00
Netherlands	7.41	0.38	7.46	8.66	14.87	0.72
New Zealand	0.52	0.03	1.08	1.25	1.60	0.08
Norway	0.53	0.03	0.00	0.00	0.53	0.03
Pakistan	15.77	0.80	0.00	0.00	15.77	0.77
Papua New Guinea	1.55	0.08	0.01	0.01	1.56	0.08
Philippines	25.65	1.30	5.44	6.30	31.08	1.51
Samoa	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	16.15	0.82	4.09	4.74	20.23	0.98
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	2.25	0.11	0.00	0.00	2.25	0.11
Sri Lanka	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	13.48	0.68	0.00	0.00	13.48	0.65
Switzerland	4.92	0.25	0.00	0.00	4.93	0.24
Taipei, China	1.21	0.06	0.00	0.00	1.21	0.06
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	22.09	1.12	0.00	0.00	22.09	1.07
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.51	0.03	0.00	0.00	0.51	0.02
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	11.95	0.61	3.95	4.58	15.90	0.77
United States	51.95	2.63	11.32	13.13	63.27	3.07
Uzbekistan	0.00	0.00	0.00	0.00	0.00	0.00
Vanuatu	0.00	0.00	0.00	0.00	0.00	0.00
Viet Nam	0.00	0.00	0.00	0.00	0.00	0.00
Regional	0.00	0.00	0.00	0.00	0.00	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	1,974.70	100.00	86.22	100.00	2,060.92	100.00

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

b Total may not add because of rounding.

Table 19
CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a 1999
PROJECT LOANS—ASIAN DEVELOPMENT FUND
(amounts in \$ million)

	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded ^b	% Distribution ^b
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	5.48	0.65	2.41	4.19	7.89	0.88
Austria	0.04	0.00	0.04	0.07	0.08	0.01
Bangladesh	205.39	24.37	1.63	2.84	207.03	22.99
Belgium	0.13	0.02	0.00	0.00	0.13	0.01
Bhutan	1.08	0.13	0.00	0.00	1.08	0.12
Cambodia	10.59	1.26	0.01	0.02	10.60	1.18
Canada	0.72	0.08	1.62	2.81	2.33	0.26
China, People's Rep. of	26.62	3.16	0.00	0.00	26.62	2.96
Cook Islands	0.13	0.01	0.36	0.62	0.48	0.05
Denmark	1.82	0.22	4.76	8.28	6.58	0.73
Fiji Islands	0.00	0.00	0.00	0.00	0.00	0.00
Finland	0.15	0.02	0.00	0.00	0.15	0.02
France	11.60	1.38	1.94	3.37	13.53	1.50
Germany	9.07	1.08	3.52	6.13	12.59	1.40
Hong Kong, China	2.68	0.32	0.00	0.00	2.68	0.30
India	46.90	5.56	0.61	1.06	47.51	5.28
Indonesia	24.68	2.93	0.00	0.00	24.68	2.74
Italy	0.65	0.08	0.11	0.19	0.76	0.08
Japan	21.96	2.61	9.77	16.99	31.72	3.52
Kazakhstan	4.30	0.51	0.00	0.00	4.30	0.48
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	79.53	9.44	0.00	0.00	79.53	8.83
Kyrgyz Republic	0.57	0.07	0.56	0.98	1.13	0.13
Lao PDR	6.54	0.78	0.02	0.03	6.56	0.73
Malaysia	5.85	0.69	0.00	0.00	5.85	0.65
Maldives	0.00	0.00	0.00	0.00	0.00	0.00
Marshall Islands	1.19	0.14	0.02	0.03	1.20	0.13
Micronesia, Fed. States of	0.24	0.03	0.00	0.00	0.24	0.03
Mongolia	2.09	0.25	0.05	0.08	2.14	0.24
Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	18.78	2.23	1.66	2.89	20.44	2.27
Netherlands	8.64	1.03	0.45	0.78	9.09	1.01
New Zealand	1.02	0.12	1.33	2.32	2.35	0.26
Norway	0.00	0.00	0.00	0.00	0.00	0.00
Pakistan	102.96	12.21	4.11	7.15	107.07	11.89
Papua New Guinea	4.53	0.54	0.02	0.04	4.55	0.51
Philippines	25.21	2.99	1.76	3.06	26.97	3.00
Samoa	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	5.69	0.67	0.00	0.00	5.69	0.63
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.49	0.06	0.00	0.00	0.49	0.05
Sri Lanka	54.99	6.52	0.83	1.44	55.82	6.20
Sweden	0.68	0.08	0.40	0.69	1.08	0.12
Switzerland	7.22	0.86	0.00	0.00	7.22	0.80
Taipei, China	0.74	0.09	3.74	6.51	4.48	0.50
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	2.66	0.32	0.00	0.00	2.66	0.30
Tonga	1.73	0.20	0.00	0.00	1.73	0.19
Turkey	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	2.03	0.24	9.41	16.38	11.44	1.27
United States	9.30	1.10	6.36	11.06	15.65	1.74
Uzbekistan	0.00	0.00	0.00	0.00	0.00	0.00
Vanuatu	2.86	0.34	0.00	0.00	2.86	0.32
Viet Nam	123.26	14.62	0.00	0.01	123.26	13.69
Regional	0.14	0.02	0.00	0.00	0.14	0.02
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	842.91	100.00	57.48	100.00	900.38	100.00

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

b Total may not add because of rounding.

Table 20

CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a 1999

PROJECT LOANS—ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED

(amounts in \$ million)

	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded ^b	% Distribution ^b
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	13.19	0.47	10.60	7.38	23.79	0.80
Austria	34.08	1.21	0.04	0.03	34.12	1.15
Bangladesh	205.39	7.29	1.63	1.14	207.03	6.99
Belgium	1.29	0.05	0.00	0.00	1.29	0.04
Bhutan	1.08	0.04	0.00	0.00	1.08	0.04
Cambodia	11.09	0.39	0.01	0.01	11.10	0.37
Canada	5.47	0.19	2.45	1.70	7.92	0.27
China, People's Rep. of	748.01	26.55	0.00	0.00	748.01	25.26
Cook Islands	0.13	0.00	0.36	0.25	0.48	0.02
Denmark	8.19	0.29	8.52	5.93	16.71	0.56
Fiji Islands	3.75	0.13	0.00	0.00	3.75	0.13
Finland	0.30	0.01	0.00	0.00	0.30	0.01
France	36.29	1.29	3.60	2.50	39.89	1.35
Germany	69.78	2.48	3.52	2.45	73.30	2.48
Hong Kong, China	26.67	0.95	0.00	0.00	26.67	0.90
India	379.29	13.46	2.11	1.47	381.40	12.88
Indonesia	342.54	12.16	24.57	17.10	367.12	12.40
Italy	33.48	1.19	0.76	0.53	34.24	1.16
Japan	144.88	5.14	17.01	11.84	161.89	5.47
Kazakhstan	4.58	0.16	0.00	0.00	4.58	0.15
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	147.19	5.22	3.82	2.66	151.00	5.10
Kyrgyz Republic	0.57	0.02	0.56	0.39	1.13	0.04
Lao PDR	6.54	0.23	0.01	0.01	6.56	0.22
Malaysia	41.51	1.47	0.64	0.44	42.15	1.42
Maldives	0.00	0.00	0.00	0.00	0.00	0.00
Marshall Islands	1.19	0.04	0.02	0.01	1.21	0.04
Micronesia, Fed. States of	0.24	0.01	0.00	0.00	0.24	0.01
Mongolia	2.09	0.07	0.05	0.03	2.14	0.07
Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	18.78	0.67	1.66	1.16	20.44	0.69
Netherlands	16.05	0.57	7.91	5.51	23.96	0.81
New Zealand	1.54	0.05	2.41	1.68	3.95	0.13
Norway	0.53	0.02	0.00	0.00	0.53	0.02
Pakistan	118.72	4.21	4.11	2.86	122.83	4.15
Papua New Guinea	6.08	0.22	0.04	0.02	6.12	0.21
Philippines	50.86	1.80	7.20	5.01	58.05	1.96
Samoa	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	21.83	0.77	4.09	2.84	25.92	0.88
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	2.74	0.10	0.00	0.00	2.74	0.09
Sri Lanka	54.99	1.95	0.83	0.58	55.82	1.88
Sweden	14.15	0.50	0.40	0.28	14.55	0.49
Switzerland	12.15	0.43	0.00	0.00	12.15	0.41
Taipei, China	1.94	0.07	3.74	2.60	5.69	0.19
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	24.75	0.88	0.00	0.00	24.75	0.84
Tonga	1.73	0.06	0.00	0.00	1.73	0.06
Turkey	0.51	0.02	0.00	0.00	0.51	0.02
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	13.98	0.50	13.37	9.30	27.34	0.92
United States	61.25	2.17	17.67	12.30	78.92	2.67
Uzbekistan	0.00	0.00	0.00	0.00	0.00	0.00
Vanuatu	2.86	0.10	0.00	0.00	2.86	0.10
Viet Nam	123.26	4.37	0.00	0.00	123.26	4.16
Regional	0.14	0.01	0.00	0.00	0.14	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	2,817.60	100.00	143.70	100.00	2,961.30	100.00

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

b Total may not add because of rounding.

Table 21
ESTIMATES OF PAYMENT TO SUPPLYING COUNTRIES FOR FOREIGN PROCUREMENT
UNDER PROGRAM LENDING, 1999^a

	Ordinary Capital Resources (OCR)		Asian Development Fund (ADF)		Combined OCR and ADF	
	\$ Million	% Distribution	\$ Million	% Distribution	\$ Million	% Distribution
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	17.40	1.13	8.70	6.63	26.10	1.56
Austria	2.90	0.19	0.36	0.27	3.26	0.19
Bangladesh	0.20	0.01	0.00	0.00	0.20	0.01
Belgium	7.40	0.48	0.55	0.42	7.95	0.47
Bhutan	0.10	0.01	0.00	0.00	0.10	0.01
Cambodia	0.00	0.00	0.63	0.48	0.63	0.04
Canada	10.00	0.65	0.87	0.66	10.87	0.65
China, People's Rep. of	49.10	3.18	13.64	10.40	62.74	3.74
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	2.00	0.13	0.25	0.19	2.25	0.13
Fiji Islands	0.00	0.00	0.00	0.00	0.00	0.00
Finland	5.80	0.38	0.16	0.12	5.96	0.36
France	22.80	1.48	2.52	1.92	25.32	1.51
Germany	97.40	6.31	5.74	4.37	103.14	6.15
Hong Kong, China	7.90	0.51	2.57	1.95	10.47	0.62
India	8.50	0.55	1.12	0.85	9.62	0.57
Indonesia	308.90	20.00	1.53	1.17	310.43	18.52
Italy	15.90	1.03	1.01	0.77	16.91	1.01
Japan	276.20	17.88	8.35	6.37	284.55	16.98
Kazakhstan	0.20	0.01	5.43	4.13	5.63	0.34
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	49.20	3.18	8.60	6.55	57.80	3.45
Kyrgyz Republic	0.00	0.00	9.59	7.30	9.59	0.57
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	49.80	3.22	1.31	0.99	51.11	3.05
Maldives	0.00	0.00	0.00	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00
Micronesia, Fed. States of	0.00	0.00	3.68	2.81	3.68	0.22
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	1.40	0.09	0.00	0.00	1.40	0.08
Nauru	2.30	0.15	0.00	0.00	2.30	0.14
Nepal	0.30	0.02	0.00	0.00	0.30	0.02
Netherlands	6.90	0.45	0.40	0.30	7.30	0.44
New Zealand	3.00	0.19	0.14	0.10	3.14	0.19
Norway	1.30	0.08	0.00	0.00	1.30	0.08
Pakistan	201.60	13.05	0.81	0.62	202.41	12.08
Papua New Guinea	22.50	1.46	2.42	1.84	24.92	1.49
Philippines	1.60	0.10	0.54	0.41	2.14	0.13
Samoa	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	77.30	5.00	8.17	6.22	85.47	5.10
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	8.80	0.57	0.22	0.17	9.02	0.54
Sri Lanka	0.20	0.01	0.00	0.00	0.20	0.01
Sweden	5.30	0.34	1.22	0.93	6.52	0.39
Switzerland	7.70	0.50	0.53	0.40	8.23	0.49
Taipei, China	33.00	2.14	5.27	4.01	38.27	2.28
Tajikistan	0.00	0.00	10.42	7.94	10.42	0.62
Thailand	49.50	3.20	2.27	1.73	51.77	3.09
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.80	0.05	4.16	3.17	4.96	0.30
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	37.90	2.45	1.25	0.95	39.15	2.34
United States	150.70	9.76	6.33	4.83	157.03	9.37
Uzbekistan	0.00	0.00	10.50	8.00	10.50	0.63
Vanuatu	0.00	0.00	0.00	0.00	0.00	0.00
Viet Nam	1.00	0.06	0.00	0.00	1.00	0.06
Regional	0.00	0.00	0.00	0.00	0.00	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	1,544.80	100.00	131.22	100.00	1,676.02	100.00

^a Estimates are based on import data drawn from the latest information available on borrowers' trade statistics compiled by the International Monetary Fund *Direction of Trade Statistics*.

Table 22
CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a
TECHNICAL ASSISTANCE OPERATIONS
(as of 31 December 1999)
(amounts in \$ million)

	ADB's Own Resources	% Distri- bution	Administered Trust Funds	% Distri- bution	Japan Special Fund	% Distri- bution	Total Contracts Awarded	% Distri- bution
Afghanistan	0.00	0.00	0.00	0.00	0.02	0.00	0.02	0.00
Australia	78.59	12.13	16.29	8.30	65.05	12.45	159.93	11.71
Austria	0.15	0.02	0.00	0.00	0.00	0.00	0.15	0.01
Bangladesh	5.15	0.80	0.80	0.41	3.01	0.58	8.96	0.66
Belgium	2.64	0.41	0.71	0.36	0.38	0.07	3.72	0.27
Bhutan	0.04	0.01	0.02	0.01	0.00	0.00	0.06	0.00
Cambodia	0.31	0.05	0.00	0.00	0.02	0.00	0.33	0.02
Canada	47.20	7.29	25.21	12.84	40.43	7.74	112.83	8.26
China, People's Rep. of	4.13	0.64	0.90	0.46	2.89	0.55	7.93	0.58
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	8.29	1.28	1.82	0.93	12.98	2.48	23.08	1.69
Fiji Islands	0.37	0.06	0.00	0.00	0.01	0.00	0.38	0.03
Finland	3.75	0.58	4.59	2.34	5.41	1.04	13.75	1.01
France	13.61	2.10	10.52	5.36	14.26	2.73	38.39	2.81
Germany	8.82	1.36	4.76	2.42	18.03	3.45	31.60	2.31
Hong Kong, China	9.92	1.53	1.25	0.64	11.24	2.15	22.41	1.64
India	21.75	3.36	3.94	2.01	10.50	2.01	36.19	2.65
Indonesia	9.22	1.42	1.27	0.65	5.29	1.01	15.78	1.16
Italy	3.65	0.56	0.64	0.33	2.17	0.42	6.46	0.47
Japan	15.68	2.42	5.66	2.89	15.17	2.90	36.51	2.67
Kazakhstan	0.12	0.02	0.00	0.00	0.01	0.00	0.13	0.01
Kiribati	0.03	0.00	0.00	0.00	0.00	0.00	0.03	0.00
Korea, Rep. of	4.05	0.63	0.99	0.50	3.06	0.59	8.09	0.59
Kyrgyz Republic	0.10	0.02	0.00	0.00	0.02	0.00	0.12	0.01
Lao PDR	0.30	0.05	0.00	0.00	0.45	0.09	0.75	0.06
Malaysia	5.94	0.92	0.08	0.04	2.92	0.56	8.94	0.65
Maldives	0.02	0.00	0.00	0.00	0.00	0.00	0.02	0.00
Marshall Islands	0.07	0.01	0.00	0.00	0.00	0.00	0.07	0.01
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.18	0.03	0.00	0.00	0.31	0.06	0.48	0.04
Myanmar	0.58	0.09	0.48	0.25	0.00	0.00	1.06	0.08
Nauru	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	3.65	0.56	0.88	0.45	1.14	0.22	5.66	0.41
Netherlands	16.59	2.56	9.77	4.98	19.82	3.79	46.19	3.38
New Zealand	35.89	5.54	3.64	1.85	37.24	7.13	76.77	5.62
Norway	2.28	0.35	2.53	1.29	3.19	0.61	8.00	0.59
Pakistan	6.60	1.02	0.14	0.07	1.39	0.27	8.13	0.59
Papua New Guinea	0.59	0.09	0.00	0.00	0.00	0.00	0.59	0.04
Philippines	37.22	5.75	8.88	4.53	16.22	3.11	62.32	4.56
Samoa	0.52	0.08	0.00	0.00	0.56	0.11	1.07	0.08
Singapore	9.22	1.42	0.00	0.00	4.96	0.95	14.18	1.04
Solomon Islands	0.23	0.04	0.00	0.00	0.00	0.00	0.23	0.02
Spain	0.49	0.08	1.29	0.66	0.72	0.14	2.50	0.18
Sri Lanka	5.43	0.84	1.06	0.54	2.41	0.46	8.90	0.65
Sweden	4.52	0.70	2.85	1.45	4.42	0.85	11.79	0.86
Switzerland	7.24	1.12	4.65	2.37	6.96	1.33	18.85	1.38
Taipei, China	1.03	0.16	0.07	0.04	2.03	0.39	3.13	0.23
Tajikistan	0.02	0.00	0.00	0.00	0.01	0.00	0.02	0.00
Thailand	6.12	0.95	1.89	0.96	7.77	1.49	15.79	1.16
Tonga	0.18	0.03	0.00	0.00	0.00	0.00	0.18	0.01
Turkey	0.09	0.01	0.08	0.04	0.00	0.00	0.18	0.01
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	104.62	16.15	33.65	17.15	82.23	15.74	220.50	16.14
United States	135.38	20.90	40.84	20.81	111.19	21.28	287.40	21.03
Uzbekistan	0.04	0.01	0.01	0.01	0.02	0.00	0.07	0.01
Vanuatu	0.64	0.10	0.00	0.00	0.93	0.18	1.56	0.11
Viet Nam	1.23	0.19	0.02	0.01	0.18	0.03	1.43	0.10
Regional	0.00	0.00	0.00	0.00	0.50	0.10	0.50	0.04
International Organizations	23.22	3.58	4.07	2.07	4.90	0.94	32.18	2.36
TOTAL	647.71	100.00	196.24	100.00	522.38	100.00	1,366.34	100.00

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 23
CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a 1997-1999
TECHNICAL ASSISTANCE OPERATIONS
(amounts in \$ million)

	1997		1998		1999 ^a	
	Value	%	Value	%	Value	%
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	24.00	17.15	16.68	12.32	16.38	13.26
Austria	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	1.21	0.86	0.94	0.69	0.40	0.32
Belgium	0.53	0.38	0.01	0.00	0.40	0.32
Bhutan	0.00	0.00	0.02	0.01	0.03	0.02
Cambodia	0.10	0.07	0.03	0.02	0.03	0.02
Canada	19.02	13.59	9.76	7.21	7.31	5.92
China, People's Rep. of	2.07	1.48	2.76	2.04	1.07	0.86
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	1.36	0.97	3.22	2.38	0.14	0.11
Fiji Islands	0.05	0.03	0.01	0.01	0.00	0.00
Finland	1.02	0.73	2.15	1.59	0.57	0.46
France	1.63	1.17	0.59	0.43	3.54	2.86
Germany	3.48	2.49	2.56	1.89	3.20	2.59
Hong Kong, China	3.67	2.62	3.38	2.50	0.92	0.74
India	4.14	2.96	3.26	2.40	2.43	1.97
Indonesia	1.13	0.81	0.55	0.41	1.04	0.84
Italy	0.45	0.32	1.19	0.87	0.48	0.39
Japan	2.17	1.55	2.79	2.06	3.48	2.81
Kazakhstan	0.02	0.01	0.01	0.01	0.01	0.01
Kiribati	0.00	0.00	0.00	0.00	0.03	0.02
Korea, Rep. of	0.20	0.14	0.35	0.25	0.28	0.23
Kyrgyz Republic	0.03	0.02	0.01	0.01	0.04	0.03
Lao PDR	0.01	0.00	0.05	0.04	0.12	0.09
Malaysia	0.44	0.31	0.30	0.22	1.33	1.07
Maldives	0.01	0.01	0.01	0.01	0.00	0.00
Marshall Islands	0.00	0.00	0.06	0.04	0.02	0.01
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.24	0.17	0.04	0.03	0.06	0.05
Myanmar	0.17	0.12	0.01	0.01	0.15	0.12
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.26	0.19	0.39	0.29	0.23	0.19
Netherlands	4.69	3.35	8.60	6.35	2.37	1.92
New Zealand	4.66	3.33	9.04	6.67	12.07	9.77
Norway	2.20	1.57	0.13	0.10	0.20	0.16
Pakistan	0.79	0.56	0.37	0.27	0.84	0.68
Papua New Guinea	0.03	0.02	0.19	0.14	0.02	0.02
Philippines	5.10	3.64	8.65	6.38	5.43	4.39
Samoa	0.02	0.02	0.00	0.00	0.02	0.02
Singapore	2.88	2.06	0.56	0.42	1.60	1.30
Solomon Islands	0.00	0.00	0.01	0.01	0.21	0.17
Spain	0.00	0.00	0.00	0.00	0.02	0.02
Sri Lanka	1.89	1.35	0.80	0.59	0.14	0.11
Sweden	0.89	0.64	1.21	0.89	0.10	0.08
Switzerland	1.40	1.00	0.99	0.73	1.41	1.14
Taipei, China	0.03	0.02	0.04	0.03	0.00	0.00
Tajikistan	0.00	0.00	0.01	0.01	0.01	0.01
Thailand	1.15	0.82	2.13	1.57	2.36	1.91
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	15.30	10.93	15.55	11.48	22.95	18.57
United States	31.40	22.44	33.36	24.63	27.44	22.21
Uzbekistan	0.01	0.01	0.02	0.02	0.04	0.03
Vanuatu	0.00	0.00	0.17	0.13	1.22	0.99
Viet Nam	0.12	0.09	0.13	0.10	0.91	0.73
Regional	0.00	0.00	0.00	0.00	0.50	0.40
International Organizations	0.00	0.00	2.35	1.73	0.04	0.03
TOTAL	139.94	100.00	135.45	100.00	123.53	100.00

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 24
TECHNICAL ASSISTANCE GRANTS, 1999
(\$ thousand)

	Project Preparatory	Advisory and Operational
BANGLADESH		
Chittagong Hill Tracts Rural Development	500.00	–
Northwest Agriculture Development	500.00 ^a	–
Kalni-Kushiyara River Management	500.00 ^a	–
Second Small-Scale Water Resources Development Sector	400.00 ^a	–
Urban Sector Strategy	–	150.00
Capacity Building of Dhaka Electric Supply Co. Ltd.	–	90.00
Bangladesh Environment Operational Strategy	–	99.00
Urban Transport and Environment Improvement	–	645.00
Sundarbans Biodiversity Conservation	–	3,500.00 ^b
Chittagong Hill Tracts Region Development Plan	–	1,000.00 ^a
Strengthening Project Portfolio Performance	–	1,000.00
Partnership Agreement on Poverty Reduction between the Asian Development Bank and the Government of Bangladesh	–	95.00
Corporatization of the Ashuganj Power Station	–	1,000.00 ^a
Oil Spill Impact and Response Management Program	–	1,000.00
Strengthening External Debt Management Capacity	–	400.00
BHUTAN		
Health Care Financing and Reform Program	150.00	–
Basic Skills Development	450.00 ^a	–
Capacity Building of the Construction Development Board	–	400.00
Strengthening the Banking Supervision Function of the Royal Monetary Authority	–	600.00 ^a
Corporatization of Division of Power	–	600.00 ^a
CAMBODIA		
Update of Power Rehabilitation II Project Preparation Study	150.00	–
Study for Stung Chinit Water Resources Development	150.00	–
Improvement of Project Implementation in Cambodia	–	150.00
Project Preparation and Implementation Assistance to the Ministry of Public Works and Transport	–	150.00
Secondary Education Investment Plan	–	650.00
Strengthening Tourism Planning	–	150.00
Strengthening the Maintenance Planning and Management Capabilities at Ministry of Public Works and Transport	–	735.00 ^a
Primary Roads Restoration	–	860.00 ^c
Capacity Building for Rural Financial Services	–	1,450.00 ^a
Strengthening External Aid Portfolio Management	–	750.00
Capacity Building in the Ministry of Water Resources and Meteorology	–	796.00 ^a
Statistical System Development (Phase 3)	–	1,000.00
Developing the Strategy for the ADB's Involvement in Cambodia's Power Sector	–	150.00
Capacity Building for the Ministry of Women's and Veterans' Affairs	–	400.00
CHINA, PEOPLE'S REPUBLIC OF		
Hebei Zhanghewan Pumped Storage (Supplementary)	340.00	–
Chongqing-Guizhou Expressway (Supplementary)	100.00	–
Heilongjiang Water Supply	1,000.00 ^a	–
Tianjin Wastewater Treatment and Water Resources Protection	800.00 ^a	–
Guangxi Highway Development	540.00 ^a	–
Shanxi and Shaanxi Roads	640.00 ^a	–

a To be financed from Japan Special Fund (JSF).

b To be financed by the Government of the Netherlands with ADB acting as executing agency.

c To be financed by the Government of Australia with ADB acting as executing agency.

CONTINUED

	Project Preparatory	Advisory and Operational
CHINA, PEOPLE'S REPUBLIC OF		
Hefei-Xi'an Railway	665.00 ^a	—
Yellow River Flood Management Sector	930.00 ^a	—
West Henan Agricultural Development	150.00	—
Shen-Da Power Transmission and Grid Rehabilitation	700.00 ^a	—
Efficient Utilization of Agricultural Wastes	703.00	—
Yunnan Comprehensive Agricultural Development and Biodiversity Conservation	1,332.00 ^b	—
Songhua River Flood, Wetland, and Biodiversity Management	1,545.00 ^c	—
Strategic Options for the Water Sector (Supplementary)	—	57.00
Bank Participation in Kunming Horticultural Exposition, 1999	—	18.00
Improving Environmental Management in Suzhou Creek	—	840.00
Water Tariff Study II	—	950.00
Strengthening Public Infrastructure Investment Policy	—	600.00
Development of Economic Laws	—	1,400.00 ^a
Capacity Building in Ministerial Status Responsibilities in the State Environmental Protection Administration	—	810.00 ^a
Capacity Building for the Insurance Sector Regulatory and Supervision System	—	700.00 ^a
Institutional Strengthening of the Cinda Asset Management Company	—	800.00 ^a
Capacity Building of the Capital Markets' Regulatory System	—	1,000.00 ^a
Shanxi Air Quality Improvement	—	700.00 ^a
Capacity Building in Traffic Safety, Planning and Management	—	600.00 ^a
Rural Electricity Supply Study	—	700.00 ^a
Project Performance Management Capacity Building	—	900.00
Urban Poverty Study	—	410.00 ^a
FIJI ISLANDS		
Strengthening Public Enterprise Reform (Phase I)	—	150.00
Preparation of an Economic Report	—	150.00
Implementation of Corporatization of Water Supply and Sewerage Services	—	146.50
Port Asset Management Improvement	—	250.00
Public Enterprise Reform Program (Phase II)	—	600.00
Urban Sector Strategy Study	—	670.00
Women's Plan of Action	—	500.00
INDIA		
Housing Finance II	405.00	—
Strengthening Institutional Capacities for Urban Infrastructure Finance and Development	—	500.00
Support to the Power Finance Corporation	—	1,000.00
Community Participation in Urban Environmental Improvement	—	150.00
Capacity Building for Public Enterprise Reform and Social Safety Net in Madhya Pradesh	—	600.00
Strengthening Microfinance Institutions for Urban and Environmental Infrastructure Finance	—	500.00 ^d
Capacity Building for Contract Supervision and Management in the National Highways Authority of India	—	600.00
Capacity Building for Social Development	—	800.00
Reform of the Private Pension and Provident Funds System Reform and the Employees' Provident Fund Organization	—	1,000.00
Strengthening Disaster Mitigation and Management at the State Level	—	1,000.00
Private Sector Participation in Electricity Transmission	—	600.00

a To be financed from JSF.

b Of this amount, \$982,000 is to be financed from JSF.

c Of this amount, \$1,215,000 is to be financed from JSF.

d To be financed by the Government of Switzerland with ADB acting as executing agency.

CONTINUED

	Project Preparatory	Advisory and Operational
INDONESIA		
Natural Resources and Environmental Management Sector	380.00 ^a	–
Agriculture and Rural Sector	150.00	–
Road Rehabilitation (Sector)	400.00 ^b	–
Implementing a Regulatory Framework for the Gas Industry (Supplementary)	–	386.00 ^b
Monitoring and Evaluating the Social Protection Sector Development Program (Supplementary)	–	1,000.00 ^c
Monitoring and Evaluating the Health and Nutrition Sector Development Program	–	1,000.00 ^a
Capacity Building for Decentralized Health Services Management	–	1,000.00 ^a
Capacity Building to Support Decentralized Administrative Systems	–	500.00 ^a
Capacity Building for Setting Up District-Level Financial and Budgetary Systems	–	460.00 ^a
Capacity Building for Participatory Planning, Monitoring, and Evaluation	–	1,540.00 ^a
Improving the Management of Government Onlending Operations	–	400.00
Development of a Deposit Insurance Scheme	–	150.00
Strategy for Restructuring Public Services	–	488.00 ^a
Capacity Building for Decentralization of the Environmental Impact Assessment Process	–	420.00 ^a
Participatory Approaches to Sustainable Income Generation	–	300.00 ^b
Independent Monitoring of Assistance for the Provision of Clean Water in West Timor	–	150.00
Urban Sector Development in a Decentralizing Environment	–	600.00 ^b
Establishment of an Anticorruption Commission	–	1,000.00 ^b
Sustainable Management System for Tree Crops Development	–	950.00 ^b
KAZAKHSTAN		
Railway Restructuring Sector Development Program	850.00 ^b	–
Strengthening Environmental Management	–	700.00 ^d
KIRIBATI		
Strengthening Institutional Capacity for Financial and Economic Management-Phase 2	–	861.00
KYRGYZ REPUBLIC		
Third Road Rehabilitation	600.00 ^b	–
Strengthening Aid Coordination and Management	–	124.00
Institutional Strengthening of the Financial Sector	–	600.00
Strengthening Capacity in the Office of the President	–	335.00
Institutional Strengthening in Planning and Management of Agricultural Development	–	800.00
Strengthening Capacity in the Ministry of Finance for Financial Management and Planning of the Public Investment Program	–	463.50
LAO PEOPLE'S DEMOCRATIC REPUBLIC		
Irrigation Management Transfer	650.00 ^b	–
Second Education Quality Improvement	600.00 ^b	–
Vientiane Urban Infrastructure and Services	600.00 ^b	–
Implementation of the Water Sector Action Plan	–	300.00
Analyzing and Negotiating Financing Options for the Nam Leuk Hydropower Project Cost Overruns	–	140.00
Public Investment Program	–	150.00
Strengthening the Capacity of Aid Coordination and Monitoring	–	680.00
Enhancing Government Accounting Regulations and Procedures	–	700.00 ^b
Capacity Building for Urban Development Administration Authorities	–	600.00 ^e

a To be financed from the Asian Currency Crisis Support Facility (ACCSF).

b To be financed from JSF.

c To be financed by the Government of Australia with ADB acting as executing agency.

d To be financed by the Government of Finland with ADB acting as executing agency.

e To be financed by the Government of Norway with ADB acting as executing agency.

CONTINUED

	Project Preparatory	Advisory and Operational
LAO PEOPLE'S DEMOCRATIC REPUBLIC		
East-West Corridor Coordination	—	690.00 ^a
Power Sector Strategy Study	—	800.00 ^a
MALDIVES		
Outer Islands Electrification	300.00 ^a	—
Capacity Building for the Maldives Public Accounting System	—	510.00 ^a
Strengthening Legal Education and Judicial Training	—	995.00
MARSHALL ISLANDS		
Strengthening Census and Survey Capability	—	350.00
Preparation of a Pacific Islands Economic Report	—	250.00
MICRONESIA, FEDERATED STATES OF		
Private Sector Development Program	150.00	—
Basic Social Services Sector Development Program	150.00	—
Human Resource Development Study	—	150.00
Privatization of Public Enterprises and Corporate Governance Reforms	—	450.00
Strengthening the National Statistical System	—	400.00
MONGOLIA		
Second Education Development	550.00 ^a	—
Education Sector Strategy Study 2000–2005	—	150.00
Strengthening Restructuring of the Banking System	—	220.00
Policy Support in the Road Sector	—	670.00 ^a
Capacity Building for Energy Planning	—	700.00 ^a
Initial Phase of Public Administration Reform	—	1,100.00
Public Expenditure Management	—	496.00
Study of Central-Local Aspects of Reform Implementation	—	235.00
NAURU		
Social Awareness and Transitional Requirements for the Reform Program	—	144.00
Support for Year 2000 (Y2K) Compliance	—	100.00
NEPAL		
Transmission Planning in the Kathmandu Valley	100.00	—
Basic Education	600.00 ^a	—
Ecotourism	500.00 ^a	—
Urban Environment Improvement	750.00 ^a	—
Institutional Strengthening of Kathmandu Metropolitan City	—	450.00 ^a
Monitoring of the Agriculture Perspective Plan	—	150.00
Urban Sector Strategy	—	200.00
Strengthening Project Implementation Practices	—	820.00
Capacity Building for the Accounting and Auditing Profession	—	665.00
Partnership Agreement on Poverty Reduction between ADB and the Government of Nepal	—	125.00
Establishing a Focal Point for Financial Sector Reforms	—	150.00
PAKISTAN		
Agriculture Sector Program	350.00	—
Punjab Water Sector Development	150.00	—

a To be financed from JSF.

CONTINUED

	Project Preparatory	Advisory and Operational
PAKISTAN		
Reproductive Health	300.00 ^a	–
Management Assistance to the Punjab Communications and Works Department	–	150.00
Monitoring the Socioeconomic Impact of the Trade, Export Promotion and Industry Program Loan	–	150.00
Integrated Pest Management	–	500.00
Health Sector Reform North-West Frontier Province	–	500.00
PAPUA NEW GUINEA		
Rehabilitation of the Navigation Aids System	500.00 ^a	–
Provincial Towns Water Supply and Sanitation	908.00	–
The Governance and Public Sector Reform Program	600.00	–
Microfinance and Employment	150.00	–
Road Sector Cost Recovery Improvement	–	350.00
Financial Management Strategic Framework	–	500.00
Road Asset Management System in the Provinces	–	581.00 ^a
PHILIPPINES		
Infrastructure for Rural Productivity Enhancement Sector	800.00	–
Community-Based Forest Resources Management	840.00 ^b	–
Development of Poor Urban Communities	850.00 ^b	–
National Urban Policy Framework	–	150.00
Review of Cost Recovery Mechanisms for National Irrigation Systems	–	300.00
Nonbank Financial Sector Development	–	2,000.00
Strengthening Results Monitoring and Evaluation	–	400.00
Capacity Building for Procurement	–	400.00
Strengthen Export Competitiveness	–	1,000.00 ^a
Capacity Building in Local Government Unit Financing	–	600.00
SAMOA		
Education Sector	150.00	–
Small Business Development	150.00	–
Preparation of an Economic Report	–	150.00
Institutional Strengthening of Electric Power Corporation	–	150.00
Strengthening Capacity for Macroeconomic Analysis, Planning and Policy Formulation (Phase IV)	–	690.00
SOLOMON ISLANDS		
Fisheries Management and Development	290.00	–
Population Policy and Services	150.00	–
Marine Biodiversity Conservation	150.00	–
Review of Provincial Government	–	150.00
Budget Review and Formulation	–	100.00
Fisheries Taxation and Licensing	–	150.00
Public Sector Executive Development	–	150.00
SRI LANKA		
Preparation of the Southern Transport Development Project	190.00	–
Secondary Education Modernization	250.00	–
Protected Area Management and Wildlife Conservation	330.00	–

a To be financed from JSF.

b To be financed from ACCSF.

CONTINUED

	Project Preparatory	Advisory and Operational
SRI LANKA		
Port of Colombo South Harbor Development	1,460.00 ^a	–
Southern Province Rural Economic Advancement	800.00 ^a	–
Capacity Building of the Ministry of Vocational Training and Rural Industries		
Project Implementation Management	–	150.00
National Policy on Involuntary Resettlement	–	250.00
Institutional Strengthening of the Ministry of Provincial Councils and Local Government	–	470.00 ^a
Sustainable Natural Resource Management for Development	–	800.00 ^a
Cost Recovery Mechanism Analysis for Coastal Zone Protection	–	150.00
Strengthening Public Expenditure Management Systems	–	3,000.00
Capacity Building in Imprest Accounts Monitoring	–	80.00
TAJIKISTAN		
Road Rehabilitation	840.00 ^a	–
Social Sector Rehabilitation	150.00	–
Power Sector Development	850.00 ^a	–
Disseminating Laws and Strengthening the Legal Information System	–	380.00
Social Safety Net Restructuring	–	900.00 ^a
Agriculture Sector Assessment	–	515.00
Flood Disaster Management	–	205.00 ^a
THAILAND		
Capacity Building in the Water Sector	–	1,000.00
Restructuring of the Ministry of Agriculture and Cooperatives	–	750.00
Restructuring of Specialized Financial Institutions	–	3,000.00 ^b
Capacity Building in the Public Debt Management Office of the Ministry of Finance	–	600.00 ^c
Medium-Term Recovery Strategy	–	900.00
TUVALU		
Island Development Program Implementation	–	600.00
UZBEKISTAN		
Basic Education Staff Development	350.00 ^a	–
Secondary Specialized and Professional Education	150.00	–
Railway Modernization	450.00 ^a	–
Rural Savings and Credit Union Development	600.00 ^a	–
Improving Aid Coordination and Management (Phase II)	–	800.00
Capacity Building of the Center for Senior Secondary Education	–	150.00
Strengthening of the Banking Sector	–	1,000.00
Assessment of Regional and School Management Structure and Capacity for Senior Secondary Education	–	150.00
VANUATU		
Rural Financial Services	250.00	–
Outer Islands Infrastructure Development	750.00	–
Strengthening the State Law Office	–	150.00
Information Dissemination and Reform	–	150.00
Performance Enhancement of Selected Frontline Services	–	300.00
Agriculture and Fisheries Sector Review	–	145.00
Law Reform and Capacity Building	–	300.00

a To be financed from JSF.

b To be financed from ACCSF.

c To be financed by the Government of Switzerland with ADB acting as executing agency.

CONTINUED

	Project Preparatory	Advisory and Operational
VIET NAM		
Se San 3 Hydropower	998.00 ^a	–
Agriculture Sector Program	1,000.00 ^a	–
Third Provincial Towns Water Supply and Sanitation	1,000.00 ^b	–
Project Preparation and Implementation Assistance to the Project Management Unit-My Thuan of Viet Nam	–	120.00
Strengthening Corporate Governance at Viet Nam Bank for Agriculture and Rural Development	–	900.00
Study on the Policy and Institutional Framework for Forest Resources Management	–	470.00 ^a
Support for Decentralization and Participation in Planning	–	1,000.00
Capacity Building for Teacher Training	–	600.00
Improving the National Accounts (Phase II)	–	500.00 ^a
Capacity Building for Rural Health	–	600.00 ^a
Corporatization and Corporate Governance	–	1,600.00 ^a
State-Owned Enterprise Diagnostic Audits	–	1,400.00 ^a
Preparation of Action and Investment Plans for the Central Region Development Strategy	–	150.00
TOTAL	36,736.00	98,645.00

a To be financed from JSF.

b Of this amount, \$900,000 is to be financed by the Government of France with ADB acting as executing agency.

Table 25

LOANS RESULTING FROM EARLIER ADB TECHNICAL ASSISTANCE, 1999

(amounts in \$ million)

	Amount of ADB Financing			Year of Technical Assistance Approval	Amount of Technical Assistance
	OCR	ADF	Total		
BANGLADESH					
Secondary Education Sector Improvement	–	60.00	60.00	1997	0.74
BHUTAN					
Sustainable Rural Electrification	–	10.00	10.00	1995 1997	0.40 0.60
CAMBODIA					
Primary Roads Restoration	–	68.00	68.00	1996	0.60
Provincial Towns Improvement	–	20.00	20.00	1996	0.80
CHINA, PEOPLE'S REPUBLIC OF					
Suzhou Creek Rehabilitation	300.00	–	300.00	1996 1998	1.00 0.97
Southern Yunnan Road Development	250.00	–	250.00	1998 1997	0.15 0.60
Shanxi Road Development	250.00	–	250.00	1998	0.57
Shanxi Environment Improvement	102.00	–	102.00	1997	0.59
INDIA					
Karnataka Urban Development and Coastal Environmental Management	175.00	–	175.00	1997	0.80
Madhya Pradesh Public Resource Management Program	–	250.00	250.00	1997 1997	0.78 0.70
Urban and Environmental Infrastructure Facility	200.00	–	200.00	1997	0.40
INDONESIA					
Power Sector Restructuring Program	380.00	–	380.00	1995	0.59
– Capacity Building for Establishment of a Competitive Electricity Market	20.20	–	20.00		
KYRGYZ REPUBLIC					
Agriculture Area Development	–	36.00	36.00	1998	0.90
LAO PEOPLE'S DEMOCRATIC REPUBLIC					
Shifting Cultivation Stabilization Pilot Project	–	5.60	5.60	1997	0.60
Water Supply and Sanitation	–	20.00	20.00	1996	0.50
MALDIVES					
Regional Development	–	8.00	8.00	1994 1997	0.60 0.63
MARSHALL ISLANDS					
Ebeye Health and Infrastructure	–	9.25	9.25	1997	0.09
MONGOLIA					
Second Roads Development	–	25.00	25.00	1997	0.50
Governance Reform Program	–	25.00	25.00	1997	0.97
NEPAL					
Rural Electrification, Distribution and Transmission	–	50.00	50.00	1996 1997 1999	0.60 0.45 0.10
PAKISTAN					
Punjab Farmer-Managed Irrigation	–	7.80	7.80	1995	0.30
Malakand Rural Development	–	41.00	41.00	1996	0.70
Women's Health	–	47.00	47.00	1996 1996	0.50 0.45

– Data not applicable.

CONTINUED

	Amount of ADB Financing			Year of Technical Assistance Approval	Amount of Technical Assistance
	OCR	ADF	Total		
PAPUA NEW GUINEA					
Financial Management	25.80	–	25.80	1997	0.27
Employment-Oriented Skills Development	–	20.00	20.00	1997	0.49
				1998	0.50
Road Maintenance and Upgrading (Sector)	63.00	–	63.00	1998	0.75
SRI LANKA					
Skills Development	–	18.80	18.80	1998	0.60
Southern Transport Development	–	90.00	90.00	1997	1.00
Coastal Resource Management	–	40.00	40.00	1998	0.85
THAILAND					
Higher Education Development	59.32	–	59.32	1994	0.40
				1996	0.10
Agriculture Sector Program	300.00	–	300.00	1998	0.16
TUVALU					
Island Development Program	–	4.00	4.00	1997	0.10
				1998	0.15
VIET NAM					
Ho Chi Minh City Environmental Improvement	–	70.00	70.00	1997	0.60
Teacher Training	–	25.00	25.00	1997	0.60
REGIONAL					
Greater Mekong Subregion: East-West Corridor	–	57.00	57.00	1994	1.00
				1996	3.00
TOTAL	2,125.12	1,007.45	3,132.57		28.75

– Data not applicable.

Table 26

TECHNICAL ASSISTANCE GRANTS BY COUNTRY AND REGIONAL ACTIVITIES,^a

1967-1999, 1998, 1999

(amounts in \$ thousand)

	1 9 6 7 - 1 9 9 9 ^b			1 9 9 8				
	No.	Amount	%	No.	ADB Financing	JSF Financing	Other Sources	Total
Afghanistan	16	2,565.70	0.14	—	—	—	—	—
Bangladesh	256	155,883.33	8.75	13	3,010.00	1,780.00	12,200.00	16,990.00
Bhutan	66	24,471.15	1.37	4	—	2,150.00	—	2,150.00
Cambodia	66	49,712.60	2.79	2	—	1,365.00	—	1,365.00
China, People's Rep. of	328	166,600.65	9.35	33	11,103.00	11,307.00	1,100.00	23,510.00
Cook Islands	21	7,215.00	0.40	1	—	750.00	—	750.00
Fiji Islands	59	18,326.80	1.03	1	—	800.00	—	800.00
India	114	56,781.86	3.19	5	3,500.00	1,000.00	—	4,500.00
Indonesia	376	152,665.27	8.57	15	3,298.00	7,410.00	600.00	11,308.00
Kazakhstan	28	15,274.00	0.86	1	840.00	—	—	840.00
Kiribati	27	8,540.00	0.48	3	1,880.00	—	—	1,880.00
Korea, Rep. of	33	5,010.15	0.28	—	—	—	—	—
Kyrgyz Republic	34	21,115.50	1.18	7	114.00	3,804.00	—	3,918.00
Lao PDR	163	76,466.78	4.29	9	580.00	3,690.00	500.00	4,770.00
Malaysia	92	25,202.30	1.41	—	—	—	—	—
Maldives	35	12,028.00	0.67	3	1,100.00	400.00	—	1,500.00
Marshall Islands	32	13,639.00	0.77	1	70.00	—	60.00	130.00
Micronesia, Fed. States of	27	17,552.00	0.98	2	1,377.00	2,488.00	999.00	4,864.00
Mongolia	89	45,285.65	2.54	7	850.00	2,210.00	—	3,060.00
Myanmar	38	10,716.00	0.60	—	—	—	—	—
Nauru	4	944.00	0.05	1	600.00	—	—	600.00
Nepal	209	90,004.70	5.05	9	995.00	3,400.00	—	4,395.00
Pakistan	204	91,717.40	5.15	8	3,895.00	—	—	3,895.00
Papua New Guinea	103	31,664.60	1.78	7	315.00	2,322.50	—	2,637.50
Philippines	263	110,998.05	6.23	11	2,070.00	4,618.00	—	6,688.00
Samoa	63	15,981.50	0.90	3	115.00	1,910.00	—	2,025.00
Singapore	2	577.42	0.03	—	—	—	—	—
Solomon Islands	49	10,100.24	0.57	3	900.00	—	—	900.00
Sri Lanka	171	63,599.60	3.57	9	148.00	7,020.00	—	7,168.00
Taipei, China	1	100.00	0.01	—	—	—	—	—
Tajikistan	9	5,490.00	0.31	2	150.00	1,500.00	—	1,650.00
Thailand	127	46,478.60	2.61	5	165.00	2,705.00	—	2,870.00
Tonga	41	10,505.50	0.59	—	—	—	—	—
Tuvalu	11	2,786.00	0.16	1	150.00	—	—	150.00
Uzbekistan	25	14,380.00	0.81	6	2,000.00	2,650.00	—	4,650.00
Vanuatu	40	10,684.76	0.60	2	1,830.00	—	—	1,830.00
Viet Nam	107	73,396.46	4.12	11	2,492.00	2,930.00	505.00	5,927.00
Subtotal	3,329	1,464,460.56	82.17	185	43,547.00	68,209.50	15,964.00	127,720.50
Regional	894	317,711.76	17.83	62	10,199.00	20,953.00	3,328.36	34,480.36
TOTAL	4,223	1,782,172.33	100.00	247	53,746.00	89,162.50	19,292.36	162,200.86

^a Excludes technical assistance financed under loans, which are included in the Bank's loan data.^b Cumulative data are adjusted to exclude technical assistance projects withdrawn by the government.^c Asian Currency Crisis Support Facility.

	1 9 9 9							
	No.	ADB Financing	JSF Financing	ACCSF Financing ^c	Other Sources	Total	%	
—	—	—	—	—	—	—	—	Afghanistan
10.47	15	3,979.00	3,400.00	—	3,500.00	10,879.00	6.29	Bangladesh
1.33	5	550.00	1,650.00	—	—	2,200.00	1.27	Bhutan
0.84	14	—	2,981.00	—	860.00	7,541.00	4.36	Cambodia
14.49	28	5,338.00	14,592.00	—	—	19,930.00	11.53	China, People's Rep. of
0.46	—	—	—	—	—	—	—	Cook Islands
0.49	7	2,466.50	—	—	—	2,466.50	1.43	Fiji Islands
2.77	11	6,655.00	—	—	500.00	7,155.00	4.14	India
6.97	19	850.00	3,636.00	5,788.00	1,000.00	11,274.00	6.52	Indonesia
0.52	2	—	850.00	—	700.00	1,550.00	0.90	Kazakhstan
1.16	1	861.00	—	—	—	861.00	0.50	Kiribati
—	—	—	—	—	—	—	—	Korea, Rep. of
2.42	6	2,322.50	600.00	—	—	2,922.50	1.69	Kyrgyz Republic
2.94	11	1,270.00	4,040.00	—	—	5,910.00	3.42	Lao PDR
—	—	—	—	—	—	—	—	Malaysia
0.92	3	995.00	810.00	—	—	1,805.00	1.04	Maldives
0.08	2	600.00	—	—	—	600.00	0.35	Marshall Islands
3.00	5	1,300.00	—	—	—	1,300.00	0.75	Micronesia, Fed. States of
1.89	8	2,201.00	1,920.00	—	—	4,121.00	2.38	Mongolia
—	—	—	—	—	—	—	—	Myanmar
0.37	2	244.00	—	—	—	244.00	0.14	Nauru
2.71	11	2,210.00	2,300.00	—	—	4,510.00	2.61	Nepal
2.40	7	1,800.00	300.00	—	—	2,100.00	1.21	Pakistan
1.63	7	2,508.00	1,081.00	—	—	3,589.00	2.08	Papua New Guinea
4.12	10	4,650.00	1,000.00	1,690.00	—	7,340.00	4.25	Philippines
1.25	5	1,290.00	—	—	—	1,290.00	0.75	Samoa
—	—	—	—	—	—	—	—	Singapore
0.55	7	1,140.00	—	—	—	1,140.00	0.66	Solomon Islands
4.42	12	4,400.00	3,530.00	—	—	7,930.00	4.59	Sri Lanka
—	—	—	—	—	—	—	—	Taipei, China
1.02	7	1,045.00	2,795.00	—	—	3,840.00	2.22	Tajikistan
1.77	5	2,650.00	—	3,000.00	600.00	6,250.00	3.61	Thailand
—	—	—	—	—	—	—	—	Tonga
0.09	1	600.00	—	—	—	600.00	0.35	Tuvalu
2.87	8	2,250.00	1,400.00	—	—	3,650.00	2.11	Uzbekistan
1.13	7	2,045.00	—	—	—	2,045.00	1.18	Vanuatu
3.65	13	2,870.00	6,568.00	—	900.00	10,338.00	5.98	Viet Nam
78.74	239	62,790.00	53,453.00	10,478.00	8,660.00	135,381.00	78.30	Subtotal
21.26	76	25,220.00	7,510.00	—	4,786.60	37,516.60	21.70	Regional
100.00	315	88,010.00	60,963.00	10,478.00	13,446.60	172,897.60	100.00	TOTAL

Table 27
TECHNICAL ASSISTANCE GRANTS BY SECTOR,^a 1967–1999, 1998, 1999

	1967–1999 ^b			1998			1999		
	No.	\$ Thousand	%	No.	\$ Thousand	%	No.	\$ Thousand	%
Agriculture and Natural Resources	978	468,200.14	31.97	31	30,424.00	23.82	46	28,451.00	21.02
Energy	370	152,340.05	10.40	21	12,584.00	9.85	19	9,754.00	7.20
Finance	276	101,803.36	6.95	17	14,225.00	11.14	20	14,870.00	10.98
Industry and Nonfuel Minerals	117	38,644.70	2.64	2	290.00	0.23	3	2,750.00	2.03
Social Infrastructure	625	259,142.97	17.70	41	21,518.00	16.85	51	25,694.50	18.98
Transport and Communications	420	185,024.95	12.63	19	12,125.00	9.49	26	14,636.00	10.81
Multisector	30	22,778.00	1.56	3	3,634.00	2.85	4	2,800.00	2.07
Others	513	236,526.40	16.15	51	32,920.50	25.78	70	36,425.50	26.91
TOTAL	3,329	1,464,460.57	100.00	185	127,720.50	100.00	239	135,381.00	100.00

a Excludes loan-financed technical assistance (which are included in loan data) and regional activities.

b Cumulative data adjusted to exclude technical assistance grants withdrawn by governments.

Table 28
REGIONAL TECHNICAL ASSISTANCE ACTIVITIES, 1999

	\$ Thousand
Regional Initiatives on Social Development and Women in Development (Supplementary)	50.00 ^a
Secured Transactions Law Reform (Supplementary)	80.00
Insolvency Law Reform (Supplementary)	60.00
Long-Term Regional Training Program for Members of the South Pacific Association of Supreme Audit Institutions	700.00
Water Resources Management in Southeast Asia	149.60 ^b
Evaluation Studies in the Bank's Developing Member Countries (DMCs)	1,000.00
Workshop on Public Expenditure Management in the World Conference on Governance 1999	75.00
1999 Seminars on Project Implementation and Administration	800.00
Enhancing Gender and Development Capacity in DMCs	1,000.00 ^c
Consultations on the Bank's Microfinance Strategy	400.00
ADB-International Monetary Fund Institute Training Course on Macroeconomic and Structural Policies	300.00
Supporting the Year 2000 Unit	600.00
Collection, Conservation, and Utilization of Indigenous Vegetables	550.00
Promotion of Cleaner Production Policies and Practices in Selected DMCs	600.00 ^d
Support for Education for All 2000 Assessment	550.00 ^d
Training Workshops in Project Economic Analysis for Selected DMCs	250.00
Joint ADB-Organisation for Economic Co-operation and Development Fifth International Forum on Asian Perspectives—Towards a Sustainable Financial System: Analysis and Prospects	120.00
Promoting Sustainable Development Agenda in Asia: Ministerial Conference, 2000	600.00
Regional Seminar on Options for Financial Restructuring	50.00
Development of the Cities Data Book for the Asian and Pacific Region	400.00
Asia-Pacific Economic Cooperation Growth Recovery Initiatives	2,150.00
Establishment of the Asia Recovery Information Center	1,000.00 ^e
Workshop and Consultations on the Poverty Reduction Strategy	150.00
Facilitating the Cross-Border Movement of Goods and People in the Greater Mekong Subregion	950.00 ^d
Rural Financial Systems Workshop in Central Asia	360.00 ^d
Twelfth Workshop on the Asian Economic Outlook	180.00
Financial Sector Study in Selected Pacific DMCs	660.00
Beijing Regional Review of Advancement of Women	100.00 ^d
Surveys on Court Congestion and Access to Justice	560.00 ^f
Legal Literacy for Supporting Governance	500.00 ^g
Asian Vaccination Initiative	400.00 ^d
Ninth ADB Tax Conference	150.00 ^d
1999 Orientation Program for Officials of the Bank's DMCs	250.00
Institutional Strengthening and Collection of Environment Statistics (Second Phase)	500.00
Capacity Building for Implementation of the Kyoto Protocol and the Clean Development Mechanism	200.00 ^d
Ninth Seminar on International Finance	100.00
Manila Social Forum: The New Social Agenda for East and Southeast Asia	365.00
Workshop on Corporate Governance and Financing in Selected DMCs	70.00
Transboundary Environmental Cooperation in Northeast Asia	350.00 ^d
Fourth Agriculture and Natural Resources Research at Consultative Group on International Agricultural Research Centers	5,600.00
Water Resources Management in Southeast Asia—Phase 2	250.00 ^g
External Forum on Gender and Development	150.00 ^d

a To be financed by the Government of Finland with ADB acting as executing agency.

b To be financed by the Government of Sweden with ADB acting as executing agency.

c To be financed by the Government of Denmark with ADB acting as executing agency.

d To be financed from Japan Special Fund (JSF).

e To be financed by the Government of Australia with ADB acting as executing agency.

f Of this amount, \$200,000 is to be financed by the Government of the Netherlands with ADB acting as executing agency.

g To be financed by the Government of the Netherlands with ADB acting as executing agency.

CONTINUED

	\$ Thousand
Strengthening and Collection of Financial and Monetary Statistics in Selected DMCs	150.00
Capacity Building for the Association of Southeast Asian Nations (ASEAN) Surveillance Coordination Unit and Technical Support for the ASEAN Surveillance Process	980.00 ^a
Road Funds Strategy	350.00
Regional Long-Term Audit Training Program for Members of the Asian Organization of Supreme Audit Institutions, Phase II	300.00
Capacity Building Support to Nongovernment Organizations for Financial Resource Mobilization and Management	300.00 ^b
Rebasing and Linking National Accounts Series	150.00
International Competitiveness of Asian Economies: A Cross-Country Study	750.00
Organization and Management of Government Legal Services	437.00 ^c
Strengthening Financial Management and Governance in Selected DMCs	400.00
Regional Cooperation for Sustainable Mountain Development in Central Asia	380.00 ^d
Capacity Building Support of Ministries of Finance in Selected DMCs for the ASEAN Surveillance Process	500.00
Small and Medium Scale Enterprise Development in the East ASEAN Growth Area Region	300.00
Preventing Human Immunodeficiency Syndrome/Acquired Immunodeficiency Syndrome (HIV/AIDS) Among Mobile Populations in the Greater Mekong Subregion	800.00 ^e
Assessing Financial System Vulnerabilities in Selected Noncrisis-Affected Economies	600.00
Performance Benchmarking for Pacific Power and Water Utilities	250.00 ^b
A Survey of Nongovernment Organization Capacity Building Needs in Pacific DMCs	150.00
Greater Mekong Subregion Preinvestment Study for the East-West Economic Corridor	350.00 ^b
Greater Mekong Subregion Promoting Subregional Cooperation Among Cambodia, People's Republic of China, Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam (Phase IV)	800.00 ^b
Improving the Role of Labor Standards in Selected DMCs	400.00 ^f
Third ADB-Nongovernment Organization Consultative Meeting on Environment and Sustainable Development	150.00
Gender and Development Initiatives	850.00 ^b
First Meeting of the Private Sector Forum on Economic Cooperation in the Eastern South Asia Subregion	30.00
South Pacific Project Facility II: Private Sector Development Support	300.00
An International Conference: "What Have We Learned from the Past 30 Years of Research on Poverty?"	250.00
Mekong/Lancang River Tourism Infrastructure Development	600.00 ^b
Facilitating Capacity Building and Participatory Activities II	400.00
Pacific Judicial Training	350.00
Strengthening the Live Reef Fish Trade Management in the Pacific DMCs	215.00
Strategies for Improved Social Protection in Asia	700.00
Prospects and Benefits of Economic Cooperation in Eastern South Asia Subregion	150.00
Subregional Environmental Monitoring and Information Systems (Phase II)	600.00 ^g
Regional Study on Forest Policy and Institutional Reforms	595.00
Legal Training of Government Officials in Private Sector Infrastructure Development	400.00
Study on Intergovernmental Fiscal Transfers for Equitable In-Country Growth	250.00
TOTAL	37,516.60

a Of this amount, \$500,000 is to be financed by the Government of Australia with ADB acting as executing agency.

b To be financed from JSF.

c Of this amount, \$37,000 is to be financed by the Government of the Netherlands with ADB acting as executing agency.

d Of this amount, \$150,000 is to be financed by the Government of Switzerland with ADB acting as executing agency.

e Of this amount, \$450,000 is to be financed from JSF and \$350,000 by the Government of Sweden with ADB acting as executing agency.

f Of this amount, \$100,000 is to be financed by the Government of Norway with ADB acting as executing agency.

g Of this amount, \$100,000 is to be financed from JSF and \$500,000 by the Government of Norway with ADB acting as executing agency.

Table 29

NET TRANSFER OF RESOURCES

(ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND),^{a,b} 1997–1999

(\$ million)

	OCR			ADF		
	1997	1998	1999	1997	1998	1999
Afghanistan	–	–	–	–	–	–
Bangladesh	(0.30)	(0.30)	11.51	112.95	146.21	172.80
Bhutan	–	–	0.53	6.34	3.39	1.10
Cambodia	–	–	–	9.75	28.42	24.86
China, People's Rep. of	375.44	515.56	444.18	–	–	–
Cook Islands	–	–	–	2.20	1.72	0.55
Fiji Islands	(4.39)	(4.85)	(5.39)	–	–	–
Hong Kong, China	–	–	–	–	–	–
India	364.38	293.70	216.73	–	–	–
Indonesia	(126.04)	590.69	684.26	10.39	(7.43)	(6.36)
Kazakhstan	47.03	102.01	(11.05)	16.84	12.54	6.29
Kiribati	–	–	–	(0.08)	(0.07)	(0.08)
Korea, Rep. of	1,912.16	1,498.26	(257.35)	–	–	–
Kyrgyz Republic	–	–	–	51.24	42.10	77.82
Lao PDR	–	–	–	81.67	59.16	38.53
Malaysia	(8.45)	(30.86)	(47.93)	–	–	–
Maldives	–	–	–	2.50	(0.08)	(0.02)
Marshall Islands	–	–	–	9.99	7.75	3.57
Micronesia, Fed. States of	–	–	–	11.31	6.14	4.76
Mongolia	–	–	–	65.91	29.94	44.47
Myanmar	(0.96)	–	–	(16.21)	(0.31)	(0.05)
Nauru	–	–	2.25	–	–	–
Nepal	5.37	13.16	4.99	78.08	84.09	45.86
Pakistan	(100.20)	(21.02)	(81.82)	185.70	202.21	95.13
Papua New Guinea	(6.33)	(1.33)	4.82	5.15	0.28	0.85
Philippines	(34.50)	(31.73)	(292.41)	41.22	13.77	15.34
Samoa	–	–	–	(1.48)	2.38	(2.05)
Singapore	–	–	–	–	–	–
Solomon Islands	–	–	–	(0.02)	13.12	(0.98)
Sri Lanka	4.66	(0.72)	3.38	65.95	92.94	67.96
Taipei, China	–	–	–	–	–	–
Tajikistan	–	–	–	–	–	9.79
Thailand	459.00	384.13	209.04	(2.31)	(2.25)	(2.43)
Tonga	–	–	–	1.58	4.31	1.52
Tuvalu	–	–	–	–	–	2.80
Uzbekistan	–	1.36	15.58	–	0.46	0.09
Vanuatu	–	–	–	0.01	11.02	5.85
Viet Nam	–	(0.03)	2.50	145.89	124.07	185.77
Regional	(17.54)	48.68	21.46	–	–	–
TOTAL	2,869.33	3,356.71	925.29	884.57	875.88	793.74

() Negative.

Note: Figures may not add because of rounding.

a Net transfer of resources for OCR defined as disbursements less repayments and interest/charges received. Includes private sector loans and net equity investments.

b Net transfer of resources for ADF defined as disbursements less repayments and interest/charges received. Includes private sector loans.

Table 30

NET TRANSFER OF RESOURCES

(ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED),^a 1990–1999

(\$ million)

	1990–1994 Average	1995	1996	1997	1998	1999
Afghanistan	(0.53)	–	–	–	–	–
Bangladesh	263.44	208.00	226.75	112.65	145.91	184.31
Bhutan	2.67	2.90	2.09	6.34	3.39	1.63
Cambodia	3.17	35.61	31.71	9.75	28.42	24.86
China, People's Rep. of	223.23	399.69	547.49	375.44	515.56	444.18
Cook Islands	1.75	0.23	3.78	2.20	1.72	0.55
Fiji Islands	(6.80)	(3.71)	(4.44)	(4.39)	(4.85)	(5.39)
Hong Kong, China	–	–	–	–	–	–
India	269.09	207.02	279.97	364.38	293.70	216.73
Indonesia	96.78	(65.08)	(1,198.26)	(115.65)	583.26	677.90
Kazakhstan	–	62.58	26.90	63.87	114.55	(4.76)
Kiribati	0.29	0.19	(0.14)	(0.08)	(0.07)	(0.08)
Korea, Rep. of	(21.97)	(83.67)	(141.51)	1,912.16	1,498.26	(257.35)
Kyrgyz Republic	–	33.94	25.80	51.24	42.10	77.82
Lao PDR	26.76	53.33	80.50	81.67	59.16	38.53
Malaysia	(70.97)	(59.48)	(59.08)	(8.45)	(30.86)	(47.93)
Maldives	3.11	4.28	5.68	2.50	(0.08)	(0.02)
Marshall Islands	0.47	2.76	2.96	9.99	7.75	3.57
Micronesia, Fed. States of	–	0.34	0.11	11.31	6.14	4.76
Mongolia	11.57	49.11	33.00	65.91	29.94	44.47
Myanmar	(6.86)	(17.25)	(16.70)	(17.16)	(0.31)	(0.05)
Nauru	–	–	–	–	–	2.25
Nepal	53.48	37.68	55.79	83.45	97.25	50.85
Pakistan	319.69	99.59	133.24	85.50	181.19	13.31
Papua New Guinea	25.63	(14.67)	(14.89)	(1.18)	(1.05)	5.67
Philippines	42.14	(238.79)	(122.73)	6.72	(17.96)	(277.07)
Samoa	6.13	2.60	(0.97)	(1.48)	2.38	(2.05)
Singapore	(9.15)	–	–	–	–	–
Solomon Islands	0.81	(0.38)	(0.35)	(0.02)	13.12	(0.98)
Sri Lanka	109.30	66.52	126.73	70.61	92.22	71.34
Taipei, China	(1.10)	–	–	–	–	–
Tajikistan	–	–	–	–	–	9.79
Thailand	(86.49)	(62.39)	(20.69)	456.69	381.88	206.61
Tonga	1.79	5.12	2.40	1.58	4.31	1.52
Tuvalu	–	–	–	–	–	2.80
Uzbekistan	–	–	–	–	1.82	15.67
Vanuatu	1.84	0.80	0.15	0.01	11.02	5.85
Viet Nam	(2.66)	45.30	25.81	145.89	124.04	188.27
Regional	6.69	21.63	2.48	(17.54)	48.68	21.46
TOTAL	1,263.30	793.81	33.55	3,753.90	4,232.59	1,719.02

– Data not applicable.

() Negative.

Note: Figures may not add because of rounding.

a Net transfer of resources defined as disbursements less repayments and interest/charges received. Includes private sector loans and net equity investments.

Table 31

ASIAN DEVELOPMENT FUND (ADF) RESOURCES AND COMMITMENT AUTHORITY

ADF-CONTRIBUTED RESOURCES

(\$ million; as of 31 December 1999)

	Valued as of 31 December 1998 (US\$ equiv.)	Change in 1999			Valued as of 31 December 1999 (US\$ equiv.)(SDR ^a equiv.)	
		Addition (US\$ equiv.)	Exchange Rate Adjustment (US\$ equiv.)	Net Change (US\$ equiv.)		
Australia	750.72	37.39	39.13	76.52	827.24	602.34
Austria	152.25	9.45	(22.61)	(13.16)	139.09	101.28
Belgium	141.70	3.82	(20.06)	(16.24)	125.46	91.35
Canada	963.12	29.23	65.24	94.47	1,057.59	770.06
Denmark	151.59	4.66	(20.19)	(15.53)	136.06	99.07
Finland	82.31	3.54	(11.71)	(8.17)	74.14	53.98
France	741.29	56.42	(111.01)	(54.59)	686.70	500.01
Germany	1,192.34	78.51	(177.50)	(98.99)	1,093.35	796.10
Hong Kong, China	12.58	3.84	–	3.84	16.42	11.96
Indonesia	9.96	2.50	–	2.50	12.46	9.07
Italy	489.43	–	(68.74)	(68.74)	420.69	306.32
Japan	9,925.36	252.56	1,205.20	1,457.76	11,383.12	8,288.39
Korea, Rep. of	40.67	9.01	1.02	10.03	50.70	36.91
Malaysia	3.35	0.39	–	0.39	3.74	2.72
Nauru	1.43	0.50	–	0.50	1.93	1.41
Netherlands	453.60	13.11	(64.48)	(51.37)	402.23	292.88
New Zealand	43.93	– ^b	(0.58)	(0.58)	43.35	31.57
Norway	102.10	5.05	(5.33)	(0.28)	101.82	74.14
Spain	87.53	2.55	(12.31)	(9.76)	77.77	56.63
Sweden	168.49	8.29	(7.84)	0.45	168.94	123.01
Switzerland	236.54	20.09	(33.39)	(13.30)	223.24	162.55
Taipei, China	22.70	3.15	(0.02)	3.13	25.83	18.81
Thailand	1.38	0.68	(0.04)	0.64	2.02	1.47
Turkey	80.67	12.58	–	12.58	93.25	67.90
United Kingdom	627.47	26.37	(16.68)	9.69	637.16	463.93
United States	2,537.91	110.00	–	110.00	2,647.91	1,928.02
TOTAL	19,020.42	693.69	738.10	1,431.79	20,452.21	14,891.88

ADF COMMITMENT AUTHORITY

(\$ million; as of 31 December 1999)

	1998	1999
ADF VII Contributions	1,085.03	1,601.60
ADF VI Arrears and Pro Rata Releases	118.62	430.11
Expanded Advance Commitment Authority ^c	1,000.00	1,500.00
Total ADF Resources ^d	2,203.65	3,531.71
Less: Loans Committed ^d	2,114.73 ^e	3,367.88 ^f
Provision for Disbursement Risk	78.24	132.06
TOTAL	10.68	31.77

– Data not applicable.

() Negative.

Note: Figures may not add because of rounding.

a Refers to Special Drawing Rights (SDR) valued at the rate of \$1.37338 per SDR as of 31 December 1999.

b Further resources from New Zealand became available in February 2000.

c Incorporates additional resources.

d Excludes pre-ADF VII amounts for the determination of ADF commitment authority under the new financial planning framework for the management of ADF resources as approved by the Board of Directors on 15 April 1997.

e Excludes loans that were conditionally approved after 30 September 1998 and Loan No. 1513 to the Marshall Islands, which was a commitment of ADF VI resources, but includes Loan No. 1666 to Bangladesh, which was unconditionally approved on 18 December 1998.

f Excludes loans that were conditionally approved after 16 December 1999.

Table 32
 TECHNICAL ASSISTANCE SPECIAL FUND
 (\$ thousand equivalent; as of 31 December 1999)^a

	Total Contributions	Amount Utilized
Direct Voluntary Contributions		
Australia	2,484	2,484
Austria	159	159
Bangladesh	47	47
Belgium	1,394	1,394
Canada	3,346	3,346
China, People's Rep. of	600	600
Denmark	1,963	1,963
Finland	237	237
France	1,697	1,697
Germany	3,315	3,315
Hong Kong, China	100	100
India	2,659	2,659
Indonesia	250	250
Italy	774	774
Japan	47,710	47,710
Korea, Rep. of	1,900	1,900
Malaysia	909	909
Netherlands	1,338	1,338
New Zealand	1,096	1,096
Norway	3,279	3,279
Pakistan	1,387	1,317
Singapore	1,100	1,100
Spain	190	190
Sri Lanka	6	6
Sweden	861	861
Switzerland	1,035	1,035
Taipei, China	200	200
United Kingdom	5,617	5,617
United States	1,500	1,500
Subtotal	87,153	87,083
Regularized Replenishment Contributions^b	238,039	238,039
Transfer to Asian Development Fund	(3,472)	(3,472)
Allocation from OCR Net Income and Other Resources^c	487,507	371,288
TOTAL	809,227	692,938

() Negative.

a The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by ADB on the respective dates of utilization, and the amount unutilized, translated at the exchange rates used by ADB on 31 December 1999.

b Represents Technical Assistance Special Fund (TASF) portion of contributions to the replenishment of the Asian Development Fund and the TASF authorized by Governors' Resolution Nos. 182 and 214.

c Represents income, repayments, and reimbursements accruing to TASF since 1980.

Table 33
JAPAN SPECIAL FUND—REGULAR AND SUPPLEMENTARY CONTRIBUTIONS
Statement of Activities and Change in Net Assets
(\$ million)

	1988–1993 ^a	1994 ^a	1995	1996	1997	1998	1999	Total
Contributions committed	349.0	100.1	104.9	79.9	–	62.5	48.6	745.0
Revenue	37.0	7.3	6.4	2.5	2.4	16.5	17.2	89.3
Total	386.0	107.4	111.3	82.4	2.4	79.0	65.8	834.3
Expenses	167.3	56.9	75.3	77.3	73.8	96.8	57.2	604.6
Exchange gain (loss)	(0.7)	0.2	(0.1)	(11.7)	(10.1)	(1.6)	0.5	(23.5)
Translation adjustments	27.8	35.7	(8.9)	(37.7)	(29.0)	(1.8)	(0.1)	(14.0)
Change in net assets	245.8	86.4	27.0	(44.3)	(110.5)	(21.2)	9.0	192.2

– Data not applicable.

() Negative.

a Prior years' amounts have been restated to conform with the 1995 presentation.

Table 34
JAPAN SPECIAL FUND—ASIAN CURRENCY CRISIS SUPPORT FACILITY
Statement of Activities and Change in Net Assets
(\$ million)

	1999	Total
Contributions committed	104.4 ^a	104.4
Revenue	–	–
Total	104.4	104.4
Expenses	95.7	95.7
Exchange gain (loss)	–	–
Translation adjustments	17.4	17.4
Change in net assets	26.2	26.2

– Data not applicable.

a In addition, the Government of Japan has made available noninterest-bearing, nonnegotiable notes in the amount of ¥360 billion (\$3.5 billion), encashable by ADB at any time to meet a call on any guarantee issued under the Asian Currency Crisis Support Facility.

Table 35

ESTIMATES OF REAL GDP GROWTH RATE, 1989–1999
AND PER CAPITA GNP, 1998

	Annual Average (1989–1996)	GDP Growth Rate (%)			Per Capita GNP ^a
		1997	1998	1999 ^b	(\$) 1998
NIEs	6.8	5.8	(2.1)	7.0	
Hong Kong, China	4.6	5.0	(5.1)	2.9	24,914
Korea, Rep. of	7.5	5.0	(6.7)	10.7	7,970
Singapore	9.0	8.4	0.4	5.4	30,060
Taipei, China	6.6	6.7	4.6	5.7	12,850
CARs and MONGOLIA	(6.9)	3.4	0.8	2.9	
Kazakhstan	(9.2) ^c	1.7	(1.9)	1.7	1,310
Kyrgyz Republic	(9.3) ^c	9.9	2.1	3.6	350
Tajikistan	(13.8) ^c	1.7	5.3	3.7	350
Uzbekistan	(2.9) ^c	5.2	4.4	4.4	870
Mongolia	(1.1)	4.0	3.5	3.5	400
PRC					
China, People's Rep. of	9.7	8.8	7.8	7.1	750
SOUTHEAST ASIA	7.7	3.7	(7.5)	3.3	
Cambodia	4.9	2.6	1.3	5.0	280
Indonesia	8.1	4.7	(13.2)	0.2	680
Lao PDR	7.4	6.9	4.0	4.0	330
Malaysia	9.4	7.5	(7.5)	5.4	3,600
Myanmar ^{d,e}	5.3	5.7	5.0	...	...
Philippines	3.3	5.2	(0.5)	3.2	1,050
Thailand	9.0	(1.8)	(10.4)	4.0	2,200
Viet Nam	6.9	8.2	5.8	4.8 ^g	330
SOUTH ASIA	5.4	4.7	6.3	5.4	
Afghanistan ^d	(6.8) ^c	...	...	...	...
Bangladesh ^e	4.5	5.4	5.2	4.6	350
Bhutan ^h	5.7	7.3	5.8	6.0	...
India ^{e,h}	5.5	5.0	6.8	5.9	430
Maldives	8.4	9.1	9.1	8.5	1,230
Nepal ^{e,h}	5.0	4.9	2.6	3.3	210
Pakistan ^{e,h}	5.2	2.0	4.3	3.1	480
Sri Lanka	4.9	6.3 ^h	4.7 ^h	4.2 ^h	810
PACIFIC DMCs	4.5	(3.2)	1.2	4.4	
Cook Islands	3.6	(2.8)	(3.8)	2.8	...
Fiji Islands ^h	4.2	(1.8)	(1.3)	7.8	2,110
Kiribati	2.0	2.3	8.3	1.5	1,180
Marshall Islands ^e	0.4	(5.3)	(5.0)	0.5	1,540
Micronesia, Fed. States of ^e	2.9	(4.2)	(0.8)	0.3	1,800
Nauru ^d	...	...	...	...	...
Papua New Guinea	5.0	(4.6)	2.5	3.9	890
Samoa	3.4 ^c	1.6	2.6	4.0	1,020
Solomon Islands ^h	4.4	(0.5)	(2.2)	1.0	750
Tonga ^{e,h}	2.1	(1.4)	0.1	2.2	1,690
Tuvalu ^h	4.9	3.5	14.9	3.0	...
Vanuatu	4.2	0.6	0.2	(2.0)	1,270
WEIGHTED AVERAGEⁱ	7.4	6.0	2.3	6.1	

... Data not available.

() Negative.

a Based on the World Bank Atlas methodology except for Hong Kong, China. Fluctuations in prices and exchange rates are smoothened by averaging the exchange rates for the period 1996–1998, after adjusting for differences in inflation rates between the country and the G-5 countries (France, Germany, Japan, United Kingdom, and United States). Data for Hong Kong, China refers to GDP.

b Preliminary estimates from country sources.

c Refers to 1989–1993 for Afghanistan; 1991–1996 for Central Asian republics and Samoa.

d Country figure will be excluded from respective group and total weighted average.

e Refers to fiscal year.

f Estimated to be low income (\$760 or less).

g Refers to the discussion in the text.

h Refers to GDP growth at factor cost.

i Respective year GDP (in US dollars) is used as weight for 1997 and 1998. However, GDP in 1998 is used as weight to derive the averages for the other years.

Sources: Country sources, ADB data file, and World Bank web site (<http://www.worldbank.org>).

Table 36

GROSS DOMESTIC SAVING, GROSS CAPITAL FORMATION, AND RESOURCE GAP
AS PERCENTAGE OF GDP, 1997–1999

	Gross Domestic Saving as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resource Gap as Percentage of GDP		
	1997	1998	1999 ^a	1997	1998	1999 ^a	1997	1998	1999 ^a
NIEs									
Hong Kong, China	31.1	30.2	29.8	34.5	29.7	25.4	3.4	(0.5)	(4.4)
Korea, Rep. of	33.7	34.2	34.2	34.2	21.2	26.8	0.6	(13.1)	(7.3)
Singapore	50.4	50.6	49.9	39.3	32.8	32.8	(11.1)	(17.8)	(17.1)
Taipei, China	26.7	26.2	26.1	24.2	24.9	24.4	(2.5)	(1.3)	(1.7)
CARs and MONGOLIA									
Kazakhstan	17.1	17.4	...	15.6	17.2	...	(1.5)	(0.2)	...
Kyrgyz Republic	13.8	(6.1)	(2.9)	21.7	15.4	11.7	7.9	21.5	14.6
Tajikistan	...	...	...	...	...	...	...	...	...
Uzbekistan	18.6	9.9	10.5	18.8	10.2	11.8	0.2	0.3	1.3
Mongolia	30.0	19.0	...	25.3	27.3	...	(4.7)	8.3	...
PRC									
China, People's Rep. of	41.5	41.6	39.0	38.2	38.3	37.8	(3.3)	(3.3)	(1.2)
SOUTHEAST ASIA									
Cambodia	4.8	3.6	...	14.7	13.4	13.1	9.9	9.9	...
Indonesia	31.5	23.9	25.7	31.8	14.0	17.9	0.3	(9.9)	(7.8)
Lao PDR	...	...	...	...	...	...	...	...	...
Malaysia	43.8	48.5	47.0	42.9	26.7	22.3	(0.9)	(21.8)	(24.7)
Myanmar	11.8	11.5	...	12.5	12.2	...	0.7	0.6	...
Philippines	14.0	12.4	14.6	25.2	19.5	18.6	11.2	7.1	4.0
Thailand	34.0	33.2	...	33.2	26.1	26.8	(0.8)	(7.1)	...
Viet Nam	20.1	21.5	24.6	28.3	29.0	27.3	8.2	7.6	2.7
SOUTH ASIA									
Afghanistan	...	...	...	...	...	...	...	...	...
Bangladesh	16.3	17.3	17.9	20.8	21.6	22.5	4.5	4.3	4.6
Bhutan	38.8	37.9	...	48.1	47.3	...	9.4	9.4	...
India	24.7	22.3	...	23.4	21.8	...	(1.3)	(0.5)	...
Maldives	...	...	...	...	...	...	...	...	...
Nepal	14.0	9.5	10.6	25.3	20.7	17.3	11.4	11.2	6.7
Pakistan	13.1	16.1	15.1	17.7	17.1	14.8	4.6	1.0	(0.3)
Sri Lanka	17.3	18.9	...	24.4	25.4	27.5	7.1	6.5	...
PACIFIC DMCs									
Cook Islands	...	...	...	...	...	...	...	...	...
Fiji Islands	13.2	7.5	...	12.5	12.0	...	(0.7)	4.5	...
Kiribati	...	...	...	...	...	...	...	...	...
Marshall Islands	...	...	...	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	...	...	...	...	...	...	...
Nauru	...	...	...	...	...	...	...	...	...
Papua New Guinea	23.0	28.3	29.3	27.1	30.3	29.4	4.0	2.0	0.1
Samoa	...	...	...	...	...	...	...	...	...
Solomon Islands	...	...	...	...	...	...	...	...	...
Tonga	...	...	...	...	...	...	...	...	...
Tuvalu	...	...	...	...	...	...	...	...	...
Vanuatu	...	...	...	...	...	...	...	...	...

... Data not available.

() Negative.

a Preliminary estimates.

Sources: Country sources and ADB data file.

Table 37
CHANGES IN CONSUMER PRICES,^a 1997–1999
(%)

	1997	1998	1999 ^b
NIEs	3.5	3.9	(0.4)
Hong Kong, China	5.8	2.8	(4.0)
Korea, Rep. of	4.5	7.5	0.8
Singapore	2.0	(0.2)	0.4
Taipei, China	0.9	1.7	0.2
CARs and MONGOLIA	22.7	11.0	21.4
Kazakhstan ^c	11.2	1.9	17.8
Kyrgyz Republic	23.4	10.4	35.9
Tajikistan ^c	163.6	2.7	24.0
Uzbekistan ^c	27.6	26.1	26.0
Mongolia	44.0	9.0	10.0
PRC			
China, People's Rep. of	2.8	(0.8)	(1.4)
SOUTHEAST ASIA	5.3	20.9	7.0
Cambodia ^d	7.9	14.8	4.0
Indonesia	6.2	58.4	20.5
Lao PDR	19.3	90.1	...
Malaysia	2.7	5.3	2.8
Myanmar ^{d,e}	29.7	51.5	...
Philippines	5.9	9.7	6.6
Thailand	5.5	8.1	0.3
Viet Nam	3.6	9.2	0.1
SOUTH ASIA	7.4	11.9	5.2
Afghanistan ^e	...	...	...
Bangladesh ^f	2.5	7.0	8.9
Bhutan	6.5	10.6	...
India	7.2	13.2	4.7
Maldives	7.6	(2.6)	4.0
Nepal	7.8	4.0	12.7
Pakistan	11.8	7.8	5.7
Sri Lanka ^d	9.6	9.4	5.0
PACIFIC DMCs	3.9	9.9	10.4
Cook Islands ^d	(0.4)	0.8	1.4
Fiji Islands	3.4	5.7	1.7
Kiribati ^d	2.2	4.7	2.0
Marshall Islands ^d	4.7	4.0	1.0
Micronesia, Fed. States of	3.0	3.0	...
Nauru ^e	6.1	4.0	6.7
Papua New Guinea	3.9	13.6	16.0
Samoa	6.8	2.2	0.3
Solomon Islands ^d	8.1	12.3	8.0
Tonga	2.3	3.3	4.4
Tuvalu ^d	1.4	0.8	7.0
Vanuatu ^d	2.8	3.9	2.5
WEIGHTED AVERAGE^g	4.6	6.3	1.7

... Data not available.

() Negative.

a Unless otherwise indicated, data refer to changes in average consumer prices of the country.

b Preliminary estimates.

c Data refer to end of period.

d Data refer to capital city.

e Country figures are excluded from respective group and total weighted averages.

f Data refer to fiscal year.

g Respective year GDP (in US dollars) is used as weight for 1997 and 1998. However, GDP in 1998 is used as weight to derive the averages for 1999.

Sources: Country sources and ADB data file.

Table 38
MERCHANDISE TRADE,^a 1997–1999
(\$ million)

	Exports (FOB) ^b			Imports (FOB) ^b			Balance of Trade		
	1997	1998	1999 ^c	1997	1998	1999 ^c	1997	1998	1999 ^c
NIEs	574,149	526,682	553,664	582,883	470,577	501,126	(8,735)	56,105	52,538
Hong Kong, China ^{d,e}	188,059	174,002	173,885	208,614	184,518	179,520	(20,556)	(10,516)	(5,635)
Korea, Rep. of	138,619	132,122	145,334	141,798	90,495	116,738	(3,179)	41,627	28,595
Singapore	125,746	110,380	113,250	124,628	95,702	102,210	1,118	14,678	11,040
Taipei, China	121,725	110,178	121,196	107,843	99,862	102,658	13,882	10,316	18,538
CARs and MONGOLIA	12,464	10,283	8,143	12,921	11,319	8,718	(456)	(1,036)	(575)
Kazakhstan	6,899	5,839	3,892	7,176	6,589	4,027	(276)	(750)	(135)
Kyrgyz Republic	631	535	588	646	756	565	(15)	(221)	23
Tajikistan	746	586	641	828	707	671	(82)	(121)	(29)
Uzbekistan	3,695	2,889	2,600	3,768	2,717	2,989	(73)	172	(389)
Mongolia ^e	494	434	422	503	551	466	(10)	(117)	(45)
PRC									
China, People's Rep. of	182,670	183,527	194,539	136,448	136,914	161,559	46,222	46,613	32,980
SOUTHEAST ASIA	227,290	216,420	233,815	226,243	166,652	177,956	1,048	49,768	55,859
Cambodia	862	888	994	1,092	1,073	1,209	(231)	(186)	(216)
Indonesia	56,297	50,371	51,435	46,223	31,942	31,357	10,074	18,429	20,078
Lao PDR ^e	317	388	399	648	621	602	(331)	(233)	(203)
Malaysia	77,900	71,846	79,175	74,081	54,262	59,634	3,819	17,585	19,541
Myanmar ^f	1,011	1,258	...	2,244	2,573	...	(1,234)	(1,315)	...
Philippines	25,228	29,496	35,032	36,355	29,524	30,726	(11,127)	(28)	4,306
Thailand	56,721	52,873	56,780	55,286	36,577	44,438	1,435	16,296	12,342
Viet Nam	8,955	9,300	10,000	10,313	10,080	9,990	(1,358)	(780)	10
SOUTH ASIA	52,801	53,063	55,640	76,592	75,334	79,881	(23,790)	(22,271)	(24,241)
Afghanistan	...	...	...	...	...	...	...	...	...
Bangladesh ^{e,f}	4,427	5,172	5,324	7,162	7,524	8,018	(2,735)	(2,352)	(2,694)
Bhutan ^{e,f}	99	111	105	131	136	164	(32)	(25)	(59)
India	35,050	34,070	37,477	50,244	49,730	54,206	(15,194)	(15,660)	(16,729)
Maldives	93	96	85	307	312	347	(215)	(216)	(262)
Nepal	397	445	535	1,642	1,440	1,288	(1,245)	(995)	(753)
Pakistan ^f	8,096	8,434	7,528	11,241	10,301	9,613	(3,145)	(1,867)	(2,085)
Sri Lanka	4,639	4,735	4,587	5,864	5,891	6,246	(1,225)	(1,156)	(1,659)
PACIFIC DMCs	2,960	2,371	2,387	2,974	2,261	1,896	(14)	110	492
Cook Islands ^{d,e}	3	3	...	48	38	...	(45)	(35)	...
Fiji Islands	527	387	490	819	612	697	(292)	(225)	(207)
Kiribati	6	6	...	39	33	...	(33)	(28)	...
Marshall Islands ^{e,f}	26	22	...	62	56	...	(36)	(34)	...
Micronesia, Fed. States of ^f	33	32	...	85	83	...	(52)	(51)	...
Nauru	...	...	...	...	...	...	...	...	...
Papua New Guinea	2,148	1,716	1,888	1,485	1,037	1,145	663	679	743
Samoa	15	20	...	100	97	...	(85)	(76)	...
Solomon Islands	156	142	...	185	160	...	(28)	(18)	...
Tonga ^f	11	9	9	67	62	54	(56)	(53)	(44)
Tuvalu ^{d,e}	0	0	...	6	7	...	(6)	(7)	...
Vanuatu	35	34	...	79	76	...	(44)	(42)	...
TOTAL	1,052,335	992,345	1,048,188	1,038,060	863,056	931,136	14,274	129,289	117,052

... Data not available.

() Negative.

0 Magnitude is less than half of unit employed.

a Unless otherwise indicated, data are from the balance-of-payments statistics.

b FOB refers to free on board.

c Preliminary estimates.

d Refers to data from external trade.

e Refers to imports cost, insurance, and freight.

f Refers to fiscal year.

Sources: Country sources; ADB data file; and International Monetary Fund, *International Financial Statistics*, March 2000.

Table 39
INTERNATIONAL RESERVES AND RATIO OF RESERVES
TO IMPORTS, 1997-1999

	International Reserves ^a (\$ million)			Ratio to Imports ^b (months)		
	1997	1998	1999 ^c	1997	1998	1999 ^c
NIEs	272,703	311,678	354,647	5.6	7.9	8.5
Hong Kong, China	92,823	89,625	96,255	5.3	5.8	6.4
Korea, Rep. of	20,405	52,041	74,054	1.7	6.9	7.6
Singapore	71,289	74,928	76,843	6.9	9.4	9.0
Taipei, China	88,186	95,084	107,494	9.8	11.4	12.6
CARs and MONGOLIA	3,812	2,347	2,393	3.5	3.3	5.7
Kazakhstan	2,221	1,965	2,002	3.7	3.6	6.0
Kyrgyz Republic ^d	194	188	254	3.6	3.0	5.4
Tajikistan	30	91	...	0.4	1.5	...
Uzbekistan ^d	1,167	...	...	3.7	...	...
Mongolia	200	103	137	4.8	2.2	3.5
PRC						
China, People's Rep. of	143,363	149,812	158,336	12.6	13.1	11.8
SOUTHEAST ASIA	76,661	92,374	108,483	4.1	6.7	7.7
Cambodia ^e	299	324	393	3.3	3.6	3.9
Indonesia	17,396	23,517	27,257	4.5	8.8	10.4
Lao PDR	113	117	108	2.1	2.3	2.2
Malaysia	20,899	25,675	30,645	3.4	5.7	6.2
Myanmar	261	326	286	1.4	1.5	...
Philippines	8,738	10,781	15,012	2.9	4.4	5.9
Thailand	26,893	29,536	34,781	5.8	9.7	9.4
Viet Nam	2,063	2,097	...	2.4	2.5	...
SOUTH ASIA	33,948	36,563	42,229	5.3	5.8	6.3
Afghanistan ^f	5	5	...	...	...	...
Bangladesh	1,607	1,928	1,623	2.7	3.1	2.4
Bhutan ^e	181	250	667	...	...	...
India	27,568	29,833	35,295	6.6	7.2	7.8
Maldives	98	119	127	3.8	4.6	4.4
Nepal	633	805	824	4.6	6.7	7.7
Pakistan	1,831	1,646	2,056	2.0	1.9	2.6
Sri Lanka	2,029	1,984	1,636	4.2	4.0	3.1
PACIFIC DMCs	917	791	757	4.0	4.6	3.8
Cook Islands	...	...	...	...	...	...
Fiji Islands	361	386	429	5.3	7.6	7.4
Kiribati	...	...	...	...	...	...
Marshall Islands	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	...	...	...	...
Nauru	...	...	...	...	...	...
Papua New Guinea	391	221	141	3.2	2.6	1.5
Samoa ^e	64	61	68	7.7	7.6	...
Solomon Islands ^e	36	49	51	2.4	3.7	...
Tonga ^e	27	29	26	4.9	5.6	5.9
Tuvalu	...	...	...	...	...	...
Vanuatu ^e	37	45	41	5.7	7.0	...
TOTAL	531,404	593,564	666,844	6.1	8.3	8.7

... Data not available.

a Consists of gold, Special Drawing Rights (SDRs), reserve position with International Monetary Fund (IMF), and foreign exchange holdings; year-end figures, unless otherwise specified.

b Merchandise imports from the balance-of-payments statistics were used for computing the ratio.

c Preliminary estimates.

d Refers to gross official reserves of the country.

e Refers to total reserves minus gold.

f Refers to reserve position in the IMF and SDRs only.

Sources: Country sources; and International Monetary Fund, *International Financial Statistics*, March 2000.

Table 40
NET FLOWS OF FINANCIAL RESOURCES, 1996–1998
(\$ million)

	Long-Term Debt			Foreign Direct Investment			Total Flows ^a		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
NIEs	13,331	18,280	3,687	2,325	2,844	5,143	19,358	22,382	12,929
Hong Kong, China	--	--	--	--	--	--	--	--	--
Korea, Rep. of	13,331	18,280	3,687	2,325	2,844	5,143	19,358	22,382	12,929
Singapore	--	--	--	--	--	--	--	--	--
Taipei, China	--	--	--	--	--	--	--	--	--
CARs and MONGOLIA	1,419	1,645	1,879	1,271	1,735	1,450	2,925	3,653	3,511
Kazakhstan	596	1,220	1,164	1,137	1,321	1,158	1,776	2,637	2,337
Kyrgyz Republic	135	143	139	47	84	55	227	271	238
Tajikistan	37	13	(5)	16	20	18	111	88	70
Uzbekistan	605	176	520	55	285	200	688	480	733
Mongolia	47	92	61	16	25	19	123	176	134
PRC									
China, People's Rep. of	10,854	12,449	(61)	40,180	44,236	45,600	54,743	65,370	47,079
SOUTHEAST ASIA	21,656	21,170	2,999	17,178	16,923	14,705	50,782	38,669	22,450
Cambodia	73	36	52	294	203	220	560	406	442
Indonesia	6,081	6,423	(957)	6,194	4,677	(356)	15,564	11,592	(808)
Lao PDR	170	120	78	160	90	80	469	341	276
Malaysia	2,593	4,527	2,922	5,078	5,106	5,000	12,031	9,152	8,529
Myanmar	4	74	135	100	80	70	226	225	272
Philippines	2,132	3,224	413	1,517	1,222	1,713	5,228	4,712	2,764
Thailand	10,237	6,096	(364)	2,336	3,745	6,778	14,220	9,614	8,823
Viet Nam	367	669	719	1,500	1,800	1,200	2,484	2,628	2,150
SOUTH ASIA	2,839	3,525	6,328	3,526	4,908	3,672	13,265	12,473	11,930
Afghanistan	--	--	--	--	--	--	--	--	--
Bangladesh	751	299	335	14	141	308	1,390	1,009	1,303
Bhutan	11	12	(1)	0	0	0	37	44	28
India	37	682	4,151	2,426	3,577	2,635	7,450	6,918	7,604
Maldives	15	(2)	16	8	8	11	33	19	41
Nepal	119	150	124	19	23	25	279	312	266
Pakistan	1,659	1,986	1,197	939	729	500	3,498	3,133	1,871
Sri Lanka	247	398	505	120	430	193	578	1,037	818
PACIFIC DMCs	130	83	110	173	104	180	760	425	546
Cook Islands	--	--	--	--	--	--	--	--	--
Fiji Islands	(27)	(14)	(17)	2	16	75	(7)	16	72
Kiribati	--	--	--	--	--	--	--	--	--
Marshall Islands	--	--	--	--	--	--	--	--	--
Micronesia, Fed. States of	--	--	--	--	--	--	--	--	--
Nauru	--	--	--	--	--	--	--	--	--
Papua New Guinea	156	101	100	111	29	50	649	316	358
Samoa	1	(1)	0	4	4	3	18	11	15
Solomon Islands	(2)	(2)	13	21	22	23	38	36	47
Tonga	2	(2)	2	2	3	2	16	9	9
Tuvalu	--	--	--	--	--	--	--	--	--
Vanuatu	0	0	12	33	30	27	46	37	46
TOTAL	50,229	57,151	14,941	64,654	70,750	70,750	141,833	142,971	98,445

-- Not reporting.

() Negative.

0 Magnitude is less than half of the unit employed.

a Refers to the sum of net resource flows on long-term debt (excluding the International Monetary Fund) plus net foreign direct investment, portfolio equity flows, and official grants (excluding technical cooperation).

Source: World Bank, *Global Development Finance 2000* (Advance Release) on CD-ROM.

Table 41
TOTAL EXTERNAL DEBT AND DEBT SERVICE RATIO, 1996–1998
(\$ million)

	Debt Outstanding ^a			Service Payment ^b			Debt Service Ratio ^b (%)		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
NIEs	115,803	136,984	139,097	13,562	13,778	20,624	8.6	8.1	12.9
Hong Kong, China	--	--	--	--	--	--	--	--	--
Korea, Rep. of	115,803	136,984	139,097	13,562	13,778	20,624	8.6	8.1	12.9
Singapore	--	--	--	--	--	--	--	--	--
Taipei, China	--	--	--	--	--	--	--	--	--
CARs and MONGOLIA	7,282	9,281	11,832	718	1,139	1,487	5.6	8.7	13.2
Kazakhstan	2,922	4,078	5,714	322	483	885	4.6	6.3	13.0
Kyrgyz Republic	764	928	1,148	51	43	58	8.9	6.3	9.4
Tajikistan	699	901	1,070	1	37	83	0.1	...	...
Uzbekistan	2,365	2,765	3,162	291	510	427	7.5	12.7	13.2
Mongolia	532	608	739	53	66	35	10.7	10.6	6.2
PRC									
China, People's Rep. of	128,817	146,697	154,599	15,756	18,445	18,435	8.6	8.4	8.6
SOUTHEAST ASIA	335,341	353,958	358,923	45,446	44,225	44,884	16.1	14.6	17.4
Cambodia	2,100	2,129	2,210	10	10	13	1.2	1.1	1.5
Indonesia	128,941	136,173	147,475	21,539	19,736	18,967	36.1	29.7	32.6
Lao PDR	2,263	2,320	2,437	29	28	31	6.7	6.4	6.3
Malaysia	39,673	47,228	44,773	8,427	7,109	6,271	9.0	7.5	8.7
Myanmar ^c	5,184	5,063	5,680	158	116	93	11.2	7.4	5.3
Philippines	40,145	45,682	47,817	5,357	4,541	5,166	13.2	9.1	11.8
Thailand	90,778	93,731	86,172	9,533	11,778	13,261	12.6	15.5	19.2
Viet Nam	26,257	21,633	22,359	393	907	1,082	3.9	7.7	8.9
SOUTH ASIA	149,898	149,792	158,308	16,475	17,751	16,073	18.2	18.6	16.1
Afghanistan	--	--	--	--	--	--	--	--	--
Bangladesh	16,007	15,125	16,376	698	705	683	9.8	8.7	7.6
Bhutan	114	120	120	7	7	9	5.7	5.9	5.9
India ^c	93,470	94,320	98,232	11,982	12,415	12,085	19.5	19.2	17.7
Maldives	168	161	180	12	28	14	3.1	6.9	3.1
Nepal	2,411	2,390	2,646	78	98	88	6.6	6.4	6.4
Pakistan	29,726	29,977	32,229	3,277	4,071	2,743	24.6	31.9	20.9
Sri Lanka	8,003	7,698	8,526	422	428	452	6.3	5.6	5.8
PACIFIC DMCs	3,153	3,209	3,345	559	586	235	11.3	13.1	6.5
Cook Islands	--	--	--	--	--	--	--	--	--
Fiji Islands	218	219	193	49	36	34	3.6	2.8	3.6
Kiribati	--	--	--	--	--	--	--	--	--
Marshall Islands	--	--	--	--	--	--	--	--	--
Micronesia, Fed. States of	--	--	--	--	--	--	--	--	--
Nauru	--	--	--	--	--	--	--	--	--
Papua New Guinea	2,507	2,589	2,692	491	531	183	16.4	20.5	8.6
Samoa	167	156	180	5	5	5	3.0	2.9	3.0
Solomon Islands	145	135	152	8	6	7	3.9	2.5	3.3
Tonga	70	61	65	4	6	5	7.0	9.8	...
Tuvalu	--	--	--	--	--	--	--	--	--
Vanuatu	47	48	63	2	2	2	1.4	1.6	0.9
TOTAL	740,295	799,921	826,104	92,516	95,924	101,738	12.7	11.9	13.6

... Data not available.

-- Not reporting.

a Debt outstanding is as of end of year, covering long- and short-term debt of public and private entities in the country, and the use of International Monetary Fund (IMF) credit.

b Service payments include yearly payments on principal and interest on long-term debt, IMF repurchases and charges, and interest payments on short-term debt. Debt service ratio is the percentage of service payments to exports of goods and services (including workers' remittances).

c The long-term debt data are on fiscal year basis.

Source: World Bank, *Global Development Finance 2000* (Advance Release) on CD-ROM.

Table 42
ENVIRONMENT INDICATORS

	Average Annual Rate of Deforestation ^a (as % of forest area)	National Protected Areas ^b (as % of total land area)	Per Capita Carbon Dioxide Emissions ^c (metric ton)
	1990–1995	1997	1996
NIEs			
Hong Kong, China	...	...	3.7
Korea, Rep. of	0.2	6.9	9.0
Singapore	0.0 ^d	4.4	21.6
Taipei, China	...	...	...
CARs and MONGOLIA			
Kazakhstan	(1.9)	2.7	10.9
Kyrgyz Republic	0.0 ^d	3.6	1.3
Tajikistan	0.0 ^d	4.2	1.0
Uzbekistan	(2.7)	2.1	4.1
Mongolia	0.0 ^d	10.3	3.6
PRC			
China, People's Rep. of	0.1	6.4	2.8
SOUTHEAST ASIA			
Cambodia	1.6	16.2	0.0
Indonesia	1.0	9.7	1.2
Lao PDR	...	...	0.1
Malaysia	2.4	4.5	5.6
Myanmar	1.4	0.3	0.2
Philippines	3.5	4.9	0.9
Thailand	2.6	13.1	3.4
Viet Nam	1.4	3.1	0.5
SOUTH ASIA			
Afghanistan	...	0.3	...
Bangladesh	0.8	0.8	0.2
Bhutan	...	21.2	...
India	0.0 ^d	4.8	1.1
Maldives	...	...	...
Nepal	1.1	7.8	0.1
Pakistan	2.9	4.8	0.8
Sri Lanka	1.1	13.3	0.4
PACIFIC DMCs			
Cook Islands	...	...	...
Fiji Islands	...	1.0	...
Kiribati	...	...	...
Marshall Islands	...	...	...
Micronesia, Fed. States of	...	...	...
Nauru	...	...	...
Papua New Guinea	0.4	0.0 ^d	0.5
Samoa	...	...	...
Solomon Islands	...	...	...
Tonga	...	...	...
Tuvalu	...	...	...
Vanuatu	...	...	...

() Negative.

... Data not available.

a Positive figures indicate deforestation rates while negative figures indicate reforestation rates.

b Refers to all protected areas at least 1,000 hectares listed in categories I-V of the International Union for Conservation of Nature and Natural Resources.

c Refers to carbon dioxide emissions from fossil fuel burning and cement manufacturing.

d The number 0.0 means the magnitude is zero or is less than half of the unit employed and not known more precisely.

Sources: World Bank, *World Development Indicators 1999*; and World Resources Institute, *World Resources 1998/99*.

Table 43
HUMAN DEVELOPMENT INDICATORS

	Adult Literacy Rate ^a (%)				Gross Enrollment Ratio (%)							
					Primary School				Secondary School			
	1985 ^c		1998 ^d		1985 ^c		1998 ^d		1985 ^c		1998 ^d	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
NIEs												
Hong Kong, China	...	...	88	96	105	106	100	100	73	68	77	73
Korea, Rep. of	91	98	96	99	100	100	99	98	88	92	98	98
Singapore	78	93	89	97	114	120	98	99	95	89	110	113
Taipei, China	85	96	91	98	100	99	101	99	91	89	100	97
CARs and MONGOLIA												
Kazakhstan	96	99	...	...	...	...	86	86	...	...	92	89
Kyrgyz Republic	96	99	...	...	123	123	111	110	108	111	89	84
Tajikistan	97	99	...	...	...	...	88	91	...	...	75	83
Uzbekistan	96	99	...	...	85	88	76	78	97	117	87	99
Mongolia	77	89	...	...	107	107	87	82	97	85	70	50
PRC												
China, People's Rep. of	51	79	73	90	114	132	116	120	33	45	51	60
SOUTHEAST ASIA												
Cambodia	...	...	57	80	...	...	106	130	...	...	18	31
Indonesia	58	78	83	93	114	120	113	117	...	...	77	77
Lao PDR	76 ^e	92 ^e	44	69	100	121	92	123	19	27	19	31
Malaysia	60	80	78	89	100	101	93	93	53	53	64	58
Myanmar	72	86	78	89	96	101	108	112	22	24	23	23
Philippines	83	84	94	95	107	108	116	117	65	64	83	78
Thailand	85	93	92	96	97	100	97	98	28	30	37	38
Viet Nam	83	93	91	97	100	106	...	...	41	44	...	...
SOUTH ASIA												
Afghanistan	...	...	15	47	13	27	32	63	5	11	11	32
Bangladesh	18	40	26	49	54	72	73	84	11	26	13	25
Bhutan	...	...	28	56	...	...	...	...	...	...	...	...
India	26	55	41	67	79	111	93	115	35	62	55	80
Maldives	92	92	93	93	...	...	133	136	...	...	49	49
Nepal	9	32	14	41	47	101	87	130	12	37	23	46
Pakistan	15	35	24	50	30	56	42	94	10	24	17	33
Sri Lanka	82	91	87	93	101	104	104	106	66	60	79	71
PACIFIC DMCs												
Cook Islands	...	...	...	...	...	...	...	...	...	...	...	...
Fiji Islands	84	90	89	94	122	122	127	128	51	51	65	64
Kiribati	...	...	...	...	...	...	98	...	...	...	...	...
Marshall Islands	...	...	...	...	...	...	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	93	95	...	...	94	94	...	...	85	78
Nauru	...	...	...	...	...	...	...	...	...	...	...	...
Papua New Guinea	...	...	63	81	51	66	75	88	8	15	11	17
Samoa	...	...	...	...	90	87	107	106	67	61	71	67
Solomon Islands	...	...	...	...	65	85	90	104	9	22	14	21
Tonga	...	...	...	...	...	...	100	...	...	...	91	...
Tuvalu	...	...	...	...	...	...	...	...	...	...	...	...
Vanuatu	...	...	...	...	106	112	107	105	14	18	18	23

... Data not available.

a Adult literacy rate refers to population of 15 years old and over.

b Refers to the headcount ratio or proportion of the households (population) falling below the poverty line to total households (population).

c Data may refer to a year from 1980 to 1989 other than, but nearest to the reference year.

d Data may refer to a year from 1990 to 1998 other than, but nearest to the reference year.

e Refers to population of 15-45 years old.

Sources: United Nations Educational, Scientific and Cultural Organization web site (<http://www.unesco.org>); World Bank, *World Development Indicators 1999*; Economic and Social Commission for Asia and the Pacific, *Asia-Pacific in Figures 1998*; Directorate-General of Budget, Accounting and Statistics, *Statistical Yearbook*; and country sources.

Life Expectancy at Birth (years)				Maternal Mortality Ratio (per 100,000 live births)		Population in Poverty (%) ^b		
1985 ^c		1998 ^d		1985 ^c	1998 ^d	1985 ^c	1998 ^d	
Female	Male	Female	Male					
79	74	83	77	5	2	...	...	NIEs
73	65	78	70	80	20	...	...	Hong Kong, China
76	72	79	75	5	4	...	...	Korea, Rep. of
76	71	78	72	10	9	1	1	Singapore
								Taipei, China
								CARs and MONGOLIA
73	62	70	59	...	55	...	35	Kazakhstan
71	64	71	63	...	44	...	40	Kyrgyz Republic
70	70	71	66	...	74	...	...	Tajikistan
71	65	73	67	...	43	...	...	Uzbekistan
60	58	66	64	156	145	...	36	Mongolia
								PRC
70	68	71	67	...	115	...	6	China, People's Rep. of
								SOUTHEAST ASIA
47	45	59	50	...	500	...	36	Cambodia
58	54	66	63	450	390	23	38	Indonesia
48	45	52	50	200	...	...	46	Lao PDR
72	68	74	69	40	34	16	10	Malaysia
55	51	63	60	460	518	...	...	Myanmar
65	61	69	64	209	180	49	38	Philippines
67	63	72	67	270	155	18	13	Thailand
66	62	69	66	110	105	...	37	Viet Nam
								SOUTH ASIA
41	40	45	44	600	...	...	...	Afghanistan
55	56	58	58	...	449	43	36	Bangladesh
49	46	66	66	...	380	...	...	Bhutan
56	55	65	62	460	437	44	36	India
56	58	72	70	...	202	...	40	Maldives
47	49	55	55	...	...	...	42	Nepal
54	54	62	63	...	340	...	34	Pakistan
71	67	75	70	90	30	41	35	Sri Lanka
								PACIFIC DMCs
68	68	74	71	...	...	...	...	Cook Islands
71	67	74	70	...	90	...	23–25	Fiji Islands
54	52	67	62	56	80	...	...	Kiribati
62	59	64	61	...	...	...	...	Marshall Islands
64	62	67	64	...	...	...	...	Micronesia, Fed. States of
62	62	62	50	...	...	...	...	Nauru
53	51	58	57	...	370	...	37	Papua New Guinea
64	62	74	70	...	35	...	...	Samoa
62	60	64	62	...	...	...	...	Solomon Islands
64	61	72	67	...	...	...	...	Tonga
59	59	70	64	...	...	...	...	Tuvalu
57	55	69	65	...	...	...	...	Vanuatu

Appendixes

1.	Resolutions of the Board of Governors Adopted in 1999	292
2.	Board of Governors	293
3.	Board of Directors and Voting Groups	295
4.	Committees of the Board of Directors	296
5.	ADB Institute Advisory Council	297
6.	Management, Senior Staff, and Regional and Resident Representatives	298
7.	Former ADB Presidents and Vice-Presidents	301
8.	Summary of Budget for 2000	302

Appendix 1

RESOLUTIONS OF THE BOARD OF GOVERNORS ADOPTED IN 1999

Resolution No.	Subject	Date Adopted
262	Procedures for the Election of Directors at the Thirty-Second Annual Meeting	1 May 1999
263	Financial Statements and Independent Auditors' Reports	2 May 1999
264	Allocation of Net Income	2 May 1999
265	Membership of Azerbaijan	13 June 1999
266	Decisions Relating to Sections 7(B)(a) and 7(C)(b) of the By-Laws	4 December 1999

Appendix 2

BOARD OF GOVERNORS
(as of 15 March 2000)

	TARRIN NIMMANAHAEMINDA (Thailand) (Chairperson)	PAVLOV ALEXANDER SERGEYEVICH (Kazakhstan) (Vice-Chairperson)
MEMBER	GOVERNOR	ALTERNATE GOVERNOR
AFGHANISTAN	(vacant)	(vacant)
AUSTRALIA	Peter Costello	Kay Patterson ¹
AUSTRIA	Rudolf Edlinger	Thomas Wieser ²
AZERBAIJAN	Avaz Alekperov ³	Vadim Khubanov ³
BANGLADESH	Shah A.M.S. Kibria	Masihur Rahman
BELGIUM	Didier Reynders ⁴	Gino Alzetta
BHUTAN	Lyonpo Yeshey Zimba	Sonam Wangchuk
CAMBODIA	Keat Chhon	Ouk Rabun ⁵
CANADA	Lloyd Axworthy	Bruce Montador ⁶
CHINA, PEOPLE'S REPUBLIC OF	Xiang Huaicheng	Jin Liquan
COOK ISLANDS	Terepai Maoate ⁷	Kevin Carr
DENMARK	Ellen Margrethe Loj	Torben Brylle
FIJI ISLANDS	Mahendra Pal Chaudhry ⁸	Jone Y. Kubuabola
FINLAND	Satu Hassi ⁹	Kirsti Lintonen
FRANCE	Christian Sautter ¹⁰	Jean Lemierre
GERMANY	Uschi Eid	Michael Röskau ¹¹
HONG KONG, CHINA	Donald Tsang	Joseph Yam
INDIA	Yashwant Sinha	E.A.S. Sarma ¹²
INDONESIA	Bambang Sudibyo ¹³	Syahril Sabirin
ITALY	Antonio Fazio	Mario Draghi
JAPAN	Kiichi Miyazawa	Masaru Hayami
KAZAKHSTAN	Pavlov Alexander Sergeyevich ¹⁴	Kulekeev Zhaksybek Abdrakhmetovich ¹⁵
KIRIBATI	Beniamina Tinga	Bureti Williams ¹⁶
KOREA, REPUBLIC OF	Hun-Jai Lee ¹⁷	Chol-Hwan Chon
KYRGYZ REPUBLIC	Sultan Mederov ¹⁸	Urkaly Toktomovich Isaev
LAO PEOPLE'S DEMOCRATIC REPUBLIC	BounNhang Vorachith ¹⁹	Phiane Philakone
MALAYSIA	Tun Daim Zainuddin ²⁰	Dató Othman Mohd. Rijal ²¹

1 Succeeded Kathy Sullivan in February 2000.

2 Succeeded Hans Dietmar Schweisgut in November 1999.

3 Appointed in December 1999.

4 Succeeded J.J. Viseur in July 1999.

5 Succeeded Chanthol Sun in March 1999.

6 Succeeded James A. Judd in March 1999.

7 Succeeded Papamama Pokino in December 1999.

8 Succeeded James Ah Koy in June 1999.

9 Succeeded Pekka Haavisto in July 1999.

10 Succeeded Dominique Strauss-Kahn in November 1999.

11 Succeeded Klaus Regling in January 1999.

12 Succeeded Vijay Kelkar in July 1999.

13 Succeeded Bambang Subianto in October 1999.

14 Succeeded Oraz Jandosov in December 1999. Oraz Jandosov succeeded Erhan A. Utembayev in March 1999.

15 Succeeded R. Solodchenko in December 1999. R. Solodchenko succeeded Zhannat D. Ertlesova in March 1999.

16 Succeeded Taneti Maamau in May 1999.

17 Succeeded Bong-Kyun Kang in January 2000. Bong-Kyun Kang succeeded Kyu Sung Lee in June 1999.

18 Succeeded Marat Sultanov in August 1999. Marat Sultanov succeeded Talaibek Koichumanov in February 1999.

19 Succeeded Khamphoui Keoboulapha in September 1999.

20 Succeeded Mustapa Mohamed in December 1999.

21 Succeeded Aris Othman in June 1999.

CONTINUED

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
MALDIVES	Ismail Shafeeu	Ibrahim Mohamed ²²
MARSHALL ISLANDS	Michael Konelios ²³	Smith Michael ²⁴
MICRONESIA, FEDERATED STATES OF	John Ehsa	Lorin Robert
MONGOLIA	J. Unenbat	D. Makhval
MYANMAR	Khin Maung Thein	Soe Lin
NAURU	Kinza Clodumar ²⁵	David Adeang ²⁶
NEPAL	Ram Sharan Mahat ²⁷	R.B. Bhattarai
NETHERLANDS	Gerrit Zalm	Eveline L. Herfkens
NEW ZEALAND	Michael Cullen ²⁸	Alan Bollard
NORWAY	Leif Lunde	Age Grutle ²⁹
PAKISTAN	Shaukat Aziz ³⁰	Nawid Ahsan ³¹
PAPUA NEW GUINEA	Mekere Morauta ³²	Koiari Tarata ³³
PHILIPPINES	Jose T. Pardo ³⁴	Rafael Buenaventura ³⁵
SAMOA	Tuilaepa S. Malielegaoi	Epa Tuioti
SINGAPORE	Richard Hu Tsu Tau	Lim Siong Guan ³⁶
SOLOMON ISLANDS	Alpha Kimata ³⁷	George Kiriau ³⁸
SPAIN	Rodrigo de Rato y Figaredo	Elena Pisonero Ruiz
SRI LANKA	Chandrika Bandaranaike Kumaratunga	P.B. Jayasundara ³⁹
SWEDEN	Gun-Britt Andersson ⁴⁰	Lennart Bage
SWITZERLAND	Oscar Knapp ⁴¹	Rudolph Dannecker
TAIPEI, CHINA	Fai-nan Perng	Chun Chen
TAJIKISTAN	Anvarsho Muzafarov	Sharif Rahimov
THAILAND	Tarrin Nimmanahaeminda	Suphachai Phisitvanich
TONGA	K. Tutoatasi Fakafanua	Aisake Eke
TURKEY	Selçuk Demiralp ⁴²	Ferhat Emil ⁴³
TUVALU	Lagitupu Tuilimu ⁴⁴	Afelee Falema Pita ⁴⁵
UNITED KINGDOM	Clare Short	George Foulkes
UNITED STATES	Lawrence H. Summers ⁴⁶	Stuart E. Eizenstat
UZBEKISTAN	Bakhtier S. Khamidov	Rustam Sadikovich Azimov
VANUATU	Stevens Morking Iatika ⁴⁷	Jeffery Wilfred
VIET NAM	Le Duc Thuy ⁴⁸	Duong Thu Huong ⁴⁹

22 Succeeded Adam Maniku in March 1999.

23 Succeeded Tony de Brum in February 2000.

24 Succeeded Amon Tibon in February 2000.

25 Succeeded Bernard Dowiyogo in August 1999. Bernard Dowiyogo succeeded Kinza Clodumar in March 1999.

26 Succeeded Ludwig Keke in March 1999.

27 Succeeded Mahesh Acharya in February 2000. Mahesh Acharya succeeded Bharat Mohan Adhikari in June 1999. Bharat Mohan Adhikari succeeded Ram Sharan Mahat in January 1999.

28 Succeeded William F. Birch in November 1999.

29 Succeeded Kjell Halvorsen in October 1999.

30 Succeeded M. Ishaq Dar in December 1999.

31 Succeeded Javid Akram in March 2000. Javid Akram succeeded Zaheer Sajjad in November 1999.

32 Succeeded Iairo Lasaro in July 1999.

33 Succeeded Brown Bai in July 1999.

34 Succeeded Edgardo B. Espiritu in January 2000.

35 Succeeded Gabriel Singson in July 1999.

36 Succeeded Ngiam Tong Dow in July 1999.

37 Succeeded Manasseh Sogavare in March 1999.

38 Succeeded Gordon Darcy Lilo in March 1999.

39 Succeeded Dixon Nilaweera in January 2000.

40 Succeeded Mats Karlsson in November 1999.

41 Succeeded Nicolas Imboden in March 2000.

42 Succeeded Yener Dinçmen in July 1999.

43 Succeeded Cüneyt Sel in August 1999.

44 Succeeded Alesana K. Seluka in June 1999.

45 Succeeded Lutelu Faavae in March 1999.

46 Succeeded Robert E. Rubin in November 1999.

47 Succeeded Sela Molisa in December 1999.

48 Succeeded Nguyen Tan Dung in December 1999.

49 Succeeded Le Duc Thuy in December 1999.

Appendix 3

BOARD OF DIRECTORS AND VOTING GROUPS
(as of 15 March 2000)

DIRECTOR	ALTERNATE DIRECTOR	MEMBERS REPRESENTED ¹
John S. Lockhart ²	Stephen Baker	Australia; Cambodia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Solomon Islands; Tuvalu
John Millett ³	Uwe Henrich ⁴	Austria; Germany; Turkey; United Kingdom
Julian H. Payne	Erik Johnsson ⁵	Canada; Denmark; Finland; Netherlands; Norway; Sweden
C. Ramachandran	M. Faizur Razzaque	Bangladesh; Bhutan; India; Lao People's Democratic Republic; Tajikistan ⁶
Patricia Z. Riingen ⁷	Kh. Zaheer Ahmed ⁸	Kazakhstan; Maldives; Marshall Islands; Mongolia; Pakistan; Philippines
Soegito Sastromidjojo	John Austin	Cook Islands; Fiji Islands; Indonesia; Kyrgyz Republic; New Zealand; Samoa; Tonga
Naoyuki Shinohara	Yasuro Narita ⁹	Japan
Patrick Thomas ¹⁰	Manuel Sánchez Melero	Belgium; France; Italy; Spain; Switzerland
Prasit Ujjin	Sim Cheng Huat	Malaysia; Myanmar; Nepal; Singapore; Thailand
(vacant) ¹¹	N. Cinnamon Dornsife	United States
Jeung-Hyun Yoon ¹²	Barry Holloway ¹³	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu; Viet Nam
Zhao Xiaoyu ¹⁴	Li Buqun ¹⁵	People's Republic of China

1 In alphabetical order within each group.

2 Succeeded Eric Thorn on 1 July.

3 Succeeded Hans-Jürgen Stryk on 1 July.

4 Succeeded John Millett on 1 July.

5 Succeeded Berend W. van Gorkom on 1 September.

6 Tajikistan's representation in the Board by Director C. Ramachandran became effective in February 2000.

7 Succeeded Rafiq A. Akhund on 1 July. Rafiq A. Akhund succeeded Patricia Z. Riingen as Alternate Director on 1 July.

8 Succeeded Rafiq A. Akhund on 1 September.

9 Succeeded Tetsuji Nagatomo on 16 June.

10 Succeeded Francesco Pittore on 1 October.

11 Linda Tsao Yang resigned on 1 December. N. Cinnamon Dornsife has been nominated to succeed Linda Tsao Yang.

12 Succeeded Jin-Gyu Park on 1 June.

13 Succeeded Ruey-song Huang on 1 July.

14 Succeeded Li Ruogu on 12 March.

15 Succeeded Liu Liange on 1 June.

Appendix 4

COMMITTEES OF THE BOARD OF DIRECTORS (as of 31 December 1999)

STANDING COMMITTEES		
AUDIT COMMITTEE	BUDGET REVIEW COMMITTEE	INSPECTION COMMITTEE
Julian H. Payne (Chairperson)	C. Ramachandran (Chairperson)	John Millet (Chairperson)
John Lockhart	Naoyuki Shinohara	Julian H. Payne
John Millett	Patrick Thomas	Prasit Ujjin
Patricia Z. Riingen	Jeung-Hyun Yoon	Kh. Zaheer Ahmed
Soegito Sastromidjojo	Linda Tsao Yang ¹	John Austin
Prasit Ujjin	Zhao Xiaoyu	Barry Holloway
WORKING COMMITTEE		
WORKING GROUP ON THE 1999 ANNUAL REPORT		
John Austin (Chairperson)		
Patricia Z. Riingen		
Stephen Baker		
N. Cinnamon Dornsife		
Yasuro Narita		
M. Faizur Razzaque		

¹ Resigned on 1 December.

Appendix 5

ADB INSTITUTE ADVISORY COUNCIL
(as of 31 December 1999)

Chandi Chanmugam	Sri Lanka
Fabrizio Onida ¹	Italy
Yujiro Hayami ²	Japan
Helen Hughes	Australia
Justin Yifu Lin	People's Republic of China
Jeffrey R. Shafer	United States
Jungsoo Lee	Chief Economist, ADB

¹ Succeeded Riccardo Faini on 26 July 1999.

² Succeeded Yonosuke Hara on 4 October 1999.

Note: Masaru Yoshitomi became the Dean of ADB Institute on 16 January 1999.

Appendix 6

MANAGEMENT, SENIOR STAFF, AND REGIONAL AND RESIDENT REPRESENTATIVES (as of 15 March 2000)

OFFICE OF THE PRESIDENT

President.....Tadao Chino

OFFICES OF THE VICE-PRESIDENTS

Vice-President (Region East) Peter H. Sullivan
Vice-President (Region West) Myoung-Ho Shin
Vice-President (Finance and Administration) John Lintjer

OFFICE OF THE SECRETARY

Secretary..... B.N. Lohani
Assistant Secretary Ferdinand P. Mesch

OFFICE OF THE GENERAL COUNSEL

General Counsel Gerald Sumida
Deputy General Counsel Eisuke Suzuki
Assistant General Counsel Richard Eyre
Assistant General Counsel Philip Daltrop
Assistant General Counsel (vacant)

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Manager (Project Management Unit)	Yoo Jin Yoon

Appendix 7

FORMER ADB PRESIDENTS AND VICE-PRESIDENTS
(as of 31 December 1999)

PRESIDENTS

Takeshi Watanabe	24 November 1966–24 November 1972
Shiro Inoue	25 November 1972–23 November 1976
Taroichi Yoshida	24 November 1976–23 November 1981
Masao Fujioka	24 November 1981–23 November 1989
Kimimasa Tarumizu	24 November 1989–23 November 1993
Mitsuo Sato	24 November 1993–15 January 1999

VICE-PRESIDENTS

C.S. Krishna Moorthi	19 December 1966–31 March 1978
A.T. Bambawale	1 April 1978–28 October 1985
M. Narasimham	1 November 1985–31 July 1988
S. Stanley Katz	1 April 1978–28 September 1990
In Yong Chung	1 August 1988–31 July 1993
William R. Thomson	1 October 1990–30 June 1994
Günther G. Schulz	1 April 1983–30 June 1995
Bong-Suh Lee	1 August 1993–9 October 1998
Pierre Uhel	1 July 1995–4 December 1998

Appendix 8

SUMMARY OF BUDGET FOR 2000
Internal Administrative Expenses
(\$ thousand)

	1999			2000 Budget
	Budget	After Transfers ^a	Actual	
I. BOARD OF GOVERNORS ^b	528	528	392	630
II. BOARD OF DIRECTORS	8,524	8,524	8,102	8,344
III. OPERATIONAL EXPENSES	162,796	162,796	158,496	167,864
Salaries	84,149	84,149	82,044	87,837
Benefits	46,971	46,971	46,114	44,930
Staff Development	2,300	2,300	2,010	2,300
Relocation	2,596	3,185	3,185	3,190
Consultants	11,300	12,060	12,060	13,435
Business Travel	15,170	13,821	12,829	15,862
Representation	310	310	254	310
IV. ADMINISTRATIVE EXPENSES	33,072	33,072	31,521	36,393
Communications	3,686	3,843	3,843	5,392
Office Occupancy	7,437	8,311	8,311	8,149
Library	696	714	714	823
Office Supplies	1,837	1,837	1,532	1,774
Office Equipment	3,279	3,790	3,790	3,274
Contractual Services	5,255	5,185	4,062	5,715
Insurance	605	605	482	499
Depreciation	10,092	8,578	8,578	10,585
Miscellaneous	185	209	209	182
V. GENERAL CONTINGENCY	2,049	2,049	—	2,132
TOTAL	206,969	206,969	198,511 ^c	215,363

a Transfers were made between budget items within each budget category without exceeding the original amount of each category.

b Annual Meeting expenses.

c Excludes the following items reconciling with financial statements in compliance with generally accepted accounting principles: (i) provisions for future liabilities with respect to severance pay (\$502,000), accumulated compensated absences (\$452,000), and accrued resettlement/repatriation allowances (\$318,000); (ii) adjustments of actuarially determined assessment of benefit obligations with respect to pension costs (-\$3,096,000) and postretirement medical benefits (\$6,214,000); and (iii) bank charges pertaining directly to Asian Development Fund (ADF), Japan Special Fund (JSF), and Japan Scholarship Program (JSP) (\$14,000). Total administrative expenses, as shown in the financial statements, amounted to \$202,915,000. This amount, after deducting \$67,000 directly charged to JSP, has been distributed as follows: ordinary capital resources (OCR)–\$105,894,000 (Ref. OCR-2), ADF–\$95,536,000 (Ref. ADF-2), and JSF–\$1,418,000 (Ref. JSF-2).

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³ Board of Directors approval date.

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Glossary

ADF	– Asian Development Fund, ADB's soft-lending window	NIE	– newly industrialized economy. The term refers to Hong Kong, China; Republic of Korea; Singapore; and Taipei, China.
ARIC	– Asia Recovery Information Center, a clearinghouse for information relating to recovery from the Asian financial crisis	OCR	– ordinary capital resources, the interest-bearing window for ADB's ordinary lending operations
CFS	– complementary financing scheme, a participation modality under which ADB, in addition to a loan from its own resources, makes a complementary loan on market-based terms, funded entirely by participation from market institutions without recourse to ADB for debt service. Under this arrangement, the participating market institutions enjoy benefits of ADB's preferred creditor status. In return for the privileges accorded, the participating institutions offer better terms.	PCR	– project completion report, which certifies the completion of an ADB project
cluster approach	– a program lending modality that can enhance flexibility and extend the time frame for program implementation	PPAR	– project performance audit report, which provides the assessment of the long-run development effectiveness of a project
contract award ratio	– the ratio of contracts awarded during the year over the value available for contract awards at the beginning of the year. The value of the contracts to be awarded under newly approved and signed loans during the period is added to the opening balance of the value available for contract awards.	program loan	– loan provided to support DMCs' efforts to improve the policy, institutional, and investment environment of sector development. It helps meet short-term costs that policy adjustments entail.
credit line	– government-guaranteed loan provided to selected financial intermediaries in DMCs for onlending to small- and medium-sized private enterprises	project loan	– loan provided to finance a specific project
disbursement ratio	– defined as ratio of total disbursements during the year over the net loan amount available at the beginning of the year plus the loan amounts of newly approved loans that have become effective during the year; excludes private sector loans	REMU	– Regional Economic Monitoring Unit, established in 1999 to support the Association of Southeast Asian Nations surveillance process, provide inputs on the Asian financial crisis to various meetings, and operate the Asia Recovery Information Center.
DMC	– developing member country of ADB	sector development program loan	– a lending modality that combines, under appropriate circumstances, program lending, sector/project lending, and technical assistance under a single assistance window to foster an integrated and long-term approach to sector needs
GMS	– Greater Mekong Subregion (includes Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam, and Yunnan Province of the People's Republic of China)	sector loan	– loan provided to develop a specific sector or subsector; finances a large number of subprojects in a single sector or subsector
JSF	– Japan Special Fund, established in March 1988 and administered by ADB to help DMCs restructure their economies and broaden the scope for new investments by recycling funds. JSF is also used to support DMCs' efforts toward industrialization, natural resource and human development, and technology transfer.	SPL	– special program loan, a program lending modality that can provide, on an exceptional basis, large-scale support of an international rescue package to crisis-affected countries eligible for ordinary capital resources
		TASF	– Technical Assistance Special Fund, the principal vehicle for providing technical assistance grants from ADB's own resources
		technical assistance cluster	– consists of a group of technical assistance subprojects designed to address through a comprehensive and holistic approach related constraints in a sector/subsector in a DMC

Abbreviations and Acronyms

ACCSF	Asian Currency Crisis Support Facility	OECD	Organisation for Economic Co-operation and Development
ADB	Asian Development Bank	OEO	Operations Evaluation Office
ASEAN	Association of Southeast Asian Nations	OPEC	Organization of Petroleum Exporting Countries
BOO	build-own-operate	PMU	project management unit
BOT	build-operate-transfer	PRC	People's Republic of China
BRM	Bangladesh Resident Mission	RLR	reserve:loan ratio
CAP	country assistance plan	SDR	special drawing right
CAPE	country assistance program evaluation	SME	small and medium enterprise
CARs	Central Asian republics	SOE	state-owned enterprise
CBO	community-based organization	SPRM	South Pacific Regional Mission
CPI	consumer price index	TPAR	technical assistance performance audit report
CPRM	country portfolio review mission	UN	United Nations
CRP	comprehensive reform program	US	United States
EDRC	Economics and Development Resource Center	VAT	value-added tax
East Asia	People's Republic of China; Hong Kong, China; Republic of Korea; Mongolia; Singapore; and Taipei, China	WB	World Bank
EIA	environmental impact assessment	WPI	wholesale price index
EIRR	economic internal rate of return	Y2K	year 2000
ESCAP	Economic and Social Commission for Asia and the Pacific		
FDI	foreign direct investment		
FM/HRMIS	Financial Management and Human Resource Management Information System		
FY	fiscal year		
GAD	gender and development		
GDP	gross domestic product		
GEF	Global Environment Facility		
GNP	gross national product		
GST	general sales tax		
HKMA	Hong Kong Monetary Authority		
HKSAR	Hong Kong Special Administrative Region		
ICR	interest coverage ratio		
IMF	International Monetary Fund		
IRM	Indonesia Resident Mission		
ISTS	Information Systems and Technology Strategy		
JRO	Japanese Representative Office		
JSP	Japan Scholarship Program		
JSF	Japan Special Fund		
Lao PDR	Lao People's Democratic Republic		
LIBOR	London interbank offered rate		
MBL	market-based loan		
NARO	North American Representative Office		
NGO	nongovernment organization		
NRM	Nepal Resident Mission		
ODA	official development assistance		

DEFINITIONS

0.0	data negligible
...	data not available
—	not applicable
—	not reporting
()	negative
billion	1,000 million

NOTE ON DOLLAR AMOUNTS

ADB's financial statements are expressed in current United States dollars. The dollar amounts in this *Annual Report* refer, unless otherwise stated, to United States dollars current at the time.

Since 1 April 1978, when the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, the capital stock has been valued for purposes of ADB's financial statements in terms of special drawing rights, at the value in current United States dollars as computed by IMF. *For a more detailed discussion, see OCR-8, Notes to Financial Statements of Ordinary Capital Resources.*

Asian Development Bank Profile

The Asian Development Bank (ADB) was established through a multilateral agreement ratified by 30 countries in 1966. With the addition of Azerbaijan in 1999, the membership totals 58, of which 42 are in Asia and the Pacific.

ADB's headquarters is in the Philippines. It has 14 overseas offices, and the number is growing. There are currently resident missions in Bangladesh, Cambodia, India, Indonesia, Kazakhstan, Nepal, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam; a regional mission for the South Pacific in Vanuatu; and representative offices in Frankfurt for Europe, Tokyo for Japan, and Washington, DC for North America. Resident missions in the People's Republic of China, Kyrgyz Republic, and Lao People's Democratic Republic will open in 2000. ADB also has extended missions in Indonesia, Papua New Guinea, and Thailand. ADB has nearly 2,000 employees, coming from almost 50 countries.

ADB engages in economic and social development activities aimed at improving the welfare of the people of the region. Its fundamental purpose is to reduce poverty through pro-poor and sustainable economic growth, social development, and good governance. To this end, ADB fosters economic growth, promotes human development (including population planning), aims to improve the status of women, and seeks to protect the environment. In all its work, ADB strives to support private sector development, strengthen management capacity in the public sector, develop human resources, and help manage natural resources in a sustainable manner. ADB pays special attention to the needs of smaller and less-developed countries, and gives priority to activities that contribute to the economic growth of the region as a whole and that promote regional cooperation.

ADB's lending supports and promotes investment for development purposes. ADB offers a range of lending modalities and terms; all loans involve conditionalities aimed at improving development performance. About 80 percent of its lending is from its ordinary capital resources (OCR). These comprise paid-in capital, reserves, funds raised through borrowings, and accumulated retained income. OCR loans are usually for 15–25 years and typically have an interest rate similar

to the disbursement currency's underlying government 10-year bond rate. OCR loans are nonconcessional and are generally made to members that have attained a somewhat higher level of economic development.

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

ADB manages other special funds such as the Technical Assistance Special Fund, the Japan Special Fund—including the Asian Currency Crisis Support Facility—and the ADB Institute Special Fund. It also manages the fund for the Japan Scholarship Program and channel financing of grants provided by bilateral donors to support technical assistance and soft components of loans.

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

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

To support the private sector, ADB participates directly in financing private sector projects to assist commercial investors and lenders. ADB also assists governments through policy dialogue, technical assistance, and program lending to create an enabling environment for private sector development.

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

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