

# STRENGTHENING PARTNERSHIPS

MESSAGE FROM THE CHAIRMAN OF  
THE BOARD OF DIRECTORS

T

he year 2001 was for me particularly moving. Together with the rest of the world, I shared the pain of nations rocked by disasters, natural and otherwise. Throughout the year, I met so many people who cope with life in the most difficult circumstances. I recall in particular the wonderment of a young street child as she celebrated a birthday, an event never before acknowledged.

That which moved me also inspired me. I took the opportunity to learn more from our developing member countries (DMCs). I visited several, some for the first time. I met with governments to form partnerships for reducing poverty. I visited project sites. I saw bridges that strengthened economic cooperation among neighboring countries. I listened to the voices of the poor.

I saw poverty.

But I also saw hope.

I saw nations working together, new alliances being formed, old friendships drawing new strength from a common goal.

My travels reconfirmed my belief in what we at the Asian Development Bank (ADB) are doing. The Poverty Reduction Strategy we adopted in 1999 brought us closer to realizing the goal of a region free of poverty. The Long-Term Strategic Framework (LTSF), adopted in 2001, provides the fundamental operating principles to shape the future. Our Social Protection Strategy will help vulnerable populations throughout the region to better manage risks and develop their capital. Our community empowerment projects and natural resources management projects will benefit indigenous peoples and ethnic minorities, groups that often bear the greatest burden of poverty. The private sector supports growth and catalyzes investment—necessary to support our poverty reduction efforts. Governance initiatives and

assistance to DMCs in implementing policy, legislative, and administrative reforms are creating the environment necessary to sustain growth. Our new water policy that calls for conservation and awareness campaigns will lead to better regional management of this precious shared resource. The Pacific Strategy will help the island economies realize the benefits of economies of scale and encourage private sector investment as a way to address poverty.

My travels also validated the importance of partnerships—the strength we all gain by working together. In times of crisis, partnerships are especially important. ADB acted swiftly to help the people of Gujarat following a devastating earthquake. After witnessing the events of 11 September, we joined the partnership of nations and individuals in dealing with this tragedy. Videoconferencing with our development partners closed the physical distance between us. Partnerships are helping the people of Afghanistan face the future with hope. Agreements we reached with governments and other development institutions are strengthening the region's legal systems, improving governance, saving fragile ecosystems, and helping nourish a mother and her child.

We need not travel long distances to see the benefits of partnerships. When we invited 500 Filipino street children and several nongovernment organization caregivers to ADB headquarters in April, we asked the children to draw the streets of their city. Their drawings touched us. We want for them what they want for themselves: a life of dignity, a life without poverty. Like the agreements we signed with other governments, the Poverty Partnership Agreement between the Philippines and ADB will bring us closer to that goal.

These experiences renewed my determination to ensure that ADB will continue to make a difference. DMCs and ADB cooperate to develop country strategy and program reports and their updates, ensuring DMC ownership of the development agenda. With our new loan products, based on the London interbank offered

rate (LIBOR) and introduced in 2001, we help our public and private sector borrowers better manage interest rate and exchange rate risks. Our reorganization and new business processes—developed in 2001, and made effective in January 2002—ensure our responsiveness to our partners. Our efforts must not be in isolation.

Individually our institution can make a difference. We can comfort a sick child, teach a village to feed itself, help educate the people. We can help harvest crops, empower women, and build ports and bridges. We can tap energy sources, and strengthen private sector enterprises. But this is not enough.

If there is a lesson I can share from 2001, it is that individually we can do much, but with our partners and a common goal of poverty reduction, we can achieve so much more.

Solidarity gives us strength.

ASIAN DEVELOPMENT BANK  
Manila

27 March 2002

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 2001*, 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,

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

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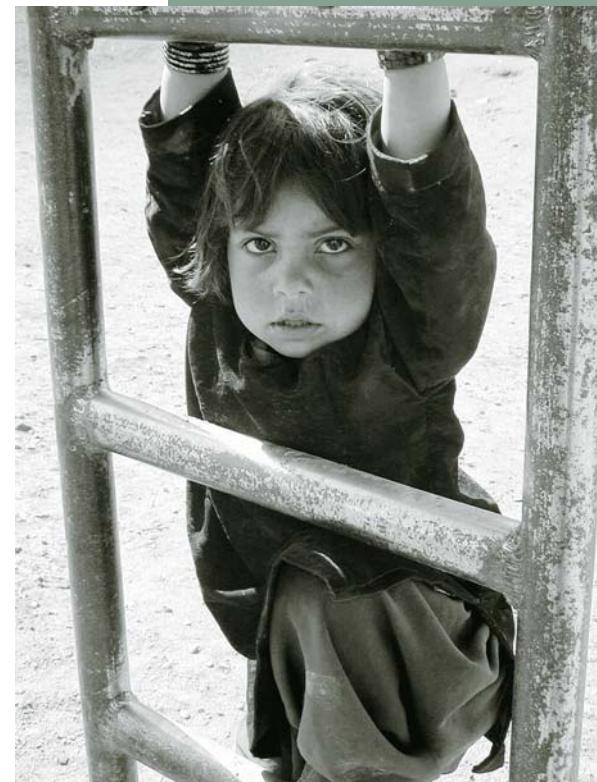
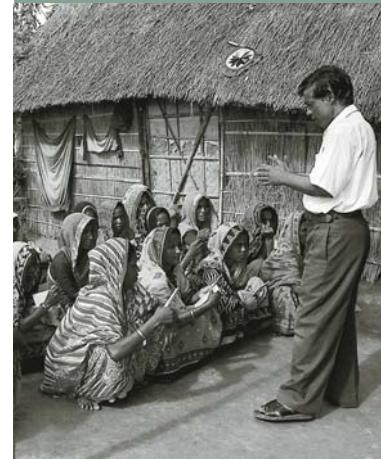
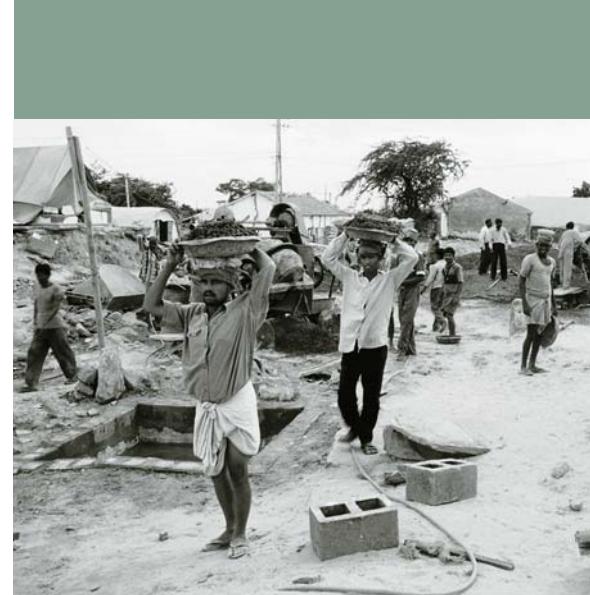
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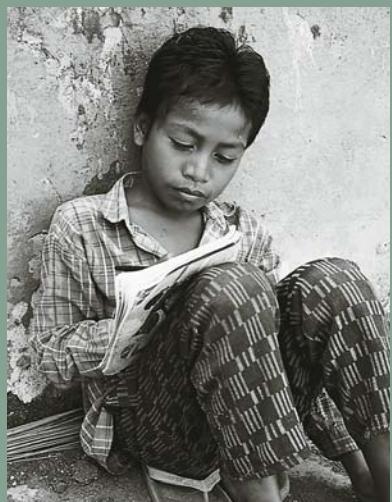


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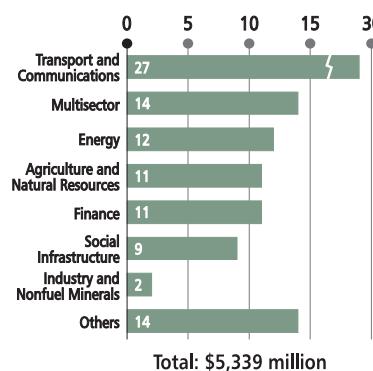
## **ANNUAL REPORT READER SURVEY**



# OPERATIONAL AND FINANCIAL OVERVIEW, 2001

## *Loan approvals*

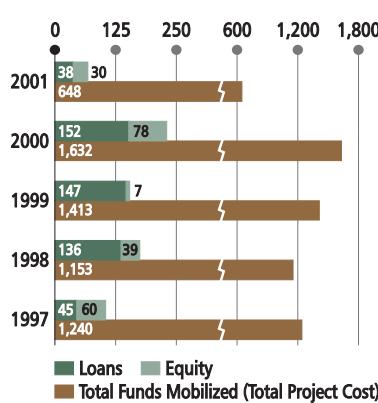
**Loans by Sector, 2001**  
(percent)



- Lending for both public and private sector operations totaled \$5,339 million for 76 loans in 60 projects.
- Lending to the public sector amounted to more than \$5,301 million for 57 projects, comprising \$3,940 million from ordinary capital resources (OCR) and \$1,362 million from the Asian Development Fund (ADF).
- Twenty-two developing member countries (DMCs) and one regional project received ADB loans. India received the largest amount (\$1,500 million or 28%), followed by People's Republic of China, Pakistan, and Indonesia.
- Transport and communications received the highest share of loans with \$1,426 million or 27% of the total lending.
- The average loan size was \$70 million.

## *Poverty reduction*

**Private Sector Loans, Equity Investments, and Total Funds Mobilized**  
(\$ million)



## *Private sector operations*

- ADB's lending to the private sector, totaling \$37.5 million for four loans, included its first private sector support in the social sectors for education and health care.
- ADB approved three equity investments in the private sector, totaling \$30.4 million.

## *Loan disbursements*

- A total of \$3,874 million was disbursed. Of this, 63% was for project loans, followed by program, sector, and private sector loans.

## Technical assistance

- A total of 257 technical assistance grants amounting to \$146.4 million were approved.
- Of the total amount for technical assistance, \$39.8 million came from the Technical Assistance Special Fund resources and \$20.0 million from ordinary capital resources current income; \$53.8 million from the regular and supplementary contributions to the Japan Special Fund; \$16.1 million from the Asian Currency Crisis Support Facility; and \$16.7 million from other sources.
- Of the technical assistance projects, 64 were for project preparation, 142 for advisory and operational purposes, and 51 for regional activities.
- The largest share (19%) of total project-specific technical assistance went to the agriculture and natural resources sector, followed by social infrastructure, finance, and transport and communications.
- Technical assistance components of loans totaled \$180 million.
- Indonesia received the largest share of country-specific technical assistance grants with \$15.9 million or 14% of total technical assistance to DMCs. Other top recipients were People's Republic of China, Viet Nam, and India.

## Grants

- Sixteen projects received grants totaling \$93.8 million. Of this, eight projects received about \$24 million from the Japan Fund for Poverty Reduction; and eight projects that received ADB loans also received grants totaling \$69.8 million from the governments of Australia, Denmark, The Netherlands, and United Kingdom, and the Global Environment Facility.

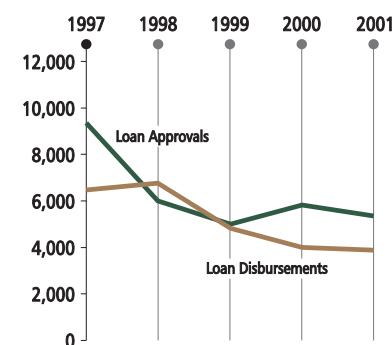
## Cofinancing

- Cofinancing for loan projects mobilized from all sources amounted to about \$1,358 million for 25 projects in 11 DMCs—equivalent to 26% of ADB's total lending for the year.
- Cofinancing arrangements made with commercial sources totaled \$913 million, official sources \$425 million, and export credit agencies \$20 million.

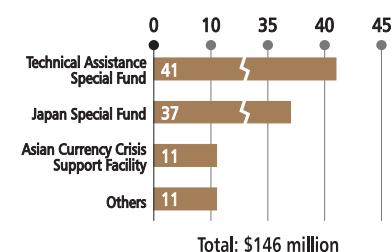
## Financial resources

- Authorized capital stock amounted to \$43,834 million. Subscribed capital stood at \$43,628 million.
- Borrowings in 2001 totaled \$1,607 million, including \$1,207 million in medium- and long-term funds through 15 structured private placement transactions and 2 opportunistic public offerings.

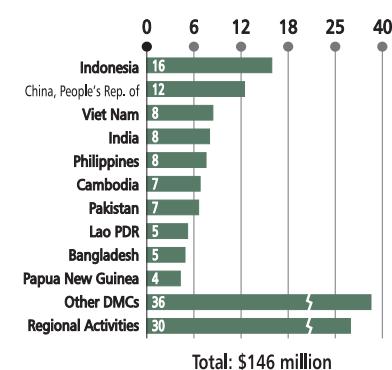
**Loan Approvals and Disbursements, 1997–2001 (\$ million)**



**Technical Assistance Grants by Source, 2001 (percent)**

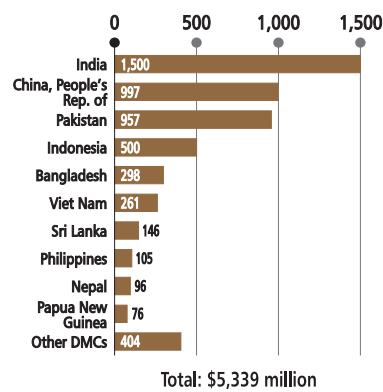


**Recipients of Technical Assistance Grants, 2001 (\$ million)**

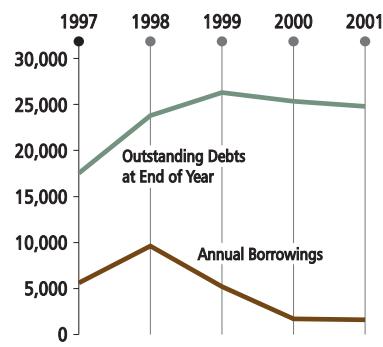


**Borrowers, 2001**

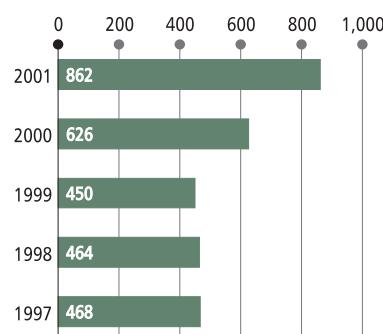
(\$ million)

**Borrowings, 1997–2001**

(\$ million)

**Net Income, 1997–2001**

(\$ million)



- Gross income amounted to \$2,238.7 million, of which \$1,813.7 million was generated by loan portfolio, \$403.4 million by investment portfolio, and \$21.6 million from other sources.
- In 2001, ADB's Special Funds consisted of the concessional Asian Development Fund with committed resources amounting to \$5.2 million, Technical Assistance Special Fund \$33.9 million, Japan Special Fund \$30.9 million, and ADB Institute Special Fund \$61.5 million.
- The Japan Fund for Information and Communication Technology was established in 2001 to harness the potential of information and communication technology and bridge the growing digital divide in Asia and the Pacific. Other funds established this year, to be administered by ADB, are the Dutch Fund to promote renewable energy and energy efficiency, the Canadian Fund to manage climate change, the fund from the United Kingdom to focus on poverty reduction in India, and the multidonor Cooperation Fund for the Water Sector to promote effective water management policies and practices at the regional, subregional, and country levels.

**Policies**

- ADB adopted several operational policies and strategies, including the Long-Term Strategic Framework (2001–2015); Medium-Term Strategy (2001–2005); Social Protection Strategy; Water for All: The Water Policy of the Asian Development Bank; Pacific Strategy for the New Millennium; a revised Political Risk Guarantee Policy; Private Sector Operations: Strategic Directions and Review; and Toward E-Development in Asia and the Pacific: A Strategic Approach for Information and Communication Technology.
- ADB introduced London interbank offered rate (LIBOR)-based loan products to meet the needs of its public and private sector borrowers in managing interest rate and exchange rate risks.

**Resident missions and other ADB offices**

- ADB opened three field offices—an extended mission in Gujarat, India; a resident mission in Mongolia; and a country office in the Philippines—and inaugurated a resident mission in the Lao People's Democratic Republic.

**Management**

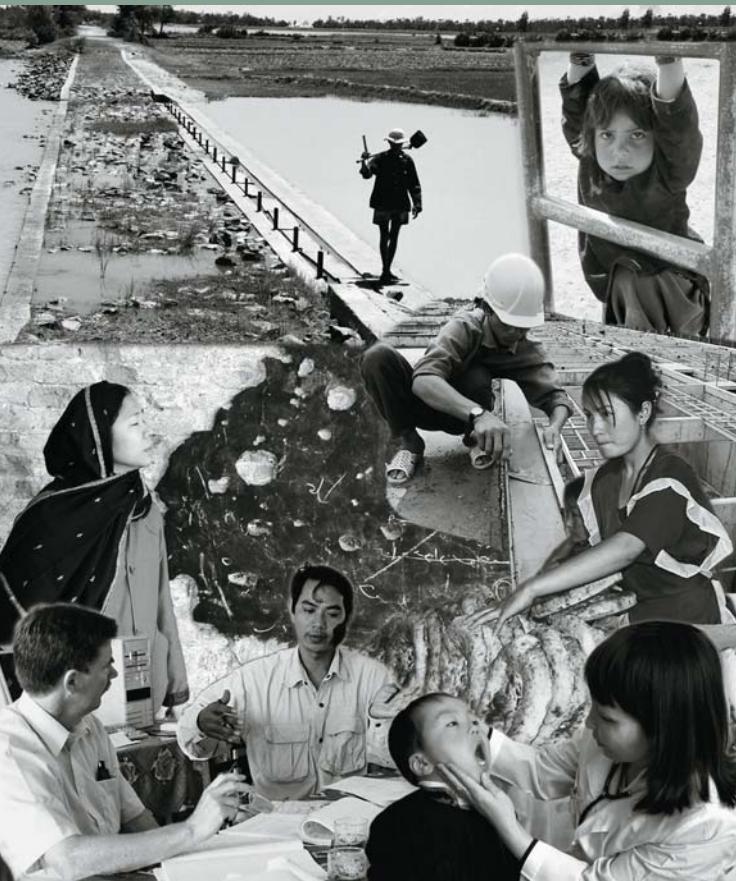
- Tadao Chino was reelected ADB President in September 2001 for a new 5-year term.

**THE RECORD**

(amounts in \$ million)

	1966–2001 <sup>a</sup>	1998	1999	2000	2001
<b>OPERATIONAL ACTIVITIES</b>					
<b>TOTAL LENDING (amount)</b>	<b>93,155<sup>b</sup></b>	<b>5,982</b>	<b>4,979</b>	<b>5,653<sup>a</sup></b>	<b>5,339</b>
Number of Projects <sup>c</sup>	1,683	57	52	74	60
<b>OCR Loans (amount)</b>	<b>67,441</b>	<b>4,995</b>	<b>3,908</b>	<b>4,060</b>	<b>3,977</b>
Number of Loans	959	39	34	39 <sup>b</sup>	30
Disbursements (amount)	44,616	5,623	3,710	2,884	2,850
<b>ADF Loans (amount)</b>	<b>25,714</b>	<b>987</b>	<b>1,070</b>	<b>1,592</b>	<b>1,362</b>
Number of Loans	917	27	32	49	46
Disbursements (amount)	17,552	1,144	1,114	1,135	1,024
<b>A. Government and Government-Guaranteed Loans (amount)</b>	<b>91,823</b>	<b>5,846</b>	<b>4,832</b>	<b>5,501<sup>a</sup></b>	<b>5,301<sup>a</sup></b>
Number of Projects <sup>c</sup>	1,607	51	48	70	57
<b>OCR Loans (amount)</b>	<b>66,123</b>	<b>4,859</b>	<b>3,762</b>	<b>3,908<sup>a</sup></b>	<b>3,940</b>
Number of Loans	884	32	30	35 <sup>b</sup>	26
Disbursements (amount)	43,667	5,539	3,647	2,823	2,799
<b>ADF Loans (amount)</b>	<b>25,700</b>	<b>987</b>	<b>1,071</b>	<b>1,592</b>	<b>1,362</b>
Number of Loans	912	27	32	49	46
Disbursements (amount)	17,537	1,144	1,114	1,135	1,024
<b>B. Private Sector Loans<sup>d</sup> (amount)</b>	<b>1,332</b>	<b>136</b>	<b>147</b>	<b>152</b>	<b>38</b>
Number of Projects <sup>c</sup>	76	6	4	4	3
<b>OCR Loans (amount)</b>	<b>1,318</b>	<b>136</b>	<b>147</b>	<b>152<sup>a</sup></b>	<b>38</b>
Number of Loans	75	7	4	4	4
Disbursements (amount)	949	84	63	61	51
<b>ADF Loans (amount)</b>	<b>14</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Number of Loans	5	—	—	—	—
Disbursements (amount)	14	—	—	—	—
<b>EQUITY INVESTMENT<sup>d</sup> (amount)</b>	<b>648</b>	<b>42</b>	<b>7</b>	<b>78</b>	<b>30</b>
Number of Investments	111	5	1	7	3
<b>EQUITY UNDERWRITING<sup>d</sup> (amount)</b>	<b>40</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Number of Commitments	6	—	—	—	—
<b>TECHNICAL ASSISTANCE<sup>e</sup> (amount)</b>	<b>2,044</b>	<b>148</b>	<b>172</b>	<b>172</b>	<b>146</b>
Number of Projects	4,748	243	313	306	257
<b>COFINANCING<sup>f</sup> (amount)</b>	<b>36,180</b>	<b>2,939</b>	<b>2,953</b>	<b>2,965</b>	<b>1,358</b>
Number of Projects	580	24	27	41	25
<b>RESOURCES</b>					
<b>Ordinary Capital Resources</b>					
Authorized Capital ( <i>at end of period</i> )	43,834	49,154	47,945	45,485	43,834
Subscribed Capital ( <i>at end of period</i> )	43,628	48,456	47,597	45,271	43,628
Borrowings ( <i>gross</i> )	43,408	9,617	5,186	1,693	1,607
Outstanding Debt ( <i>at end of period</i> )	24,813	23,780	26,269	25,340	24,813
Ordinary Reserve ( <i>at end of period</i> )	7,812	6,211	6,689	7,166	7,812
Special Reserve ( <i>at end of period</i> )	183	182	182	182	183
Gross Income	27,629	1,832	2,028	2,301	2,239
Net Income after Appropriation of Commissions/ Guarantee Fees to Special Reserve	9,532	464	450	626	862
<b>Special Funds Resources</b>					
Asian Development Fund					
Total Resources ( <i>at end of period</i> )	19,887	20,535	22,087	20,993	19,887
Technical Assistance Special Fund					
Total Resources ( <i>at end of period</i> ) <sup>g</sup>	911	722	809	899	911
Japan Special Fund					
Regular and Supplementary Contributions ( <i>at end of period</i> ) <sup>g</sup>	897	734	799	854	897
Asian Currency Crisis Support Facility <sup>g</sup>	241	—	104	241	241
ADB Institute Special Fund <sup>h</sup>					
Total Resources ( <i>at end of period</i> )	61	28	35	43	61

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



# 2001 IN REVIEW

## BOARD OF DIRECTORS' REPORT

**“ADB met the challenges of 2001: strengthening itself with the approval of key policies and strategies, encouraging participation and broadening partnerships, and providing loan and technical assistance where needed.”**

For the Asian and Pacific region and the Asian Development Bank (ADB), 2001 was a year of great challenges and tragedies. It was a year when earthquakes shook India and Tajikistan; a harsh winter hurt Mongolia; and terrorism shocked the world. Exports, tourism, and foreign investment fell, and currency and equity markets became more volatile as the impact of 11 September hit consumer and investor confidence. It was a year of slow and uneven growth worldwide, a year when the external economic environment challenged many of ADB's developing member countries (DMCs) at every turn. And, it was a year when ADB took up the challenge of reorganizing itself to meet the complex development needs of the region.

The year was also one of cooperation, consultation, and commitment; when nations united in the fight against terrorism; when multilateral organizations and governments, and the public and private sectors, banded together to meet the challenges of poverty. It was a year when the public and private sectors began to adapt their procedures and practices to meet international standards of accountability, transparency, and disclosure. It was a year when nations cooperated, when diversity and common goals were bridged through consultation and dialogue.

ADB met the challenges of 2001: strengthening itself with the approval of key policies and strategies, encouraging participation and broadening partnerships, and providing loan and technical assistance where needed.

In 2001, the Board of Directors (the Board) approved directly, or through authority delegated to the President, 76 loans totaling \$5.3 billion, 3 equity investments worth \$30.4 million, 257 technical assistance projects amounting to \$146.4 million, and grants for 16 projects totaling \$93.8 million. Emergency assistance was approved for earthquake-stricken Gujarat, India, and assistance for the DMCs affected by the aftermath of the 11 September events—including Afghanistan, Pakistan, and the Central Asian republics—was extended.

### Strengthening the framework

The strategies and policies approved in 2001, discussed in this Annual Report, resulted from consultation with governments, nongovernment organizations (NGOs), other international

organizations, and stakeholders throughout the Asian and Pacific region, as well as from internal reviews of priorities and operations. Interconnected and intertwined, these policies strengthen ADB's framework.

In March, the Board approved the Long-Term Strategic Framework (LTSF) 2001–2015, a 15-year plan for ADB's all-out assault on poverty. Drawing from the 1999 Poverty Reduction Strategy and the 2000 Private Sector Development Strategy, the LTSF focuses on achieving sustainable economic growth, inclusive social development, and good governance.

The LTSF sets out fundamental operating principles for reducing poverty, including ensuring DMCs own their poverty reduction programs, enhancing strategic partnerships, and measuring development impacts.

The Board also approved the Medium-Term Strategy (MTS) 2001–2005—the bridge between the LTSF and the activities ADB will undertake in its DMCs over the next 5 years. Designed to enhance the development impact of ADB assistance, the MTS advocates stronger ADB commitment in addressing the institutional and policy issues that support its thematic priorities. The MTS strengthens ADB's leadership role in regional cooperation—one of ADB's unique strengths—and reiterates the importance of economic growth in reducing poverty. The MTS also advocates investments in the physical infrastructure necessary to promote growth and productivity in both rural and urban areas, as well as social infrastructure and services for human development to support pro-poor growth.

The MTS is translated into action by individual country strategy and program (CSP) reports. The CSP and CSP updates—developed in cooperation with each DMC—emphasize a countrywide approach to development and ensure a DMC perspective for ADB operations.

Several operational procedures and policies were approved in 2001. Acknowledging the powerful force of information and communication technology (ICT) in shaping the social and economic development of Asia and the Pacific, ADB adopted a strategic approach to assist its DMCs in seizing the opportunities created by ICT. The new strategy—Toward E-Development in Asia and the Pacific: A Strategic Approach for Information and Communication Technology—creates an enabling environment for ICT development, builds the human resources to promote ICT literacy, and develops the applications and information content for ADB-supported activities.

Poverty is reduced more extensively and rapidly during periods of fast economic growth. The private sector, through investment and job creation, can play a vital role in reducing poverty. In 2000, the Board

approved ADB's first comprehensive Private Sector Development Strategy, which confirmed the role of ADB's private sector operations in catalyzing private investment through direct financing and risk mitigation instruments. In 2001, the Board affirmed ADB support for infrastructure projects, funds, and financial intermediaries, and ensured that such support would be oriented toward achieving greater development impact and demonstration effects.

Regional cooperation, sustainable growth, and private sector development were further promoted with the approval in 2001 of the Pacific Strategy for the New Millennium. The strategy focuses on streamlining the public sectors and boosting private sector investment as

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**The LTSF sets out fundamental operating principles for reducing poverty, including ensuring DMCs own their poverty reduction programs, enhancing strategic partnerships, and measuring development impacts.**

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**Management, December 2001**

*Seated:* President Tadao Chino. *Standing, left to right:* The Secretary Bindu N. Lohani; Vice-Presidents Myoung-Ho Shin, John Lintjer, and Joseph B. Eichenberger

## Strengthening Partnerships: ADB and the World Bank

Better coordination, improved communications, a more clearly defined division of labor, and increased efficiency are expected when the Memorandum of Understanding (MOU) on Administrative Arrangements for Cooperation, signed in 2001 by ADB and the World Bank, takes effect. The MOU provides the framework and processes for the two development banks to work more closely. It also calls for implementation of an existing joint protocol on collaboration that is expected to support the preparation of poverty reduction strategies. Operational procedures and processes will be harmonized, and efficiency and effectiveness at the country and institutional levels will be enhanced.

Management of the two institutions will review implementation progress regularly and will report their findings to their respective Boards of Directors.

the way to tackle physical and economic vulnerability and governance problems.

Water for All: The Water Policy of the Asian Development Bank, approved by the Board in 2001, also promotes regional cooperation. It emphasizes that water is a vital economic good that needs careful management both to sustain growth and to reduce poverty. The policy stresses the need for integrated cross-sector approaches to water management and development. Conservation and participatory approaches to protecting water resources are at the heart of the policy.

ADB's policy foundation was further strengthened with the approval in September 2001 of the Social

Protection Strategy. Integral to ADB's goal of reducing poverty, the strategy advocates helping vulnerable populations better manage risks and develop their human capital.

## Broadening partnerships

### *President's visits*

The President carried ADB's message to several DMCs and international conferences in 2001. As the first head of a multilateral development bank to visit Pakistan after 11 September, Mr. Chino saw firsthand the effects of isolation on

Afghanistan's people. He was able to draw on this experience when he later traveled to Washington, DC for a Senior Officials' Meeting on Reconstruction Assistance to Afghanistan, cochaired by Japan and the United States.

Also in 2001, Mr. Chino attended the Confederation of Asia-Pacific Chambers of Commerce and Industry in Batam, Indonesia—where he reiterated ADB's strong commitment to supporting the Government's efforts for reform and poverty reduction—and visited four of the Central Asian republics—Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. He opened ADB resident missions in Lao People's Democratic



**Board of Directors**

*Left to right:* Othman Jusoh, Julian H. Payne, Zhao Xiaoyu, Uwe Henrich, Jeung-Hyun Yoon, Chantale Yok-Min Wong, John Austin, Patrick Thomas, Frank Black, John S. Lockhart, and Kh. Zaheer Ahmed

Republic, Mongolia, and Philippines and participated in the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in Suzhou, People's Republic of China.

### **Directors' visits**

A group of Directors visited Cambodia and Viet Nam from 24 February to 10 March; and another group traveled to Azerbaijan, Kazakhstan, and Tajikistan from 27 August to 12 September.

The visits provided the Directors an opportunity to better understand the development conditions in the DMCs and to discuss priorities and constraints with senior government officials, civil society, NGOs, and others from the perspective of the DMCs concerned. The visits also allowed the Directors to look at specific ADB-supported development projects, and review the implementation status and challenges being faced by the DMCs. The Directors assessed agency coordination, focusing in particular on those areas where duplication could be avoided, and provided stakeholders with a better understanding of the work ADB does in each DMC.

### **Strengthening Partnerships: ADB and the United Nations**

They share the goal of reducing poverty. They share the democratic governance framework for achieving that goal. And in May 2001, ADB and the United Nations Development Programme (UNDP) strengthened their common purpose even further when they signed a Memorandum of Understanding (MOU) on Strategic Partnership.

The MOU specifies priority thematic areas and modalities of cooperation between the two organizations. It provides for a UN Development Assistance Framework, and cooperation between ADB and other UN organizations—particularly in aid coordination and in such activities as preparing common country assessments, country strategies and programs, and a common database on poverty and other social indicators.

The agreed guidelines call for an annual consultation meeting to monitor, report, and review the progress of partnership. The guidelines also stipulate the designation of focal persons for each thematic area of cooperation to identify opportunities for cooperation and initiate action toward realizing those opportunities.

Partnership initiatives include cooperating in monitoring and assessing the Millennium Development Goals, which are mostly poverty related, and negotiating an umbrella agreement to include ADB staff in UN security arrangements.

In Cambodia and Viet Nam, the Directors recommended that ADB focus on increasing loan disbursements to strengthen implementation, and reducing the number of regions and sectors in the CSP reports. The Directors noted the Vietnamese authorities' concern regarding the use of consultants



*Left to right:* Ram Binod Bhattacharai, Ju Kuilin, Maarten Verwey, Osamu Tsukahara, Yasuro Narita, S. L. Seneviratne, Jusuf Anwar, P. G. Mankad, Cayetano W. Paderanga, Jr., Miranda Rawlinson, and Pascal Gregoire

## **Selected Policy Papers and Reports Discussed by the Board of Directors in 2001**

### **Policy, Financial, and Administrative Papers**

- Water for All: The Water Policy of the Asian Development Bank *16 January 2001*
- Review of the Partial Risk Guarantee of the Asian Development Bank *30 January 2001*
- Promoting Good Governance—ADB's Medium-Term Agenda and Action Plan *1 February 2001*
- Policy on Performance-Based Allocation for Asian Development Fund Resources *13 March 2001*
- Long-Term Strategic Framework of the Asian Development Bank (2001–2015) *14 March 2001*
- Cooperation with Canada *15 March 2001*
- A Pacific Strategy for the New Millennium *20 March 2001*
- Review of the Asian Development Bank's Income Outlook and Allocation of 2000 Net Income *29 March 2001*
- Borrowing Program for 2001 *28 May 2001*
- Cooperation with the Governments of the United Kingdom and Northern Ireland—Grant Fund for Technical Assistance *7 June 2001*
- Review of the Asian Development Bank's Financial Loan Products *19 June 2001*
- A Review of Loan Loss Provisioning Policy for ADF *26 June 2001*
- Financing Technical Assistance (2001–2004) *26 June 2001*
- Cooperation with Japan—Japan Fund for Information and Communication Technology *31 July 2001*
- Streamlining the Approval Process of the Board of Directors through More Efficient Use of the Summary Procedure for Loan Proposals *23 August 2001*
- Private Sector Operations—Strategic Directions and Review *3 September 2001*
- Social Protection Strategy *13 September 2001*
- Medium-Term Strategy (2001–2005) *8 October 2001*
- Reorganization of the Asian Development Bank *9 October 2001*
- Work Program and Budget Framework (2002–2004) *11 October 2001*
- Governance Cooperation Fund *27 November 2001*
- ADB Institute—Work Program and Budget for 2002 *14 December 2001*
- Modifying the Conditions of Transformation of Pool-Based Loan Products to LIBOR-Based Loan Terms *18 December 2001*

### **Working Papers**

- Financing Technical Assistance (2001–2004) *18 January 2001*
- Loan Terms for Poverty Interventions in Borrowers that Have Access Only to Ordinary Capital Resources *27 March 2001*
- Policy on Education *24 April 2001*
- Review of the Asian Development Bank's Liquidity Policy *28 November 2001*

in projects and recommended that this be studied. They noted that the technical assistance program should be demand-driven and developed in full consultation with DMC governments. The Directors also recommended that ADB consider establishing a credit line for small- and medium-sized enterprises as requested by the private sector.

The Directors noted the similar development challenges faced by Azerbaijan, Kazakhstan, and Tajikistan, especially those relating to their landlocked geography and their transition from centrally planned to market economies. At the same time, each country faces unique challenges. The Directors concluded that, while regional cooperation among the three countries is important, a common approach to development challenges cannot be applied to these countries simply because of their location. ADB's country focus is, therefore, particularly relevant. The Directors also noted the willingness of each DMC to take ownership of its respective development programs, from which the Directors concluded the importance of ensuring that ADB program designs and procedures are flexible. The distance of the DMCs from ADB headquarters highlighted the need for resident missions in each country; the Directors noted that most major multilateral financial institutions already have missions in all three countries. The importance of ADB's mission in Kazakhstan was noted, and the need to establish missions in Azerbaijan and Tajikistan to facilitate more effective aid coordination and program planning was stressed.

### **Funding agencies**

ADB's cooperation and coordination with other funding agencies was strengthened in 2001. ADB, World Bank, and the United Nations

Development Programme prepared the Preliminary Needs Assessment for Afghanistan's recovery and reconstruction for presentation at the Ministerial Conference on the Reconstruction of Afghanistan in Tokyo in January 2002. The Japanese Government and ADB established the Japan Fund for Information and Communication Technology to facilitate advances in technology and communications and to bridge the growing digital divide in Asia and the Pacific. ADB signed a Memorandum of Understanding on Administrative Arrangements with the World Bank and also helped develop the Comprehensive Development Framework and Poverty Reduction strategy papers.

## General operations

In 2001, the Board of Directors met formally on 62 occasions, including executive sessions, and held 19 informal meetings, including briefings, discussion seminars, and presentations.

Of the Board-approved \$5,339 million for 76 loans covering 60 projects, the largest share went to the transport and communications sector. Seventy-two loans totaling over \$5,301 million for 57 projects were made with government guarantee—\$3,940 million from ordinary capital resources and \$1,362 million from the Asian Development Fund. Four loans, totaling \$37.5 million, were approved for three private sector projects, including the first private sector support for social sectors for education and health care. The Board also approved three equity investments amounting to \$30.4 million.

The Board approved directly, or through authority delegated to the President, 257 technical assistance grants totaling \$146.4 million, of which \$59.8 million came from the Technical Assistance Special Fund,

\$53.8 million from regular and supplementary contributions to the Japan Special Fund, \$16.1 million from the Asian Currency Crisis Support Facility, and \$16.7 million from other sources.

## The Boards and Their Functions

ADB is governed by a Board of Governors, which, at the end of 2001, consisted of 59<sup>1</sup> members (43 regional and 16 nonregional). Under Article 28 of ADB's Charter, the Board of Governors is vested with all the powers of ADB. In turn, the Governors delegate their authority to the Board of Directors, except for certain powers reserved to them under the Charter.

The Board of Governors meets formally once a year for ADB's Annual Meeting. *For resolutions approved by the Board of Governors in 2001 and its membership, see Appendixes 1 and 2.*

Under Article 28, the Board of Governors elects a 12-member Board of Directors, 8 elected by regional members and 4 by nonregional members (see Appendix 3). Each Director appoints an Alternate Director. The President of ADB is the Chairperson of the Board of Directors. In 2001, the Board of Governors unanimously reelected President Tadao Chino for a new 5-year term, beginning 24 November 2001.

The Board of Directors performs its duties full-time at ADB's headquarters in Manila, Philippines, and meets in regular formal and executive sessions. The Directors exercise their authority and functions by supervising preparation of ADB's financial statements, approving ADB's administrative budget, and reviewing and approving policy documents and all loan, equity, and technical assistance operations.

<sup>1</sup> Portugal became a member of ADB on 2 April 2002, bringing the total membership to 60.

## Providing Support: The Office of the Secretary

Providing advice and counsel to the Board of Governors, Board of Directors, and President is the Office of the Secretary. Its other principal functions are to help organize the Annual Meeting; to plan the calendar of the Board of Directors and to organize and facilitate meetings of the Board and its committees; to edit, classify, and circulate Board documents; to administer the terms and conditions of engagement of Management and the Board; to process applications for membership in ADB; to administer the inspection function; and to provide protocol support and services.

In 2001, to facilitate Board consideration of loan projects, the summary procedure was revised. Processes were developed to discuss country strategy and program reports and their updates at Board meetings, and an integrated documents management system was initiated. The process for reelection of the President was organized. A new roster of independent experts for the inspection function was drawn up, and the first inspection was begun. Public seminars on the inspection function were held in the Lao People's Democratic Republic and Nepal, and eight seminars to brief ADB staff were held at headquarters. The 34<sup>th</sup> Annual Meeting of ADB's Board of Governors was held in Honolulu, Hawaii, from 9 to 11 May 2001.

In informal meetings, the Directors examined a range of issues, including country strategies and program reporting structure and updates, working with NGOs, and a strategic approach for ICT for the Asian and Pacific region.

## **Board committees**

The Board of Directors had four standing committees and one working committee in 2001. *For membership, see Appendix 4.*

### **Audit Committee**

The responsibility for evaluating operations was transferred from the Board's Audit Committee to its newly created Development Effectiveness Committee in 2001. This shift allowed the Audit Committee to focus on internal controls, and internal and external audits. In its 2000–2001 report, the Audit Committee concentrated on the impact of the new financial accounting standards (FAS 133) on ADB's financial statements. It stressed the importance of closely following the evaluation of current thinking among the multilateral development banks regarding figures to be adopted for financial decisions and the use of three parallel accounting frameworks. The Committee oversaw the bidding process for selecting external auditors for 2001–2004 and concurred with the reappointment of PricewaterhouseCoopers LLP; reviewed and endorsed the 2001 work program of the Office of the General Auditor, including the activities of the Anticorruption Unit; recommended that the new Regional and Sustainable Development Department be the focal point in ADB for good governance activities; and monitored the implementation of and internal operational controls in the development of INTEGRA, the integrated computer system being implemented in ADB.

### **Budget Review Committee**

The Budget Review Committee met in June 2001 to review the implementation status of the Information Systems and Technology Strategy (ISTS), future information technology directions for ADB, and capital expenditures for 1998–2002. In November, it reviewed Management's 2002 budget proposal, 2001 work accomplishments, and 2002 work plans of ADB departments and offices.

At the June meeting, the Committee noted the generally satisfactory progress of most ISTS subprojects. While noting delays in implementing the INTEGRA system, it asked that the interface between the INTEGRA and other planned systems be properly established and

coordinated promptly to ensure seamless data generation and information flows to optimize the system's integration.

In November, the Committee noted the expected benefits in the new regional department structure, especially in terms of services to DMCs, and focus on long-term approaches. It noted that the success of the reorganization would hinge on the effectiveness of the Regional and Sustainable Development Department. It emphasized the critical role of the Knowledge Management Committee in effectively coordinating departments and offices in the knowledge group, and stressed the importance of the new business processes in improving efficiency and effectiveness, and reducing transaction costs.

The Committee noted that the number of new policies and mandates approved over the last 5 years had placed increased pressure on ADB resources, and that ADB's policy mandates needed to be adequately funded and staffed.

The Committee welcomed the introduction of environmental and social guidelines in private sector operations and suggested that the Private Sector Operations Department explore more ways to address poverty reduction. It noted that ADB's portfolio management was as important as project processing and stressed the importance of exploring innovative ways to assess the leverage effects of ADB's assistance.

The Committee noted that the transition to London interbank offered rate (LIBOR)-based lending (LBL) would require a radical change in accounting systems and a strong team to ensure that ADB and its DMCs get the full benefit of LBL.

On the budget process, the Committee urged ADB to explore translating into budgetary terms the cost of implementing policies and other key initiatives, and also, to the extent feasible, the benefit expected in terms of the leverage effects of ADB assistance. It sought clarification of the rationale for cost demarcation between technical assistance and internal administrative expense (IAE), stressing the need for ADB to remain rigorous in distinguishing between technical assistance and IAE-financed activities.

The Committee noted several key training programs aimed at building mission leaders' capabilities. It also urged more effort in the recruitment and career development of women professional staff. It urged that security, financial, personal, and professional issues be considered to facilitate recruitment and retention of these staff.

The Committee recommended approval of the budget for 2002.

### ***Development Effectiveness Committee***

The Development Effectiveness Committee, established in December 2000, became active in 2001. The Committee's mandate is to help the Board ensure that ADB's programs and activities achieve the desired development objectives and use ADB resources efficiently.

The Committee focused on ADB's operations evaluation program and results. It reviewed the annual work program of the Operations Evaluation Department (OED); reviewed the annual programs for project and technical assistance completion reports coordinated by the Central Operations Services Office (COSO); discussed with staff OED's Annual Review of Evaluation Activities in 2000 and COSO's Semiannual Report on Loan and Technical Assistance Portfolio Performance for the period ending 31 December 2000, and prepared Committee reports on these; and reviewed selected OED evaluation reports.

The Committee concluded that the evaluation of ADB's development effectiveness was carried out adequately and efficiently in 2001.

In its reports to the Board, the Committee emphasized the need to assess realistically the achievements and sustainability of completed projects, and specify and implement follow-up measures to support sustainability; incorporate adequate provisions for operation and maintenance in project design; ensure government ownership and local participation in projects; whenever possible, specifically target the poor

to ensure that they benefit from projects; focus on long-term rather than short-term reforms; continue efforts in capacity building for project implementation in the DMCs; and use ADB's resident missions effectively.

### ***Inspection Committee***

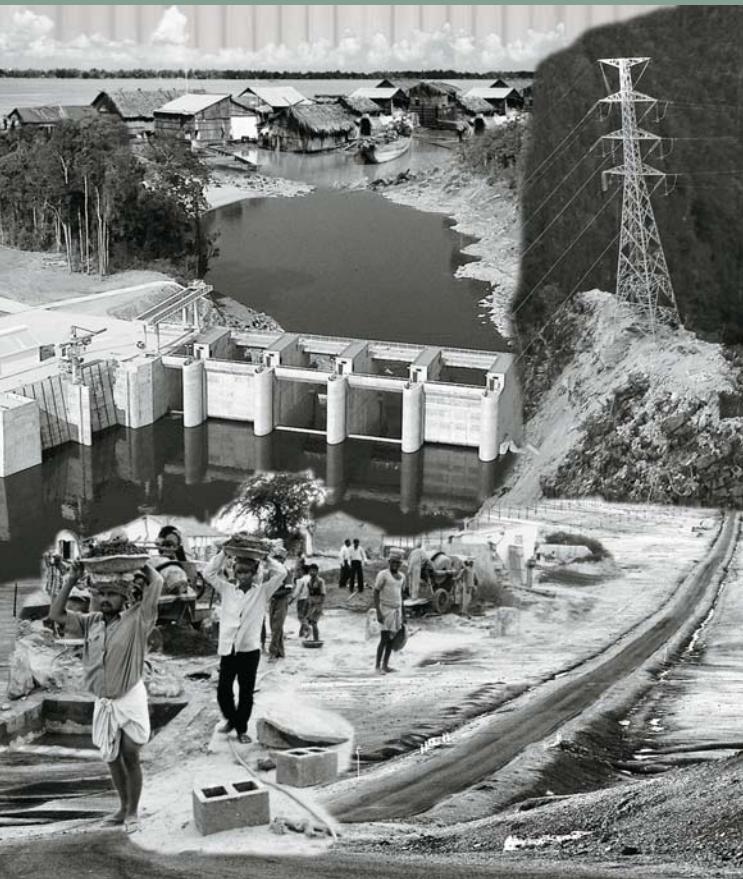
In 2001, the Inspection Committee assisted in evaluating candidates for the new roster of independent experts, who were subsequently appointed by the Board in July 2001, with 5-year terms expiring on 30 June 2006. The roster now comprises 35 names from 20 countries. *For details, see <http://www.adb.org/inspection>.*

In April 2001, the Inspection Committee received a request for an inspection of the Samut Prakarn Wastewater Management Project in Thailand and, in July, the Board approved the Committee's recommendation for an inspection.

The Committee noted and subsequently expressed concern that some policies had been approved by the Board but had not yet been incorporated into the Operations Manual, thereby excluding them from the scope of the Inspection Policy. Management is reviewing the issue.

The Committee selected three panel members (the Panel), who inspected the Project in September 2001. The Panel's final report was forwarded to ADB Management in December 2001.

Also in December, the Committee received a request for inspection of the Southern Transport Development Project in Sri Lanka.



Special Theme

# EMPOWERING NATIONS

THROUGH REGIONAL COOPERATION

**“Regional cooperation eliminates physical and nonphysical barriers. It amplifies domestic development by widening the options available to participating countries, expanding markets and access to key imports.”**

Together, the strength of a whole is greater than that of its individual parts. Together, nations are empowered. This is the essence of regional cooperation.

Not long ago, 22 senior government officials from 6 countries, 7 staff members from Asian Development Bank (ADB), and 3 representatives of the private sector and civil society traveled together along a bumpy Mekong road. Like regional cooperation, the road was not always smooth. Together, they overcame the discomforts of this long journey. The ultimate goal was to experience firsthand the need for, and benefits of, regional cooperation on their individual nations.

Cooperation is a powerful instrument for dealing with regional issues. It enables nations to combine their strengths and optimize benefits from positive external influences. By the same token, regional cooperation enables nations to mitigate the adverse effects of negative externalities, such as crossborder pollution and the spread of infectious diseases. It also creates an environment where common services and development programs can be shared.

Nations work together. Nations grow together. This special theme chapter discusses this growth through cooperation.

## ADB: a natural partner

ADB has long recognized the value of regional cooperation for individual nations and the Asian and Pacific region as a whole. In its 1966 Charter, ADB cited economic cooperation as a means for achieving a more efficient use of regional resources, making economies more complementary, and promoting the orderly expansion of foreign trade, in particular, intraregional trade. In 1994, ADB approved a policy that formalized its role as a catalyst for regional cooperation. And more recently, ADB’s Poverty Reduction Strategy and the Long-Term Strategic Framework (LTSF) 2001–2015 formally identified regional cooperation as a core component in the agenda for reducing poverty.

Its location and policy framework position ADB for maximum impact in bringing nations together. Its over 35 years experience in development work—loan projects, sector studies, and technical assistance—provide the foundation for linking national sector development programs to

crossborder regional projects. This foundation was strengthened in 2001 when ADB's new organizational structure—which mirrors the Asian and Pacific region's major geographical subregions<sup>1</sup>—was approved. The programming, processing, and delivery of all ADB development activities are now within regional departments; ADB can help its developing member countries (DMCs) plan and manage regional cooperation initiatives as part of each regional department's aggregate operational program.

Being positioned to catalyze cooperation is key, but several other factors also contribute to ADB's comparative advantage in the field, the most important being the mandate of the participating DMCs. In each regional and subregional cooperation initiative, the DMCs themselves proposed the programs ADB launched. The countries recognized the potential economic and social benefits of cooperation, and provided the political will to ensure effective implementation. ADB, in the role of an honest broker, brought the initiatives together.

ADB has promoted several regional and subregional cooperation initiatives over the years. The oldest and perhaps best known by the development community is the Greater Mekong Subregion (GMS) program which combines the individual strengths of six countries—Cambodia, People's Republic of China (PRC), Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam. Other important initiatives include the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN (Association of Southeast Asian Nations) Growth Area (BIMP-EAGA), Central Asian Regional Economic Cooperation (CAREC) initiative, and the South Asia Subregional Economic Cooperation (SASEC) initiative. In addition, ADB has long promoted the grouping of 12 Pacific DMCs, and is now also supporting a new regional cooperation initiative between the PRC and Mongolia.

As poverty reduction in the Asian and Pacific region is ADB's overarching goal in all its operations, interventions within regional cooperation are focused on those areas with the most widespread poverty. The most stark example is the South Asian initiative, which covers a subregion of over half of Asia's poor, or about 500 million people living on less than a dollar a day.

## Regionalization in a global context

Global forces are reshaping the context of Asian development. Globalization has meant significant growth in the Asian and Pacific region in areas such as trade,<sup>2</sup> and the increase in global capital flows has been even

more dramatic.<sup>3</sup> Globalization has made capital increasingly mobile, which in turn has led to the potential to accelerate the development of countries. Globalization has increased the volume and speed of international communications, and is changing the structure of global production. Globalization, supported by technology transfer, has led to a rise in productivity and increasing specialization of the labor force.

Although globalization has led many Asian countries to an unprecedented level of material well-being, it has also brought risks, as evidenced by the 1997 Asian financial crisis. In the aftermath of 11 September—for the first time since the 1970s oil crisis—all three engines of global economic growth (expansion of regional trade and tourism, foreign exchange earning capacity, and employment-intensive activities) are faltering. Without a carefully coordinated response, global economic progress may begin to reverse.

On a global scale, international institutions can monitor and promote globalization to maximize benefits and minimize risks. For example, the United Nations (UN) system and Bretton Woods Institutions formulated the institutional architecture of global governance and global economic management.

Similarly, regional institutions and groupings act as conduits between individual countries and global institutions.<sup>4</sup> Regional consensus can facilitate and monitor regional compliance with international agreements. Regional groupings can be platforms for regional cooperation in infrastructure projects.

Regional integration initiatives in Asia include the expanding ASEAN and the Asia-Pacific Economic Cooperation (APEC) structure.

Regional groupings are not necessarily protective trading blocks that militate against the mandate of the World Trade Organization (WTO) by promoting trade diversion instead of trade creation. Rather, regional institutions and arrangements can form the intermediate building blocks of a global economic system—thus forming a relationship of synergy rather than substitution.

Regional integration complements globalization in two general ways. First, indicators of global trends—such as investment, production, and trade linkages—are most clearly discernible at the regional level. Second, in an increasingly globalized world, national governments must address shared issues. This creates pressure for mutual adjustment on matters previously regarded as domestic—fiscal, monetary, and investment policies; commercial legislation; and environment and social protection. Regional integration helps individual countries balance domestic development needs with the forces of

## ADB's Role in APEC

APEC, today consisting of 21 economies,<sup>1</sup> was established in 1989 in response to the growing interdependence of economies in the Asian and Pacific region. The region's leaders first met in 1993 to share a vision of achieving regional stability, security, and prosperity. They pledged to find cooperative solutions to the challenges of the rapidly changing global economy by supporting greater regional linkages, reducing trade and investment barriers, and improving education and training. APEC's main goals are to promote a free and open multilateral trading system and enhance trade and investment liberalization and development cooperation in the Asian and Pacific region.

In 1996, ADB was invited by the APEC Secretariat to join the APEC Finance Ministers to help assess the global and regional outlook and advise on emerging economic and financial sector issues. ADB participates actively at all levels (ministerial and technical) with the APEC Finance Ministers, from hosting workshops and conferences, to coordinating work on important reports. For example, ADB helps

- facilitate private sector participation in infrastructure development;
- promote financial and capital market development; and
- create market-based financial structures and policy instruments to facilitate increase capital mobility.

Other topics in which ADB has been involved include

- financial and currency turmoil in Asia: origins, contagion, and policy responses;
- pension reform: a critical assessment of the policy agenda;
- issues of capital account convertibility and the status of APEC economies;
- training for bank supervisors and securities regulators in the APEC Forum member economies;
- credit rating services in APEC economies; and
- corporate governance in the APEC region.

At the 8<sup>th</sup> APEC Finance Ministers Meeting, held in the People's Republic of China on 8–9 September 2001, the Ministers resolved to encourage greater economic cooperation, integration, and openness among APEC economies.

<sup>1</sup> Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russia; Singapore; Taipei, China; Thailand; United States; and Viet Nam.

globalization, creating a manageable context within which to address key global concerns, such as protecting natural resources and controlling the crossborder transmission of diseases.

## Dimensions of regional cooperation

Regional cooperation exists regardless of globalization. Historically, several regional arrangements were initiated to provide strategic defense, especially during the post-Second World War period, but security was not their only reason for existence. Regional cooperation also exists to nurture and enhance economic development,

social development, environmental protection, and protection against crime and terrorism—especially significant in the aftermath of 11 September.

### Economic development

Regional cooperation eliminates physical and nonphysical barriers. It amplifies domestic development by widening the options available to participating countries, expanding markets and access to key imports. This is particularly important for countries—or regions within countries—with limited access to markets and resources. Integrating smaller economies into larger regional economies expands the size of the market, thus facilitating cost reduction through economies of large-scale production.

Regional cooperation makes possible the coordinated development of basic infrastructure, from crossborder power grids and telecommunications links to railways, highways, and inland waterways. Transport projects, in particular, can reduce physical barriers to the movement of goods and people across national boundaries, which may in turn expand regional trade and tourism, increase foreign exchange earning capability, and create employment-intensive activities.

However, cooperation alone is not sufficient to enhance a participat-

ing economy's growth potential. The benefits of infrastructure that reduce physical barriers to trade and investment may still be severely constrained by nonphysical barriers to the movement of goods, services, information, and people. Procedures, regulations, and policies must be streamlined to increase the efficiency of investments in infrastructure and production facilities. A streamlined policy framework can also stimulate crossborder investment and trade growth. Regional cooperation that simultaneously addresses physical infrastructure and software needs, such as trade and investment facilitation, can increase the subregion or region's potential attractiveness to

investors, to the benefit of all participating economies. It can also help integrate the region more closely into the global economy.

Likewise, the effective collection and sharing of financial information as well as regional policy coordination and cooperation can support global financial stability.

### **Social development**

As regional and global integration accelerates, so too does the crossborder transmission of diseases such as malaria, tuberculosis, and HIV/AIDS. The ability of individual DMCs to monitor and respond to outbreaks of these diseases varies. The overall health of a region can improve if the spread of diseases is prevented.

Just as regional cooperation can help control the spread of disease, it can help promote education. Networks of advanced learning centers can serve as resource centers for the entire region. For example, while it may not be financially feasible for individual countries to host a large learning center or university, centers such as the International Rice Research Institute and the Asian Institute of Management in the Philippines and the Asian Institute of Technology in Thailand can and do service entire regions.

### **Environment and natural resource management**

Environmental degradation is not confined to individual countries. This is especially so in the Asian and Pacific region, which covers 23% of the world's land area and contains 55% of the world's population—a population density of 93 people per square kilometer, compared with a worldwide density of 24 people per square kilometer. The rate of urbanization is unprecedented. The region's environment is besieged by pollution and resource degradation. Renewable resources are being depleted faster than they are regenerated; air and water pollution, poor sanitation, and urban congestion are causing profound long-term health problems; traffic congestion is resulting in millions of dollars of lost work; and fragile ecosystems are being destroyed with critical long-term development implications. The region is often struck by floods, droughts, landslides, forest fires, and chemical and nuclear accidents—all of which are aggravated or caused by environmental degradation. Better environmental management can prevent such disasters. Regional cooperation initiatives can help mitigate the effects of natural environmental disasters and those caused by human activities, such as erosion, flooding, forest fires, and air and water pollution.

### **Crime prevention**

Globalization has led to a surge in crossborder activities—legal and illegal. And while crime is becoming increasingly global, law enforcement remains constrained by national boundaries. Crossborder trafficking of people especially women and children, drugs, arms and other contraband, and money laundering through global banking and capital markets have grown rapidly. These global crimes require a coordinated international response, which is reinforced by regional initiatives based on close cooperation among countries.

## **Economic cooperation initiatives**

### **Subregional programs**

**Greater Mekong Subregion:** When initiated in 1992, relations among several of the GMS countries were strained, and trade and other forms of cooperation were limited. Peace in the region was complemented by ADB's program for subregional economic cooperation, and the GMS program is now regarded as one of the most successful models of regional cooperation in Asia.

The establishment of trust and goodwill, and improved confidence among the participating countries led to investments in infrastructure and promoted further cooperation. Participating countries have formed cooperation agreements on new air routes, river navigation agreements, and border development. By mid-2001, 10 projects totaling \$2 billion and technical assistance amounting to \$46 million had been completed or were being implemented.<sup>5</sup>

The initial emphasis was on developing physical infrastructure linkages to increase trade and encourage investment among the countries. Priority went to subregional projects in energy, transport, and telecommunications, including the Phnom Penh-Ho Chi Minh City Road Project and the Theun Hinboun Hydropower Project. As the program evolved, increased attention went to human resource development, tourism, environment, and investment and trade. Initiatives in human resource development included addressing the needs of ethnic minorities in the border regions, searching for ways to mitigate the transborder spread of communicable diseases, and joint efforts to counter drug production and use. Initiatives in tourism included improving the access, promotion, and development of projects in full partnership with the private sector.

The GMS program now emphasizes the software components of physical infrastructure projects, such as

## Regional Cooperation Initiatives



ensuring the success of investments in transport projects by working to reduce legal and policy barriers to the movement of goods and people. Synergy between economic activities and infrastructure development is being achieved by developing economic corridors. The first of these—the East-West Economic Corridor—is a 1,500-kilometer road link from Mawlamyine on the Andaman Sea in Myanmar, traversing Lao PDR and Thailand, and ending at Da Nang near the South China Sea in Viet Nam. By 2004, it will be possible to traverse 90% of the corridor along a modern, all-weather highway.

At the 10<sup>th</sup> GMS Ministerial Conference in late 2001 in Yangon, Myanmar, the GMS ministers expressed their intention to strengthen and accelerate their economic cooperation initiatives and endorsed a 10-year strategic framework to serve as the blueprint for this. They agreed to

- strengthen infrastructure linkages with a multisectoral approach;
- facilitate crossborder trade and investment;
- enhance private sector participation;
- develop human resources; and
- promote environmental protection and sustainable use of shared natural resources.

The ministers endorsed 10 flagship projects, including further developing the East-West Economic Corridor and the Chiang Rai-Kunming road (North-South Corridor Project); facilitating crossborder movement of goods and services; and promoting the role of the private sector, particularly small- and medium-sized enterprises. Public-private partnerships will be promoted through the recently established GMS Business Forum. Major activities will include pilot testing single-stop customs inspection procedures, and working to complete the accession process for all GMS countries to the Framework Agreement for the Facilitation of Crossborder Movement of Goods and Peoples in the GMS by 2005. ADB will continue to help build the capacities of national institutions in program management.

Several lessons from the GMS program have relevance to other regional initiatives in Asia.

- Countries must have ownership as well as the capacity to lead, manage, and monitor the initiative.
- Broad-based participation of local officials, civil society, private sector, and nongovernment organizations is needed.
- Equitable sharing of the costs and benefits of crossborder projects is required.
- Success requires sustained diplomacy and long-term commitment by parties concerned.

For more on the GMS initiative, see <http://www.adb.org/gms>.

**Central Asia:** The former Soviet republics in Central Asia face the twin challenges of building their nations and making the transition to a market economy. Given the countries' landlocked and remote locations from major world markets, small domestic markets, and complementary resource endowments, especially in energy and water, these challenges are formidable.

The Central Asian Regional Economic Cooperation (CAREC) program was initiated in 1997 to support and encourage economic cooperation among the PRC,<sup>6</sup> Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. Azerbaijan and Mongolia are expected to join soon. With the overall objectives of promoting economic growth and raising living standards, CAREC focuses on promoting market integration within and outside the region, financing infrastructure projects, and improving the accompanying policy environment.

Like other regional cooperation initiatives, CAREC's focus has evolved. Early efforts were on raising awareness of the importance of regional cooperation, mainly through workshops, seminars, and studies. As mutual understanding and trust developed, the emphasis shifted to identifying and preparing priority regional projects in transport, energy, and trade, and in policy reforms to remove crossborder barriers to the movement of goods and people.

In August 2001, senior government officials reemphasized reiterated their support for ADB involvement in transport, energy, and trade. They also agreed to establish an overall institutional framework—consisting of a policy-making ministerial-level conference and implementation arrangements—to help strengthen the program and provide a mechanism for high-level policy dialogue, consensus building, and mobilizing resources.

ADB's efforts have begun to bear concrete results. In October 2000, ADB approved a \$57 million loan for the Almaty-Bishkek Regional Road Rehabilitation Project to improve a road link between Kazakhstan and the Kyrgyz Republic. A feasibility study on improving the Central Asia power transmission system has been completed. In addition, ADB continues to lead in addressing issues with a direct impact on the livelihood of people and poverty reduction. A project to manage education reform by reviewing key policy issues and development strategies, and collective discussions on education reform is one such initiative. Another is a project to improve nutrition of poor mothers and children by fortifying salt and flour with iodine.

The events of 11 September led to increased ADB support for economic cooperation in Central Asia. Trade facilitation initiatives will focus on regional cooperation

in customs, a pilot joint processing project, and capacity building. An agreement has been reached with the Kyrgyz Republic and Tajikistan for ADB to assist in customs modernization and cooperation. In the transport sector, the focus will be on rehabilitating key sections of the regional transport networks. Technical assistance will help prepare the Kyrgyz Transport Corridor Project, which will develop a transcontinental rail and regional road link. ADB will continue to provide support to rationalize the use of regional energy networks and support regional initiatives to explore hydropower resources.

Annual ministerial conferences for the CAREC initiative will serve as important means for achieving long-term stability and prosperity in the region. The Ministerial Conference<sup>7</sup> planned for 2002 is expected to advance support for economic cooperation in the region by prioritizing regional investment and other projects, explore new prospects for cooperation in the context of Afghanistan's reconstruction, and facilitate coordination with other funding agencies and the international community within the CAREC initiative. *For more on the CAREC initiative, see <http://www.adb.org/CAREC>.*

**South Asia:** The South Asia Subregional Economic Cooperation (SASEC) subregion, comprising Bangladesh, Bhutan, India, and Nepal, has significant resources and potential. It also has more than 500 million of the 900 million people in Asia living on less than a dollar a day.

The complementarities among these countries—vast endowments of hydropower, hydrocarbon, and other minerals; ports; a large deltaic rice bowl; and skilled low-cost workforce—could rapidly reduce poverty through high growth, led by subregional cooperation.

In 1997, the foreign ministers of Bangladesh, Bhutan, India, and Nepal organized the South Asia Growth Quadrangle (SAGQ) to build on those complementarities. Launched by the Foreign Ministers, SAGQ identified five priority sectors for cooperation, established action committees for each sector, and assigned coordinating responsibilities among its members. Bangladesh was responsible for energy, Bhutan for environment, India for trade and investment, and Nepal for transport and tourism. SAGQ requested assistance in developing the sectors; that request led to the South Asia Subregional Economic Cooperation (SASEC).

The SASEC program began in 2000 with a regional technical assistance for a private sector forum on economic cooperation in South Asia, an ADB-supported initiative of the chambers of commerce of Bangladesh, Bhutan, India, and Nepal. Subsequently, a regional initiative was launched to identify and prioritize subre-

gional projects in tourism, environment, transport, power and energy, trade and investment, and private sector cooperation. Each working group met in 2001,<sup>8</sup> with the participation of top officials demonstrating the governments' high-level commitment to the program. The sector working groups established specific priorities and identified project concepts.

The SASEC program also organized a regional roundtable on information and communication technology (ICT)<sup>9</sup> to bring together key players from the ICT sector in SASEC and the GMS to interact with their public and private sector counterparts. The activity was aimed at learning from India's success in ICT and applying the lessons to their own ICT development strategies. The roundtable generated concrete proposals for regional cooperation in physical infrastructure, and institutional and capacity-building dimensions of ICT. These range from fiber optic extensions to India's neighbors to cyber laws and human resource development in the ICT sector.

In addition, several investment projects initiated within SASEC countries have subregional implications:

- a north-south transport corridor in India, from Siliguri to Kolkata and Haldia in West Bengal, with links to border points in Bangladesh, Bhutan, and Nepal;
- the Northwest Road Corridor Improvement Project in Bangladesh, from Panchagar to Bangla Bandh, which can be linked to Nepal and India; and
- the Fourth Road Improvement Project for Nepal's East-West Road Corridor, which links to the road corridors in Bangladesh and India through Kakarbita.

ADB's Private Sector Group has also invested in Lafarge Surma Cement, Ltd., the first subregional private sector project, which will transport limestone from Meghalaya, India, to a cement plant in Bangladesh through a crossborder conveyor system. *For more on the SASEC initiative, see <http://www.adb.org/SASEC>.*

**Southeast Asia:** Significant advances were made in regional cooperation in Southeast Asia in the mid-1990s. However, progress stalled after external and internal shocks spoiled the investment climate: the Asian financial crisis in 1997; the destruction caused by the El Niño and the La Niña weather phenomena in 1998 and 1999; changes in political leadership at national and local levels; and armed domestic conflict in some areas.

Opportunities to revive regional cooperation in Southeast Asia increased in 2001. Efforts of governments concerned are focused on the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) and the Brunei Darussalam-Indonesia-Malaysia-Philippines East

## Priority SASEC Activities Identified by Working Groups in 2001

### Tourism

- Promote the subregion by adopting a theme reflective of the region
- Hold an annual tourism forum and produce promotional materials in various media
- Develop a common product around ecotourism
- Undertake a human resource development program for the tourism industry
- Improve aviation and road access, and border and visa facilities
- Develop a tourism master plan for the SASEC region

### Environment

- Watershed and biodiversity management
- Cleaner production, and waste and pollution management
- Information networking

### Transport

- Logistics approach
- Institutional issues
- Procedural issues

### Power and Energy

- Regional power system master plan

### Trade, Investment and Private Sector Cooperation

- Various subregional trade and investment facilitation services to be provided through the South Asia Business Forum, a new network of apex chambers of commerce from the SASEC countries

ASEAN Growth Area (BIMP-EAGA). Political leaders are focused on addressing the socioeconomic causes of security problems, and are planning measures to improve the environment for private sector participation, such as identifying new prospects for private sector partnerships in each other's countries and lowering trade barriers.

ADB reaffirmed its support for regional cooperation in BIMP-EAGA in late 1999 when it initiated a study of small- and medium-sized enterprises (SMEs) in Indonesia and the Philippines to help develop and strengthen the private sector. The resulting strategy was endorsed by both countries' governments and was aimed at developing SMEs in areas within the framework of the BIMP-EAGA subregional cooperation mechanism. ADB is undertaking activities to implement the SME development strategy and encouraging other bilateral

and multilateral funding agencies to participate. ADB is examining options to expand the strategy across the entire EAGA region;<sup>10</sup> reviewing the EAGA structure and mechanisms; and examining harmonization of customs, immigration, quarantine, and security rules, regulations, and procedures to revitalize subregional economic cooperation initiatives.

In November 2001, at a meeting of the ASEAN heads, it was agreed to invite ADB as an advisor to BIMP-EAGA. In this role, ADB is preparing a program to help revive and strengthen economic development in the region by reengineering subregional cooperation and jumpstarting economic activity to restore business confidence. Reengineering requires upgrading subregional cooperation mechanisms and improving coordination with bilateral, multilateral, and other subregional development partners, including ASEAN. The initiatives will seek to redefine subregional development priorities and strategies, enhance crossborder trade and investment, strengthen SME access to information, and establish an economic development fund.

ADB is closely following activities in the IMT-GT to help strengthen regional cooperation. As improved transport links are a priority for both the IMT-GT and BIMP-EAGA initiatives, ADB has approved technical assistance to strengthen regional cooperation in this sector.<sup>11</sup>

**Pacific DMCs:** Regional cooperation has underpinned ADB's operations in its 12 Pacific DMCs, which stand to gain from collectively reaping the benefits of economies of scale in public and private activities. The Pacific has more than 200 regional organizations covering issues such as politics, economics, sector development, commerce and trade, and religion. ADB's promotion of regional cooperation has focused on fisheries, airline and airspace management, regional stock exchanges, public sector management, and governance and money laundering. ADB also supports regional studies to assess poverty in the Pacific region and analyze financial sector issues and strategies.

Fish are the most significant economic resource for the small Pacific economies. Together, the exclusive economic zones of the Pacific islands total 30.5 million square kilometers. The total tuna catch in the Pacific averages 1 million metric tons a year—almost one third of the worldwide catch. The tuna industry is worth some \$1.9 billion per annum to Pacific economies.

ADB has a special role in responding to emerging regional concerns. For example, marine resource management, including the Multilateral High-Level Consultations to develop an international tuna management agreement, is an area where ADB

assistance can be especially beneficial. The Forum Fisheries Agency approach gave the distant water fishing nations an improved bargaining position. ADB has also supported live reef fish trade management; environmental and resource management, including climate change and sea level rise resulting from global warming; biodiversity; and indigenous environmental management.

ADB is encouraging negotiations in the area of airline and airspace management. As private investment is often not viable in this area, regional cooperation will enable Pacific nations to develop collaborative arrangements that allow economic and financial viability. Similarly, ADB is helping Pacific DMCs assess their ICT readiness, closing the gap between ICT demand and supply, and increasing the awareness of regional cooperation in this sector. In particular, ADB is focusing on ICT infrastructure development, social inclusion, and electronic governance.

Also showing promising results in the Pacific is ADB's support for regional cooperation in capacity building and information sharing. For example, ADB is promoting regional cooperation to develop economic statistics capacity in selected Pacific DMCs. Public sector management and governance reform continue to be an important ADB focus through support to the Pacific Financial Technical Assistance Center and regional seminars. ADB initiated governance assessments for some Pacific DMCs in 2001, and will continue this process in 2002. ADB has also, in collaboration with the ADB Institute, supported the training of trainers in public expenditure management and private-public partnership in the social sectors.

The financial and utility services sectors are essential for long-term private sector development. An ADB-assisted review of financial sectors in seven Pacific DMCs identified key constraints and facilitated dialogue among countries on regional solutions, including the possibility of electronically linking regional stock exchanges. ADB continues to promote regional cooperation among utility providers through the Pacific Water Association and the Pacific Power Association, which developed benchmarks for their members' utilities and facilitated sharing of experiences and approaches to providing drinking water and power in Pacific countries. ADB also helps Pacific DMCs combat money laundering by establishing legal and financial frameworks that meet international standards.

**The PRC and Mongolia:** Trade and economic relations between the PRC and Mongolia were previously limited. However, by participating in the Tumen River Area Development Program,<sup>12</sup> both countries expressed

interest in accelerating growth and development by strengthening economic cooperation.

To support this, ADB provided technical assistance in 2000 for a strategic study of the options for economic cooperation among three eastern provinces of Mongolia,<sup>13</sup> and the Xinganmeng Prefecture of the Inner Mongolia Autonomous Region in the PRC.<sup>14</sup> The study highlighted the region's potential for developing mineral resources, preserving its diversified ecosystem and unique natural environment, and developing green food production and international tourism. The study recognized that rapid development of the PRC transportation system would help break the region's physical isolation from world markets.

As a result of the study, the two governments agreed on a phased approach for promoting cooperation, beginning with the construction of joint border facilities to allow year-round trade and travel, and also formulating a plan to manage the environmental impact of development arising from enhanced crossborder activities. In the medium term, they agreed to review the export potential of mineral deposits in eastern Mongolia. A shared view on the mining sector's potential will help them formulate a mutually agreed medium-term regional transport plan.

### ***Regional monetary and financial cooperation***

In the aftermath of the 1997 Asian financial crisis, many countries in East Asia sought closer monetary and financial cooperation to achieve greater regional financial stability. Initiatives were in three broad areas: information exchange and economic surveillance; regional financing arrangements; and coordination of macroeconomic and exchange rate policies.

**Information exchange and economic surveillance:** There are three major initiatives in information exchange and economic surveillance: the Manila Framework Group, the ASEAN Surveillance Process, and the ASEAN+3 Surveillance Process.

The Manila Framework Group<sup>15</sup> was formed in November 1997 with the overriding purpose of regional surveillance. Under this process, deputies from the finance ministries and central banks of member countries meet semiannually to discuss regional economic issues of common interest. ADB supports this process by participating in all the meetings and presenting a regional economic outlook to help facilitate policy dialogue.

The ASEAN Surveillance Process was established in October 1998 to strengthen policy-making capacity within the group, based on the principles of peer review

and mutual interest. The Process monitors exchange rates and macroeconomic aggregates, and also sectoral and social policies; and includes provisions for capacity building, institutional strengthening, and information sharing. The ASEAN finance ministers meet twice a year for policy coordination.

The ASEAN+3 Surveillance Process, established in November 1999, involves 10 ASEAN countries and PRC, Japan, and Republic of Korea. ASEAN+3 finance ministers meet semiannually to exchange information and discuss policy issues, and have taken steps to enhance cooperation in monitoring short-term capital flows and developing early warning systems to assess regional financial vulnerabilities and prevent future financial crises.

**Regional financing arrangements:** The ASEAN+3 finance ministers met in May 2000 in Chiang Mai, Thailand, on the sidelines of the ADB Annual Meeting. They agreed on the Chiang Mai Initiative (CMI) to expand ASEAN Swap Arrangements (ASA) to all ASEAN member countries, set up a network of bilateral swap and repurchase arrangements (BSA) among ASEAN+3 countries, and establish a regional financing facility to supplement existing international facilities. Subsequent progress in both areas includes the November 2000 expansion of the ASA to cover all ASEAN member countries. The total amount of the ASA involved is now \$1 billion. Seven of 30 bilateral agreements are now in place, and negotiations are ongoing for several more. Although the amounts involved in these arrangements are relatively small, compared with total crossborder capital flows, the CMI lays the foundation for enhanced regional monetary and financial cooperation. It also attempts to fill an important niche in the international financial architecture.

**Coordination of macroeconomic and exchange rate policies:** Efforts are also under way among East Asian nations to go beyond the CMI and coordinate macroeconomic and exchange rate policies. An ASEAN Currency and Exchange Rate Mechanism Task Force was set up in March 2001. The Kobe Research Project is one

## Preventing and Mitigating Transboundary Atmospheric Pollution

In protecting Asia's environment, ADB takes a proactive approach to many environment issues. One of the most pressing issues in recent years has been the threat of forest fires affecting the ASEAN region. The fires that hit Southeast Asia in 1997 and 1998 were among the most damaging in recorded history, causing a vast pall of haze to hang over the region for months and bringing widespread destruction, disruption of economic activity, health problems, and even deaths. Estimates of the total damage caused by the fires and haze exceeded \$9 billion, covering an area of about 9.76 million hectares (ha), mostly in Indonesia. The resulting smoke and haze spread over an area the size of Western Europe and lasted 6 months, affecting 70 million people in the region. At times, visibility was reduced, making land, sea, and air travel hazardous. Use of open burning techniques for converting forestland to other land uses was one of the underlying causes of these catastrophic fires. But extremely dry conditions associated with the El Niño weather phenomenon also contributed.

Affected ASEAN countries drew up strategies for coordinated action at national and regional levels. At the ASEAN level, a Regional Haze Action Plan was formulated and endorsed by ASEAN Environment Ministers in late 1997. This represented a turning point in the region's approach to the problem. ADB responded by providing advisory technical assistance to Indonesia and regional technical assistance to ASEAN to strengthen its capacity to put the plan into operation. These interventions have been implemented. The regional technical assistance sought to strengthen and formalize cooperation among affected ASEAN countries through short-term measures to support early implementation of the Action Plan; and medium-term measures to enhance awareness of the fires and associated transboundary atmospheric pollution. Another medium-term objective is to strengthen the capability of institutions concerned to implement and monitor the Action Plan.

of the recent initiatives of the Asia-Europe Meeting (ASEM) launched by the Asia-Europe Finance Ministers when they met in Kobe, Japan, in January 2001. In this initiative, studies undertaken by institutions and experts in Asia and Europe explore ways of improving regional monetary and financial cooperation. The ASEM is a gathering of heads of governments from 10 Asian countries,<sup>16</sup> 15 European nations, and the President of the European Commission. Its objective is to strengthen the political, economic, and cultural ties between the two continents. The inaugural ASEM—held in Bangkok in March 1996—started a series of initiatives involving the public and private sectors of all ASEM countries.

**ADB support for monetary and financial cooperation in East Asia—The Regional Economic Monitoring Unit:** ADB established the Regional Economic Monitoring Unit (REMU) in early 1999, and has so far approved 10 regional technical assistance

projects, totaling \$5.1 million, to enhance East Asian countries' capacity for economic monitoring and regional surveillance. Activities under these projects include

- training secondees from ASEAN central banks and finance ministries in economic monitoring and surveillance;
- supporting the activities of the ASEAN Surveillance Coordination Unit located in the ASEAN Secretariat in Jakarta;
- helping establish national surveillance units in the finance ministries of ASEAN countries;<sup>17</sup>
- providing monitoring input to high-level meetings of the ASEAN, ASEAN+3, and Manila Framework Group;
- promoting regional initiatives in monitoring short-term capital flows and establishing early warning systems;
- developing and maintaining a web-based clearinghouse of information on East Asia's recovery and growth; and
- conducting special studies on regional monetary and financial cooperation, including policy options to pursue ASEAN+3 countries' monetary and financial cooperation efforts as part of the Kobe Research Project.

### ***Sector themes in regional cooperation within ADB***

**Agricultural research:** ADB provides annual financing of about \$4 million to the Consultative Group for International Agricultural Research Centers and supports continued research by the International Food Policy Research Institute (IFPRI) and the International Rice Research Institute (IRRI) on developing high-yield, high-profit, iron-rich rice. In collaboration with various funding agencies, and the National Agricultural Research Systems of Bangladesh, Indonesia, Philippines, and Viet Nam, this research has identified a high-yielding, disease-resistant strain of rice (IR68-144) that contains 80% more iron after milling than most modern rice varieties. Efficacy trials are under way and work continues on the viability of distributing this iron-rich germ plasm to participating countries for adaptation to and testing under local conditions. In Asia, 60% of pregnant

women, 50% of all women of childbearing age, and 40% of preschool children are anemic. Anemia permanently impairs cognitive development and learning capacity in infancy, limits capacity to undertake physical labor, reduces immunity, and substantially increases maternal mortality. Since all these factors inhibit income generation, iron deficiency anemia contributes significantly to increased poverty and poses an enormous public health problem. The nutrition study to eliminate anemia is a clear example where multilateral and regional institutions, through regional cooperation, work to address major development issues.

**Water:** The pressure on Asia's water resources is rapidly becoming acute. ADB and its DMCs need to move from water sector investment aimed primarily at creating assets, to holistic, integrated investment to promote efficient water use as stated in ADB's water policy. Investments in water supply and sanitation, irrigation and drainage, hydropower, flood control, and watershed management need to be made in the context of managing water resources within river basins. ADB fosters integrated water resource management, based on comprehensive studies, and concentrates interlinked water investments in river basins. ADB also promotes regional cooperation to increase the mutual benefits of shared water resources within and between countries. The primary focus is to exchange information on water sector reform. Support will also be provided to enhance awareness of the benefits of shared water resources,

### **ADB Joins the Cities Alliance**

The Cities Alliance is a multilateral coalition designed to achieve the promise of well-managed cities. ADB's participation in the Alliance seeks to promote, facilitate, and support improved urban management; strengthen the impact of urban poverty reduction interventions; and enhance networking and cooperation among rapidly urbanizing cities in the region. It also provides a means to improve the efficiency and impact of ADB's urban sector interventions by

- strengthening the process by which local stakeholders define their vision for their city, analyze its economic prospects, develop a viable practical city development strategy, establish priorities for action, and formulate integrated high-priority investments; and
- supporting slum eradication, urban upgrading, and urban regeneration.

ADB's participation in the Cities Alliance expands the level of resources reaching the urban poor by improving urban programs, catalyzing partners' efforts beyond their individual programs, and more directly linking grant-funded urban development cooperation with investment. ADB takes a lead role in promoting sound urban sector policy to advance collective knowledge and share lessons from across regions and through networks of local authorities and their associations.

create sound hydrologic and socioenvironmental databases relevant to managing transboundary water resources, and implement regional or subregional projects.

Successful examples of water sector regional cooperation include the Mekong River Commission and the Interstate Water Commission of Central Asia. ADB supports the Southeast Asia and South Asia water partnerships in exchanging information and ideas on national water sector reforms. In the GMS, ADB funds studies that will lead to improved management of the Tonle Sap, an internationally significant wetland area shared by six countries along the Mekong River. ADB will continue to assist governments in developing collaborative frameworks with stakeholders, including assessing the downstream impact of any ADB-financed water project, in a river basin context.

**Environment:** ADB helps its DMCs address many transboundary environmental issues, including atmospheric pollution, global climate change, greenhouse gas abatement strategies, acid rain in Northeast Asia, emission reduction, cleaner technology, coastal and marine resource management, integrated water resource management, and soil-conserving farming systems. ADB has collaborated with ASEAN to produce *Fire, Smoke, and Haze*,<sup>18</sup> a general guide on preventing fire and haze in the ASEAN region.

A key focus of ADB efforts is promoting regional cooperation for improved environmental governance, including capacity building, policy reform, a regional action plan, data collection, and information sharing. Many vital institutional and infrastructure changes will be required. ADB supports its DMCs in their compliance with environmental provisions of international treaties and agreements.<sup>19</sup> ADB also targets high-level regional conferences on key policy and capacity issues to highlight their relevance to regional development.

**Urban development:** The Asian and Pacific region is experiencing rapid urbanization. Already, one third of the region's 3.5 billion people live in cities and this is forecast to increase by 54% in 2020. The private sector's role in providing services is increasing, and governments are focusing on providing an enabling environment, rather than giving direct services. Most cities in developing countries receive inadequate information, which undermines their ability to understand the forces shaping their urban environments, and thus does not allow them to develop and test effective urban policies. Major economic data measuring the health of an urban economy are seldom collected; data on population growth, rural-urban migration, infrastructure, and the environment are not available in a single location or consistent format; and some data are not collected at all, such as the distribution of job opportunities.

ADB has established a policy-oriented database of urban indicators for research, policy formulation, monitoring development impact of interventions in the urban sector, comparing performance between cities, and improving the efficiency of service delivery. The database, involving 18 cities in 15 countries in the Asian and Pacific region, develops methodologies and criteria to measure and evaluate the efficiency of urban service delivery,<sup>20</sup> and establishes a network for exchanging information on the quality and efficiency of urban management between cities. *Urban Indicators for Managing Cities: Cities Data Book* is designed primarily for policymakers and urban managers of cities in the region and provides information to trigger reforms. ADB has also joined the Cities Alliance, a group of countries and international organizations committed to the goal of "cities without slums."

**Transport and energy:** Regional cooperation in developing transport infrastructure takes advantage of economies of scale, helps reduce the physical isolation of remote regions in Asia, promotes year-round trade and travel in border regions, and opens new areas to mineral exploration. Border areas are also usually the poorer regions, and building proper infrastructure further reduces poverty by promoting the mainstreaming of isolated people. ADB is a driving force in financing or promoting infrastructure for regional and subregional cooperation.

Although the economic feasibility of several regional projects has been established through ADB-funded regional technical assistance, several sector issues must be resolved by participating countries before the infrastructure projects become bankable. The 1997 Asian financial crisis was a major setback, as investments and economic growth in general slowed in the region, and the development of large infrastructure projects was deferred for nearly 3 years.

In the energy sector, regional impact and global warming issues, such as acid rain and greenhouse gas abatement, require effective crossborder commitment. Increasing the use of renewable energy sources minimizes environmental degradation from energy production, facilitates trading in credits, and increases opportunities for decentralized energy service provision. ADB's regional cooperation focus in the energy sector has been on energy trade. Energy resources are not always close to demand centers. Often, DMCs with large resource endowments have small populations and low demand, while DMCs with high demand do not have adequate energy resources. Energy trade benefits both groups. In the power sector, for instance, reducing reserve margins leads to lower overall system costs, and the importing DMC can often avoid adding to pollution.

## Regional Cooperation in Infrastructure Projects

The first ADB initiative to promote regional cooperation in infrastructure was in the Greater Mekong Subregion (GMS), where several transport and power sector projects are ongoing. These include national projects with subregional dimensions and others that are purely subregional projects with a total project cost of more than \$1.9 billion. ADB's assistance to these projects amounts to \$772 million (\$575 million for national projects with subregional dimensions and \$197 million for purely subregional projects). ADB has helped mobilize \$234 million through cofinancing.

In Central Asia, ADB-financed studies in 1997 and 1998 outlined infrastructure needs and policy issues for promoting regional energy trade between People's Republic of China, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. Based on these studies, ADB invested in subregional road rehabilitation projects (\$70 million) between Kazakhstan and Kyrgyz Republic.

The most recent development in ADB's initiatives for regional cooperation is the South Asia Subregional Economic Cooperation Program. The area has resources, including hydropower and natural gas that can be developed economically for the larger subregional market. The subregion has several ports, and complementary transport infrastructure can be created to serve the developmental needs of the subregion and facilitate international trade.

In the next few years, ADB will help put structures in place to start implementing the following regional and subregional infrastructure projects.

### Natural gas pipeline

- Grissik-Batam-Singapore pipeline between Indonesia and Singapore
- Gas transmission network among Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan
- Bangladesh-India natural gas pipeline

### Telecommunications

- Development of a GMS Telecommunications

ADB helps DMCs in the Pacific, which have small energy sectors, share information and performance data, and pool resources for skills development and capacity building. Larger countries with proven energy resources beyond their domestic needs can also benefit from regional cooperation—often requiring regional contracts and significant up-front investment to realize the full benefits of these natural resources. ADB assists in project development and financing, and

Backbone Phase I Project, involving Cambodia, Lao People's Democratic Republic (Lao PDR), and Viet Nam

### Power transmission and trading

- Rehabilitation of transmission lines, substations and load dispatch centers that interconnect Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan
- Construction of a 500 kV power transmission line to interconnect the power systems of Lao PDR, Thailand, and Viet Nam
- India-Sri Lanka electricity link
- Interconnecting transmission lines between Bangladesh, Bhutan, India, and Nepal
- Development of regional hydropower projects in Bhutan, India, and Nepal

### Roads

- Rehabilitation of the Lao PDR section of the GMS Chiang Rai-Kunming Road Improvement Project to complete the key north-south link in the subregion;
- Upgrading the Kunming-Haiphong Multimodal Transport Corridor
- West Bengal Corridor Development Project, a transport project to improve the multimodal linkage between Bangladesh, West Bengal state in India, and Nepal
- Subregional Road Connection Project to improve the links between India and Nepal, and potentially with Bangladesh.

### Rail links

- Rehabilitation of the railway line from Poipet to Sisophon in Cambodia that would link the Thai and Cambodian railway systems and form part of the Singapore-Kunming railway link
- Improvement of the rail links between Chittagong-Dakha-Akhaura in Bangladesh to connect to the northeastern part of India

establishing regional trade that can provide large export earnings to countries owning the natural resource.

**Combating corruption:** Following an inaugural conference in Manila, Philippines, in late 1999, ADB and the Organisation for Economic Co-operation and Development (OECD) have been collaborating to create an anticorruption forum for Asian and Pacific nations to foster regional cooperation in the fight against corruption.

At a conference in December 2000 in Seoul, Republic of Korea, participants from more than 35 ADB and OECD member countries endorsed the ADB/OECD Anti-Corruption Initiative for Asia-Pacific. Its initial objective was to provide a support network for preparing national and regional anticorruption strategies.

At the request of participating countries, ADB and OECD convened expert meetings to draft an action plan based on the priority areas identified in Seoul. The plan includes promoting good governance through legal, institutional, and administrative reforms; strengthening the rule of law; promoting integrity in business operations; and developing proactive strategies to promote citizens' participation in anticorruption efforts. Seventeen countries<sup>21</sup> endorsed the Anti-Corruption Action Plan at the third ADB-OECD Conference,<sup>22</sup> where participants pledged to undertake reforms to curb corruption in their countries.

The Action Plan rests on three reform pillars: improving the civil service, reducing bribery, and involving civil society. The partnership of international civil society, business community, and funding agencies will reinforce the visibility of the Plan. Countries endorsing the Plan will identify actions within the three pillars, and report reforms undertaken to a peer group. An ADB-OECD Secretariat will support each country in implementing the Plan. At the close of the third Conference a steering Group of 17 countries discussed the next steps and expressed interest in subregional cooperation.

In support of the ADB-OECD initiative ADB instituted a Governance Cooperation Fund, with an initial contribution from Canada, to help countries reform their institutions in fighting corruption. Other funding agencies have expressed interest in supporting the initiative.

## Conclusion

There are no blueprints for developing regional cooperation programs. Components such as size, underlying rationale, and degree of public or private sector involvement will always vary. Nevertheless, certain preconditions have to be met if regional cooperation is to be successful, including

- relative assurance of net social gains,<sup>23</sup>
- some complementarity among nations,
- a resource base (natural resources, labor, and capital)
- geographic proximity and cultural and linguistic affinity,
- political commitment and willingness to forgo some measure of sovereignty,

- ownership and commitment to the success of the initiative,
- a clear vision and strong public policy, and
- readiness to invest in physical infrastructure and accommodate policy changes.

Certain elements are required for successful cooperation, notably patience, monitoring mechanisms, and financial resources. It takes time to create the appropriate institutions and build up national capacities. It takes time to achieve results. In regions with a recent history of political conflict, even more time is needed to overcome suspicion and build trust. Regional cooperation programs become more complex as they mature. This leads to increased potential for disagreements over the cost of borrowing for physical investments and the division of benefits—outcomes and natural resources—resulting from the regional cooperation program. To minimize the incidence of disagreements, it is important to establish—as early as possible—monitoring and evaluation capabilities and dispute resolution processes, and to provide training in project appraisal techniques for both local and national planners.

Successful regional economic cooperation also requires significant financing to establish links among geographically contiguous countries and to develop national and regional economies once the basic framework for cooperation has been established.

ADB has provided much of the financing needed to establish the modalities of regional cooperation, most notably in the GMS, and has actively sought cofinancing. The IMT-GT and, to a lesser extent, BIMP-EAGA, were successfully mobilizing private sector capital before the 1997 Asian financial crisis. With the current global and regional economic climate, private capital inflows will slow. Nevertheless, regional cooperation programs will continue to look to the private sector for financing, as well as for local knowledge of small- and medium-sized enterprises.

The form of future ADB assistance will depend on such factors as global and regional developments, program maturity, strength of the private sector, and capacity for mobilizing capital. In programs established more recently, efforts will be directed toward improving confidence among participating members, and ensuring that the institutional basis for sustainable cooperation is properly established. ADB assistance could also be extended to develop new cooperation programs which have a limited number of members and have come into being as a result of greater confidence between countries. Programs in Northeast Asia and several initiatives within the GMS are in this category. In these, ADB's role as a catalyst and honest broker is still critical.

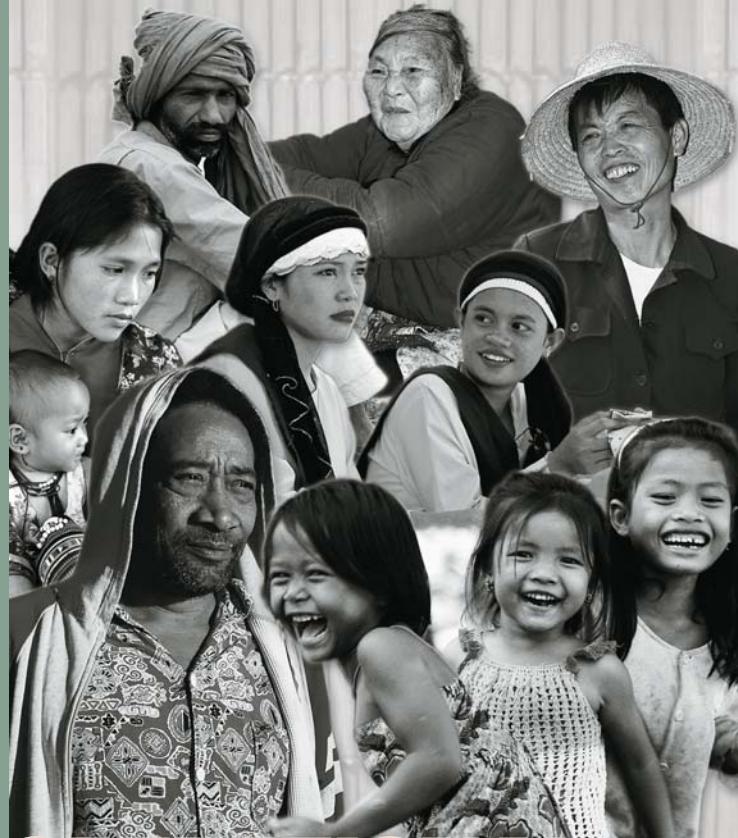
Cooperation is a powerful instrument. Nations combine their strengths and their resources are maximized. Nations work to a common purpose and their goals are reached. Regional cooperation programs have built corridors across nations once divided, saved

forests, built schools, and brought stability and peace to lands once at war. Together, the strength of the group can stop the spread of infectious diseases, mitigate the effects of an environmental disaster, reduce poverty. Together, nations are empowered.

## Notes

- 1 ADB's new regional departments are East and Central Asia; Mekong; Pacific; South Asia; and Southeast Asia.
- 2 Trade as a proportion of gross domestic product (GDP) has increased from about 27% to more than 39% in developed countries, and from 10% to 17% in developing countries in the last 10 years.
- 3 Foreign direct investment rose from about \$192 billion to \$610 billion in the past decade.
- 4 In promoting such regional cooperation arrangements, it is essential to ensure that these are compatible and consistent with higher-level global agreements, such as those under the World Trade Organization, for example.
- 5 ADB financing for these projects is approximately \$770 million for investment projects and \$28 million for technical assistance projects. The Greater Mekong Subregion Program has been successful in attracting cofinancing for regional cooperation projects, particularly in the transport and energy sectors and, to a lesser extent, in the human resource development and environment sectors.
- 6 The initiative includes Xinjiang Uygur Autonomous Region (Xinjiang, People's Republic of China [PRC]), the western-most territory of the PRC bordering the Central Asian republics (CARs). While the development path it has followed in the past decade differs from that of the CARs, it faces similar key regional factors, and thus has similar needs for economic cooperation.
- 7 The First Ministerial Conference on Central Asian Economic Cooperation (CAREC), held at ADB headquarters on 25–26 March 2002, confirmed transport, energy and trade facilitation as the priority areas for economic cooperation, with human resource development as an important aspect of all three. The delegates advocated a practical and results-oriented approach to developing projects. Azerbaijan and Mongolia are now members of CAREC.
- 8 In 2001, the Tourism Working Group met in Kathmandu on 15–16 May; Environment Working Group in Thimpu on 17–18 July; Transport Working Group in Kathmandu on 15–17 October; Power/Energy Working Group in Dhaka on 18–19 November; and Trade, Investment, and Private Sector Cooperation Working Group in Kolkata on 21 December.
- 9 The Regional Roundtable on Information and Communication Technology, for \$90,000, was approved on 21 December 2000.
- 10 The regional technical assistance, Expanding the Strategy for Small and Medium Enterprise Development in the East ASEAN Growth Area, for \$240,000, was approved on 21 December 2001.
- 11 The regional technical assistance, Strengthening Subregional Cooperation in the Transport Sector of East ASEAN Growth Area and the Indonesia-Malaysia-Thailand Growth Triangle Regions, for \$260,000, was approved on 18 December 2001.
- 12 The Tumen River Area Development Programme is a subregional cooperation program in Northeast Asia, involving PRC, People's Democratic Republic of Korea, Republic of Korea, Mongolia, and Russia. It is sponsored by the United Nations Development Programme, which has a Tumen Secretariat in Beijing, PRC.
- 13 The three provinces are Dornord, Hentii, and Sukhbaatar.
- 14 The regional technical assistance, Strategic Study on Development Options for Economic Cooperation between the People's Republic of China and Mongolia in Eastern Parts of Inner Mongolia Autonomous Region, for \$250,000, was approved on 21 December 2000.
- 15 Australia; Brunei Darussalam; Canada; PRC; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; New Zealand; Philippines; Singapore; Thailand; and United States.
- 16 Brunei Darussalam, PRC, Indonesia, Japan, Republic of Korea, Malaysia, Philippines, Singapore, Thailand, and Viet Nam; and 15 European (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, and United Kingdom).
- 17 To date, national surveillance units have been established in Cambodia, Indonesia, Lao People's Democratic Republic, Philippines, Thailand, and Viet Nam.
- 18 S.T. Qadri (Ed.) 2001, *Fire, Smoke, and Haze: The ASEAN Response Strategy*, Manila: ADB.
- 19 These include Agenda 21; the Convention on Biological Diversity; the Ramsar Convention or the United Nations Convention on Wetlands of International Importance; the Convention on Desertification; the Convention on Climate Change and the Kyoto Protocol; and the Basel Convention.
- 20 M.S. Westfall and V.A. de Villa (Eds), 2001, *Urban Indicators for Managing Cities: Cities Data Book*, Manila: ADB. Also available on CD-ROM and at web site: [www.citiesdatabook.org](http://www.citiesdatabook.org)
- 21 Bangladesh, Cook Islands, Fiji Islands, India, Indonesia, Japan, Republic of Korea, Kyrgyz Republic, Malaysia, Mongolia, Nepal, Pakistan, Papua New Guinea, Philippines, Samoa, Singapore, and Vanuatu.
- 22 The third ADB-Organisation for Economic Co-operation and Development Conference, Taking Action against Corruption in Asia and the Pacific, was held in Tokyo in November 2001.
- 23 While resulting gains from market expansion and removal of inefficiencies (Harvey Leibenstein, "Allocative Efficiency vs X-Efficiency," in *American Economic Review*, LVI [June 1966], pp 392–415), among others, plus political and social gains from cooperation and stability, are often enough to justify the effort in regional cooperation, the presence of complementarities between members of the group vastly increases the basis for cooperation.

“Tackling poverty is a complex business. Economic policy and management must be oriented toward the goal of reducing poverty and there must be development of robust markets and institutions; special provision for vulnerable groups; and improved governance to ensure that economic, social, and other gains are sustained. Poverty reduction also requires having committed leadership and setting priorities with adequate resource allocation.”



## OPERATIONAL PRIORITIES

**T**wo years ago, the Asian Development Bank (ADB) rededicated itself to reducing poverty in the Asian and Pacific region. Its strategy—Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy—approved in 1999, provided the direction for all new ADB operations and activities. In 2001, ADB approved the framework to support the implementation of the poverty strategy—the Long-Term Strategic Framework (LTSF) 2001–2015 and the Medium-Term Strategy (MTS) 2001–2005.

In the 2 decades prior to adopting the strategy and framework, Asia had experienced high, sustained economic growth rates and lower population pressures, which led to better living conditions and less poverty. Between 1990 and 1998, the percentage of people in Asia and the Pacific living below the dollar-a-day poverty line fell from 29% to 24%. The sharpest reductions were in the market economies (Hong Kong, China; Republic of Korea; Singapore; and Taipei, China) and the People’s Republic of China (PRC), with the number of people living on less than a dollar a day decreasing by 100 million in the PRC.

The advances, however, were not evenly distributed. Many people continued to live in poverty

and several countries faced additional problems. For example, rapid urbanization increased urban poverty. As populations aged in Asia, protection of the elderly became a new challenge. The transitional economies of Central Asia were severely affected by the breakup of the Soviet Union and their adjustment to becoming market economies has not led to reduced poverty. Many Pacific developing member countries (DMCs) struggled also to transform their economies from subsistence to market-based economies and, as in the Central Asian republics, the reduction in poverty has not been significant.

The impact of the financial and political crises in Asia and the Pacific much more severely affected the poor than those above the poverty line. The 1997 Asian financial crisis revealed the extreme volatility of capital and the consequent vulnerability of a large portion of the region's population. In Indonesia, for example, the incidence of poverty decreased continuously from 1980 to 1996, from 28.6% to 11.3%. But in 1998, the incidence of poverty increased to 24.2%, back to the levels of the 1980s. Between 1996 and 1998, the number of poor people in Indonesia increased by 27 million. In Thailand, the 1997 crisis sent 1 million people back into poverty. This was the climate in which ADB sharpened its focus on poverty.

## Reducing poverty

Tackling poverty is a complex business. Economic policy and management must be oriented toward the goal of reducing poverty and there must be development of robust markets and institutions; special provision for vulnerable groups; and improved governance to ensure that economic, social, and other gains are sustained. Poverty reduction also requires having committed leadership and setting priorities with adequate resource allocation.

To implement its Poverty Reduction Strategy, ADB hired new staff, trained existing staff, reclassified lending, strengthened operations, and began work on reorganizing itself. Detailed poverty analyses were conducted in nearly all DMCs, the majority of the high-level forums on poverty were completed in Asia, 8 DMC partnership agreements on poverty reduction were signed, and 13 more were prepared. Projects are now designed to either accelerate pro-poor growth or to focus directly on reducing poverty. A Presidential Committee, chaired by ADB's President, monitors these interventions.

## Long-term strategic framework

The LTSF, approved in 2001, responds to the development challenges in the Asian and Pacific region, including the need for investments in infrastructure and growth-promoting activities for ensuring sustainable economic growth, inclusive social development, and good governance; policy reforms; and institution and capacity building. The LTSF also addresses the International Development Goals and the more recently endorsed Millennium Development Goals.

The LTSF addresses three core strategic areas:

- sustainable economic growth that covers broad-based growth-promoting activities, including investments in physical and social infrastructure; an

environment program that promotes environmentally sound development; and active private sector development;

- inclusive social development, with investments in social support programs and a policy and reform agenda that promotes equity and empowerment, especially for women and disadvantaged groups; and
- governance for effective policies and institutions, which includes support for public sector management at all levels, legal and judicial reform, and improving public accountability. The

## Assessing Poverty

### Collaboration in the Pacific

Poverty assessment for all Pacific developing member countries (DMCs), conducted by ADB in 2001, built on existing databases and further identified preliminary country-specific poverty reduction strategies. Essential to the process is government commitment to examining poverty in this multidimensional context. Civil society participation and stakeholder consultations on poverty as well as the collaboration of funding agencies continue to be critical in conducting regional poverty assessment.

In Papua New Guinea, ADB is collaborating with the Australian Agency for International Development, United Nations Development Programme (UNDP), and World Bank in conducting poverty analyses for socioeconomic development strategies. Participatory assessment is occurring at the national and community levels.

In East Timor, ADB is collaborating with the United Nations Transitional Administration in East Timor, UNDP, and World Bank in conducting a comprehensive poverty assessment to develop the country's socioeconomic development strategies. In 2001, a village-level survey was completed, and the household survey and participatory poverty assessment were begun.

### Participation in India

ADB started its participatory poverty assessment (PPA) in three states in India—Gujarat, Kerala, and Madhya Pradesh—in 2001 with technical assistance administered by the India Resident Mission's staff. ADB worked closely with other funding agencies to develop synergies in the process. Stakeholder consultations involving state governments and nongovernment organizations ensured ownership and provided feedback for determining the themes for India's PPA. The PPA covers urban and rural areas and includes the socially, ecologically, and economically vulnerable groups in over 300 villages spread over 30 districts in the 3 states.

Field-level PPAs will be documented in a state poverty assessment report. A quantitative study is being conducted simultaneously in the 3 states by the National Institute of Rural Development to consolidate the results of the PPA. The findings will be discussed at various stakeholder forums and incorporated in future strategies for India. Based on the state governments' response to the assessment, a fact-finding mission visited 4 more states in 2001 to assess the possibility of extending the PPA.

processes and procedures for more effective participation in decision making, which would lead to equitable and inclusive growth especially by civil society, are also promoted.

Several operating principles—to ensure selectivity at the country level and to enhance the development impact of ADB's support to its DMCs—guide the implementation of the LTSF. Among these are ensuring country leadership and ownership of the development agenda, enhancing strategic alliances and partnerships, and measuring the impact of development.

### **Sustainable economic growth**

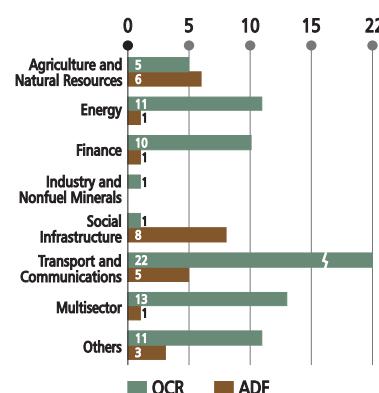
Building and upgrading physical and social infrastructure throughout the region is a precondition for sustained growth. Extensive unfulfilled demand exists across the region, ranging from the basic to the more sophisticated infrastructure, services, and skills. The region's investment needs are substantial: physical infrastructure alone is estimated at close to \$3 trillion over the next 15 years.

Although the role of private capital and markets is expanding rapidly, public investment in providing physical infrastructure will continue to be important. Many

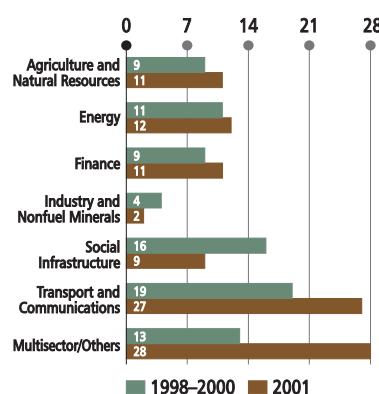
areas of investment—all too often those where poverty is most persistent—are perceived by private investors as entailing high risks and low financial returns, and thus do not attract private investment. Because of fragile capital markets, ADB's role in helping DMCs mitigate high sovereign risk and obtaining capital to finance development will continue, as will its traditional role of providing finance for public investment in infrastructure. As the region's economies, capital markets, and financial institutions and instruments develop and diversify, ADB will increasingly act as a catalyst in mobilizing private sector resources and facilitating public-private partnerships for infrastructure.

Large investments will also be required in the social infrastructure sector, particularly education, health, housing, and water supply and sanitation. Investments in education and health are needed for

**Sector Distribution of Loan Approvals from OCR and ADF, 2001 (percent)**



**Sector Distribution of Loan Approvals: 1998–2000 (average) and 2001—By Value (percent)**



sustaining growth and productivity and for promoting human development. Providing efficient social services to the poor and women is essential.

The nature of the social infrastructure and investment required evolves in response to changing demographics and technology. For example, providing basic education is a continuing investment challenge in many DMCs, especially when a large proportion of the population is young. On the other hand, providing educational systems and curricula that raise the levels of technical knowledge and skills carries different challenges as a result of globalization, accelerating industrialization, and rapidly evolving information and communication technology (ICT).

To maximize the benefits of growth, ADB focuses its resources where the poverty impact is likely to be greatest. Rural development remains an important focus of ADB support: the majority of the region's poor are likely to continue to reside in rural areas over the next 15 years, and agriculture and agro-industry continue to be vital to the region's growth. Rapid growth, along with increasing population and rural-urban migration, has resulted in extensive

urbanization and worsening congestion and pollution in major cities. This, in turn, has led to deteriorating living conditions and lower quality of life for many. ADB's role in providing urban infrastructure, especially to serve the new urban poor and disadvantaged groups, will be a priority over the next 15 years. Similarly, providing the ICT to promote development and close the gap between the information-rich and the information-poor is becoming more important to ADB. More and better access to information will allow the society's less privileged and the region's less developed areas to gain wider options and to play a greater role in determining their future.

### **Inclusive social development**

Growth that results in pervasive inequalities in income and wealth is neither desirable nor sustainable.

Equitable access to assets and opportunities and a stake in the outcome are essential for ensuring growth that leads to development and addresses poverty. Development, in turn, must be inclusive. Its benefits must reach all groups that make up the poor in the region—including

women, children, minority groups, the extremely poor in rural areas, the growing numbers of urban poor, and those vulnerable to being pushed below the poverty line. An important dimension of inclusive development—and a key area of ADB's long-term focus—involves

strengthening the participation of people and institutions that are affected by or have an interest in ADB's interventions, beginning early in the design stage to ensure that projects and programs are relevant and feasible.

## Working Toward Development Goals<sup>1</sup>

Following the agreements and resolutions of various conferences organized in the first half of the 1990s, world leaders identified the following broad International Development Goals.

- Reduce the incidence of extreme poverty by half between 1990 and 2015.
- Attain 100% primary school enrollment by 2015.
- Eliminate gender disparities in primary and secondary education by 2005.
- Reduce infant and child mortality by two thirds between 1990 and 2015.<sup>2</sup>
- Reduce maternal mortality ratio<sup>3</sup> by three quarters between 1990 and 2015.
- Provide access for all to reproductive health services by 2015.
- Ensure that every country implements a national sustainable development strategy by 2005, and reverses the loss of environmental resources by 2015.

<sup>1</sup> More recently, the International Development Goals were subsumed into a set of eight goals at the Millennium Summit of the United Nations (UN). These goals, known as the Millennium Development Goals, have the formal endorsement of the entire UN body.

<sup>2</sup> Infant mortality rate is the annual number of deaths of children less than 1 year of age expressed per 1,000 live births.

<sup>3</sup> Maternal mortality ratio is the number of deaths per 100,000 births attributable to pregnancy, childbearing, or puerperal complications, i.e., within 6 weeks following childbirth.

## Infrastructure Development and Poverty Reduction

Poverty can be reduced substantially if the poor are provided opportunities to participate in the nation's growth process. Building and upgrading basic infrastructure facilities throughout the region is a prerequisite for private, employment-generating investments, which provide the poor with access to jobs, increased incomes, and the ability to participate in decision-making and political processes.

Initial findings of a major research project—by ADB in collaboration with the World Bank and the Department for International Development of the United Kingdom, to assess impact of transport and energy infrastructure on reducing poverty—indicate that roads are the single most important sector investment in pursuing a rural poverty reduction program. Rural roads and electrification infrastructure have significant effects on the quality of life of the rural poor, as they increase employment opportunities and contribute to economic and social progress at the local and national levels. Community-based, income-generating activities such as agro-processing activities, production of higher value crops, and local small trades and industries are sustained, with a well-developed infrastructure network to link these activities to larger, new, as well as export markets.

## Governance

Governance encompasses the institutional arrangements through which governments are chosen and the authorities' ability to form and implement policies effectively. It also encompasses the extent to which constituents are able to voice their opinions and influence decisions that affect their lives. For example, the local governments in Bangladesh, Nepal, and Pakistan are responsible for planning and implementing development projects, and for resolving local disputes through arbitration committees. Women have only recently begun to participate in local government in these countries, and little has been done to prepare them effectively for their roles in government. An ADB regional technical assistance aims to better prepare women leaders for their roles in local government and to promote efficient and transparent public service delivery. It also aims to promote linkages between gender, poverty reduction, and good governance in local government, and to identify regional gender and governance issues in the context of local government for policymakers. An ADB-financed Governance Reform Program in Nepal aims to make the country's civil service and public sector organizations more results oriented, more responsive to people's needs, and more gender balanced. The Government's ability to lead the

reform agenda will be developed. Expected outcomes are improved civil service efficiency, reduced corruption, and improved governance. In Papua New Guinea, a Public Service Program is expected to support the Government's broader reform agenda. Policy reform measures are planned in building a performance-oriented public service, reorienting personnel management systems and processes, strengthening probity and oversight agencies, and improving delivery of major services. Basic services at the national and provincial levels will be improved. *For more on governance, see Supporting Law and Policy Reform on page 38.*

### **Medium-term strategy**

The MTS 2001–2005 is the bridge between the LTSF and ADB's activities in its DMCs over the next 5 years. The MTS defines operational priorities within the context of the strategic agenda that directly address the medium-term challenges for the region. The MTS also identifies the organizational changes and requirements necessary for implementing ADB's operational priorities and operating principles with greater efficiency. The MTS is designed to enhance the development impact of ADB assistance.

The MTS supports policy and institutional strengthening of DMCs; investments in several key areas will be supplemented by this support. These areas include physical infrastructure necessary to promote growth and increase productivity in rural and urban areas, and social infrastructure and services for human development to support pro-poor growth. Agriculture and natural resource management will be supported to promote growth and environmental sustainability. Financial infrastructure and systems will be strengthened—as will public and private sector governance systems—to support broad-based growth,

enhance job creation through private sector development, and increase development effectiveness. These operational priorities will be implemented selectively at the country and subregional levels. Identifying the needs and priorities of each DMC for addressing poverty reduction and achieving the International Development Goals will help determine the choices

### **Energy Strategy in Kazakhstan Focuses on the Poor**

Kazakhstan is rich in natural resources, but its power subsector needs considerable rehabilitation and upgrading if the country is to improve the efficiency of energy production and use. In 2001, ADB approved a \$150,000 technical assistance grant to Kazakhstan to prepare an energy strategy that will focus on increasing investment and expanding power supply to the poor and to remote areas of the country. A further \$95,000 grant from the Government of Finland will be administered by ADB to support a study, expected to produce a policy framework to improve reliability and efficiency, determine priorities for rehabilitation and maintenance, and encourage the development of renewable energy resources in remote areas not currently served by the national power grid. The study will also identify barriers to market-oriented development and recommend measures to improve the environment.

### **Rapid Urbanization Addressed in ADB Projects in 2001**

Mongolia has experienced rapid urbanization over the past 30 years, with more than half the country's population now living in urban areas. But very little housing has been built in Mongolia, and many of the poor live in informal urban settlements or *ger* housing areas. A lack of long-term financing and an inadequate legal framework for property rights have kept commercial banks from lending for housing. The major sources of housing finance for low- and middle-income households have been their own savings and family assets. In 2001, ADB approved a project that will have a catalytic impact on improving the access of low- and middle-income households to housing finance by increasing the capacity of participating commercial banks and other financial intermediaries to respond to their housing finance needs. The project will also generate construction-related employment opportunities for the poor. In addition, the project will support the Government's Housing Area Action Plan to improve low-income housing, and households' income-earning potential and access to basic infrastructure and services.

Rapid urbanization in and around Bangkok and in some cities in the northeast corridor of Thailand has also caused considerable environmental and social problems. In 2001, ADB approved a technical assistance grant to formulate a sustainable urbanization strategy; establish monitoring systems at national and local levels; assist pilot urban centers in collaborative planning; and identify and design priority urban projects for funding considerations—all with the goal of providing sustainable urbanization and reducing urban poverty.

that ADB makes in each country and for each subregion.

ADB helps DMCs meet the medium-term challenges by providing investments combined with technical assistance support; economic, sector, and thematic studies; and policy dialogue. ADB's unique strength as a

development financier is its knowledge of the region and experience at the country and subregional levels. ADB will strengthen this knowledge and use it to supplement its investments by addressing critical institutional constraints, and economic and sector management issues; and improving policy and regulatory frameworks. ADB's financial support alone is not enough to meet DMCs' capital requirements; but by packaging and supplementing its loans appropriately, ADB can address the critical constraints to the region's development over the medium term and provide strong leverage for the overall investment undertaken by DMCs and external partners.

In selecting interventions, ADB is guided by several operating principles specified in the LTSF, including ensuring country leadership and ownership of the development agenda, enhancing strategic alliances and partnerships, and measuring the impact of development.

The country strategy and program (CSP) for each DMC is the mechanism by which ADB's strategic agenda is operationalized at the country level. ADB will develop a CSP for each DMC, catering to the specific needs and conditions of the DMC and reflecting the operational priorities of the MTS. The CSP for each country in a subregion will also specify the regional cooperation activities that ADB will undertake at the subregional level. Based on these activities, an ADB-wide regional cooperation plan will be developed.

To implement the country and regional programs effectively and to ensure the desired impact of ADB interventions in terms of its strategic objectives, ADB needs to select its interventions strategically and align the organization to increase efficiency. Several internal changes must be undertaken in the medium term to make ADB more efficient and responsive to its client needs. *For more on these changes, see*

## Bridging the Digital Divide

ADB is committed to helping bridge the growing digital divide within and across its developing member countries (DMCs). As noted in the Okinawa Charter on Global Information Society,<sup>1</sup> ICT will help accelerate social and economic development in the DMCs, improve governance through the free flow of information and knowledge, and support the fight against poverty.

ADB's assistance for ICT development encourages regional cooperation and networking to enhance local efforts in promoting private sector participation in developing ICT capacity. ADB also encourages DMCs to manage their own ICT strategies and activities to achieve their own development agenda. ADB proposes to

- create an enabling environment by developing innovative sector policies; strengthening public institutions; and developing ICT facilities, related infrastructure, and networks;
- build human resources to improve knowledge and skills and promote ICT literacy, E-learning, and awareness programs; and
- develop ICT applications and information content for ADB-supported projects/activities, such as governance and poverty reduction.

<sup>1</sup> The Okinawa Charter on Global Information Society was agreed by Canada, European Union, France, Germany, Italy, Japan, Russia, United Kingdom, and United States at the G8 Kyushu-Okinawa Summit Meeting on 22 July 2000.

## Reducing Poverty through Education

Improving education services, particularly for women, disadvantaged groups, and the poor, is a critical component of ADB's operations. Projects that provide primary education, basic skills education and training, teacher training, and education system reforms benefit those who have been underserved by education in the past by improving their literacy and productivity, thus enhancing their potential income-earning capability. Through loans, ADB supported policy reforms to ensure adequate resources and financial sustainability and through technical assistance, improved the planning capacity of education ministries. ADB focused on providing support for education planning, particularly to improve secondary education, and continuing learning for adults who had recently obtained literacy.

Education investments help eliminate poverty through skills development in rural areas, literacy training of rural adults, teacher training to increase the number of qualified women teachers, and improving the level of general academic skills taught in rural secondary schools. By linking education and training closely with the occupational needs of poor communities, ADB helped narrow the gap between the supply and demand for skilled labor, leading to greater employment opportunities for rural youth.

*Strategic Planning and Support Activities on page 102, and Institutional Matters on page 107.*

## Social protection strategy

In September 2001, after 3 years of consultations with governments and nongovernment organizations (NGOs) in the Asian and Pacific region and with other international organizations, ADB approved its Social Protection Strategy—another key weapon in the battle to halve poverty in Asia and the Pacific by 2015. The strategy is aimed to help the region's most vulnerable groups.

Half of the world's population—3.2 billion people—live in the Asian and Pacific region. Of these, 900 million people are poor, representing 70% of the world's poor; about 60% of the region's total population live in rural areas; and about 40% of the population are below 19 years of age.

The rural population remains highly vulnerable to risks and lacks access to social security schemes. The same applies to the youth. Additionally, the youth often do not find jobs because of the large number of entrants into the labor market and insufficient economic activity in the region. One challenge for the region is to achieve sustainable growth to absorb the poor and these new entrants into the labor market.

However, growth alone cannot generate inclusive societies. Populations, households, and individuals face various risks that can plunge them into poverty: natural disasters, civil conflicts, economic downturns, and household reversals, such as crop failures, unemployment, or illness can all threaten the future of the household. Globalization can help promote renewed opportunities for growth but, at the same time, may increase a country's vulnerability to external shocks. Globalization requires the development of effective social protection systems.

ADB's Social Protection Strategy provides a strong rationale for increased investments in the sector. Welfare systems have not been a priority for most Asian policymakers;

social protection has been largely neglected, or addressed with inadequate tools and insufficient funds. However, economic history shows that several economies of the region—Hong Kong, China; Japan; Republic of Korea; Singapore; and Taipei, China—built development policies through active public or public-private interventions in medical care, social and housing assistance, minimum retirement levels, and education. Investing in social protection was an essential part of the modernization programs of these wealthier societies at the early stages of their development. Higher levels of social security allowed high productivity gains in the workforce, expanded domestic demand, and increased economic growth. Lack of adequate social protection may severely limit future economic growth. In children, malnutrition and poverty damage health, cause death, harm reproduction, reduce intelligence, and lower productivity and opportunities for the future adults—a high tax on future economic development. Social protection is an economic need in the Asian and Pacific region.

### Defining Social Protection

Social protection refers to the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption or loss of income. Social protection consists of five major elements:

- labor market policies and programs designed to facilitate employment, ensure good working conditions including core labor standards, and promote the efficient operation of labor markets;
- social insurance programs to cushion the risks associated with unemployment, health, disability, work injury, and old age;
- social assistance and welfare service programs for the most vulnerable groups;
- micro- and area-based schemes to address vulnerability at the community level, including microinsurance, agricultural insurance, and social funds and programs to manage natural disasters; and
- child protection to ensure the healthy and productive development of the future Asian workforce.

Social protection is an integral part of social development, one of the three pillars of ADB's Poverty Reduction Strategy. Social risk is a dynamic concept—insecurity means exposure to risks of events that may worsen vulnerability. The poor and persons near the poverty line are particularly at risk since they have fewer assets, reserves, and other opportunities. While the long-term solution to vulnerability depends on social and economic development decisions that address the structural causes of vulnerability, social protection offers various instruments to deal with the diversity of risks. Considering these issues, ADB has developed a definition of social protection based on labor markets and small-scale agriculture to help reduce poverty in the Asian and Pacific region.

## Improving Nutrition of Children in Central Asia

Iodine and iron are micronutrients essential for the normal development of the body and brain. Millions of mothers and children in Asia lack these micronutrients and are unaware of their importance. In the Central Asia and Trans-Caucasus region, more than half the women of reproductive age and children suffer from iodine deficiency or anemia. Anemic women are more likely to die in pregnancy or childbirth and iodine-deficient women give birth to infants with diminished cognitive and motor skills. This catastrophic loss of human potential can be averted with relatively small amounts of investment. A few cents a year worth of iodine and iron is all a person needs.

In 2001, ADB approved a \$6.9 million special grant facility, financed by ADB's Japan Fund for Poverty Reduction, to reverse the alarming increase in physically and mentally retarded children in some developing member countries. The grant will improve nutrition for poor mothers and children in Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. ADB assistance will be used for a regional program to promote the fortification of salt with potassium iodate and flour with an iron-based premix. ADB's partners in the program include the United Nations Children's Fund and the Kazakh Academy of Nutrition. The project supports ADB's goal of reducing poverty by raising intelligence, school achievement, adult productivity and wages, and the health of mothers who can care properly for their children. The project will also build public-private, government-NGO, and intraregional partnerships.

ADB's new strategy identifies common issues to be addressed in the region as well as individual country needs—the region is too broad and diverse to generalize. For instance, in Pakistan, where 50% of the population are children and youth, the programs will be very different from those in the PRC, after its "one child policy." ADB's strategy provides a menu of options and possible social protection programs and the criteria to prioritize them. Country initiatives will be developed based on a country's needs, available resources, and institutions. Selected social protection interventions should provide adequate coverage and benefits, target vulnerable groups, and promote good governance. Prioritized programs should be selected in a transparent and participatory manner, through institutions such as the National Commission for Social Protection.

ADB, together with other development partners, can finance these prioritized social protection programs. Since 1985—when social protection projects made up only about 1% of total ADB lending—the portfolio has been expanding. In 1998–2000, it represented 13% of the total ADB lending volume, a significant increase resulting from the support to safety net interventions

after the 1997 Asian financial crisis. The demand for rapid, short-term social support projects will hopefully not be necessary in the future. Instead, ADB and its DMCs should concentrate on developing more comprehensive and effective social protection systems to help countries reduce poverty and vulnerability. In addition, social protection measures will be included, where feasible, in ADB's regular projects and programs: for instance, components to reduce child labor could be added to education projects. In its policy dialogue, ADB will encourage governments to improve social protection systems and shift from funding activities that benefit the wealthy upper income groups or have low benefit-cost ratios.

As exemplary practice, ADB will comply with internationally recognized core labor standards in designing and formulating its projects. It will also take steps to ensure that for ADB-financed procurement of goods and services,

contractors, subcontractors, and consultants comply with the country's labor legislation (e.g., minimum wages, safe working conditions, and social security contributions) and core labor standards.

## Supporting gender and development

In 2001, ADB continued to strengthen institutional mechanisms for mainstreaming gender equity in ADB projects and programs. Dialogue and cooperation between ADB and civil society were improved.

An ADB-wide Gender and Development (GAD) Action Plan was finalized, operationalizing ADB's strategic objective and policy on GAD. An External Forum on Gender consisting of experts on GAD and women's rights representing various disciplines and perspectives held its first meeting in Manila. The Forum will advise ADB on specific gender issues in Asia and the Pacific and provide feedback on ADB activities related to GAD.

Two gender sector checklists (Urban Development and Housing, and Agriculture) were published to assist and guide staff in mainstreaming gender in all ADB assistance. New country-focused briefing papers on

women were published for Bangladesh, Maldives, Pakistan, and Uzbekistan.

The importance of the links between good governance and GAD was reflected in several loan and technical assistance projects approved in 2001, including a regional technical assistance on Gender and Governance Issues in Local Government in Bangladesh, Nepal, and Pakistan. The technical assistance aims at promoting and facilitating pro-poor governance through capacity building of elected women officials in local government. To ensure pro-poor and well-targeted public policies, it also assists these governments in formulating strategies to strengthen effective delivery of public services and to promote accountability and transparency at local levels.

In recent years, global attention on trafficking of women and children has increased. The problem has grown in intensity and expanded geographically with increased poverty, globalization, war and political conflicts, natural disasters, and improved regional transport networks and communications systems. A regional technical assistance on combating trafficking of women and children in South Asia—including Bangladesh, India, and Nepal—was implemented in 2001. This technical assistance supports, among other things, the compilation of a database on key issues related to trafficking of women and children, pull-push factors leading to trafficking, and stakeholder mapping. Support is also provided to DMCs to build their capacity in combating trafficking of women and children.

For more on GAD, see <http://www.adb.org/gender/>.

## Cooperating with nongovernment organizations

ADB recognizes NGOs as significant players in the development process, and cooperates with them to improve the impact, sustainability, and quality of its services.

In 2001, ADB approved the Task Force Report on Institutional Arrangements for Cooperation with NGOs. The report—prepared by a high-level committee appointed by ADB President Tadao Chino—recommended several actions, including the creation and staffing of a centralized unit to coordinate ADB relations with civil society. This unit—the NGO Center—began operations in February 2001. It interacts with humanitarian and relief agencies, community-based organizations, advocacy NGOs, mobilization networks, foundations, trade unions, and other institutions; and coordinates a network of ADB staff responsible for NGO issues in operational departments, resident and regional missions, and representative offices.

ADB cooperates with NGOs along two parallel streams: institutional cooperation on strategies and themes, whereby ADB engages NGOs in continuous consultation on crosscutting issues; and operational cooperation whereby ADB includes NGOs as partners in its operations at the country and project levels, and at the conceptual, design, and implementation stages.

NGOs participated in 43 of 76 loan projects (57%) in 2001. More than half were social infrastructure, and agriculture and natural resource projects. Most participating NGOs were local and community-based groups, able to enhance project quality by identifying the specific needs of their community and encouraging participation of direct beneficiaries. NGO involvement in projects took place primarily in consultation workshops and meetings, although NGOs also performed technical tasks.

NGOs also played an important role in implementing technical assistance projects. As in the case of loan projects, the social infrastructure and agriculture and natural resource sectors accounted for over half of the technical assistance projects involving NGOs. ADB carried out 32 technical assistance projects in 15 DMCs with NGO involvement. NGOs were also involved in 9 regional technical assistance projects in 2001.

During the year, ADB participated in several forums involving NGOs. These workshops, conferences, and consultation missions provided the opportunity to solicit NGO views and raise NGOs' awareness of ADB policies, practices, and development objectives.

The NGO Center organized a series of topical consultations at the 34<sup>th</sup> Annual Meeting of ADB's Board of Governors in Honolulu in May 2001. Ninety-two NGO representatives participated in the meeting. In a private session with NGOs, President Chino reaffirmed ADB's commitment to strengthening its partnership with NGOs. He also accepted an invitation to meet with antiglobalization protesters on the street outside the conference center where the Annual Meeting took place.

ADB was the leading sponsor of the International Conference on NGO Poverty Reduction Policy, held in October 2001 in Beijing. This event brought together for the first time more than 200 representatives of local and international NGOs, bilateral and multilateral funding agencies, universities, and government institutions. Participants discussed NGO experiences with poverty reduction in the PRC over the past 2 decades, and the challenges confronting NGOs in areas such as recruitment, training, fund-raising, internal management, and capacity building.

ADB recognizes that an essential ingredient in strengthening its partnership with NGOs is good communications, and took several steps to further disseminate information and enhance two-way communications with civil society. A centralized E-mail account was created to receive general queries from NGOs, and the NGO pages on ADB's web site were redesigned and expanded. By the last quarter of 2001, files on the NGO pages of ADB's web site were among the most frequently accessed, reflecting high interest in ADB's cooperation with NGOs.

In September, ADB published the first issue of *Partnership*, an electronic news bulletin for NGOs. The bimonthly publication provides NGOs with information about policy developments, projects, conferences, documentation, and educational and training opportunities in Asia and the Pacific. *Partnership* also cites the latest ADB documents made available to the public. ADB fulfilled over 200 requests from NGOs for documentation under its Policy on Confidentiality and Disclosure of Information and dispatched nearly 2,000 documents.

Among the NGO Center's major endeavors was setting up a database management system, "NGO Link," to centralize all NGO-related information within ADB for staff use. This Intranet database aims to promote information flows across the institution, raise staff awareness of NGO interests and expertise, and improve coordination in the interaction of ADB offices with NGOs. For more on NGOs, see <http://www.adb.org/NGOs>.

## Crosscutting strategic themes

Several crosscutting themes—law and policy reform, promoting the role of the private sector in development, addressing environment sustainability, and supporting regional cooperation—broaden and deepen the impact of ADB's core interventions.

### **Supporting law and policy reform**

Law and policy reform is at the heart of good governance, supporting the legal and institutional framework for predictability, transparency, accountability, and participation. Over the years, ADB has provided numerous loan and technical

assistance projects with law and policy reform components. In addition, stand-alone technical assistance grants focusing on law and policy reform have been provided for judicial reform; private sector development, particularly for finance, banking, and corporate governance; legal training; dissemination of legal information; and environmental protection.

In 2001, ADB continued to pursue law and policy reform as a means of reducing poverty and strengthening good governance with its first stand-alone loans for judicial reform. Two policy loans to Pakistan amounting to \$330 million will bolster the Government's Access to Justice Program, which will strengthen legal protection for all, and is specifically designed to empower the poor and other vulnerable groups. ADB's assistance also includes a \$20 million technical assistance loan to translate the program's legal and policy framework into institutional and organizational arrangements.

Other activities in judicial reform in 2001 included a regional judicial independence project and a technical assistance to the Philippines to strengthen the independence of the judiciary. The regional project will improve awareness of the importance of judicial independence and the means to achieve it in selected DMCs; it will also include surveys on judicial independence and challenges in these DMCs and selected

## **Delivering Justice to the Poor in Pakistan**

A new program—Access to Justice Program—will give greater meaning to the rule of law in Pakistan. It will help the poor, support gender sensitization, and provide resources to reform policy and the judiciary.

The program will enable the poor to exercise their legal rights and protect their property from being taken away by the bureaucratic or political elite. Through a legal empowerment fund, the program will provide free legal advice and advocacy for the poor by civil society, including lawyers and nongovernment organizations, and promote awareness campaigns about legal rights in the national language, Urdu. The program will promote opportunities to encourage the appointment of women judges and provide training courses in gender sensitization for the judiciary and the police.

The program will also strengthen judicial independence by separating the judiciary from the executive branch of government and ensuring adequate funds for the judiciary to meet its mandate.

The program aims for an independent, accountable, transparent, and professional police force that is free of political interference. It will help establish a prosecution service and a police complaints authority, which will both be independent. In addition, it will improve police-citizen relations and raise awareness of gender and human rights issues. Finally, by helping create a legal and judicial system that can uphold the rule of law, check bureaucratic excesses, and enforce contracts, the program will contribute to an enabling environment for private sector-led growth.

developed countries, and a workshop and conference on conceptual and practical aspects of judicial independence (e.g., guidelines and methods for evaluating judicial independence and compensation for judges and other court staff). The technical assistance for the Philippine judiciary will support its independence, accountability, impartiality, and competence. A framework for the judiciary's fiscal and administrative autonomy will be designed; the appointment process and the accountability and incentive system, under which the judges and justices function, will be improved; and the capacity of the judicial training academy will be strengthened.

ADB continued its support for good governance and anticorruption in 2001 through a regional project to counter money laundering. This project will help DMCs establish a sound financial framework to avoid becoming easy targets of money launderers. The project will also strengthen regional cooperation in collaboration with the Secretariat of the Asia-Pacific Group on Money Laundering. The importance of united efforts to fight money laundering became more evident following the 11 September terrorist attacks on the United States.

In promoting law and policy reform in the financial sector, ADB continued to contribute to the regional debate on issues of insolvency and secured transactions law reform in Asia and the Pacific. ADB assistance to the PRC, in connection with the country's entry into the World Trade Organization, includes strengthening the legal capacity of key government organizations and legal professionals—a hallmark of ADB's law and policy reform activities. Also, ADB financed training for government lawyers, judges, and prosecutors in Bhutan, Cambodia, India, Indonesia, Lao People's Democratic Republic (Lao PDR), Maldives, Mongolia, Nepal, Pakistan, Tajikistan, Thailand, and Viet Nam. For more on law reform, see <http://www.adb.org/law>.

### **Promoting the role of the private sector in development**

The development of many Asian economies has been driven to a large extent by private investment, both domestic and foreign. However, the role of the private sector in assisting DMCs remains limited. As governments face complex development choices and resource constraints, private sector participation is needed to help release scarce resources for public budgets. The private sector, thus, has an increasingly vital role in development, directly and indirectly through public-private partnerships, of physical and social infrastructure.

However, the private sector's contribution to development, particularly in infrastructure, has been hampered by institutional shortcomings, weak corporate governance, unclear rules and regulations, and corruption—all of which increase the costs and risks of doing business.

Having the capacity for both public and private sector operations, ADB is uniquely positioned to broker public and private sector linkages to support the development process. These linkages allow ADB to strengthen the capacity of DMCs to create an effective, enabling environment for the private sector and to encourage the development of innovative public-private partnerships. ADB helps its DMCs design policies and reforms that support socially responsible private sector development and activities consistent with its pro-poor agenda. ADB assists individual DMCs in strengthening commercial, regulatory, and legal frameworks; reforming taxation systems; supporting efficient and competitive markets; and establishing environmental and labor standards.

ADB also helps broker partnerships between the public sector and private investors in DMCs, where such partnerships allow risks and development costs to be shared. Promoting such partnerships, particularly in agriculture and other activities in the rural areas, where the greatest concentration of poor people live, can contribute to development and poverty reduction. ADB's activities will help finance the public investment portion of such initiatives, assist in building the long-term capacity of governments, design the partnerships, and provide risk mitigation for private investors.

In implementing its LTSF, ADB will emphasize the domestic private sector in DMCs. Strengthening entrepreneurship of small- and medium-sized enterprises and the informal sector—major sources of employment and income contributors to a broader tax base—can help reduce poverty.

Although private sector operations are currently a small part of ADB's total portfolio, its private sector investments are expected to increase in the years ahead, partly as a result of the increasingly important development role of the private sector in DMCs. To support this role, ADB's public and private sector activities need to become more integrated. The elements of the strategy to promote the development role of the private sector will be tailored to the particular needs of each DMC.

### **ADB's strategy for private sector operations**

In 2001, ADB approved a strategy to enhance the impact of its private sector operations. The strategy calls for focusing on private sector participation in

## Implementing the Private Sector Development Strategy

In 2001, ADB began implementing the Private Sector Development Strategy. Progress was made in creating enabling environments, generating business opportunities, and catalyzing private sector investment.

Private sector assessments were initiated in seven developing member countries (DMCs). These assessments provide information necessary for developing a country-specific private sector development strategy for each DMC.

Monitoring and measuring progress in implementing the strategy were initiated. Each DMC's potential for private sector development was considered, and the private sector potential in various public sector projects assessed. A matrix for measuring private sector development potential in ADB operations was introduced, and the creation of a scorecard for monitoring private sector activity in public sector projects began.

Best practices in private sector development were disseminated through a series of seminars and workshops, and through publication of the five-volume *Developing Best Practices for Promoting Private Sector Investment in Infrastructure*. A series of workshops enhanced ADB-wide networking and helped disseminate sector-specific private sector development initiatives in public sector operations.

An education and awareness program for ADB staff on private sector development was initiated. ADB also established a Management steering committee to oversee and monitor implementation.

## Public-Private Infrastructure Advisory Facility

ADB joined the Public-Private Infrastructure Advisory Facility (PPIAF) in 2001 to promote private sector participation in infrastructure in line with its Private Sector Development Strategy. The PPIAF is a multiple-donor technical assistance facility, established in July 1999, to help eliminate poverty and achieve sustainable development by facilitating private sector involvement in infrastructure and delivery of basic services. It finances studies and activities that promote private sector involvement in infrastructure. Two ADB initiatives were approved by the PPIAF in 2001: Indonesia—Pekanbaru Water Regulatory Study (\$75,000) and regional—Framework for Financing Merchant Power Plants in Asia (\$450,000). ADB's membership in the PPIAF demonstrates its commitment to promote the private sector as an engine of growth for the economies of its developing member countries.

infrastructure and capital markets, broadening country and sector reach, increasing financing limits, expanding the use of credit enhancement instruments such as guarantees, and forging strategic alliances with other development agencies.

Under the strategy, ADB is building on its existing strength in infrastructure development, particularly energy, water, telecommunications, and transport projects. In capital markets, the emphasis is on investments in key market institutions and investment

funds that can mobilize resources to finance infrastructure, and small-and medium-sized enterprises. ADB will gradually extend its reach to new sectors, such as education and health care, selectively and on a pilot basis initially.

ADB's prudential limit for private sector risk was raised from \$50 million to \$75 million per project, but still subject to a maximum of 25% of project cost. This will enhance ADB's capacity to catalyze investments in larger infrastructure projects that the region will need as economic recovery proceeds. To ensure that commercial lenders and investors are not crowded out, ADB will also aim to make use of its political risk guarantees and partial credit guarantees to attract long-term lenders such as banks, pension funds, and insurance companies.

Under the strategy, alliances with other international financial institutions will be intensified to facilitate knowledge and risk sharing to make challenging projects bankable. Joint support also signals greater confidence in the DMCs' investment environment and paves the way for further private capital flows.

ADB's private sector operations deliver development impacts, catalyze funding from other sources eight to nine times its own commitment, create employment, and promote governance and environmental protection. While ADB's support is diversified in private enterprises in developing and emerging markets,

the comparative performance of its private sector portfolio, benchmarked against other institutions and investment funds, has been satisfactory.

Such performance has generally mirrored the trends in the Asian markets, particularly the downturns over the last 5 years since 1997. The majority of private sector loans are being fully serviced in terms of interest payments and principal repayments. ADB exits from equity investments where it is evaluated that ADB's developmental role has been played out. Cumulative net

## Private Sector Operations: Pioneering Projects in the Social Sectors

ADB's new strategic directions led to project initiatives in its private sector operations in 2001. For example, two pilot projects in the social sectors were supported in Viet Nam—one in health care and another in education.

The first pilot project is the Franco-Vietnamese Hospital (Far East Medical Vietnam Ltd.), promoted by a group of French doctors and investors. The hospital will provide state-of-the-art facilities in tertiary health care. Improved health care in Viet Nam can lead to substantial economic gains in terms of improved productivity. In addition, quality medical facilities can help induce further private investment. The project will also transfer medical technology and expertise.

The second pilot project, the RMIT (Royal Melbourne Institute of Technology) International University, will be the first international standard university in the country, providing a model for the standards of higher education and training. Sponsored by RMIT, the project will bring into Viet Nam expertise in vocational and higher education that will have a positive impact on education in local universities and will help enhance tertiary education in information technology, engineering, and business administration.

These projects could demonstrate that commercially viable, social infrastructure projects can be undertaken by the private sector. To ensure project sustainability, the pricing of services must generate sufficient revenues for self-sustenance and cost recovery. The indirect impact of these projects on the economy as a whole is substantial: private sector involvement frees public sector fiscal resources for the underserved population; private sector providers can also promote efficiency by increasing competition and strengthening accountability; and the private sector can introduce expertise and technology in the developing member country with a positive impact on social infrastructure.

### Investing in capital markets

ADB also helped launch two new vehicles: a private equity fund in Thailand and a new housing bank in Sri Lanka.

ADB agreed to invest up to \$25 million in the Lombard Thailand Intermediate Fund, LLC, a private equity fund that will assist Thai private companies recovering from the 1997 Asian financial crisis to restructure, expand, and

generate jobs. This will raise investor confidence in Thailand and generate reasonable risk-adjusted returns. The fund manager will also focus on establishing and introducing best corporate governance practices.

The funds will be channelled through an onshore fund, Thailand Equity Fund, which will then invest directly in Thai enterprises and provide debt and debt-linked instruments such as convertible bonds, preferred shares, and subordinated debt. The onshore fund will identify priority sectors and industries, particularly those that have strong growth prospects and those that need to be restructured. The fund will have a diversified portfolio that helps improve corporate performance and supports the recovery of Thailand's industry and services sectors.

Apart from ADB, the investors include the California Public Employees Retirement System (CalPERS) through Lombard Pacific Partners II, L.P.; and the International Finance Corporation (IFC). The participation of CalPERS, regarded as a champion of corporate governance, is consistent with ADB's capital markets strategy to coinvest with institutional investors.

ADB also approved an equity investment of \$360,000 in the National Development Bank (NDB) Housing Bank Limited, a new market-based financial institution in Sri Lanka. Investment in this type of private sector institution brings a range of benefits. The NDB Housing Bank will help alleviate housing constraints and will contribute to capital market development in Sri Lanka.

The NDB Housing Bank Limited is the first private sector housing bank investment in Sri Lanka. The main sponsor is NDB, which receives technical assistance and equity support from the leading housing finance institution in neighboring India—the Housing Development Finance Corporation—the pioneer and market leader in housing finance in India. Further investment support is being provided locally by the Employee Provident Fund and Eagle Insurance, the IFC, and the Netherlands Development Finance Company.

The NDB Housing Bank Limited will provide loans to low- and medium-income borrowers, initially in the Colombo region. It will diversify and cover most of Sri Lanka, providing loan products designed to meet the funding needs of low- and medium-income home owners.

realized gains from divestments and dividends receipts have reached \$150 million as of December 2001.

Like other financial institutions, ADB has its share of nonperforming assets in private sector lending and equity investment operations. These are mostly of earlier

discontinued investments in manufacturing and industry. The proactive rehabilitation and restructuring of impaired assets have averted further deterioration of asset quality. The impaired accounts have remained stable over the past 5 years, hovering around

12–13 accounts out of a portfolio of around 100 active investments. In addition to specific provisions for impaired assets, ADB's conservative 8% general provisioning policy for the balance of the private sector portfolio ensures a sufficient loss reserve cover, currently at 20% of the outstanding portfolio.

ADB promotes a risk management culture in its private sector operations, monitors early warning signals closely, and reports to the Board of Directors quarterly, in detail. ADB is committed to learning lessons to improve the assessment of development impacts, remove impediments to private sector investment in DMCs, and identify further needs for regulation and capacity building. ADB aims to apply these lessons from impaired and nonperforming projects.

### ***Addressing environmental sustainability***

Asia's remarkable growth was accompanied by resource depletion and environmental degradation. Air and water pollution, water scarcity, desertification, and the depletion of natural resources are beginning to affect agricultural productivity, causing increasingly frequent disasters, such as floods and landslides; and impairing the quality of life in the region. As the population grows, demands on the environment and the natural resource base increase. The challenge for development planners and institutions in the region is not only to preserve and protect the environment, but also to reverse environmental degradation while maintaining robust economic growth. Recognizing that environmental sustainability is essential for development and poverty reduction in the region's resource-based economies, ADB addresses the social and environmental aspects of development. In 2001, ADB provided

resources, shared knowledge, developed capacity, and

### **Linking Environmental Protection to Poverty Reduction**

Protecting the environment and managing natural resources, on which most of the poor depend for their livelihood, help reduce poverty. In 2001, ADB financed several projects in line with this thrust.

A project in the People's Republic of China (PRC) will control acid rain and air pollution in Anhui Province, thereby reducing adverse health impacts, improving agricultural productivity, and protecting the environment. These improvements will be achieved through an action plan to reduce sulfur dioxide and other acid rain-causing gas emissions, investment support for cleaner production subprojects, and strengthened institutions for environmental monitoring and enforcement, including human resource development. A second project in the PRC will improve the environment and enhance protection of the poor against flood hazards. The project will reduce flooding and damage in the lower Yellow River by providing sound river management and flood protection.

A project in the Cook Islands will facilitate the adoption of sustainable and appropriate solid waste management practices in Rarotonga and Aitutaki. Aside from safeguarding public health and the environment, the project will also support private sector participation and increase public awareness.

A project in the Lao People's Democratic Republic will improve environmental and social safeguards in the energy and transport sectors by strengthening the associated national policy and regulatory framework; enhancing implementation capacity at sectoral and provincial levels; improving compliance and enforcement; promoting river basin management as a planning framework for hydropower and roads; and establishing an environment fund.

A project in Tajikistan will help restore the irrigation and household water supply systems damaged by the 2001 earthquake.

### **Building New Partnerships for the Environment**

On 26 September 2001, ADB signed a memorandum of understanding (MOU) with the World Wide Fund for Nature (WWF), a conservation organization with a growing involvement in the Asian and Pacific region. Under the MOU, the two agencies formed a partnership for sustainable management of natural resources in the region. ADB and WWF will develop collaborative ventures to address poverty and environmental challenges. Stakeholders such as local communities, government agencies, and nongovernment organizations will be involved in this process through forums and stakeholder consultations. To be reviewed annually, the MOU will also include information sharing, knowledge management, and capacity building by transferring skills and tools to target groups and exchanging staff and documentation between the two organizations.

forged partnerships with the public and private sectors, including NGOs and civil society.

Progress was made in mainstreaming the environment within ADB's Poverty Reduction Strategy by institutionalizing new requirements in ADB's

## Protecting Ecosystems and Livelihoods

India, Maldives, Pakistan, and Sri Lanka have extensive coastal and marine ecosystems that have acquired regional and global significance because of their diversity as vital habitats for a wide range of marine and coastal fauna and flora. Unfortunately, a fast-growing human population, combined with inadequate infrastructure and management capacity, is placing heavy pressure on South Asia's coastal and marine resource base. These coastal areas provide the sole source of subsistence and livelihood for millions of people, most living below the poverty line. Environmental mismanagement has caused severe pollution, depleting the coastal waters of aquatic life to the extent of eliminating some species and depriving the poor of their only source of income—fishing in the coastal waters.

In 2001, ADB approved a technical assistance grant of \$600,000 to promote coastal and marine resource management and poverty reduction in South Asia. Implemented with the global environment NGO, World Conservation Union (IUCN), and cofinanced from the Japan Special Fund, the project aims to promote regional cooperation among the participating countries to strengthen management of environmentally sensitive coastal and marine resources. A regional strategic plan will be prepared, which will include recommendations for information exchange, database development and management, and capacity building.

At the national level, the plan will identify areas of the highest environmental and ecological significance and sensitivity; and analyze and address barriers to collaborative approaches to integrated coastal zone management. The plan will propose a strategy that applies integrated coastal zone management in the identified areas; and estimate the required financial and human resources, and other needs to implement the strategy with suggestions for possible institutional arrangements. Poor coastal communities will participate in implementing pilot projects aimed at testing for achieving integrated coastal zone management approaches.

## Renewable Energy, Energy Efficiency, and Climate Change Initiatives

ADB's program of assistance to its developing member countries (DMCs) for promoting initiatives related to renewable energy, energy efficiency, greenhouse gas abatement, and adaptation to climate change was strengthened in 2001 with support from the governments of Canada, Denmark, and The Netherlands. The Renewable Energy, Energy Efficiency, and Climate Change (REACH) program, cofinanced by The Netherlands (\$4.5 million) and ADB (\$0.5 million) on a grant basis, will strengthen participating DMCs' capacities to access financial resources and technology transfers to mitigate emissions of greenhouse gases and to achieve sustainable development in their own economies. The Canadian Cooperation Fund on Climate Change (\$3.2 million) focuses on reducing greenhouse gases in the People's Republic of China and India, carbon sequestration in Indonesia, and adapting to climate change in the Pacific DMCs. The Danish Cooperation Fund (\$3 million) focuses on promoting renewable energy and energy efficiency for development of rural areas and small towns in DMCs.

business processes. For example, when preparing a poverty analysis—a major input in preparing the country strategy and program—new environmental considerations need to be taken into account. These include analysis of the geographic and environmental characteristics, details on areas with high poverty incidence, the state of the natural resource base, the presence of environmental threats to the poor, or conflicts between the needs of the poor and environmental concerns. Thus, poverty analysis facilitates the determination of priorities and the sequence of environmental interventions with the greatest impact on poverty.

In 2001, ADB provided resources for five loan projects, totaling \$323 million, designed to alleviate the plight of the poor, and protect and conserve environmental resources. These projects were identified based on ADB's new loan classification system, designed to assist in monitoring performance against the poverty target and to enable it to track its lending in support of thematic priorities.

Two new ADB-Global Environment Facility (GEF) proposals entered the formal GEF pipeline in 2001: the Biodiversity Conservation and Sustainable Livelihoods in the Indian Sundarbans Project, and the GEF-PRC Strategic Partnership for Land Degradation in Dryland Ecosystems. A GEF grant of \$6.4 million to cofinance the Efficient Utilization of Agricultural Wastes Project in the PRC was approved by the GEF Council in 2001. The project promotes the reduction of greenhouse gas emissions by expanding the use of small- and medium-scale biomass-based renewable energy technologies (BIORETS) in rural agricultural areas. This replaces the use of coal, straw, and firewood for household fuel and reduces open field burning of crop

residues. Once completed, the project will reduce carbon dioxide emissions by about 78,338 tons annually and will lead to further expansion and adoption of similar BIORETS in other PRC provinces.

Technical assistance activities were undertaken in 2001 to build DMCs' capacity for sound environmental planning and management, covering urban, coastal, and marine ecosystems, and strengthening environmental and social management in their operations. Similarly, some DMCs will receive help in implementing the Kyoto Protocol and in evaluating national and subregional achievements in preparation for the 2002 World Summit on Sustainable Development in South Africa. Others will receive help in integrating cleaner production technologies into their industrial development policies.

ADB supports projects with direct benefits to the environment, and ensures that its projects and programs are environmentally sound. In this regard, the impacts of loan projects and programs are reviewed to ensure that environmental risks, especially to the poor, are minimized. For environmentally sensitive projects, public consultation starting from the early stage of project processing is undertaken, and ADB requirements concerning disclosure are satisfied. Compliance with these environmental safeguards is monitored and ensured through field visits during project implementation. To mainstream environmental considerations into ADB operations, work on the Environmental Assessment Guidelines continued. Moreover, preparation of an environment policy was pursued in 2001, along with broad-based public consultations

that covered more than 20 countries within and outside the Asian and Pacific region.

Environmental strategic partnerships were further enhanced in 2001. The

public and private sectors, development agencies, NGOs, and civil societies participated in conferences, interagency consultations, and senior-level meetings in regional, subregional, and international forums that addressed common and emerging environmental issues. Environmental awareness of ADB staff and DMC officials was further enhanced through workshops, seminars, and publications dealing with emerging environmental issues.

### ***Supporting regional cooperation***

ADB's support for regional cooperation involves three related dimensions: facilitating the economic development of participating countries through cooperation and integration; providing key regional public goods that address shared constraints and opportunities; and encouraging—through processes associated with broader and deeper cooperation—regional stability, which is necessary for developing the region.

ADB supports several broad-based regional economic cooperation initiatives, discussed in more depth in the special theme chapter on page 14.

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**ADB supports projects with direct benefits to the environment, and ensures that its projects and programs are environmentally sound.**

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In 2001, the Asian Development Bank (ADB) took pioneering and well-balanced steps to address the needs of its developing member countries (DMCs). ADB established the Japan Fund for Information and Communication Technology to bridge the growing digital divide in the Asian and Pacific region. In its private sector operations, ADB approved its first two loan projects in the social sectors for education and health care. Also in 2001, ADB continued to emphasize good governance and transparency in portfolio management and project implementation.

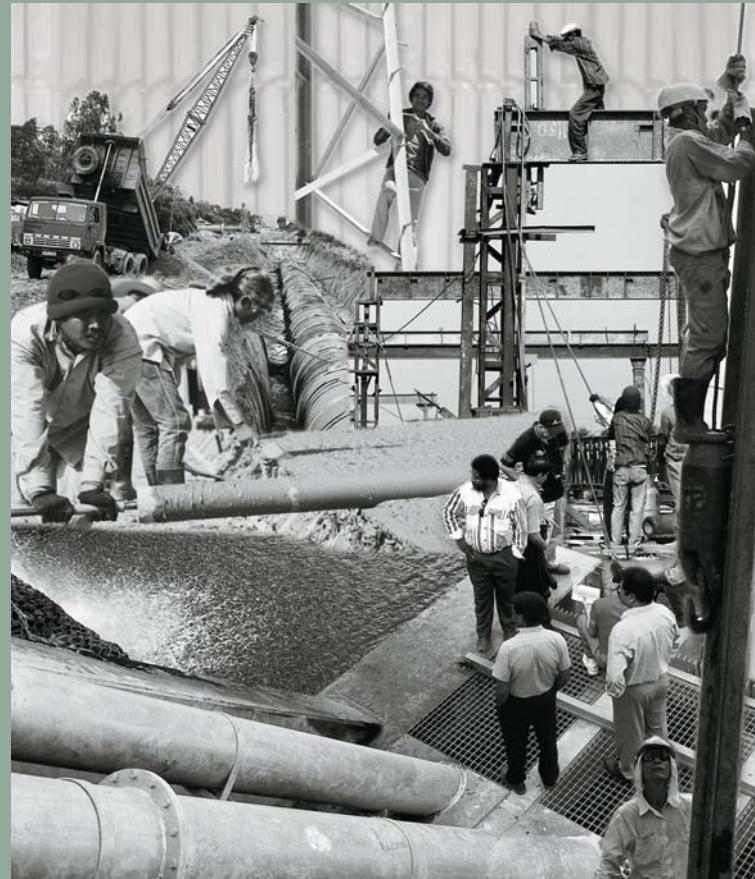
## Lending

Lending for both public and private sector operations in 2001 amounted to \$5,339 million for 76 loans in 60 projects, compared with \$5,653 million for 88 loans in 74 projects in 2000. The average loan size in 2001 was \$70 million.

Of the total lending, loans with government guarantee were over \$5,301 million for 57 projects, comprising \$3,940 million for 26 loans from ordinary capital resources (OCR) and \$1,362 million for 46 loans from the concessional Asian Development Fund (ADF). Lending to the private sector without government guarantee amounted to \$37.5 million for four loans in three projects. The transport and communications sector received the largest share of loans, \$1,426 million or 26.7% of total lending in 2001, followed by multisector, others, energy, agriculture and natural resources, social infrastructure, and industry and nonfuel minerals. Environment and governance projects are included in the current classification "others." For details, see Tables 1–6 and 9–13 in the Statistical Annex. For more on lending, see <http://www.adb.org/Finance/>.

## Technical assistance

In 2001, ADB approved 257 technical assistance grants totaling \$146.4 million. Project preparatory technical assistance accounted for 64 projects amounting to \$40.4 million, while advisory and operational technical assistance accounted for 142 projects amounting to \$76.1 million. The agriculture and natural resources sector received the largest share of project-specific technical assistance followed by social infrastructure and finance. The remaining 51 projects, valued at \$29.9 million, were for regional technical assistance. For details, see Tables 24–28 in the Statistical Annex. For more on technical assistance grants, see <http://www.adb.org/ta>.



# OPERATIONS

“ADB continued to emphasize good governance and transparency in portfolio management and project implementation in 2001, and pursued timely submission of quality-driven audited project accounts and agency financial statements. . . . Portfolio performance at the country, sector, and project levels; and sound financial management procedures and practices in executing agencies were increasingly factored into ADB’s country programming and project processing work.”

## ADB Operations

	\$ Million		% Change
	2000	2001	
Lending			
OCR	4,060.1 <sup>a</sup>	3,977.4	(2.0)
ADF	1,592.5	1,361.6	(14.5)
Total Lending	5,652.6	5,339.0	(5.5)
Equity Investments	78.2	30.4	(61.1)
Technical Assistance Grants <sup>b</sup>	172.0	146.4	(14.9)
<b>TOTAL</b>	<b>5,902.8</b>	<b>5,515.8</b>	<b>(6.6)</b>

a Adjusted to reflect terminated loans and reduced ADB loan amounts.

b Including regional activities.

## Resource Transfers to Developing Member Countries (\$ million)

	2000	2001
OCR		
Loan Disbursements	2,884	2,850
Principal Repayments <sup>a</sup>	(1,835)	(1,196)
Payments of Interest/Charges	(1,818)	(1,843)
Net Equity Investment	(9)	(5)
Net	(778)	(194)
ADF	782	658
<b>TOTAL</b>	<b>4</b>	<b>464</b>

( ) Represents resource inflow from developing member countries.

a Includes prepayments of \$52.5 million (\$693.4 million in 2000).

## Grants

In 2001, 16 projects received grants totaling \$93.8 million. Of this, eight projects received about \$24 million from the Japan Fund for Poverty Reduction; and eight projects that received ADB loans during the year also received grants totaling \$69.8 million from the governments of Australia, Denmark, The Netherlands, United Kingdom, and the Global Environment Facility. *For details, see Tables 35–36 in the Statistical Annex.*

## Equity investments

In 2001, equity investments in private sector operations were made in three projects amounting to \$30.4 million. The investments were made in a housing bank, a regional fund in the Mekong region, and a country equity fund. *For details, see Table 10 in the Statistical Annex.*

## Resource transfers

The net transfer of resources from ADB to its DMCs increased from \$3.7 million in 2000 to \$464.3 million in 2001. During the year, net transfers to ADF borrowers were \$658.4 million (\$782.1 million in 2000). Compared with net inflows of \$778.4 million in 2000, net inflows to ADB from OCR borrowers decreased to \$194.1 million. *For details, see Tables 29–30 in the Statistical Annex.*

Loan disbursements in 2001 totaled \$3.9 billion, comprising 90% of the year's target of \$4.3 billion. Of the total, OCR disbursements were \$2.8 billion or 74% and ADF disbursements were \$1.0 billion or 26%. *For 2000 and 2001 disbursements by lending modality, see Table 8 in the Statistical Annex.*

Loan service payments reached \$3.4 billion in 2001, compared with \$4.0 billion in 2000. The decrease was mainly because of lower prepayments (\$52.5 million in 2001, \$693.4 million in 2000).

In 2001, the four largest net resource transfers from ADB were to People's Republic of China (PRC), Viet Nam, Bangladesh, and Pakistan.

## Cofinancing and guarantee operations

In 2001, cofinancing for loan projects mobilized from all sources amounted to \$1.4 billion, equivalent to about 26% of ADB's total lending of \$5.3 billion. *For details, see Table 7 in the Statistical Annex.* Although this level of cofinancing is significantly lower than the 2000 level of nearly \$3.0 billion, 2001 was the fifth consecutive year in which cofinancing was arranged for more than 40% of ADB projects. The decrease in the cofinancing amount is mainly because of the slippage or cancellation of several large projects with cofinancing possibilities from both market and official sources; and the global economic slowdown, which inevitably affected Asia's economy and reduced the demand for large physical infrastructure projects.

Twenty-five projects in 11 DMCs received cofinancing in 2001. The PRC received the largest amount, with about \$867.0 million cofinancing (primarily from its domestic financial institutions), followed by India with \$150.0 million, and Sri Lanka with \$102.0 million.

During 1970–2001, 580 ADB-assisted loan projects and programs received cofinancing in an aggregate amount of \$36.2 billion, consisting of \$21.7 billion from official sources, \$9.2 billion from commercial sources, and \$5.3 billion from export credit sources. The energy sector accounted for \$15.3 billion or 42%,

followed by transport and communications (\$8.2 billion or 23%), agriculture and natural resources (\$4.2 billion or 11%), social infrastructure (\$3.1 billion or 8%), finance (\$1.7 billion or 5%), and other sectors (\$3.7 billion or 11%).

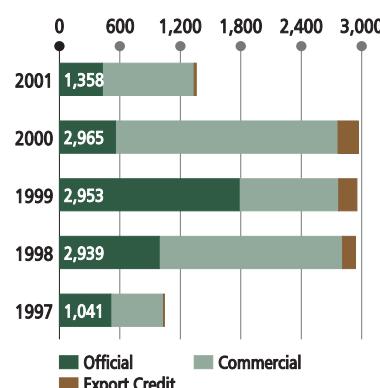
**Official cofinancing:** Cofinancing from official sources for ADB loan projects amounted to \$425.2 million in 2001, a decrease of about 24% from the \$557.9 million in 2000. Germany provided cofinancing of \$185.0 million for four projects, followed by France with \$45.4 million, and United Kingdom with \$38.0 million. The European Investment Bank provided cofinancing of \$50.0 million for the Guangxi Roads Development Project in the PRC. Other major multilateral cofinanciers were International Finance Corporation, Nordic Development Fund, and the OPEC Fund for International Development.

Grants from official donors were actively pursued in 2001. In addition to Japan's annual contributions to the Japan Special Fund (JSF), untied grants totaling \$86.5 million were contributed by Australia, Canada, Denmark, Finland, France, Italy, The Netherlands, New Zealand, United Kingdom, United States, and the Global Environment Facility.

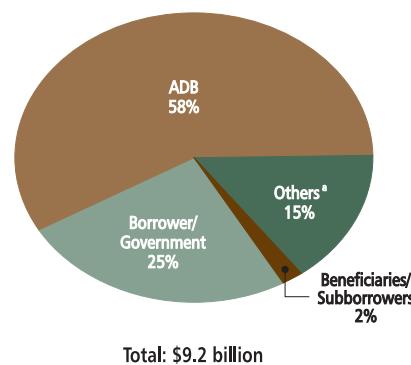
Under the JSF, funded by the Government of Japan, a total of \$53.8 million for 96 technical assistance projects was financed on an untied basis in 2001, accounting for 37% of all technical assistance approvals. For details, see Tables 24 and 33 in the Statistical Annex and table on Japan Special Fund Technical Assistance by Sector, 2001 on page 125.

Under the Asian Currency Crisis Support Facility (ACCSF), also funded by the Government of Japan, DMCs affected by the financial crisis continued to receive assistance. Sixteen technical assistance projects totaling \$16.1 million were approved in 2001. For details, see Tables 24 and 34 in the Statistical Annex and tables on ACCSF by country and by sector on page 125.

### Cofinancing Arrangements, 1997–2001 (\$ million)



### Total Cost of Loan Projects and Sources of Financing, 2001



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

Out of an initial contribution of 10 billion yen (about \$92.6 million) from the Government of Japan, the Japan Fund for Poverty Reduction (JFPR) financed a total of about \$24 million for eight projects in 2001. For details, see Table 35 in the Statistical Annex.

The Japan Fund for Information and Communication Technology, also funded by the Government of Japan with 1,273.3 billion yen (about \$10.7 million), was established in July 2001 to harness the potential of information and communication technology and bridge the growing digital divide in Asia and the Pacific.

Channel financing arrangements were approved with the governments of Canada, Denmark, The Netherlands, and United Kingdom in poverty reduction, governance, climate change, water, and renewable energy, for a total of \$47.4 million in untied grants.

**Commercial and export credit cofinancing:** Commercial cofinancing in 2001 amounted to \$912.6 million for eight projects, a decrease of more than 50% from the \$2.3 billion arranged in 2000. Of the 2001 total, \$822.6 million

was parallel cofinancing from domestic financial institutions in the PRC and Viet Nam. Export credit cofinancing in 2001 amounted to \$20.1 million for a power project in Bangladesh, in the form of supplier's credit, the source of which will be determined through international competitive bidding.

**Guarantees:** In 2001, a partial credit guarantee of \$90 million was approved to support commercial cofinancing for the Small and Medium Enterprise Sector Development Program Credit Assistance Project in Sri Lanka. To date, ADB has issued a total of 11 partial credit guarantees and 3 political risk guarantees in support of about \$1.5 billion in commercial cofinancing under syndicated loans and capital market instruments. For more on cofinancing, see <http://www.adb.org/cofinancing>.

## Portfolio management

In 2001, under its Portfolio Management Action Plan, ADB introduced an automated project rating system to improve the consistency and timeliness, and reduce the subjectivity of ratings. An "at risk" approach was adopted in the rating system, combining an enhanced project rating system with an early warning device for flagging projects rated satisfactory or better but with potential problems. In addition, the project performance report was restructured and expanded to make it a more useful project monitoring tool.

The Project Administration Instructions were revised completely in 2001 to incorporate improvements in business processes and changes in delegation of authority. The revisions, which streamline project administration activities, are expected to be adopted in 2002.

ADB continued to emphasize good governance and transparency in portfolio management and project implementation in 2001, and pursued timely submission of quality-driven audited project accounts and agency financial statements. Better assessment and strengthened financial management of executing agencies at the early stage of project processing remained important features of ADB's drive toward better governance and fiduciary safeguards and controls in project implementation. Portfolio performance at the country, sector, and project levels; and sound financial management procedures and practices in executing agencies were increasingly factored into ADB's country programming and project processing work.

ADB also continued to collaborate with the Procurement Cooperation Group of Multilateral Development Banks (MDBs) and International Financial Institutions to develop master bidding documents and master documents for consultant recruitment. Based on the master documents, ADB prepared four related documents reflecting its procedures and policies for the procurement of goods. The working group also prepared the master document for prequalifying civil

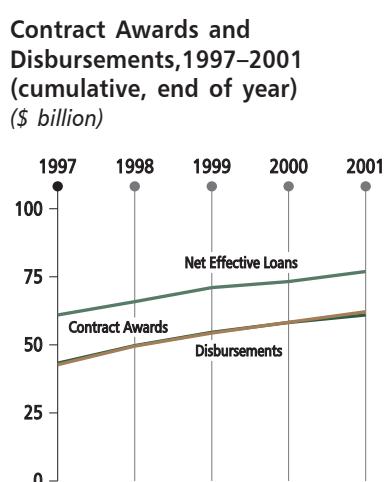
works contractors, on which ADB will base a standard prequalification document in 2002. The working group also commenced work for preparing a similar master document for civil works contracts.

To improve its effectiveness, ADB reviewed its policies and procedures on selecting consulting firms. To expedite processing and improve transparency, ADB finalized a proposal to introduce the quality and cost-based system (QCBS). The QCBS focuses on quality as the primary selection criterion (80%), while considering to a degree (20%) the cost of the services.

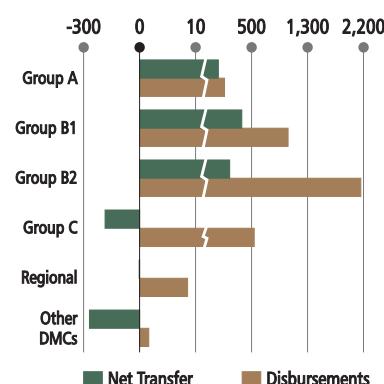
**Project administration:** A total of 76 new loans (72 public and 4 private sector) were approved in 2001. This brought the number of loans under administration to 552, comprising 501 loans in the public sector and 51 in the private sector. Of the public sector loans, 399 were rated satisfactory (including 6 highly satisfactory) in terms of implementation progress and achievement of development objectives, while 79 loans were rated partly satisfactory and 23 loans unsatisfactory.

Altogether, 690 project administration missions, including private sector loan and multiproject reviews, were fielded to assess project progress and discuss problems; improve portfolio performance; and strengthen the linkages between country and sector performance, including joint project reviews with the World Bank and other MDBs. A total of 9,352 person-days (or an average of 21.4 person-days per project) were spent reviewing projects. Country portfolio review missions were undertaken in 16 DMCs to discuss with senior government officials implementation problems, timely submission of audited project accounts and audited agency financial statements, cross-sectoral issues, and remedial measures. Special portfolio restructuring for Indonesia was undertaken; \$101.8 million was identified for loan cancellation.

ADB's regional and resident missions continued to play an important role in project implementation, in accordance with ADB's policy on resident missions. Major



**Disbursements and Net Transfer of ADB Resources to DMCs, 2001 (\$ million)**



See page 51 for classification of countries.

operational functions such as country programming, project processing, and portfolio management continued to be delegated to the missions. By end-2001, administration of a total of 32 loans for 27 projects had been delegated to the resident missions in Bangladesh, Cambodia, India, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam; and the regional mission for the South Pacific in Vanuatu. *For more on the Resident Mission Policy, see [http://www.adb.org/documents/policies/resident\\_mission](http://www.adb.org/documents/policies/resident_mission).*

Eighty-three projects were completed during the year. Sixty-one project completion reports were circulated in 2001, bringing the total number of reports prepared as of end-2001 to 989. *For details, see Table 14 in the Statistical Annex.*

**Contract awards:** Contracts totaling \$2.6 billion (excluding contracts for technical assistance projects) were awarded in 2001 by executing agencies in DMCs for engaging consulting services and procuring goods, related services, and civil works. This represented a 24% decline from 2000, and 2001 contract awards fell short of projections for several large borrowers: Bangladesh, India, Indonesia, and Viet Nam. Consultancy contracts under loan projects totaled \$142.9 million and involved 344 consulting contracts (113 international and 231 domestic). *For details, see Tables 15–23 in the Statistical Annex.*

**Loan disbursements:** The 2001 loan disbursements of \$3.9 billion fell short of the \$4.3 billion projected for the year, and were slightly lower than the 2000 disbursements, mainly because of shortfalls in program loan disbursements. *For 2000 and 2001 disbursements by lending modality, see Table 8 in the Statistical Annex.*

**Project implementation and administration seminars:** ADB conducted a series of seminars in 2001 to help DMCs understand the changing environment in which projects are implemented. Eight seminars focused on improving project implementation and administration in the DMCs; a total of 315 DMC representatives participated in the 2-week sessions. Seven of the eight were in-country seminars held in PRC, Indonesia, Lao People's Democratic Republic (Lao PDR), Pakistan, Philippines, Sri Lanka, and Viet Nam. One was a regional seminar held at ADB headquarters. In addition, seven seminars on the use of consultants, attended by about 300 participants, were held in Bangladesh, Cambodia, PRC, India, Kazakhstan, Mongolia, and Uzbekistan. Also, seminars on developing domestic consulting services attended by about 250 participants were held in Cambodia, PRC, India, Indonesia, and Viet Nam.

**Business opportunities seminars:** Fourteen seminars on business opportunities were organized in 2001 in 10 countries: Austria; Belgium; Hong Kong;

China; Italy; Japan; Republic of Korea; Pakistan; Spain; Turkey; and United States. Participants were provided with an overview of business opportunities under ADB-financed loans and technical assistance, given advice on preparing bids and proposals in line with ADB guidelines, and informed of the procedures for evaluating bids and ranking consulting proposals. Overall, more than 519 participants joined the presentations, discussions, and one-on-one consultations. In addition, several seminars were held at ADB headquarters for visiting missions and delegations from various members.

## Private sector operations portfolio

ADB's private sector portfolio has delivered developmental impacts, leveraged and catalyzed other sources of funding, created employment, and continued to promote governance and environmental protection. In 2001, the portfolio amounted to \$1.2 billion. This consisted of \$718.7 million in loans (62% of the portfolio) and \$449.2 million in equity investments (38%).

Since ADB's first private sector investment in 1983, cumulative approvals have totaled \$2.0 billion, financing 148 projects and mobilizing \$655.8 million of complementary financing loans. ADB's involvement also catalyzed \$15.5 billion in additional financing, leveraging ADB investments by a ratio of 7.7 times. At the end of 2001, cumulative disbursements rose by \$67.3 million and reached \$1.4 billion. Of the approvals, \$614 million or 31% has been repaid and divested. *For details, see Tables 9–13 in the Statistical Annex and table below.*

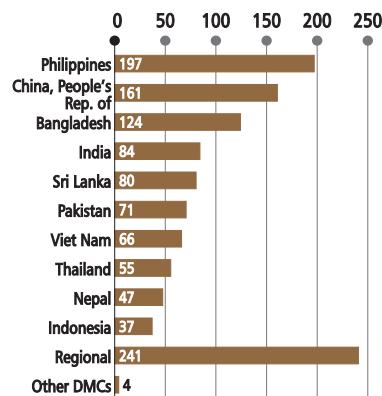
ADB's private sector operations continued to focus on infrastructure and capital markets. In 2001, two pioneering private sector projects were approved in social infrastructure—one in health care and another in education. Infrastructure projects in DMCs account for 46.3% (\$539.3 million) of the private sector portfolio. In

### Private Sector Portfolio Distribution,<sup>a</sup> 2001

	Investments Held		
	No. of Companies	\$ Million	%
Infrastructure	19	539.3	46.2
Investment Funds and Financial Institutions	64	452.1	38.7
Others	16	176.5	15.1
<b>TOTAL</b>	<b>99</b>	<b>1,167.9</b>	<b>100.0</b>

<sup>a</sup> At exchange rates as of 31 December 2001.

**Private Sector Operations**  
**Portfolio Distribution by Country,**  
**2001 (\$ million)**



capital markets, approvals for 2001 included a regional financial institution, two country-specific funds, and a housing bank.

At the end of 2001, 16.2% of the private sector portfolio or \$188.3 million was in pioneering financial institutions,

which develop and strengthen capital and financial markets and allow ADB to leverage on its own available staff and financial resources. Another 22.6% of the private sector portfolio or \$263.8 million was invested in country and sectoral funds and fund management companies, which provide equity and/or loans to infrastructure projects, small and medium enterprises, and financial institutions in DMCs.

The remaining 15.1% of the private sector portfolio, or \$176.5 million, was made in the mid-1980s when ADB supported several DMC governments that encouraged the private sector to invest in large agricultural and industrial ventures.

At the end of 2001, there were 99 projects under administration, net of repayments, cancellations, and divestments. Of the total number of projects, 18 are in regional financial entities and funds. Operationally, 71 companies were demonstrating strong financial performance, 4 were performing marginally, and 24 were underperforming. Risk management vigilance continued in 2001. This included an active effort to rehabilitate, restructure, or exit impaired assets.

Interest and other income earned on the private sector portfolio in 2000 and 2001 were at the same level at \$31.1 million. Dividend income rose from \$11.4 million (4.3% yield) in 2000 to \$13.2 million (4.9% yield) in 2001. On a cumulative basis, dividends to date amounted to \$80.1 million. In addition, cumulative net realized gains totaled \$69.4 million.

Provision for possible losses on impaired assets increased from \$140.1 million in 2000 to \$144.5 million in 2001. The loss reserve was 21.1% of the total outstanding portfolio at the end of 2001, compared with 20.6% in 2000. *For more on private sector operations, see <http://www.adb.org/PrivateSector>.*

**Capacity building:** In 2001, ADB jointly organized a workshop with the International Finance Corporation and the Japan Bank for International Cooperation on environmental management for private sector fund managers and finance professionals.

## Performance evaluation and development impact

The Operations Evaluation Department (OED) independently evaluates ADB's operations, including the performance of completed projects, programs, and technical assistance, and thematic studies in the form of impact, special, and country assistance program evaluations. The primary objectives of ADB's evaluation activities are to provide resource accountability, cite lessons learned for future operations, and identify follow-up actions for sustaining the benefits of activities supported by ADB. Operations evaluation activities were strengthened in 2001: the Operations Evaluation Office became a department with additional posts, under the oversight of the Board of Directors' Development Effectiveness Committee.

During the year, OED completed 37 evaluation reports; the main reports comprised 26 performance audit reports and 6 special evaluation reports.

### Project/program performance audit reports

In 2001, 17 projects and 5 programs were assessed in 21 reports, using the four-category rating system of highly successful, successful, partly successful, and unsuccessful. Of the 22 evaluated projects/programs in 2001, 3 (14%) were rated highly successful and 9 (41%) successful. The remaining 10 (45%) projects/programs were rated partly successful. None was rated unsuccessful.

Of the five performance audit reports for programs, one was rated successful and four were rated partly successful. The evaluations demonstrated that reforms require longer periods, more policy dialogue, and sustained commitment from governments. The evaluations also underscored the need for detailed sector studies and use of participatory approaches in program design, and confirmed the importance of realistic assessment of and systematic capacity building for executing agencies.

Of the 17 projects, including 4 using the sector loan modality, 3 (18%) were considered highly successful, 8 (47%) successful, and 6 (35%) partly successful. Of the seven physical infrastructure projects, three were found to be highly successful. Of the social sector projects, four targeting underserved areas and lower-income communities were rated successful. Five other

agriculture and social sector projects and one multisector project were rated partly successful.

Two of the three projects evaluated in Group A DMCs (*see box on Classification of ADB's Developing Members*) were rated highly successful; two road projects in the Lao PDR improved a vital road section from the national capital to the northern provinces, strengthening national integration and generating substantial benefits to the economy. Of the 14 projects in Groups B1 and B2 DMCs, 6 were rated successful and the rest partly successful. Of the five projects in Group C countries, one was rated highly successful and three successful. The highly successful Second Erawan Gas Project in Thailand highlighted two factors critical to the success of a project: a high degree of ownership by the Government and the executing agency, and strong institutional capability of the implementing agencies.

Lessons from these evaluations are relevant to future ADB operations. For example, the Dhaka Urban Infrastructure Improvement Project in Bangladesh, rated partly successful, showed that community participation is a critical factor in ensuring proper operation and maintenance of project facilities, and the sustained delivery of services. The Heilongjiang Expressway Project in the PRC, which was rated successful, highlighted the need for a rigorous review of technical features at appraisal and during implementation to improve design, for example, for safety.

### **Technical assistance performance audit reports**

Five performance audit reports of technical assistance clusters were prepared in 2001. Twenty-five technical assistance activities were evaluated; 2 were rated highly successful, 11 successful, 7 partly successful, and 5 unsuccessful.

In Cambodia, two technical assistance grants supported a detailed survey of transport needs and provided formal training to the Planning Department of the Ministry of Public Works and Transport. In Viet Nam, a technical assistance grant helped formulate a Road

### **Classification of ADB's Developing Members**

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

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

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

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

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

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

For details on ADB's graduation policy for DMCs, see <http://www.adb.org/documents/policies/graduation>.

1 Turkmenistan has not been classified.

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

3 On a watch list for graduation from the ADF.

Act. The evaluation highlighted two main issues: a heavy reliance on external funding for road maintenance; and the higher remuneration packages offered to project management units that attracted qualified personnel away from regular activities. One of the technical assistance in Cambodia was highly successful, and the other partly successful. The technical assistance in Viet Nam was rated partly successful.

OED evaluated two technical assistance projects in the social sectors of two DMCs. One helped generate social survey data for formulating social sector reforms in Viet Nam. The other introduced a cost resource allocation method for the budget allocation system for health in Sri Lanka. Three main lessons emerged: technical assistance focused on DMC priorities is more likely to succeed; the use of technical assistance outputs needs to be specified during design; and important findings should be widely disseminated. Both technical assistance were rated successful.

Six technical assistance grants designed to build evaluation capability in Nepal, Philippines, and Sri Lanka were evaluated. It was found that for evaluation

capacity to be built in DMCs, there must be a high degree of government ownership, backed up by high-level support and stable staffing; participation by all key stakeholders in project performance management systems; and creation of awareness among senior decision makers during preparation. Weaknesses were identified in implementation. The two technical assistance to strengthen postevaluation capacity in Nepal and the Philippines were rated partly successful; that for Sri Lanka was rated highly successful. Three technical assistance to strengthen each country's project performance management system were rated unsuccessful, partly successful, and successful.

Six advisory technical assistance in the PRC addressed the problems of growing urban population and urban management. The first two technical assistance approved in 1992–1993 were rated unsuccessful but the last four approved in 1995–1998 were rated successful. The trend has been toward successful outcomes in recent years as ADB gained more experience in the PRC and focused on areas in urban development where it had a comparative advantage, mainly water supply and sanitation. Two of the more recent technical assistance helped formulate and implement build-operate-transfer water supply projects, and had a significant impact in strengthening the relevant institutions. An urban policy workshop provided a venue for dialogue between government agencies, city administrations, and ADB. Many of the recommendations in the urban development plan for Hohhot were considered by the executing agency. Three lessons were learned. First, ADB needs to be more thorough in preparing technical assistance projects in the urban development sector. For example, data availability needs to be adequately assessed. Second, ADB needs to ensure that sufficient resources are allocated for meeting the requirements of the terms of reference, for the supervision of technical assistance implementation, and for translation services. Third, technical assistance that serve as demonstration or pilot projects

should include in their design mechanisms to disseminate the results and findings to a wider audience in the country.

Eight technical assistance, involving four Pacific DMCs, focused on institutional strengthening and capacity building for financial institutions. In the Marshall Islands, the institutions involved failed to sustain their small enterprise activities, and the Small Business Development Corporation in Papua New Guinea was closed soon after the technical assistance was completed. These technical assistance were rated unsuccessful. Technical assistance was provided for institutional strengthening of other banking institutions in the Marshall Islands and Papua New Guinea. It was found that implementation time was inadequate in the first case, and a corporate plan for the rural development bank was not implemented in the second. Both were rated partly successful. Technical assistance for

### **Program Lending: A Lending Modality for Policy Reform**

Program lending has been the main instrument through which ADB has supported policy reforms in its developing member countries (DMCs). The modality was used extensively in responding to the 1997 Asian financial crisis. From 1987 until the end of 2001, 117 programs or program components of sector development programs were approved with a combined loan amount of \$16.1 billion, 22% of total ADB lending. Program lending now involves a diverse range of countries, including Pacific DMCs and newer members in Central Asia; program loans now support a broader range of activities, including social infrastructure and public sector reforms, in addition to the initial focus on the agriculture, financial, and industry sectors. The special evaluation study assessed the role of program lending in promoting policy reforms in the DMCs and identified generic measures that could enhance its effectiveness.

The programs met their immediate targets. Total disbursements for 58 completed programs were only 9% below the approved loan amount. Although ambitious—containing a large number of conditions within a tight time frame—nearly all program conditions for 40 programs with completion reports were met. However, tranche releases and program completion were delayed; disbursements planned over an average of 15 months from loan effectiveness were actually completed within an average of 24 and a maximum of 52 months. Most programs had been designed with two tranches; 72% of second tranche releases were delayed and 11% canceled altogether.

According to the performance reporting system and stakeholder consultations in seven countries, program impacts did not always achieve their potential. DMCs made significant progress in adopting more market-oriented policies; however, the recurrence of conditionalities between loans and sectors indicated that reforms could not always be sustained. In several cases, program conditions were enacted after program completion, indicating a problem of process and timing. In other cases, program lending provided

rehabilitating the Development Bank of Western Samoa, strengthening government financial institutions in Samoa, and preparing a strategic plan for the National Bank of Vanuatu provided two main lessons: government action to resolve known problems should precede technical assistance, and technical assistance should be designed with sufficient flexibility to permit midcourse adjustments. These technical assistance were rated successful.

### **Special evaluation studies**

A special evaluation study examined the impact of ADB's crisis support interventions in Indonesia, which included five loans, totaling \$2.8 billion, to augment liquidity and budgetary resources; promote transparency in financial sector governance; provide social protection to the poor; and support important structural reforms related to the crisis. Nonlending support included

providing policy advisory technical assistance. The study found that, although slow, the overall impact of the crisis management interventions was evident in major economic indicators. Nonlending support prior to or with the crisis support loans was timely and useful, and helped restore investor confidence. Four main lessons were identified: crisis conditions require different approaches, procedures, and instruments from noncrisis operations; restoring investor confidence is the most important objective of crisis assistance; crisis assistance must be continuous and intensive both during the preapproval and postapproval phases; and nonlending support is an important part of crisis assistance.

A special evaluation study on gender and development used a project case study approach to examine factors influencing the incorporation of gender considerations in ADB-financed projects. Cultural and religious barriers, and indifference toward gender

objectives, are the most common obstacles to addressing gender effectively. Project design often fails to recognize relevant gender issues and effective targeting provisions; executing agencies often accord low priority to social and gender awareness training because they do not have the relevant authority. A sequence of steps to follow during project preparation and implementation is recommended: conduct an initial social assessment, collect and analyze relevant gender information, adopt a gender inclusive design, conduct timely policy dialogue, and monitor gender provisions. *For more on gender and development, see <http://www.adb.org/gender>.*

A special evaluation study, based on 50 activities in four countries, found that total economic and sector work absorbed around 5%–6% of staff time, \$3 million–\$5 million in staff consultant inputs, and \$30 million–\$50 million of technical assistance resources annually. The study found perceptions that present staff resources are inadequate for generating effective economic and sector work outcomes, governments' involvement in planning such work is limited, and stakeholders are concerned about the cost-effective-

(continued)

insufficient resources for capacity building during policy reform implementation. Greater assistance for capacity building is needed, especially in policy analysis and implementation coordination. Stakeholder consultation and commitment to the reforms, specialized skills in program implementation, and a change in the focus of economic and sector work from outputs to results, would also help in successful implementation.

Overall, program lending has had and will continue to have high relevance to the needs of DMCs, and has been moderately effective in supporting substantive legislative and policy changes. However, programs have not always been based on achievable rates of change; stakeholder participation in program formulation could be better; and analysis of the incentive structure for effecting changed behaviors could be strengthened.

The study recommended specific actions for increasing the efficacy, sustainability, and development impact of program lending:

- more options should be considered in program design, including multiple and floating tranches, providing a justification in each case;
- government authorship of the reform package needs to be complemented by participation of affected groups, and dissemination of information relating to proposed policy changes and the costs of not changing;
- counterpart funds should be used for building government capacity for designing and implementing programs; and
- further evaluation of programs, including selected reevaluation studies and evaluation of selected programs during implementation, should be done and guidelines for program evaluation updated.

This study has already been discussed by the Development Effectiveness Committee and at an informal Board seminar, and the Board of Directors continues to take an active interest in the objectives and design of this important lending modality. *For more details, see [http://www.adb.org/documents/policies/program\\_lending](http://www.adb.org/documents/policies/program_lending).*

ness of such activities. A focus on results rather than inputs would improve the effectiveness of economic and sector work. Five steps for improving the management of this work were identified: define economic and sector work as a separate nonlending service in ADB's *Operations Manual*; establish a tracking system for monitoring resource use and results; introduce internal processes to enhance overall quality; develop a dissemination strategy; and establish a change agent within ADB to enhance economic and sector work.

A special evaluation study on the impact of ADF resources covered the first five ADF commitment periods, 1973–1991, and the Special Funds period (1969–1972) that preceded them. Total commitments were \$10.2 billion: Bangladesh, Nepal, Pakistan, and Sri Lanka accounted for 76% of the total. It was found that projects designed to enhance DMCs' productive capacity—such as energy, transport and communications, and irrigation—promoted economic growth and indirectly reduced poverty. Projects designed to reduce poverty directly, while making positive contributions, generally produced results below expectations. The following lessons have been considered in designing and implementing subsequent ADF-funded projects: thorough project preparation should consider local culture, and technical and financial aspects; beneficiary participation is essential for developing project ownership; ADB staff's capability to deal with stakeholders at the grassroots level must be enhanced; commitment to a sector or subsector must be long term; transparency and accountability in project management are essential; and the policy environment must support the project.

A special evaluation study on privatizing public sector enterprises assessed the global experience on privatization; analyzed ADB's support for privatization through loan and technical assistance projects since 1994; and evaluated the DMC experience by surveying active borrowers. The main findings include the

importance of sequencing reforms, and the need for a more integrated approach to implementing privatization. Economic stabilization and trade liberalization are essential for the success of privatization; many policy changes, for example, deregulating the banking sector, legal and judicial changes, and capital market development, should precede any divestment; and complementary social welfare actions avoid delays and implementation constraints.

### ***Harmonization of evaluation activities***

An Evaluation Cooperation Group, established in 1996 among the MDBs, is pursuing greater harmonization of evaluation activities to reduce the costs on borrowing countries and allow clear comparisons between participating institutions. The group is examining the criteria used in evaluations, timing and procedures for evaluations, and governance issues relating to independence and disclosure. Draft sets of good practice standards have been developed in relation to evaluating public sector lending and private sector operations. OED is also involved in a joint evaluation in Viet Nam of the Comprehensive Development Framework Approach to Partnership. *For more on evaluating ADB projects, see <http://www.adb.org/evaluation>.*

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**The primary objectives of ADB's evaluation activities are to provide resource accountability, cite lessons learned for future operations, and identify follow-up actions for sustaining the benefits of activities supported by ADB.**

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**“Policy dialogue with governments helps ADB prepare operational strategies, and from project implementation evaluations, ADB derives lessons to improve the quality of future projects.”**



# COUNTRY REPORTS

The Asian Development Bank (ADB) monitors the economic performance and assesses the needs of its developing member countries (DMCs). These regular evaluations are the basis for the country strategy and program reports and updates. Policy dialogue with governments helps ADB prepare operational strategies, and from project implementation evaluations, ADB derives lessons to improve the quality of future projects.

In this chapter, ADB activities in 2001 in its DMCs—including those in Afghanistan—are discussed. While not yet a member, East Timor is included in the discussion because ADB had activities there in 2001. Four members—Hong Kong, China; Republic of Korea; Singapore; and Taipei, China—have graduated from regular ADB assistance; of the four members, only the Republic of Korea is included in the discussion because of ongoing ADB operations as a result of the 1997 Asian financial crisis.

## Afghanistan

### *Economic performance*

Before the recent war that ousted the Taliban regime, Afghanistan's aggregate gross domestic product (GDP)

was estimated at \$6.9 billion, with per capita income of about \$300 in 1989. The bulk of national production consisted of agriculture and forestry products (53%), followed by light industry (28%), trade (8%), and construction (6%). These estimates exclude illegal poppy cultivation and narcotics production, which are major sources of income.

Afghanistan's social and economic structures and institutions have been devastated by hostilities since 1978. At least 5 million people have been displaced within and outside the country. The country's infant mortality, life expectancy, and literacy rates are among the lowest in the world. Severe drought over the past 3 years has resulted in substantially less food supply. While large-scale food aid and other humanitarian relief have flowed into the country, delivering this aid to remote mountain settlements remains a challenge.

Trade statistics for 1999, the most recently available, indicate total exports of \$235 million, the major exports, in order of size, being fruit, nuts, and carpets. Imports totaled \$900 million in 1999, leaving a trade deficit of about \$665 million. Major imports included capital goods, food, textiles, and petroleum products. Arrears to multilateral creditors total nearly \$50 million. Nevertheless, over the coming years,

Afghanistan will need large financial inflows to fund humanitarian, rehabilitation, and reconstruction efforts if poverty is to be reduced and sustainable development made possible. The major economic and social issues are food security and provision of basic health, water and sanitation services, as well as shelter and other basic social infrastructure.

### **ADB operations**

Afghanistan became a member of ADB in 1966. Operations began in 1969, with the first ADB loan being approved in 1970. By 1979, when ADB assistance was suspended following the Soviet occupation, Afghanistan had received nine loans totaling \$95.1 million and technical assistance grants totaling \$2.5 million, all outstanding loans at that time being sourced from the Asian Development Fund (ADF). ADB operations emphasized projects in agriculture, irrigation, transportation, hydropower development, and vocational education. As of 31 December 2001, the total principal outstanding was \$27.7 million, with arrears on four loans totaling \$15.3 million. These arrears are currently being addressed as a prerequisite to resumption of ADB operations.

Since October 2001, ADB has played a key role in planning and assisting Afghanistan's reconstruction. At the request of the Steering Group on Afghanistan Reconstruction—chaired by the United States (US), Japan, the European Union, and Saudi Arabia—ADB, the United Nations Development Programme (UNDP), and World Bank jointly prepared a Preliminary Needs Assessment for Recovery and Reconstruction. This document was finalized at ADB headquarters in Manila for use as the basis for international pledges in support of Afghanistan's reconstruction. The preliminary assessment indicates a requirement of about \$1.7 billion for the first year, \$4.9 billion for the first 2.5 years, about \$10 billion over 5 years, and \$14.6 billion over 10 years under a base case scenario. ADB also plays a key role in launching the Afghanistan Reconstruction Trust Fund, which will be managed jointly by ADB, the Islamic Development Bank, UNDP, and World Bank.

The agriculture, infrastructure, and social sectors are crucial for rehabilitating and reconstructing Afghanistan. ADB's immediate focus will be on restoring irrigation systems and roads that can make a major contribution to rebuilding the national economy while creating local community employment. As all social sector services have collapsed, ADB's first priority will be to restore basic education, including nonformal education.

Based on the preliminary assessment, ADB is considering assistance in the form of ADF loans and grants of around \$500 million over 2.5 years.

## **Azerbaijan**

### **Economic performance**

Azerbaijan's real GDP growth rate in 2001 was 9.9%, down from 11.1% in 2000. Economic performance in 2001 was generally strong, mainly because of growth in the non-oil subsector of 12%. In contrast, growth in oil and gas was 5%. Inflation as measured by the consumer price index (CPI)

remained at 1.5% in 2001,

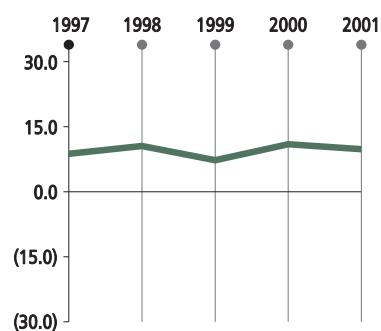
compared with

1.8% the previous year.

Benefiting from more rapid GDP growth and buoyant world oil prices, government revenues reached 18.0% of GDP in 2001, though their

heavy reliance on the oil and gas subsector continued during the year. The general fiscal balance position slightly improved from a deficit of 2.2% of GDP during the first half of 2000 to a deficit of 2.1% of GDP the same period in 2001. Owing to an improved trade balance, the current account improved with the deficit falling from 3.4% of GDP to 2.3% of GDP, despite the growing deficit in the nonmerchandise accounts. The country's export growth of 7.9% was fueled mainly by oil. Because of a sharp increase in income outflows from foreign oil consortia and subdued oil exploration activities, oil equipment imports fell, causing overall imports to decrease by 5.4% in 2001. Foreign investment, mainly foreign direct investment in the oil and gas subsector, recovered. Despite increased capital repayment and growth in the state oil fund, gross international reserves improved to \$744 million in 2001, equivalent to about 5 months of imports. Due to significant underreporting and large employment in the informal sector, the actual unemployment rate is estimated at 18%, although officially, unemployment has remained at 1.0% since 1995.

**Azerbaijan  
GDP Growth Rate, 1997–2001  
(percent)**



## **ADB operations**

**Operational strategy:** Inequitable economic growth and the need to assist growing numbers of poor people were major concerns in formulating ADB's interim operational strategy for the country, the goal of which is reducing poverty and raising living standards by enhancing human development, supporting good governance and institutional strengthening, and promoting sustainable growth. ADB's strategy for Azerbaijan consists of helping the Government improve the delivery of essential public goods and services to those in greatest need, and strengthen the environment for private investment and job creation.

**Policy dialogue:** In 2001, ADB's policy dialogue focused on Azerbaijan's proposed national strategy for reducing poverty. Discussions with the Government and funding agencies focused on assisting 20,000 internally displaced persons, with \$2.5 million financing from the Japan Fund for Poverty Reduction.

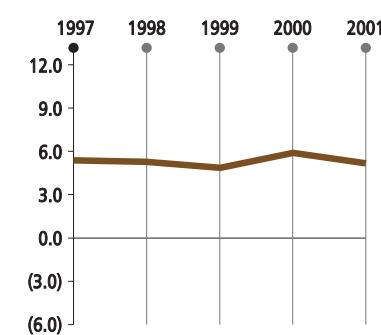
**Loans and technical assistance:** While no loans were approved in 2001, five technical assistance grants totaling \$2.0 million were approved during the year, which will provide training in ADB policies and procedures, support macroeconomic policy development, facilitate development of a national program for poverty reduction, and prepare ADB's first loan to Azerbaijan that will fund urban water supply and sanitation development.

## **Bangladesh**

### **Economic performance**

GDP growth in fiscal year (FY)2001 (ending 30 June) is estimated at 5.2%, lower than the 5.9% growth rate achieved in FY2000. This relatively robust growth was due to a bumper crop in agriculture and growth in the industry sector of 7.2%, higher than the 6.2% growth achieved in FY2000. Growth in the services sector in FY2001 was 5.4%, against 5.5% in FY2000. Inflation, as measured by the CPI, declined to 1.6% in FY2001 from 3.4% in FY2000, mainly due to depressed food prices. Government revenue increased to 9.6% of GDP in FY2001, compared with 8.5% in FY2000 as a result of improved tax collection, increased imports, and a new compulsory preshipment inspection system.

**Bangladesh  
GDP Growth Rate, 1997–2001  
(percent)**



However, the budget deficit remained high at 6.1% of GDP due to a surge in expenditures. Exports, mainly garments and knitwear, grew by 12.4% in FY2001, compared with 8.2% the previous year. However, the current account deficit increased to 2.1% of GDP compared with 1% in FY2000, following a surge in imports and a decline in private current transfers, including remittances. Foreign exchange reserves declined to \$1.3 billion or 1.7 months of imports at the end of FY2001, compared with \$1.6 billion at the end of FY2000. Because the domestic garment industry and overseas job markets—which have absorbed a large proportion of the population entering the labor market during the last 2 decades—have become saturated, Bangladesh faces the challenge of absorbing 2 million labor force entrants annually, as well as addressing large-scale underemployment.

## **ADB operations**

**Operational strategy:** ADB's focus remained on poverty reduction, the most important challenge facing Bangladesh since nearly half the population lives in absolute poverty. The Partnership Agreement on Poverty Reduction (PAPR) concluded in early 2000 also recommended promotion of effective development interventions, increased quantity and quality of social sector investments, and greater attention to good governance.

**Policy dialogue:** Major emphases in 2001 were reform strategy and regulation for the energy sector, improving performance of the water resource management sector, and the postliteracy and continuing education subsectors.

**Loans, technical assistance, and grants:** In 2001, ADB approved four loans totaling \$297.9 million for the West Zone power system development, postliteracy and continuing education, and second small-scale water resources development sector projects. Twelve technical assistance grants totaling \$4.9 million were also approved for funding a poverty assessment; a review of public expenditure; erosion mitigation of the Jamuna-Meghna River; a study on the Jamuna Bridge; improvement of urban governance and infrastructure; review and strategy formulation in the financial, industry, and trade sectors; rural infrastructure improvement; development of the Northwest Road corridor; road network improvement and maintenance; and primary

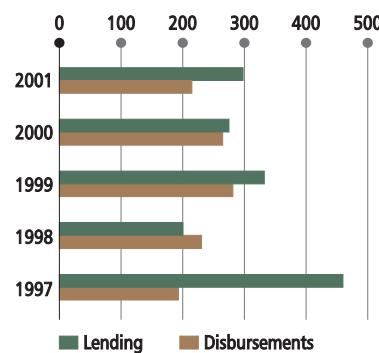
education sector improvement. Three grant-financed projects amounting to \$25.4 million were also approved: one for beneficiary participation and project management, and one for the second small-scale water resources development sector, both funded by the Government of The Netherlands; and another for supporting livelihood improvement for the poor through water management associations, financed by the Japan Fund for Poverty Reduction (JFPR).

**Project implementation:** Since joining ADB in 1973, Bangladesh has received 147 loans, of which 37 were active at the end of 2001. Contract awards totaled \$137.9 million, bringing the cumulative figure to \$4.7 billion. The contract award ratio was 14.6%, slightly lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$214.9 million, bringing cumulative disbursements to about \$4.7 billion. The disbursement ratio was 17.3%, lower than the ADB-wide

average of 20.5%.

In 2001, the Government and ADB focused on implementing the measures agreed upon during the 2000 country portfolio review. Efforts were concentrated on improving project readiness, streamlining procurement and

#### Bangladesh Lending and Disbursements, 1997–2001 (\$ million)



#### Bangladesh Cumulative ADB Lending (as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	63	2,161.8	33.3
Energy	23	1,475.7	22.7
Transport and Communications	19	1,190.8	18.4
Social Infrastructure	24	1,021.4	15.7
Industry and Nonfuel Minerals	8	262.5	4.1
Finance	8	217.6	3.3
Multisector	2	158.8	2.5
<b>TOTAL</b>	<b>147</b>	<b>6,488.6</b>	<b>100.0</b>

recruitment of consultants, and enhancing project implementation and monitoring. A technical assistance grant for strengthening project portfolio performance, training executing agencies' staff in project implementation, and improving the Government's institutional capacity in project monitoring is currently being implemented.

## Bhutan

#### Economic performance

While Bhutan's real GDP growth was robust in calendar year 2001, reaching an estimated 6.5%, this figure hides a relatively wide variation in sectoral performance. Growth in agriculture, traditionally the slowest-growing sector, recorded an estimated 4.8%, while growth in the industry and services sectors reached estimated rates of 8.0% and 6.3%, respectively. Major hydropower and industrial projects prompted expansion in construction, and growth in transport and communications was dynamic. However, the performance of mining and manufacturing was disappointing. Tourism, though not identified separately in the national accounts, gained increasing importance despite being adversely affected by the 11 September events.

Because of the fixed exchange rate between Bhutan's ngultrum and the Indian rupee, trends in inflation in Bhutan have traditionally paralleled those in India. That said, the country's inflation rate fell substantially in FY2000 and remained steady in FY2001 at 3.6%, largely due to reduced food prices. The Government has traditionally pursued a prudent fiscal policy, with current expenditure being financed completely from domestic revenues. While Bhutan's fiscal deficit increased to 5.1% of GDP in FY2001 from 4.1% in FY2000 as a result of increased capital investment for hydropower and industrial projects, domestic revenue is expected to increase as major projects are commissioned over the coming months and power export tariffs are raised in the long run. In FY2001, the trade and current account deficits increased to 22.6% and 27.5% of GDP, respectively. However, capital inflows—mostly in the form of grants—have continued to exceed by some margin the deficits in the country's trade and current accounts. The net effect of these trends has boosted Bhutan's foreign exchange reserves significantly over time. As of June 2001, foreign exchange reserves stood at \$294 million, equivalent to 16 months of merchandise imports.

## ADB operations

**Operational strategy:** In the context of Bhutan, reducing poverty will require continued economic growth, and extending the coverage of health, education, and other facilities to all segments of society. ADB supports poverty reduction in Bhutan by promoting economic growth and social inclusiveness through interventions in physical and social infrastructure, private sector development, employment creation, and improved economic management. In particular, ADB promotes income and employment-generating activities through private sector-led development, brought about by an improved policy setting and more efficient financial intermediation; upgraded road transport and expanded power transmission and distribution; and strengthened vocational, technical, and basic skills. To implement the country strategy effectively, ADB assisted the Government's first study on poverty. Published by the Government in December 2001, the study examines the nature and extent of poverty in Bhutan and its geographical distribution. The study's findings are expected to contribute to improved national data relating to poverty. While the findings will not change the focus of ADB's country strategy, these will be taken into account in future project design and implementation.

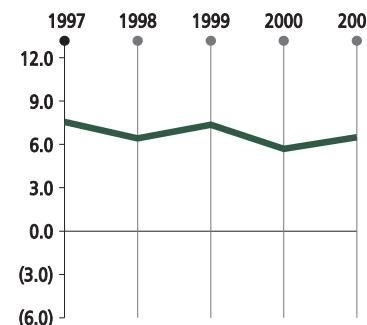
**Policy dialogue:** In implementing the country strategy, policy dialogue focused on promoting private sector development; improving the efficiency of public service delivery and cost recovery; and establishing administrative and technical capacity for analyzing and monitoring poverty, and formulating and evaluating poverty interventions. ADB will continue to support the Government's efforts in providing an enabling environment for private sector development by rationalizing and strengthening banking and financial institutions; continuing to liberalize foreign trade, exchange, and investment regulations; liberalizing interest rates to reflect the true underlying cost of resource mobilization,

intermediation, and risk; and formulating transparent legislation and regulatory procedures. In the power sector, key policy objectives include pursuing financial viability and sustainability of power operations through corporatizing the Department of Power. ADB also supports the Government's ongoing efforts for improving domestic resource mobilization, including cost recovery of public service delivery in the health and urban services. ADB's operational program also includes a comprehensive household living standard survey.

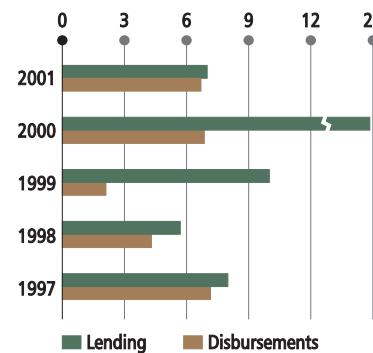
**Loans and technical assistance:** One loan of \$7 million for basic skills development was approved in 2001. Five technical assistance grants totalling \$2.1 million were also approved, of which four were advisory and one was for preparing a rural electrification and network expansion project.

**Project implementation:** Since joining ADB in 1982, Bhutan has received 18 loans, of which 7 were active at the end of 2001. Contract awards totaled \$6.0 million, bringing the cumulative figure to \$63.9 million. The contract award ratio was 24.5%, significantly higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$6.7 million,

**Bhutan**  
**GDP Growth Rate, 1997–2001**  
(percent)



**Bhutan**  
**Lending and Disbursements,**  
1997–2001 (\$ million)



**Bhutan**  
**Cumulative ADB Lending**  
(as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	5	33.1	32.5
Transport and Communications	3	19.3	18.9
Energy	2	17.5	17.2
Multisector	2	12.4	12.2
Finance	3	10.5	10.3
Agriculture and Natural Resources	2	7.8	7.7
Industry and Nonfuel Minerals	1	1.2	1.2
<b>TOTAL</b>	<b>18</b>	<b>101.8</b>	<b>100.0</b>

bringing cumulative disbursements to \$60.8 million. The disbursement ratio was 16.9%, lower than the ADB-wide average of 20.5%.

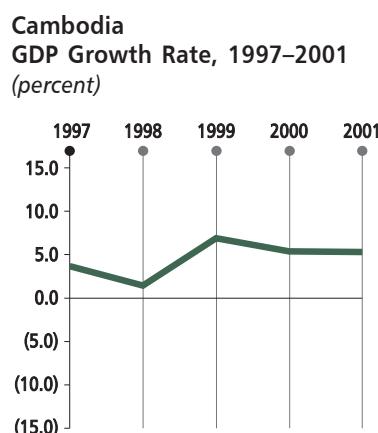
In October 2001, a country portfolio review mission assessed key portfolio performance indicators and, in particular, annual contract awards and disbursement projections. Based on the review, an action plan was developed for improving project implementation and administration, as well as the overall performance of the Bhutan project portfolio. Improvements to project monitoring and reporting were discussed with project directors. Procurement briefings and a project administration workshop were also conducted during the year for project directors and line ministry officials.

## Cambodia

### *Economic performance*

Growth in Cambodia was led by the textiles and tourism subsectors, which remained strong in 2001, although both were vulnerable to the global economic downturn. Price inflation in 2001 was negligible. As a result of low inflation, the exchange rate remained stable. The Government maintained a conservative fiscal policy. Spending for health and education increased substantially in 2001. Cambodia's current account deficit of 6.6% of GDP was offset completely by official transfers and concessional loans to the Government. Exports grew in 2001 despite the global economic slowdown. Overall economic growth in Cambodia was 5.3%.

Few benefits of economic growth have reached the poor, with much of the growth concentrated in urban areas. More opportunities need to be created for the poor as the country undergoes agricultural transformation. Government investments in health and education have increased substantially in recent years. Cambodia, still recovering from more than 20 years of



conflict, needs continued investment in infrastructure to ensure sustained economic growth.

### ***ADB operations***

**Operational strategy:** ADB's operational strategy focuses on economic growth and poverty reduction in line with the Government's own priorities. Three priority areas have been identified. First, to support broad-based development of rural areas, ADB coordinates efforts in water resource management, while supporting decentralization, rural development, natural resource management, and agriculture sector reform. Second, to assist human and social development, ADB facilitates a sectorwide approach in education and provides complementary support in health and rural water supply. Third, to promote private sector development, ADB supports the improvement of the nation's road network, while playing a key role in the area of financial sector reform, and a supportive role in the energy sector. In addition, ADB provides strategic support to governance, focusing on economic planning, public finance, decentralization, and legal reform while ensuring appropriate gender focus in all interventions.

**Policy dialogue:** ADB and the Government continued policy dialogue on land management, public financial management, civil service reform, decentralization, financial sector reform, natural resource management, education, and governance reforms, including anticorruption. The consultative group of funding agencies held regular policy dialogue with the Government on forestry management, public administration reform, demobilizing military personnel, and legal and judicial reform. The Government's 5-year socioeconomic development plan, approved by the Cabinet in late 2001 and scheduled for submission to the National Assembly in 2002, will pave the way for a partnership agreement on poverty reduction with ADB.

**Loans and technical assistance:** Four loans totaling \$75.2 million were approved in 2001 for the financial sector program, rural development of the northwestern region, and education sector development (program loan and project loan). Eight technical assistance grants totaling \$6.8 million were approved in 2001. Four were advisory: strengthening public financial management (technical assistance cluster), formulating a transport sector strategy, providing institutional support for national economic policy management, and building capacity for banking and financial management. Four were for preparing projects on basic health services, rural water supply and sanitation, agriculture

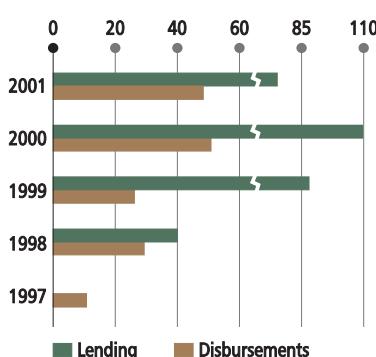
sector development program, and the northwest irrigation sector.

**Project implementation:** Since joining ADB in 1966, Cambodia has received 21 loans, of which 17 were active at the end of 2001. Contract awards totaled \$40.7 million, bringing the cumulative figure to \$328.7 million. The contract award ratio was 19.2%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$48.4 million, bringing cumulative disbursements to \$251.4 million. The disbursement ratio was 18.7%, lower than the ADB-wide average of 20.5%.

Portfolio performance in Cambodia continued to improve in 2001 and most of the agreed actions of the 2000 country portfolio review were achieved. A joint country portfolio review was conducted for the first time between the Government, ADB, and World Bank, and an action plan was prepared for improving portfolio performance. It included the establishment and use of a common set of portfolio performance

indicators and project readiness criteria. Standard operating guidelines for project implementation, financial management, and staff training were adopted with a work plan to operationalize these activities in 2002.

**Cambodia  
Lending and Disbursements,  
1997–2001 (\$ million)**



**Cambodia  
Cumulative ADB Lending  
(as of 31 December 2001)**

Sector	No. of Loans	\$ Million	%
Social Infrastructure	7	138.0	24.6
Transport and Communications	3	123.0	21.9
Multisector	2	122.7	21.9
Agriculture and Natural Resources	5	118.3	21.1
Energy	3	48.5	8.7
Finance	1	10.0	1.8
<b>TOTAL</b>	<b>21</b>	<b>560.5</b>	<b>100.0</b>

## People's Republic of China

### Economic performance

Despite the global economic slowdown, the economy of the People's Republic of China (PRC) performed well with GDP growing at 7.3% in 2001. The industry sector grew by 8.9% in 2001, compared with 9.6% in 2000. Agriculture grew at a modest 2.8% in 2001, mainly because of a severe drought and a decrease in the area planted with

grain. Retail sales increased by 10.1%, compared with 9.7% in 2000. Investments continued to grow strongly because of fiscal stimulation measures and increased inflows of foreign direct investment (FDI).

Actual FDI reached \$46.8 billion, representing an increase of 14.9% over the level of 2000.

Monetary policy remained accommodative to stimulate domestic demand. Interest rates remained stable in 2001. The CPI increased by 0.7% in 2001, compared with 0.4% in 2000. While clothing prices continued to decline, housing and service prices rose moderately.

Although the expansionary fiscal policy continued in 2001, the overall deficit has fallen since 2000. The planned fiscal deficit in 2001 was 2.6% of GDP, compared with 2.8% in 2000. In 2001, revenues increased by 22.2%, the highest growth rate in the past 8 years.

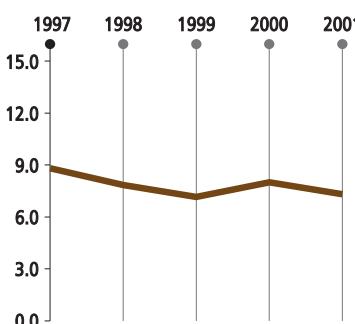
With the global economic slowdown, exports in 2001 rose by only 6.8%, compared with 27.9% in 2000. Imports grew by about 8.2%, compared with 35.4% in 2000. The current account surplus in 2001 is estimated at \$20 billion, slightly less than the 2000 figure. Foreign exchange reserves amounted to \$212.2 billion by the end of 2001. The debt service ratio was below 10%.

The official estimate of the urban unemployment rate in 2001 was 3.6%, slightly higher than in 2000.

### ADB operations

**Operational strategy:** ADB's operational strategy focuses on improving economic efficiency, promoting

**People's Republic of China  
GDP Growth Rate, 1997–2001  
(percent)**



growth to reduce poverty in poor inland provinces, and improving environmental protection and natural resource management. These objectives guided ADB's operations in 2001. However, work also started in 2001 to update the country strategy and program in view of significant policy developments and structural changes in the PRC economy and changes in ADB's policies. Continued rapid economic growth, the PRC's entry to the World Trade Organization (WTO), adoption of a regional development strategy focusing on the western region, and deepening economic reforms will help shape the PRC's future development agenda. ADB's proposed strategy and poverty reduction initiatives will have to address the problems and challenges associated with a country that is shifting from a centrally planned to a market economy and from a rural to an urban economy.

**Policy dialogue:** A series of consultative meetings were held to discuss poverty

reduction in conjunction with drafting a partnership agreement on poverty reduction, which will be completed in 2002. The implementation of ADB-financed technical assistance projects also provided the policy inputs for exploring ways to reduce rural poverty, improving the Government's poverty planning methodology, measuring and addressing urban poverty, and promoting the participation of poor stakeholders in policy planning and implementation. The poverty planning methodology, developed with ADB assistance for county and village planning, was adopted as a national policy.

ADB continued to advance its environment improvement and natural resource management agenda in the PRC. A loan was approved to address acid rain and air pollution in Anhui Province in the Yangtze River Valley. Discussions were held with senior policymakers to strengthen institutional capacity for combating land degradation and desertification. Continuing ADB assistance on water tariff reforms led to the enactment of local tariff regulations in pilot cities to ensure transparency and efficiency. ADB participated in 2001 in the China Council for International Cooperation on Environment and Development, a high-level advisory body to the Government.

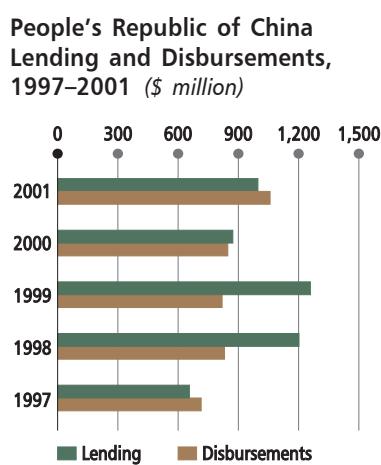
To promote transparent and competitive bidding procedures and to reduce the potential for corruption in the longer term, ADB initiated a technical assistance grant to prepare a procurement law. More progress was

also made in strengthening the development of economic laws, including the enactment of the Trust Law, prepared with ADB assistance. To support the PRC's membership in the WTO, two seminars were held to discuss draft regulations on foreign trade, antidumping, subsidy, and safeguard measures as part of ongoing foreign trade law reforms in compliance with WTO requirements.

In a conference organized in 2001 under the technical assistance for Policy Support for the PRC 2020 (Phase III), ADB promoted the sustainable development of the western region where most of the PRC's poor people live. Discussions were held on poverty reduction, human resource development, private sector development, environmental protection, good governance, and regional cooperation.

ADB further advanced its policy work on social security reforms with the approval of a technical assistance grant for policy and institutional support of the social security reform pilot program in Liaoning Province and with strengthening the National Social Security Fund, which was recently set up as part of the social security reforms.

**Loans, technical assistance, and grants:** Six loans totaling \$997 million were approved in 2001. These included two road projects in the western region to promote economic growth and poverty reduction in Guangxi and Shaanxi



**People's Republic of China  
Cumulative ADB Lending  
(as of 31 December 2001)**

Sector	No. of Loans	\$ Million	%
Transport and Communications	38	5,568.0	49.3
Energy	18	1,966.3	17.4
Social Infrastructure	7	846.5	7.5
Multisector	6	730.0	6.5
Industry and Nonfuel Minerals	5	686.8	6.1
Finance	6	530.0	4.7
Agriculture and Natural Resources	8	513.9	4.5
Others	3	453.0	4.0
<b>TOTAL</b>	<b>91</b>	<b>11,294.5</b>	<b>100.0</b>

provinces; one railway project to promote pro-poor economic growth by linking the poor and underdeveloped project area in southern Jiangxi and western Fujian provinces with more prosperous parts of the PRC; an acid rain control and environment improvement project in Anhui Province; a power transmission project in Liaoning Province; and a sector project to improve flood management along the Yellow River. The Government of Denmark provided \$300,000 in cofinancing for the latter project for Flood Forecasting and Early Warning System in the Yellow River Basin.

ADB also provided 20 technical assistance grants totaling \$12.4 million. Of these, 7 were to prepare new projects and 13 were to support policy-oriented studies and promote capacity building. Two technical assistance projects are focusing on poverty reduction; three on environmental protection, including one to assist the Government in enhancing partnership with the Global Environment Facility; and two technical assistance grants are helping the Government develop human resources and improve foreign capital utilization in the western regions. ADB also approved a technical assistance grant of \$970,000 to finance a planning study for preparing the Yellow River Law. The \$1 million JFPR grant is designed to reduce environment-related causes of poverty by supporting innovative community-managed approaches where poor communities adopt effective and sustainable ways of managing watersheds and land degradation to reduce sedimentation of the Yellow River, and thus their vulnerability to flood disasters.

**Project implementation:** Since joining ADB in 1986, the PRC has received 91 loans, of which 51 were active at the end of 2001. Contract awards totaled \$587.8 million, bringing the cumulative figure to \$6.8 billion. The contract award ratio was 22.1%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$1.1 billion, bringing cumulative disbursements to \$6.9 billion. The disbursement ratio was 29.8%, higher than the ADB-wide average of 20.5%.

The Government and ADB jointly organized working groups to review the Government's and ADB's approval processes and cost estimates. To identify ways of improving the procurement and contracting processes, procurement in the road and power subsectors was reviewed jointly by ADB and the Government. ADB also conducted various workshops on project implementation and disbursement operations for staff of executing agencies and line ministries. A series of sector-specific studies on portfolio performance review has been programmed and the road subsector has been taken up first under these studies.

## Cook Islands

### Economic performance

Real GDP in the Cook Islands grew by 3.0% in 2001. Record numbers of tourists have stimulated growth in construction and services, particularly in Rarotonga and Aitutaki. However, the loss of international air services in late 2001 due to the 11 September attacks diminished medium-term

growth prospects.

The government sector's

contribution to GDP has been reduced to about 55.0% of its 1994 level. The banking system is sound with a high level of liquidity supported in particular by the rapid increase in

the Government's net creditor position. Broad money at the end of September 2001 was 6.0% higher than at the end of 2000. Inflation accelerated from 3.2% in 2000 to 8.0% in 2001.

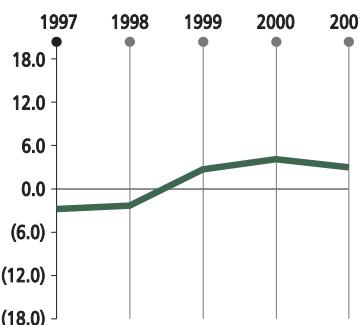
The budget was sound in FY2001 (ending 30 June), with revenues amounting to 38.8% of GDP and an operating surplus of 4.2% of GDP. Continued economic and import growth led to increased receipts of value-added tax and import levies, which explains the unexpected strong revenue growth. Expenditure was kept close to the budget estimate. However, the Government's external debt obligations remained a concern. Adverse exchange rate movement during the past year increased the total debt in New Zealand dollar terms. Net debt was about 72% of GDP at the end of 2001, with the Government maintaining a reserve for future debt repayment.

### ADB operations

**Operational strategy:** ADB's operational strategy focuses on building sustainable capacity for sound economic and public sector management, promoting economic growth through private sector development, and reducing poverty. It is directed at economic and governance reform, and infrastructure and outer islands development.

Several economic and governance reforms were identified in the recently completed 2001 Economic

**Cook Islands**  
**GDP Growth Rate, 1997–2001**  
(percent)



Report, e.g., diversifying the economy by emphasizing fisheries and agriculture, improving human resource development, strengthening prudential supervision of the banking system, and bringing the benefits of development to the outer islands.

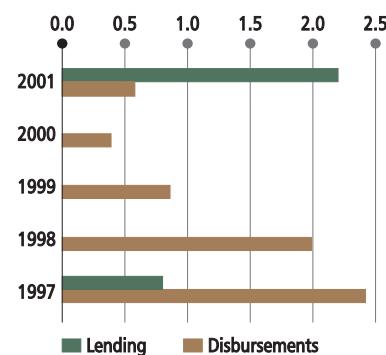
**Policy dialogue:** Policy dialogue in 2001 focused on continued economic development by diversifying the economy, strengthening and ensuring an appropriate role for the private sector, extending the financing available to small businesses, improving the prudential regulation of the financial sector, and expanding the Superannuation Fund. It also focused on improved governance by clarifying the roles of island councils and island administrations, developing suitable institutional capacities and business procedures for the outer islands, enhancing transparency in public sector operations, and institutionalizing performance-based management of the public sector; and promoting better environmental

management by extending environmental monitoring and regulation to the outer islands.

**Loans and technical assistance:** ADB approved one loan of \$2.2 million for a waste management project, and approved two technical

assistance grants totaling \$500,000, one for preparing the outer islands development program and the other an

### Cook Islands Lending and Disbursements, 1997–2001 (\$ million)



## East Timor

### Economic performance

With the restoration of order and security, economic activities recovered in 2001, led by agriculture, commercial initiatives, external relief programs, rehabilitation and reconstruction investments, and restoration of basic services. The United Nations Transitional Administration in East Timor began reestablishing an administrative and judicial system, introducing commercial and other regulations, and creating government bodies to manage budgetary and monetary affairs. During FY2001 (July 2000–June 2001), economic recovery continued. Two banks opened and external trade increased. According to an International Monetary Fund estimate, gross domestic product grew by about 18%, but poverty remains extensive. East Timor continued to be heavily dependent on external funding agencies.

### ADB operations

**Operational strategy:** ADB's interim assistance strategy proposes the following measures for East Timor:

- strengthen the capacities of government agencies for economic management and development administration;
- improve physical infrastructure in water, power, and ports;
- support agriculture sector development in extension services and marketing;
- foster private sector development associated with physical infrastructure development, microfinance, better governance, and an improved investment climate;

- improve the efficiency of public service delivery and cost recovery;
- protect the environment, largely through institution building; and
- ensure that environmental and gender concerns are integrated into all activities.

East Timor is not yet an ADB member and is not eligible for loans. However, ADB's Board of Directors made East Timor eligible for technical assistance grants primarily for capacity building. Six advisory technical assistance grants were approved totaling \$2.3 million in 2001—for the demarcation of the exclusive economic zone, transport sector improvement, microfinance, information technology systems development, power sector development, economic policies and strategies for development planning, and postal services development.

ADB is administering five grant projects, amounting to \$47.0 million, funded under the Trust Fund for East Timor (TFET) using ADB guidelines. Total project disbursements from the International Development Association, funded through the TFET for ADB to administer, was \$23 million as of 2001 for three active projects. Two projects have had no disbursements to date.

Project implementation has been satisfactory. The main role of ADB's assistance has been to establish institutional and regulatory frameworks in various sectors, including infrastructure and microfinance development. The Special Office in East Timor facilitated interaction with the East Timorese and among other funding agencies.

## Cook Islands

### Cumulative ADB Lending (as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Finance	3	6.0	22.5
Transport and Communications	2	5.4	20.2
Others	1	5.0	18.7
Social Infrastructure	2	4.9	18.4
Multisector	3	4.6	17.2
Agriculture and Natural Resources	1	0.8	3.0
<b>TOTAL</b>	<b>12</b>	<b>26.7</b>	<b>100.0</b>

advisory technical assistance for improving corporate management in government services. ADB continued to play an honest broker's role in assisting the Government's effort in restructuring its debts to bilateral creditors.

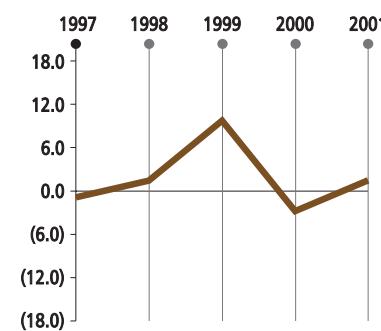
**Project implementation:** Since joining ADB in 1976, the Cook Islands has received 12 loans, of which 2 were active at the end of 2001. Contract awards totaled \$600,000, bringing the cumulative figure to \$25.2 million. The contract award ratio was 16.8%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$600,000, bringing cumulative disbursements to \$22.8 million. The disbursement ratio was 18.3%, lower than the ADB-wide average of 20.5%.

## Fiji Islands

### Economic performance

Real GDP in the Fiji Islands grew by a modest 1.5% in 2001, largely reflecting a partial recovery in tourism. The weakness in economic activities was broad-based and business confidence remained subdued. Despite variations during the year, inflation averaged about 4.3%, reflecting an increase in transport and postal charges and reinstatement of value-added tax on basic food items. Government efforts to stimulate the economy through tax incentives and higher expenditure resulted in a budget deficit of 4.9% of GDP in 2001. Government debt stood at 42.7% of GDP at end-2001. Money

**Fiji Islands**  
**GDP Growth Rate, 1997–2001**  
(percent)



supply and private sector credit contracted during the year, reflecting depressed economic activities. The current account deficit widened to 4.4% of GDP largely due to a drop in exports and weakness in the services account, reflecting the global economic slowdown and uncertainties in the domestic economy. The overall balance of payments was negative, leading to a decrease in external reserves to about F\$360 million at the end of 2001, sufficient to cover about 4.4 months of imports. During 2001, the nominal and real effective exchange rate indexes remained relatively stable. The Government succeeded in maintaining macroeconomic stability despite the expansionary fiscal policy. Over the year, the central bank eased the monetary policy and exchange controls. In the second half of 2001, the commercial banks were required to lend a certain minimum proportion to the export sector.

### ADB operations

**Operational strategy:** A new operational strategy for the Fiji Islands is being prepared to reflect the newly elected (September 2001) Government's socioeconomic program for rebuilding the economy. The strategic focus will be on helping the Government stimulate economic growth by encouraging private sector development and export-oriented activities to support employment creation. This will involve enhancing public sector reforms; supporting the establishment and functioning of efficient financial sector and capital markets, promoting corporatization and commercialization of public enterprises, selective public sector investments for infrastructure development, and poverty reduction; and addressing environmental and natural resource management concerns.

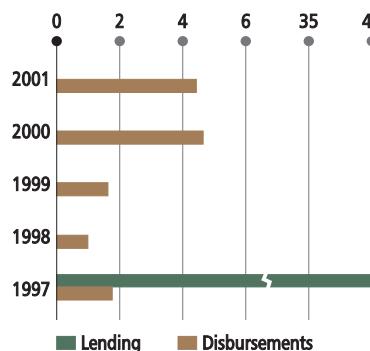
**Policy dialogue:** Poverty reduction, good governance, enterprise policy reforms, cost recovery, and operation and maintenance in the road subsector were the focus of policy dialogue between ADB and the Government.

**Loans and technical assistance:** No loans or technical assistance were approved in 2001. However, ADB reactivated all suspended technical assistance and further processed the Ports Development and the Suva-Nausori Water Supply and Sewerage projects.

**Project implementation:** Since joining ADB in 1970, the Fiji Islands has received 13 loans, of which 1 was

active at the end of 2001. Contract awards totaled \$12.9 million, bringing the cumulative figure to \$131.8 million. The contract award ratio was 43.2%, higher than the

### Fiji Islands Lending and Disbursements, 1997–2001 (\$ million)



ADB-wide average of 14.8%. Disbursements during the year totaled \$4.4 million, bringing cumulative disbursements to \$123.6 million. The disbursement ratio was 12.9%, lower than the ADB-wide average of 20.5%.

### Fiji Islands Cumulative ADB Lending (as of 31 December 2001)

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
<b>TOTAL</b>	<b>13</b>	<b>161.1</b>	<b>100.0</b>

## India

### Economic performance

India's economic growth for FY2001 (referring to 1 April 2001–31 March 2002) is estimated at 5.4% compared with economic growth of 4% in FY2000. While economic performance has improved in FY2001, it still falls short of the levels recorded in the mid-1990s. The main causes of the economic slowdown of recent years are structural and cyclical in nature: high fiscal deficit, infrastructure bottlenecks, and depressed global and

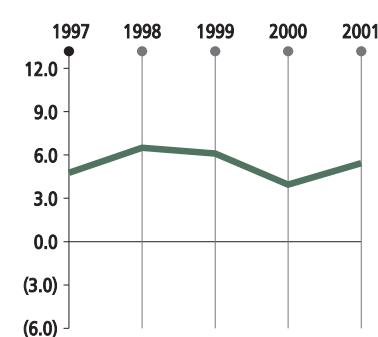
domestic demand. Industry sector performance remained sluggish; the agriculture and services sectors' performance recorded improvement in FY2001, compared with FY2000. Fiscal deficits as a share of GDP declined in FY2000. However, lower-than-expected tax revenues put pressure on fiscal balances in FY2001, for which the Government set a fiscal deficit target of 4.7% of GDP. The Reserve Bank of India has taken measures to accelerate economic growth, including lowering the bank rate to 6.5% and reducing the cash reserve ratio to 5.5% by December 2001. Oil prices were a major cause of rising inflation in FY2000, which eased in FY2001. Wholesale price index inflation, at 2.0% in December 2001, has been on a downward trend. India's external position in FY2000 was favorable, owing mostly to exceptional export performance. India's trade balance improved to 3.0% of GDP, narrowing the current account deficit to 0.5% of GDP. Although the global economic slowdown has caused export growth to drop in FY2001, imports have followed suit in the context of a sluggish industry sector performance and slow investment demand.

### ADB operations

**Operational strategy:** ADB's strategy supports achieving higher and sustainable pro-poor growth, improved income, and reduced poverty by removing infrastructure constraints and increasing investment. It focuses on alleviating infrastructure bottlenecks and improving supply side efficiency by supporting priority public investment and catalyzing private sector investment in energy and transport and communications; and focusing on social infrastructure, including urban development and housing. Emphasis is given to creating a conducive private sector environment. ADB helps foster further development of financial and capital markets as an effective source of funding for infrastructure projects. ADB's operational program continues to be sectorally and geographically focused. In the medium term, about half the annual lending to India will be for state-level operations in ADB's focal states.

ADB state-level assistance supports macroeconomic reform and fiscal consolidation to improve public saving and enhance resource mobilization, increase efficient resource use, promote policy reforms in key physical infrastructure sectors, and foster human development by reallocating budgetary resources to social sectors.

### India GDP Growth Rate, 1997–2001 (percent)



**Policy dialogue:** In support of the operational strategy in 2001, policy dialogue focused on improving the policy environment and governance of the power subsector at the state level; providing a policy and operational framework for attracting private sector participation in infrastructure; promoting subregional economic cooperation; and removing the capacity constraints on the transport corridor through private sector participation. The Madhya Pradesh Power Sector Development Program will support the creation of an efficient, self-sustaining, and competitive power subsector to provide sufficient quantity and quality of power, thereby enhancing the economic and social development of Madhya Pradesh, one of the poorest states in India. Another project will promote private sector participation in infrastructure at the state level to facilitate project development and address risks associated with financing projects through various initiatives. The West Bengal Corridor Development Project, one of the pilot efforts in project processing by a resident mission, will develop a corridor and sector development framework to promote sound corridor development and management practices, improve the policy environment for the efficient delivery of transport infrastructure, and strengthen environmental and social governance through mitigation measures. The Western Transport

## India

### Cumulative ADB Lending

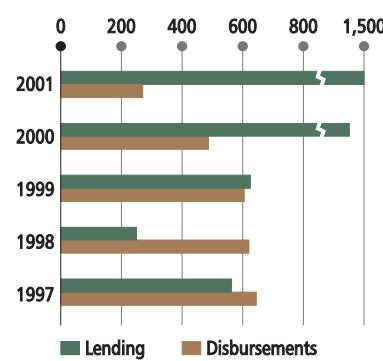
(as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Energy	20	3,741.8 <sup>a</sup>	35.8
Transport and Communications	15	2,605.6	24.9
Social Infrastructure	13	1,400.0 <sup>b</sup>	13.4
Finance	11	1,330.0	12.7
Multisector	6	1,200.0	11.5
Industry and Nonfuel Minerals	4	175.9	1.7
<b>TOTAL</b>	<b>69</b>	<b>10,453.3</b>	<b>100.0</b>

a Adjusted after termination of the private sector loan to Balagarh Power Co., Ltd. amounting to \$25 million.

b Adjusted after termination of two loans under the Housing Finance II: Housing and Urban Development Corporation (\$100 million); and Housing Development Finance Corporation (\$80 million).

**India**  
**Lending and Disbursements, 1997–2001 (\$ million)**



Corridor Project will improve capacity and increase safety on the national highway network through private sector participation in developing the high-density transport corridor.

**Loans and technical assistance:** ADB approved seven loans totaling \$1.5 billion in 2001 to rehabilitate and reconstruct areas damaged by the Gujarat earthquake, develop the western transport corridor and the West Bengal corridor, establish a private sector infrastructure facility at the state level (two project loans), and implement the Madhya Pradesh power sector development program (program and project loans). ADB approved 12 technical assistance grants, of which 8 were for advisory purposes on capacity building for earthquake rehabilitation and reconstruction of housing, conducting the Madhya

Pradesh integrated water resource management study, enhancing the corporate finance capability of the National Highways Authority of India, assessing the role of mortgage-backed securities, determining the impact on poverty reduction of financial sector policies and reforms, and improving the accounting system of the Calcutta Municipal Corporation. Four were technical assistance grants to prepare the Kerala power sector development program, Madhya Pradesh State road sector and integrated urban development projects, and public-private

partnership on the National Highway Corridor.

**Project implementation:** Since joining ADB in 1966, India has received 69 loans, of which 38 were active at the end of 2001. Contract awards totaled \$106.5 million, bringing the cumulative figure to \$6.0 billion. The contract award ratio was 4.5%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$269.8 million, bringing cumulative disbursements to \$5.8 billion. The disbursement ratio was 11.9%, lower than the ADB-wide average of 20.5%.

During the country portfolio review in December, the Government agreed to accord high priority to the readiness of new projects to facilitate implementation and to ensure quality at entry. ADB will also provide more training on ADB's policies and procedures. A working group has been formed to identify steps for improving the flow of funds to externally assisted projects at the state level.

## Indonesia

### Economic performance

GDP growth in 2001 in Indonesia was estimated to have exceeded 3.3%, slightly higher than previously forecast, owing to increased household demand. Household expenditures increased by 6% and government consumption increased by 5% in 2001.

Investment in plant and equipment began to taper off from a relatively strong start at the beginning of the year. Manufacturing showed strong gains at 4.3%, and utilities and transport increased strongly. On the other hand, agriculture continued to weaken throughout the year, growing only at 0.8% in 2001. The annual inflation (CPI) ran at 11.5% partly because of reduced fuel and power subsidies. Relatively lax monetary policy also contributed to inflation. The Government faced difficulties in financing the 2001 budget deficit

targeted at 3.7% of GDP. Owing to shortfalls in expected revenues, vital expenditures were curtailed. Development expenditures declined drastically from 42% of total expenditures in the precrisis years to 10.5% in 2001. The financing problem was worsened by limited performance in privatization this year, although the Indonesian Bank Restructuring Agency achieved its asset-selling target. To reduce the fiscal deficit, significant increases in domestic revenue mobilization are necessary. The Government plans to work for further debt relief from the Paris Club. Weakening international markets affected Indonesian exports. The dollar value of exports through December 2001 declined to \$59 billion, down by over 9% from its 2000 level. Oil, gas, and non-oil exports fell. Total merchandise imports also fell through December 2001 to \$35 billion, dropping 12.2% from the 2000 figure. In light of external events, tourist receipts dropped to 30% below target. The current account surplus deteriorated from \$8.0 billion in 2000 to \$5.1 billion in 2001. A slight increase in unemployment and a fall in reported employment were experienced in 2001.

### ADB operations

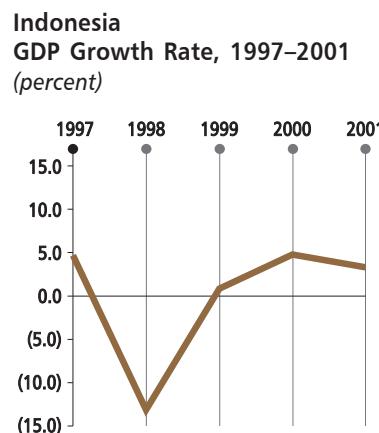
**Operational strategy:** A country operational strategy (COS) was finalized and discussed with the Board of Directors. The COS replaced the interim strategy used during the 1997 financial crisis, which focused on

structural reforms for economic recovery and social protection for the poor and vulnerable. In contrast, the COS focuses on longer-term development challenges, stressing the need to improve governance. ADB activities will be directed specifically to private sector development, human and social development, and mainstreaming environmental management to ensure sustainable use of natural resources.

Along with the new COS, the Partnership Agreement on Poverty Reduction provided guidance for the future program. Loan and technical assistance projects processed in 2001 represented a transition between those needed to ensure sustainable recovery and activities to meet the goals of the new COS. Relatively small loan assistance—two loans—was approved, reflecting the difficulties of readjusting assistance plans to be consistent with politically realistic reform goals and to meet the needs of a quickly decentralizing country. The State-Owned Enterprise (SOE)

Governance and Privatization Program loan will support sustainable economic recovery by improving resource allocation in the public sector. Privatizing SOEs will allow the public sector to release scarce resources for poverty reduction and social development programs. Government commitment in this program loan is an important signal—offering the promise of a policy environment supportive of private sector development. The Decentralized Basic Education Project will support devolution of basic education management. Supporting the Government's decentralization program, the loan will be implemented primarily by local governments, communities, and schools in rural and urban districts. To cope with growing demand for transport services and infrastructure, private sector resources (domestic and foreign) need to be tapped to reduce pressure on the available scarce public funding.

**Policy dialogue:** ADB President Tadao Chino reiterated during his visit to Indonesia in September 2001 ADB's strong commitment to supporting the Government's efforts for reform, fighting poverty, and promoting sustainable development. The Indonesia Resident Mission was strengthened and played an effective role in wide-ranging policy dialogue. ADB took the lead in coordinating the international community's statement on poverty at the April Interim Meeting of the Consultative Group for Indonesia (CGI) and on education at the CGI meeting in November.

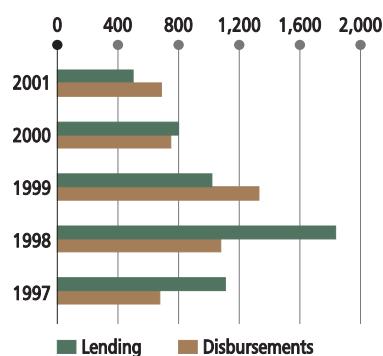


ADB has been involved in the Partnership for Governance Reform, being a founding member of this organization. The ADB technical assistance will provide scope for the Partnership to establish regional centers for its work. An important aspect of the ADB assistance in governance reform is to encourage decentralization, and the Community and Local Government Support Sector Development Program aids in drafting regulations and guidelines.

Other areas of reform emphasized in ADB's program include financial governance, small- and medium-sized enterprise (SME) development, project and aid effectiveness, and energy policy. Policy dialogue in the financial sector focused on corporate governance. A proposed law to prevent money laundering offered an opportunity to widen the discussion and build political consensus toward strengthening financial institutions. SMEs were

encouraged—through review and revision of the regulatory environment inhibiting SMEs—to grow and occupy a more prominent position in the economy. Other proposed legislation to reform the power sector, especially directed toward

#### Indonesia Lending and Disbursements, 1997–2001 (\$ million)



#### Indonesia Cumulative ADB Lending (as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	65	4,499.1	24.5
Agriculture and Natural Resources	96	3,856.7	21.0
Energy	28	3,130.0	17.1
Finance	11	2,837.0	15.5
Transport and Communications	31	2,544.9	13.9
Multisector	7	689.0	3.8
Industry and Nonfuel Minerals	14	631.7	3.4
Others	4	140.6	0.8
<b>TOTAL</b>	<b>256</b>	<b>18,329.0</b>	<b>100.0</b>

establishing a competitive market in electricity in the Java-Bali area, also offers a forum for wider economic policy discussion.

**Loans and technical assistance:** ADB approved two loans totaling \$500 million in 2001 for the decentralized basic education project and the SOE governance and privatization program. ADB approved 19 technical assistance grants totaling about \$15.9 million. Seven were to prepare projects on poverty reduction, power transmission, private sector participation in infrastructure, decentralized health services, capacity building for decentralization, participatory irrigation, and microfinance; and the rest were for advisory purposes on developing a financial services supervisory institution; formulating a gas sector development plan; decentralizing education management; developing leading indicators for poverty monitoring; privatizing and restructuring SOEs; strengthening procurement policies, legal framework, and institutions; commercializing public service obligations; providing a regulatory framework for private and public water supply and wastewater enterprises; supporting country financial accountability; promoting fiscal decentralization; and reforming water enterprises.

**Project implementation:** Since joining ADB in 1966, Indonesia has received 256 loans, of which 66 were active at the end of 2001. Contract awards totaled \$456.3 million, bringing the cumulative total to \$11.2 billion. The contract award ratio was 14.9%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$686.0 million, bringing cumulative disbursements to \$12.1 billion. The disbursement ratio was 17.4%, lower than the ADB-wide average of 20.5%.

A joint country portfolio review was conducted by the Government, ADB, Japan Bank for International Cooperation, and World Bank, focusing on four topics: strengthening institutional arrangements for portfolio management under decentralization, improving project management, streamlining disbursement processes, and mainstreaming project implementation readiness criteria. Further strengthening fiduciary standards for public procurement and financial management under decentralization, and instituting reforms in the public procurement and financial management systems will also be addressed.

## Kazakhstan

### Economic performance

GDP growth was 13.5% in 2001. However, the economy, with its high reliance on oil exports, remains vulnerable to external factors. The surge in oil subsector output

and growing export volumes have enabled the economy to expand at its fastest pace since independence.

Industry sector output grew by 13.5% in 2001, mainly spurred by the recovery of global prices and sharp increases in oil and gas production.

Agriculture sector output grew by 16.9%. Economic growth slowed in the last quarter of 2001 because of decreased global economic activity, a significant softening of world oil prices, and uncertainty following the 11 September events. In 2001, government revenues continued to increase, reaching 24.2% of GDP, largely due to high oil prices, increased pipeline capacity, and large investment inflows. Government expenditures increased sharply to 24.7% of GDP over the same period. The bulk of the increased revenues were spent on state benefits and public sector salaries. Inflation by the end of 2001 was 6.4%, compared with 9.8% in 2000. Lower than expected oil export prices during the fourth quarter of 2001 and higher import costs reduced the size of the trade surplus, which reached 3.9% of GDP in 2001 (shrinking by 29% compared with 2000). Exports decreased by 3.5% while imports increased sharply by 23.5%, mostly due to rising capital goods imports. As a result, the balance-of-payments situation in 2001 was adversely affected, with the current account recording a deficit equivalent to 4.6% of GDP.

The heavy presence of multinational oil companies in Kazakhstan ensured sufficient and steady inflows of foreign direct investment to cover the current account deficit. Strong economic growth in 2001 helped reduce unemployment. The official unemployment rate by the end of 2001 was 2.8%. However, the actual unemployment rate was estimated at 10.4% in September 2001, down from 12.8% in 2000.

### **ADB operations**

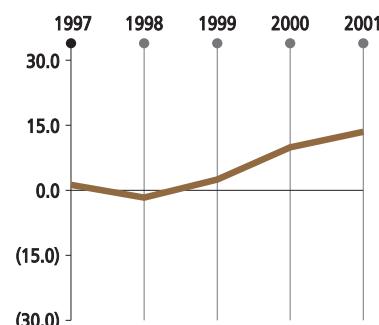
**Operational strategy:** ADB's strategy encourages the transition from a centrally planned to a market-based economy by supporting the Government's reform agenda, institutional change, and social protection. It also seeks to promote environmental rehabilitation;

strengthen long-term growth potential; and encourage the creation of a new output structure and production capacity through private sector investment. ADB assists six priority areas: management reform at the central and local government levels; infrastructure, especially rehabilitation projects; education and training; industry, focusing on reforming medium enterprises; agriculture; and private sector development, where potential projects have been identified in the financial, agribusiness, and energy sectors.

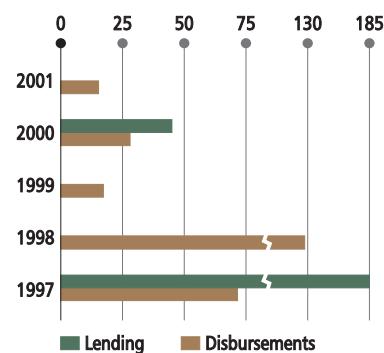
**Policy dialogue:** Policy dialogue with the Government in 2001 centered on poverty reduction, public investment programming, agricultural reform, and small business development. ADB assistance on developing the medium-term poverty reduction strategy will help guide

Kazakhstan's medium- to long-term socioeconomic development programs. Efficiency in the use of scarce public resources will be enhanced by improvements in preparing, monitoring, and evaluating public investment programs. In the agriculture sector, policy dialogue focused on strengthening the country's policy, legal, and regulatory frameworks to create an enabling environment for implementing farm restructuring.

**Kazakhstan  
GDP Growth Rate, 1997–2001  
(percent)**



**Kazakhstan  
Lending and Disbursements,  
1997–2001 (\$ million)**



**Kazakhstan  
Cumulative ADB Lending  
(as of 31 December 2001)**

Sector	No. of Loans	\$ Million	% <sup>a</sup>
Agriculture and Natural Resources	5	185.0	36.1
Transport and Communications	2	102.0	19.9
Finance	1	100.0	19.5
Social Infrastructure	3	65.0	12.7
Multisector	2	60.0	11.7
<b>TOTAL</b>	<b>13</b>	<b>512.0</b>	<b>100.0</b>

<sup>a</sup> Figures may not add due to rounding.

**Loans and technical assistance:** No loans were approved in 2001. ADB approved five technical assistance grants totaling \$2.3 million, of which two were to prepare projects on urban small business development, and early childhood and women's development. Three advisory grants were approved.

**Project implementation:** Since joining ADB in 1994, Kazakhstan has received 13 loans, of which 9 were active at the end of 2001. Contract awards totaled \$8.2 million, bringing the cumulative figure to about \$358.0 million. The contract award ratio was 7.0%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$15.3 million, bringing cumulative disbursements to \$355.5 million. The disbursement ratio was 25.3%, higher than the ADB-wide average of 20.5%.

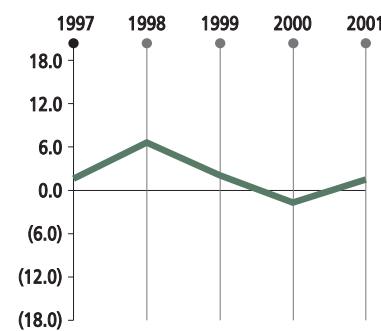
A country portfolio review in May developed a time-bound action plan to improve performance. Positive developments in disbursements and progress in compliance with loan covenants and financial management procedures were noted. Recognizing the importance of effective project monitoring, monthly review meetings with executing agencies were initiated by the Kazakhstan Resident Mission.

## Kiribati

### Economic performance

Kiribati's economy grew by 1.5% in 2001, after a contraction of 1.7% in 2000. Much of the increase was attributed to increased government and donor spending, a recovery in copra production, and a rise in construction activity. The inflation rate increased from 0.9% in 2000 to 7.1% in 2001, largely due to the delayed effect of the rise in local oil prices and fall in the Australian dollar (A\$). In 2001, imports are estimated to have declined by 9.0%, while commodity exports fell by 33.2%. The trade deficit is estimated to have reached nearly 70.0% of GDP, slightly higher than the 67.5% level in 2000, with the current account surplus falling to around 4.4% of GDP. The Revenue Equalization Reserve Fund, which accounted for almost all external assets, decreased from A\$658 million at end-2000 to A\$635 million at end-2001. This is equivalent to \$329 million, over 10 years of imports or 8.2 times GDP.

**Kiribati**  
**GDP Growth Rate, 1997–2001**  
(percent)



### Kiribati

#### Cumulative ADB Lending (as of 31 December 2001)

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
<b>TOTAL</b>	<b>6</b>	<b>15.1</b>	<b>100.0</b>

The fiscal position weakened in 2001. The overall budget balance deteriorated from a deficit of 0.8% of GDP in FY2000 to a projected deficit of 37.5% of GDP in 2001. This increase in the deficit resulted primarily from a higher wage and salaries bill, rising subsidies to government-owned businesses and the copra industry, payments for a landing craft, and a larger government contribution to development projects.

### ADB operations

**Operational strategy:** ADB's strategy envisages two main priorities in its assistance program: water assessment and management in South Tarawa and the outer islands, and support for establishing and expanding trust funds to provide sustainable financing of basic services.

**Policy dialogue:** ADB assists the Government in improving its water and environmental management in South Tarawa and in identifying policy changes for outer island development.

**Loans and technical assistance:** No loans were approved in 2001. ADB approved one advisory technical assistance grant amounting to \$500,000 for strengthening development strategies and supporting poverty reduction.

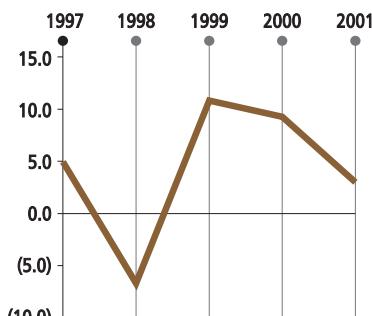
**Project implementation:** Since joining ADB in 1974, Kiribati has received six loans, of which one was active at the end of 2001. Contract awards totaled \$300,000, bringing the cumulative figure to \$7.0 million. The contract award ratio was 5.4%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$1.4 million, bringing cumulative disbursements to \$6.3 million. The disbursement ratio was 16.9%, lower than the ADB-wide average of 20.5%.

## Republic of Korea

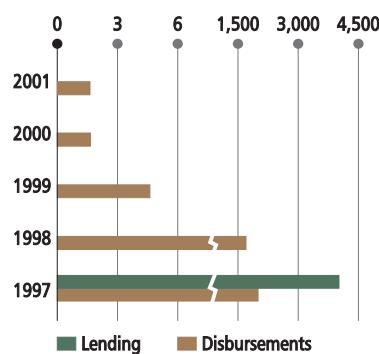
### Economic performance

Despite the weakened global demand for information and communication technology (ICT) in the latter part of 2000, the economy of the Republic of Korea grew around 3.0% in 2001, following an impressive growth of 9.3% in the previous year. The manufacturing subsector expanded during the first half of 2001; in the second half of the year, external demand led to a strong growth in the automotive subsector, offsetting the shortfall in the ICT subsector. On the other hand, regained strength in domestic demand boosted nonmanufacturing activities. Construction rebounded from previous years. Services

### Republic of Korea GDP Growth Rate, 1997–2001 (percent)



### Republic of Korea Lending and Disbursements, 1997–2001 (\$ million)



### Republic of Korea Cumulative ADB Lending (as of 31 December 2001)

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
<b>TOTAL</b>	<b>81</b>	<b>6,338.3</b>	<b>100.0</b>

provide fiscal stimulus. Total merchandise exports, an indicator of the impact of the global economic slowdown, contracted by 14% in 2001, mainly due to substantial declines in electronic and semiconductor exports. Merchandise imports declined by 13.3% as a result of a significant reduction in imported raw materials used for exports. Current account surplus narrowed slightly to around 2.0% against GDP mainly due to the declining merchandise trade surplus. Revived nonmanufacturing activities and increased domestic

demand contributed to a decline in unemployment. To sustain economic activity, the Government averted capital market turmoil and worked out high-profile corporate restructuring in an increasingly difficult economic environment. The Government took steps to ensure the smooth functioning of capital markets by guaranteeing new bond issues through the Quick Underwriting Program and the Korea Credit Guarantee Fund.

### ADB operations

**Project implementation:** Since joining ADB in 1966, the Republic of Korea has received 81 loans, of which only one technical assistance loan for institutional strengthening of the financial sector remained active at the end of 2001. The project scope of this technical assistance loan was changed to add a new component for financing management consulting services to commercial banks and other financial institutions for diagnostic review, mergers and acquisitions, training and advice on restructuring, and foreign capital inducement.

## Kyrgyz Republic

### Economic performance

The Kyrgyz Republic grew at 5.3% in 2001. Agriculture rose 6.8% aided by double-digit growth in crop production. Industry grew at 5.4%, while the output of several subsectors shrank. The services sector grew at 2.4%. Gross domestic investment fell from 18% of GDP in 1999 to about 16% of GDP in 2000 due to a fall in public investment by the same magnitude. In 2001, public investment, which is largely externally funded, fell further to 4.4% of GDP. Tight monetary policy and a good agriculture performance reduced the monthly average rate of consumer price inflation to 6.9% in 2001

from 18.7% in 2000. Food prices remained stable and prices of nonfood consumer goods increased by a modest 1.4%. However, there was a sharp increase in the administered prices of utilities (electricity, gas, and water). Foreign trade volume shrank by 10.2% in 2001. Exports fell by 6.0% mainly due to a decline in exports of electricity, food products, and nonprecious metals. Imports also shrank by 14.4% because of a fall in public investment. The current account deficit was about 0.7% of GDP in 2001. The

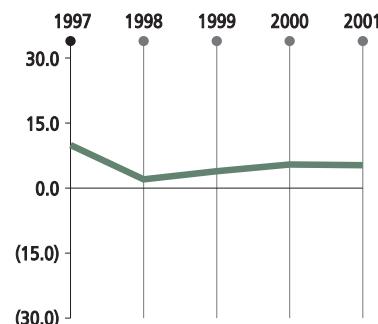
Government embarked on a fiscal compression program, cutting the fiscal deficit from 10.2% of GDP in 2000 to 4.4% of GDP in 2001 under the Poverty Reduction and Growth Facility of the International Monetary Fund (IMF). This was accomplished largely by compressing public investment. These developments notwithstanding, the high external debt burden continues to threaten macroeconomic stability unless concessional treatment of debt is provided by the Paris Club. Increased real wages, stable food prices, and growth in farm output reduced the incidence of poverty from 52.0% in 2000 to 47.4% in September 2001.

### **ADB operations**

**Operational strategy:** The main objectives of ADB's strategy are to support the Government's reform activities and strengthen its policy formulation, development management, and public service delivery capacities; create a conducive environment for promoting growth through private sector investment; and enhance long-term growth potential by investing in physical infrastructure, human development, and environmental improvement. Since 1998, the emphasis of ADB's assistance has shifted to addressing social problems to mitigate the adverse impact of the high poverty incidence. The current operational strategy will be revised to focus on the priorities of the National Poverty Reduction Strategy and the Comprehensive Development Framework, once these two important policy documents are finalized and approved by the Government. It will also take into account the country's debt burden.

**Policy dialogue:** ADB's policy dialogue with the Government covered several areas, including finalizing the Comprehensive Development Framework and the Interim National Poverty Reduction Strategy. ADB also

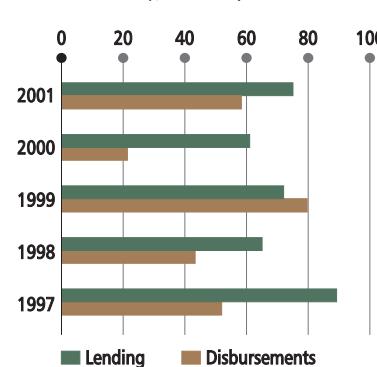
**Kyrgyz Republic  
GDP Growth Rate, 1997–2001  
(percent)**



provided technical assistance to strengthen the Government's capacity to manage and prioritize the public investment program for ensuring debt sustainability, and to assess the quality of public sector governance at national and regional levels. Under the second phase of the Corporate Governance and Enterprise Reform Program, ADB initiated policy dialogue with the Government to create an environment conducive to private sector development. The dialogue included improving corporate governance and banking,

carrying out judicial reforms to reduce adjudication costs and improve judicial governance, introducing international accounting standards, and accelerating public enterprise reforms. ADB also had policy discussions with the Government to enhance road safety and improve operations of rural credit unions.

**Kyrgyz Republic  
Lending and Disbursements,  
1997–2001 (\$ million)**



**Kyrgyz Republic  
Cumulative ADB Lending  
(as of 31 December 2001)**

Sector	No. of Loans	\$ Million	%
Transport and Communications	4	145.0	27.5
Finance	5	115.0	21.8
Social Infrastructure	4	93.7	17.8
Agriculture and Natural Resources	3	88.5	16.8
Multisector	3	55.0	10.4
Energy	1	30.0	5.7
<b>TOTAL</b>	<b>20</b>	<b>527.2</b>	<b>100.0</b>

reform program. ADB approved four advisory technical assistance grants totaling \$2.2 million in 2001 to conduct a governance assessment study on sound development management and poverty reduction, institutional support in the transport sector, building capacity of the Ministry of Finance for financial management and planning the public investment program, and strengthening corporate governance and judicial reforms.

**Project implementation:** Since joining ADB in 1994, the Kyrgyz Republic has received 20 loans, of which 16 were active at the end of 2001. Contract awards totaled \$41.1 million, bringing the cumulative figure to \$323.3 million. The contract award ratio was 21.3%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$58.3 million, bringing cumulative disbursements to \$314.7 million. The disbursement ratio was 30.3%, higher than the ADB-wide average of 20.5%.

Following a review of ongoing projects in December, ADB agreed with the Government to enhance staff resources to help implement agriculture and social sector projects. Additional review missions were scheduled to build capacity and promote knowledge transfer.

## Lao People's Democratic Republic

### Economic performance

In 2001, GDP grew at 5.5% in the Lao People's Democratic Republic (Lao PDR), compared with 5.9% in 2000. The agriculture, industry, and services sectors all reported healthy growth rates in 2001. Agriculture, which employed an estimated 85.0% of the workforce, grew at 3.9% in 2001. Industry grew at a rate of 8.5% in 2001, compared with 7.5% in 2000. In 2001, inflation was brought down to around 8%, due to strict monetary policy—adopted in the second half of 1999—restricting central bank lending to the Government, commercial banks, and state-owned enterprises. This was coupled with tight fiscal and monetary policies. In 2001, the exchange rate remained steady between 8,300 and 9,500 kip to the dollar. Total expenditures in FY2000 were 21.9% of GDP and the Government had a primary surplus of 6.2% of GDP and an overall budget deficit of 7.9% of GDP,

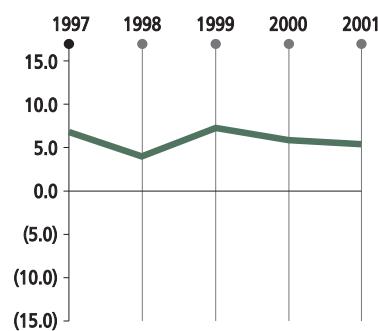
largely financed by grants and external borrowing. In 2001, capital expenditure accounted for around 65.0% of total expenditure. The current account deficit in 2001 was 7.2% of GDP, compared with 5.8% in 2000. Exports continued to grow, reaching \$393 million in 2000 and \$425 million in 2001. Electricity from hydropower plants was the leading export. Tourism increased and was a major source of foreign exchange earning. Imports also grew from \$591 million in 2000 to \$653 million in 2001. In recent years, foreign private investment has focused mainly on hydropower and tourism. In 2001, foreign investment was estimated at \$30 million, about the same level in 2000 but below the levels in previous years when investment was often above \$100 million per year. The mining subsector started to gain momentum. In 2001, the Government signed several memorandums of understanding for surveys and explorations of copper, potassium, zinc, gold, and cement raw materials.

### ADB operations

**Operational strategy:** ADB, with the Government, formulated its new country strategy and program (CSP) in 2001 to guide its operations in the Lao PDR for the next 5 years. The core strategies for reducing poverty are sustainable economic growth, inclusive social development, and good governance. The strategy focuses on five operational priorities: rural development and market linkages, human resource development, sustainable environmental management, private sector development, and regional integration. The Lao PDR is a key player in the Greater Mekong Subregion (GMS) program, and the CSP explores various options for maximizing the benefits of subregional cooperation. ADB's interventions will focus primarily on the poor northern provinces and along the East-West Corridor. A partnership agreement on poverty reduction was signed between the Government and ADB in September 2001.

**Policy dialogue:** In 2001, policy dialogue focused on fiscal management, financial sector reform, private sector development, environment management, and poverty monitoring. A policy-based loan was processed in 2001 to help the Government take into account environment and social concerns in energy and transport infrastructure development projects. ADB also conducted a joint public expenditure review with IMF and the World Bank to ensure that public

**Lao People's Democratic Republic  
GDP Growth Rate, 1997–2001  
(percent)**



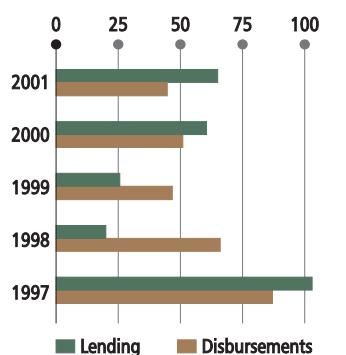
expenditures incorporate the Government's strategy for reducing poverty. ADB also helped the Government improve its public investment program, and its monitoring of aid and poverty incidence.

Consistent with ADB's Resident Mission Policy, the Lao Resident Mission (LRM), established in 2000, has become increasingly active in aid coordination and project implementation. The Lao PDR Prime Minister and the ADB President inaugurated the LRM in July 2001. LRM led the annual country portfolio review mission in 2001. ADB has been an active member of the funding agency community in the Lao PDR. In 2001, ADB worked closely with the IMF and World Bank in support of systemic reform in the financial sector.

**Loans and technical assistance:** In 2001, ADB approved three loans totaling \$65 million: Vientiane Urban Infrastructure and Services Project, Second Education Quality Improvement Project, and Environment and Social Program. ADB also approved 10 technical assistance grants totaling \$5.2 million. Five are

advisory in nature, including three for capacity building—in project financial management, of the Lao Women's Union, and for environment and social management in energy and transport; and two for institutional strengthening of public investment

#### Lao People's Democratic Republic Lending and Disbursements, 1997–2001 (\$ million)



#### Lao People's Democratic Republic Cumulative ADB Lending (as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Transport and Communications	11	304.0	31.9
Social Infrastructure	14	228.4	24.0
Energy	13	223.3	23.4
Agriculture and Natural Resources	11	126.8	13.3
Finance	2	50.0	5.3
Multisector	1	20.0	2.1
<b>TOTAL</b>	<b>52</b>	<b>952.5</b>	<b>100.0</b>

management and of the National Audit Office. The rest are to prepare projects on the northern community-managed irrigation sector, financial sector development program, and roads for rural development.

**Project implementation:** Since joining ADB in 1966, the Lao PDR has received 52 loans, of which 19 were active at the end of 2001. Contract awards totaled \$50.9 million, bringing the cumulative figure to \$718.1 million. The contract award ratio was 25.5%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$44.7 million, bringing cumulative disbursements to \$660.3 million. The disbursement ratio was 18.9%, lower than the ADB-wide average of 20.5%.

The LRM assists in project administration and helps executing agencies understand ADB procedures. The LRM and the Committee for Planning and Cooperation hold quarterly review meetings with national project directors to monitor portfolio performance. In November, a country portfolio review was undertaken with the Government. The implementation status of the 2000 action plan was reviewed and additional measures were agreed upon with the Government to improve further the overall portfolio performance.

## Malaysia

### Economic performance

Being an open and trade-dependent economy, Malaysia was affected by the global downturn in the electronics industry and the US economic slowdown. Despite the more difficult external environment, which worsened in the aftermath of the 11 September attacks, growth of the Malaysian economy remained positive at 0.4% in 2001. Pragmatic and flexible policies to strengthen the economy, put in place since the Asian financial crisis, have enabled the economy to weather the more challenging external environment. In particular, the increase in public spending by the Government and the introduction of two stimulus packages targeted at boosting consumption and investment—one in March, and the other in September—totaling 7.3 billion ringgit, helped cushion the adverse impact of the weaker external sector on the domestic economy. Hence, the deterioration of the manufacturing subsector by 5.1%, largely due to weaker external demand, was offset by positive growth in the domestic sectors of the economy—in particular the services sector, which expanded by 4.9%. The nation's macroeconomic fundamentals remained strong with inflation subdued at below 2%, unemployment

contained at below 4%, the current account balance remaining in surplus at 8.9% of GNP, strong external reserves at \$30.8 billion at end-2001 (up \$4.9 billion from the lowest level in 2001), as well as a sound and resilient banking system.

### **ADB operations**

**Operational strategy:** In light of high domestic liquidity and low interest rates, Malaysia is following a policy not to receive new assistance from multilateral finance institutions for public sector investment.

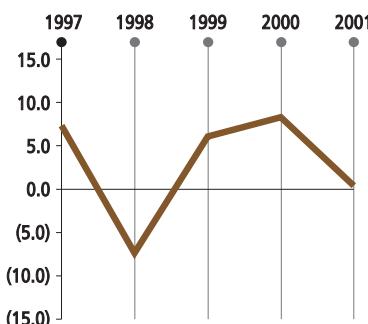
Implementation of ongoing projects is continuing, and Malaysia participates in and supports ADB's subregional activities.

Malaysia is an active participant in the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) and the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) subregional initiatives. Malaysia participated in the implementation of the regional technical assistance approved in December 2001 for Expanding the Strategy for Small and Medium Enterprise Development in the East ASEAN Growth Area, and Strengthening Subregional Cooperation in the Transport Sector of the EAGA and the IMT-GT.

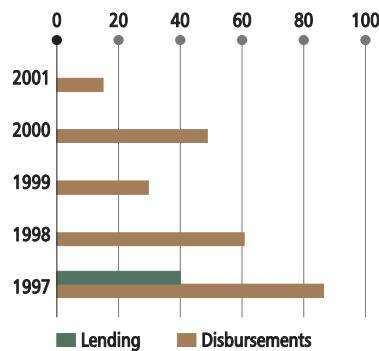
### **Malaysia** **Cumulative ADB Lending** (as of 31 December 2001)

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
<b>TOTAL</b>	<b>76</b>	<b>1,987.5</b>	<b>100.0</b>

### **Malaysia** **GDP Growth Rate, 1997–2001** (percent)



### **Malaysia** **Lending and Disbursements,** **1997–2001 (\$ million)**



Malaysia is also a comparatively advanced economy in the region, with strong experience in privatization, small and medium enterprise development, and government service. ADB has asked the Government to share its experience with ADB members and contribute to knowledge transfer.

**Policy dialogue:** Although implementation of ongoing projects is continuing, there was no new activity; thus, there was no policy dialogue.

#### **Loans and technical assistance:**

No loans or technical assistance were approved in 2001.

**Project implementation:** Since joining ADB in 1966, Malaysia has received 76 loans, of which 3 were active at the end of 2001. Contract awards totaled \$25.6 million, bringing the cumulative figure to \$1.4 billion. The contract award ratio was 34.0%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$15.0 million, bringing cumulative disbursements to \$1.4 billion. The disbursement ratio was 16.5%, lower than the ADB-wide average of 20.5%.

In November 2001, during the official launching of the Development Projects Monitoring System by the State Government of Sarawak, ADB briefed senior government officials on issues relating to project implementation and proactive portfolio management, including ADB's project rating system. Additional briefings on effective portfolio management tools and seminars relating to business opportunities are planned in 2002.

### **Maldives**

#### **Economic performance**

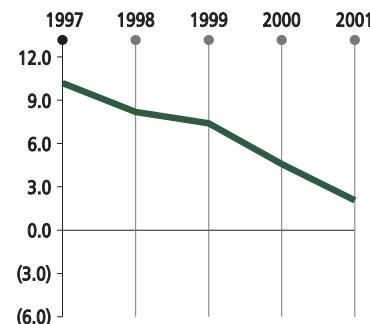
Economic performance in the Maldives was favorable during the first 8 months of 2001, but came under stress with recent adverse global developments, in particular after the 11 September events. Tourism, which accounted for more than one third of GDP, stagnated. Concerns over travel safety and declines in consumer spending and confidence significantly

reduced tourist arrivals in the Maldives. Tourist arrivals declined by 20.1% in October and 22.2% in November, from 2000 levels. Overall, tourism was estimated to have contracted by 0.5% in 2001, compared with 6.0% growth per annum in recent years. This had a spillover effect on other sectors, reducing GDP growth in 2001 to 2.1% from 4.6% in 2000. The fiscal deficit increased from 4.9% of GDP in 2000 to 5.3% of GDP in 2001. Money supply increased by 9.0% but inflation remained as low as 0.7%. The trade deficit was estimated to have deteriorated by 3.7% and reached 42.5% of GDP in 2001 from 41.6% of GDP in 2000. Overall current account deficit expanded by 17.0% and was posted at 10.9% of GDP in 2001 from 9.5% of GDP in 2000. As for capital account, net nonmonetary capital inflow for 2001 declined by 20%. Consequently, the balance-of-payments deficit for 2001 expanded to \$26.0 million from \$7.9 million in 2000. Foreign exchange reserves at the end of 2001 declined to \$94.3 million, sufficient to cover 2.9 months of imports.

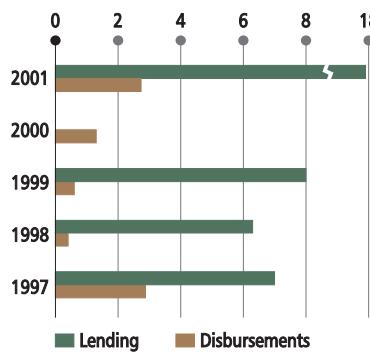
### **ADB operations**

**Operational strategy:** ADB's operational strategy will support poverty reduction by combining pro-poor growth, social development, and good governance initiatives. To foster pro-poor growth, ADB will assist in regional development by providing basic infrastructure and capacity building; creating an enabling environment for private sector development, including financial sector and legal system reform; and developing an information and communication network in the atolls. To raise the level of social development, ADB will provide assistance for postsecondary education and skills development. To support good governance, ADB will develop improved information access in the public sector and build the capacity of key public institutions for improving management efficiency. ADB will also help the Government facilitate private sector participation in the economy with the eventual graduation of the Maldives from a least-developed country status.

**Maldives**  
**GDP Growth Rate, 1997–2001**  
(percent)



**Maldives**  
**Lending and Disbursements,**  
1997–2001 (\$ million)



**Policy dialogue:** Policy dialogue focused on the telecommunications and energy sectors. The formulation of the telecommunications sector policy indicated the Government's strong commitment to restructure tariff, enhance regulatory framework with appropriate legislation, and open telecommunications markets to competition. In the energy sector, major policy developments included strengthening the regulatory body for sector efficiency and facilitating cost recovery policy and private sector participation in establishing and managing island community-based power supply systems.

**Loans and technical assistance:** In 2001, ADB approved two loans totaling \$17.5 million for an information technology development project and a sector project on outer islands electrification. ADB also approved three technical assistance grants totaling \$700,000, of which two were for project preparation and one was for capacity building.

**Project implementation:** Since joining ADB in 1978, the Maldives has received 11 loans, of which 5 were active at the end of 2001.

Contract awards totaled \$3.3 million, bringing the cumulative figure to \$45.4 million. The contract award ratio was 13.1%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$2.7 million, bringing cumulative disbursements to \$38.8 million. The disbursement ratio was 14.9%, lower than the ADB-wide average of 20.5%.

**Maldives**  
**Cumulative ADB Lending**  
(as of 31 December 2001)

Sector	No. of Loans	\$ Million	% <sup>a</sup>
Energy	4	30.3	41.7
Transport and Communications	4	25.7	35.4
Multisector	2	10.4	14.3
Social Infrastructure	1	6.3	8.7
<b>TOTAL</b>	<b>11</b>	<b>72.7</b>	<b>100.0</b>

<sup>a</sup> Figures may not add due to rounding.

A country portfolio review in December assessed key performance indicators, and developed a plan to improve project implementation and promote readiness for better overall portfolio performance in the Maldives. Recent improvements in project monitoring and reporting were reviewed with the various executing agencies and project directors. A procurement workshop was also conducted in Malé for ADB project directors and government officials.

## Marshall Islands

### Economic performance

GDP growth in 2001 in the Marshall Islands was estimated at 0.6%, declining from 0.7% in 2000. A small rise in copra exports and the first full year of operations of a tuna loin processing plant contributed to a 5.1% increase in exports to an estimated \$8 million, while imports declined to a projected \$60 million. This level of trade deficit was due to the large direct budget support under the US Compact and other US federal programs. The trade deficit in 2000 was 52.0% of GDP, a slight decline from the 1999 deficit. Consumer prices were generally stable over the year, rising by an estimated 2.0%. A recent increase in competition in retail and wholesale activities, which saw an increase in cheaper imports from the US and the pressure of trader margins, contributed to the low inflation. The budget has been in surplus in recent years. However, the need to repay a high level of debt arising from Compact-secured government and state-owned enterprise bond issues put a strain on the fiscal position. Income from fishing licenses provides the main source of nontax revenue, approximately \$3.0 million in FY2001 (ending 30 September).

### ADB operations

**Operational strategy:** ADB's operational strategy has three broad thrusts.

- Strengthen fiscal management, and establishment and efficient

use of trust funds. An important element is improving accountability and financial management of public funds and governance in the public and private sectors.

- Improve living standards by promoting broad-based growth and expanding access to essential services. Special attention is to be given to addressing the needs of women and equity issues in the outer islands, and creating employment for vulnerable groups.
- Improve the investment climate, thereby promoting private sector and small business development.

**Policy dialogue:** The Government's commitment to reform was demonstrated in 2000 when it met the difficult conditions specified in the Public Sector Reform Program, especially the reduction in the public sector staff force by 30%. The Government remained under pressure to recommit to reform momentum, which constrained progress. Also, the renewal of the Compact of Free Association with the US was likely to affect the environment for reform. The situation provided an opportunity to influence the Marshall Islands' future direction. Through improved governance and fiscal discipline, the Marshall Islands will emerge from the next Compact with a stronger and more equitable economy.

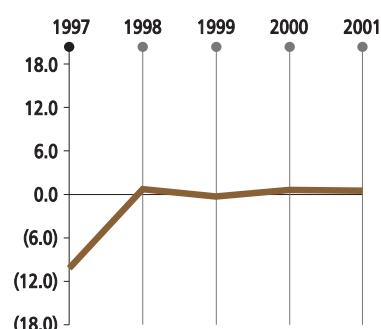
### Loans and technical assistance

In 2001, ADB approved a blend loan totaling \$12 million for a fiscal and financial management program, and an advisory technical assistance grant of \$950,000 for fiscal, financial, and economy advisory services.

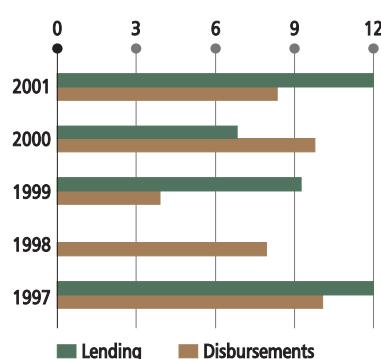
### Project implementation:

Since joining ADB in 1990, the Marshall Islands has received 11 loans, of which 6 were active at the end of 2001. Contract awards totaled \$6.6 million, bringing the cumulative figure to \$48.1 million. The contract award ratio was 29.3%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$8.3 million, bringing cumulative disbursements to \$48.2 million. The disbursement ratio was 32.6%, higher than the ADB-wide average of 20.5%.

**Marshall Islands  
GDP Growth Rate, 1997–2001  
(percent)**



**Marshall Islands  
Lending and Disbursements,  
1997–2001 (\$ million)**



**Marshall Islands**  
**Cumulative ADB Lending**  
*(as of 31 December 2001)*

Sector	No. of Loans	\$ Million	%
Social Infrastructure	5	30.4	42.8
Finance	3	24.0	33.7
Multisector	2	9.8	13.8
Agriculture and Natural Resources	1	6.9	9.7
<b>TOTAL</b>	<b>11</b>	<b>71.1</b>	<b>100.0</b>

## Federated States of Micronesia

### Economic performance

Following 3 years of negative growth from FY1996 (ending 30 September) to FY1998, the Federated States of Micronesia's economy grew at 1.1% in FY1999 and 2.5% in FY2000. The real GDP is expected to have grown by 0.9% in FY2001. Growth potential was significantly constrained due to the uncertain investment climate, resulting from the uncertainty about the level of assistance beyond FY2004 under the Compact of Free Association with the US. Inflation remained moderate. The annual inflation rate (only for Pohnpei State) was 2.6% in 2001.

Pohnpei and Yap states have maintained medium-term fiscal balance and constrained recurrent expenditure increases. However, fiscal management in Chuuk and Kosrae has generally been weak. The national Government maintained a large structural surplus; however, revenue shortfalls due to reduced fishing fee revenues of \$4 million and low investment returns put significant pressure on the national fiscal position in the short term.

### ADB operations

**Operational strategy:** Emphasis on public sector reform needs to be shifted to the state level. Recognizing the four states as key players,

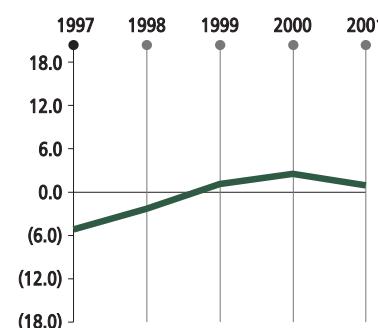
long-term improvement in efficiency, effectiveness, and accountability in the Government must start at the state level. Capacity building is required. ADB technical assistance will help build capacity at the state level. In social sector reforms, emphasis will be on the outer islands to help improve basic social services delivery, consistent with ADB's poverty reduction strategy. Increased allocation and better use of resources will be important in expanding access to essential services. The Basic Social Services Project provides the start in improving health and education services delivery. Subsequently, the needs of this sector will be addressed through Compact funding, with ADB providing the necessary aid coordination.

**Policy dialogue:** The Federated States of Micronesia now faces serious challenges in adjusting to an expected change in Compact funding. So far, sustainable productive investment, critical to ensuring a reasonable living standard for all citizens, has been insufficient. Most citizens have been reached by the public sector, resulting in an unsustainable level of government recurrent expenditure beyond 2001 and a dualistic society. Public expenditure will have to be reduced substantially to match current domestic revenue.

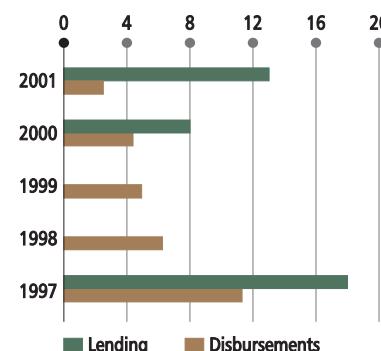
**Loans and technical assistance:** In 2001, ADB approved two loans totaling \$13.0 million for a private sector development program. ADB also approved two advisory technical assistance grants totaling \$1.2 million for strengthening capacity of economic policy reform and implementing performance-based budget management.

**Project implementation:** Since joining ADB in 1990, the Federated States of Micronesia has received six loans, of which five were active at the end of 2001. Contract awards totaled \$920,000, bringing the cumulative figure to \$30.4 million. The contract award ratio was 4.7%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$2.5 million, bringing cumulative disbursements to \$29.8 million. The disbursement ratio was 46.6%, higher than the ADB-wide average of 20.5%.

**Federated States of Micronesia  
GDP Growth Rate, 1997–2001  
(percent)**



**Federated States of Micronesia  
Lending and Disbursements,  
1997–2001 (\$ million)**



**Federated States of Micronesia**  
**Cumulative ADB Lending**  
(as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Finance	3	31.0	55.2
Social Infrastructure	1	10.6	18.9
Multisector	1	8.0	14.3
Agriculture and Natural Resources	1	6.5	11.6
<b>TOTAL</b>	<b>6</b>	<b>56.1</b>	<b>100.0</b>

## Mongolia

### Economic performance

In 2001, Mongolia progressed in restoring macroeconomic stability. The budget deficit decreased from 7.5% of GDP in 2000 to 4.0% although the inflation rate reached 11.8% from 8.3% the previous year. Through extensive negotiations on macroeconomic policy framework, the Government and IMF agreed on a new restructuring program supported by the Poverty Reduction and Growth Facility (PRGF). Economic stability created a sound policy environment for the expanding private sector-led growth.

Despite two consecutive severe winters and the worsening terms of trade, Mongolia has maintained a moderate positive growth of 1.5% owing to the performance of manufacturing and mining subsectors, which grew by 23.0% and 10.0%, respectively. Still affected by adverse climatic conditions, agriculture sector output declined by 6.0%.

The current account deficit widened from \$167 million in 2000 to \$170 million in 2001 mainly due to declining international export commodity prices, particularly copper and cashmere. The balance of payments showed a \$12.6 million surplus reflecting a substantive inflow of external assistance;

international reserves increased from \$190 million in 2000 to \$208 million in 2001, or equivalent to 14 weeks of imports. The national currency, the togrog, remained stable.

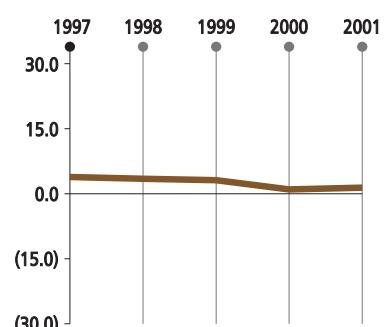
Growing unemployment and a weak social safety net remain the country's prime concern. About 36.0% of Mongolia's population still lives below the official poverty line. The Government started formulating a comprehensive Poverty Reduction Strategy Paper, drawing on the framework of a partnership agreement on poverty reduction (PAPR) with ADB, scheduled for completion in September 2002.

### ADB operations

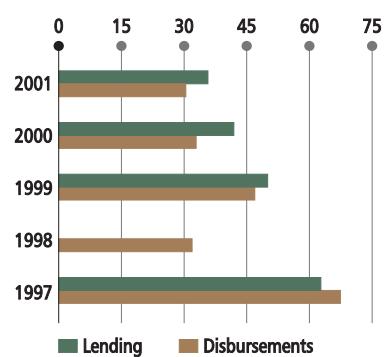
**Operational strategy:** ADB's operational strategy for Mongolia was reformulated in May 2000 in line with the PAPR framework. The innovative approach focused on poverty reduction by enhancing private sector potential. Accordingly, ADB's operations covered initiatives aimed at bolstering the financial, agricultural, public, social, and urban development sectors. The transport sector—a potential contributor to poverty reduction—has also been targeted according to ADB's operational needs and country guidelines.

**Policy dialogue:** ADB President Tadao Chino's visit to Mongolia in August 2001 highlighted policy dialogue with the Government and provided focus and direction for further bilateral negotiations. ADB's commitment remains strong in providing assistance to public sector reforms, promoting private sector-led growth, and giving further support to the privatization program in the financial and infrastructure sectors. ADB is actively working with the Government to improve project implementation and aid efficiency by reducing bureaucratic hurdles and reforming internal loan approval and ratification procedures. The first annual review of the PAPR took place in 2001, leading the Government and ADB to recognize that the country's transition to a market economy can only be completed with a substantial reduction in the number of people living below the poverty line.

**Mongolia**  
**GDP Growth Rate, 1997–2001**  
(percent)



**Mongolia**  
**Lending and Disbursements, 1997–2001 (\$ million)**



## Mongolia

### Cumulative ADB Lending

(as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Transport and Communications	5	134.5	26.6
Energy	4	93.8	18.6
Agriculture and Natural Resources	6	73.6	14.6
Industry and Nonfuel Minerals	2	60.0	11.9
Social Infrastructure	6	53.2	10.5
Finance	3	53.0	10.5
Others	1	25.0	4.9
Multisector	2	12.0	2.4
<b>TOTAL</b>	<b>29</b>	<b>505.1</b>	<b>100.0</b>

**Loans and technical assistance:** ADB approved four loans totaling \$35.7 million in 2001. Two loans (policy and investment) went to the social security sector development program, one to the housing finance sector, and another to rural finance. Seven technical assistance grants totaling \$3.8 million were approved in 2001 for establishing a central procurement monitoring office, improving social statistics, integrating development of basic urban services in secondary towns, intensifying crop production, strengthening policy for social security reform, preparing the second health sector project, and improving aid coordination and management.

**Project implementation:** Since joining ADB in 1991, Mongolia has received 29 loans, of which 15 were active at the end of 2001. Contract awards totaled \$31.1 million, bringing the cumulative figure to \$372.5 million. The contract award ratio was 24.3%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$30.4 million, bringing cumulative disbursements to \$352.3 million. The disbursement ratio was 23.2%, higher than the ADB-wide average of 20.5%.

Further time-bound measures were agreed upon with the Government during the country portfolio review in September to expedite project start-up and enhance institutional capacity to improve the overall portfolio performance. Presentations were made to the Government and executing agencies on ADB's project performance rating system. With the opening of the Mongolia Resident Mission, ADB is now in regular contact with the Government, executing agencies, and civil society, thus improving portfolio management.

## Myanmar

### Economic performance

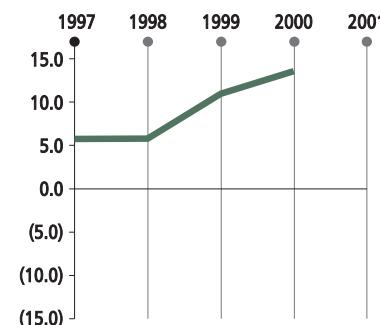
GDP in Myanmar grew by 13.7% in FY2000 (ending 31 March 2001). Although agriculture sector growth moderated in FY2000, a spurt in manufacturing activity helped support

aggregate growth. As a consequence of the growth of central bank credit, inflation reached an average of around 21.0% in the 1990s.

However, in FY2000, inflation fell, with prices decreasing by 1.7%, due to

ample food supply (food weighs heavily in the price basket), reduced deficit spending and recourse to inflationary finance, and the introduction of tax-free markets. By March 2001, prices were rising again, continuing throughout the year. The overall public sector deficit has averaged around 5.0% of GDP. In FY2000, the deficit rose to 109.7 billion kyat (MK) from MK91.9 billion a year earlier. To pare the deficit, the Government cut expenditure. However, the deficit was also caused by poor revenue mobilization and losses in some state economic enterprises. About 1.4% of GDP was spent on public health and education. Faster export

**Myanmar**  
**GDP Growth Rate, 1997–2001**  
(percent)



### Myanmar

#### Cumulative ADB Lending

(as of 31 December 2001)

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
<b>TOTAL</b>	<b>32</b>	<b>530.9</b>	<b>100.0</b>

growth and slower imports narrowed the trade deficit in FY2001, compared with the previous year. Commodity exports performed well and garment exports picked up. Myanmar's trade regime was characterized by wide tariff dispersion, and a variety of nontariff barriers were used to compress import demand. Myanmar's international reserve position remained fragile, with reserves sufficient to cover about 1 month of imports. In FY1997, of a total population of 46.4 million, the labor force consisted of about 22.5 million. Agriculture was the largest employer—accounting for 63.0% of the labor force. About 30%–40% of state sector employees were classified as casual labor.

### ***ADB operations***

**Operational strategy:** ADB continues to monitor economic developments in Myanmar. An operational strategy will be formulated when appropriate.

**Loans and technical assistance:** No loans have been provided to Myanmar since 1986 and no technical assistance since 1987.

**Project implementation:** There are no ongoing loans in Myanmar. However, Myanmar is involved in ADB's regional cooperation initiative for the Greater Mekong Subregion (GMS), participating in regional meetings and workshops supported by ADB's regional technical assistance. In November 2001, Myanmar hosted the 10<sup>th</sup> GMS Ministerial Conference in Yangon.

## **Nauru**

### ***Economic performance***

It was not possible to obtain official estimates of the latest macroeconomic indicators covering 2001. Information on Nauru's national account table for 2001 is not available. Nauru's dominant major income source, phosphate production, continues to decline in volume and prices. The Nauru Phosphate Royalties Trust (NPRT), once the holder of overseas reserves valued at over A\$1 billion, had an estimated net worth of only about A\$150 million. The Government faced serious cash constraints in 2001 and the draft 2002 budget indicated a deficit of A\$40 million–50 million. Nauru also faced the need to further reform its offshore banking sector. An unforeseen development toward the end of 2001 was the agreement between the governments of Nauru and Australia that Nauru would host over 1,000 asylum seekers transferred from Australian waters, and Australia would provide mainly in-kind budget support. This is expected to give a temporary boost to the Nauru economy.

### ***ADB operations***

**Operational strategy:** ADB has played a lead role in helping the country recover from its financial difficulties through a program loan in 1999. ADB will coordinate closely with other funding agencies, especially the Australian Agency for International Development, and provide complementary assistance as necessary.

**Policy dialogue:** In 2001, policy dialogue was conducted on measures to restore macroeconomic stability and fiscal discipline, and to protect the country's dwindling economic assets. Although ADB provided advice on these issues, limited progress has been achieved in key reform areas.

**Loans and technical assistance:** In 2001, no loans or technical assistance were approved. Technical assistance implementation in 2001 included fielding consultants, which has continued intermittently since 1999. Assistance was also provided for appraising the condition and prospects of the Bank of Nauru and giving options for restoring banking services; providing advice and training in budget design and preparation; and evaluating NPRT's net assets and assistance in planning and implementing its transition from a predominantly property- to financial assets-based portfolio.

**Project implementation:** Since joining ADB in 1991, Nauru has received one program loan that was still active at the end of 2001. No contract awards were made during the year; cumulative contract awards totaled \$2.3 million. There were no disbursements during the year; total disbursements remained at \$2.3 million.

## **Nepal**

### ***Economic performance***

In FY2001, GDP growth slowed to 5.0% from 6.1% in FY2000. This was mainly attributed to weaker agriculture sector performance compared with record high growth in FY2000, sharp deceleration in manufacturing, and a continued slump in tourism. Inflation remained at 2.4% in FY2001—the lowest in more than 20 years—compared with 3.5% in FY2000. The budget deficit widened to 4.2% of GDP in FY2001 from 3.3% in FY2000 due to a rise in expenditure mainly for security, a salary increase for civil servants, and a voluntary early retirement scheme. Growth in the dollar value of merchandise exports sharply declined to 3.7% in FY2001, compared with an expansion of 42.0% in FY2000 due to a significant decline in exports of ready-made garments

and woolen carpets. The dollar value of imports declined by 1.0%, following a recovery of 20.0% growth in FY2000, reflecting a sharp deceleration in manufacturing. By the end of FY2001, Nepal had about \$1.0 billion in foreign exchange reserves, enough to cover around 7 months of imports. The debt service ratio was a manageable 3.9% of exports during FY2001. Nepal was affected by the global economic slowdown due to the 11 September events that worsened the trade and investment of other countries in the region. In particular, Nepal's tourism and trade were adversely affected. In the year ending November 2001, tourist arrivals declined by 17.0%, exports by 8.0%, and imports by 3.5%.

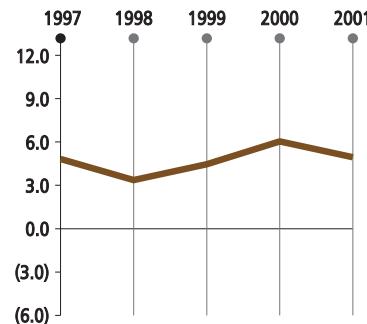
### **ADB operations**

**Operational strategy:** ADB's operational strategy in 2001 focused on government reforms and building effective institutions as a key part of reducing poverty. In October 2001, the Government and ADB signed a partnership agreement on poverty reduction (PAPR), aimed at reducing poverty incidence from over 40.0% at present to less than 10.0% by 2017. In line with the 2001 country strategy and program update and the PAPR, operational priorities were to generate employment and increase rural incomes through broad-based, more rapid economic growth; improve basic social services to enhance human resource development; and promote good governance.

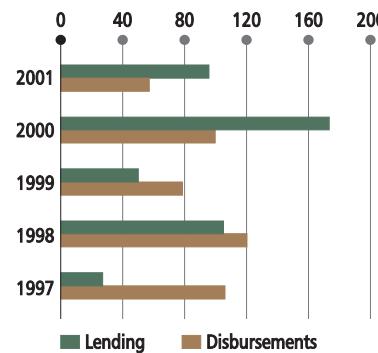
**Policy dialogue:** Based on the operational priorities, the policy dialogue with the Government focused on civil, corporate, and financial governance reforms, streamlining subsidies in agriculture, and power sector reforms. ADB also assisted the Government in preparing its poverty reduction strategy and the Tenth Five-Year Plan.

**Loans, technical assistance, and grants:** ADB approved three loans totaling \$95.6 million in 2001 for teacher education, a governance reform program, and road network development. Five technical assistance grants totaling \$4.0 million were approved in 2001: three advisory grants on institutional support for governance reforms, support for preparing the Tenth

**Nepal**  
**GDP Growth Rate, 1997–2001**  
(percent)



**Nepal**  
**Lending and Disbursements,**  
1997–2001 (\$ million)



Five-Year Plan, and optimizing water use in Kathmandu Valley; and two for preparing projects on the second phase of rural infrastructure development and community-managed irrigation in the central and eastern basins. ADB also approved two grants amounting to \$10.4 million to support poor and disadvantaged farmers through civil society organizations, funded by the Japan Fund for Poverty Reduction, and for the road network development project, funded by the United Kingdom.

**Project implementation:** Since joining ADB in 1966, Nepal has received 102 loans, of which 27 were active at the end of 2001. Contract awards totaled \$36.3 million, bringing the cumulative figure to \$1.3 billion. The contract award ratio was 11.2%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$57.2 million, bringing cumulative disbursements to \$1.3 billion. The disbursement ratio was 16.6%, lower than the ADB-wide average of 20.5%.

The Nepal Resident Mission held monthly review meetings with project directors and quarterly portfolio review meetings with the Government and World Bank. An annual country

**Nepal**  
**Cumulative ADB Lending**  
(as of 31 December 2001)

Sector	No. of Loans	\$ Million	% <sup>a</sup>
Agriculture and Natural Resources	51	788.5	40.4
Energy	14	432.4	22.2
Social Infrastructure	14	311.7	16.0
Transport and Communications	13	270.7	13.9
Industry and Nonfuel Minerals	5	75.1	3.8
Others	4	65.6	3.4
Finance	1	7.3	0.4
<b>TOTAL</b>	<b>102</b>	<b>1,951.3</b>	<b>100.0</b>

<sup>a</sup> Figures may not add due to rounding.

portfolio review mission was fielded in August with World Bank and Japan Bank for International Cooperation. Measures to enhance portfolio performance were formulated with the Government. Project directors and other government representatives also attended a project implementation and administration seminar in Manila, aimed at further improving overall portfolio performance in Nepal.

## Pakistan

### **Economic performance**

Economic growth in Pakistan in FY2001 decelerated to 2.6% primarily due to the impact of drought on agriculture and hydroelectric power generation. The drought caused a loss in national income estimated at about 2.0%. Nonagriculture GDP grew by 4.3%, which was significantly higher than in the previous year. Agriculture sector output declined by

2.5%, with output of major crops falling by 10.0%. Growth in large-scale manufacturing, however, accelerated to 8.4%—the highest growth rate since the 1980s. While increased capacity propelled output growth in FY2001, the underlying tone for a majority of the constituent subsectors of large-scale manufacturing remained firm. Excluding the subsectors that recorded significant capacity addition (oil refining, automotive, and fertilizer), large-scale manufacturing output grew by 7.0% in FY2001. Investment as a percentage of GDP continued to decline, reaching

a new low at 14.7% in FY2001. The decline largely resulted from low private sector confidence, despite improvement in Pakistan's macroeconomic fundamentals. The major success during the year was a reduced inflation rate of 4.4%, resulting largely from improved macroeconomic and financial policy management. The fiscal deficit in FY2001 was 5.3% of GDP—the lowest in 23 years. The deficit decreased because of stringent control over public expenditure, particularly current expenditure that was reduced by 1.5% of GDP.

Development expenditure also declined to only 2.9% of GDP, a record low. In FY2001 exports increased by 7.4%, to over \$9.0 billion for the first time. Export volume expanded by over 15.0%, with 8 out of 10 top export items recording double-digit growth. The current account deficit declined to 0.9% of GDP, with

improvement from a reduced trade deficit and increased workers' remittances. Further slowdown in economic growth in FY2001 and declining development expenditure resulted in higher unemployment.

### **ADB operations**

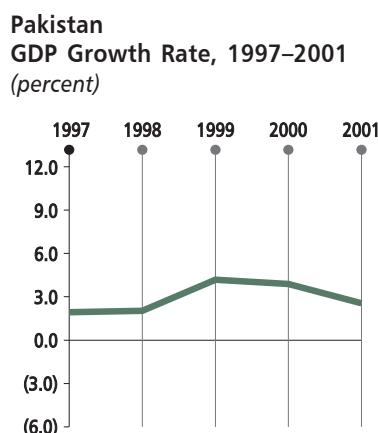
**Operational strategy:** In 2001, ADB's operational strategy was anchored on poverty reduction, increasing economic growth, and providing assistance for governance-related reforms. A significant amount (78.0%) of ADB's assistance was in program lending. While program loans finance the cost of adjustment and complement the economic reform agenda to be pursued under the 3-year \$1.3 billion IMF-financed Poverty Reduction and Growth Facility, the counterpart rupees were envisaged to be used for poverty reduction and social sector development. ADB's 2001 loan program for Pakistan was a record \$957 million in the aftermath of the 11 September attacks. ADB's commitment to help

mitigate the impact of the post-11 September events on the Pakistan economy was reiterated by ADB President Tadao Chino, who visited Pakistan in November 2001 and met Pakistan President Pervez Musharraf and Finance Minister Shaukat Aziz.

**Policy dialogue:** In the context of 2001 operations, policy dialogue focused on agriculture sector reform, designed to ensure a greater role for the private sector in domestic trading of major agriculture commodities, gradual phasing out of administered prices with market forces, and enhancing food security and poverty reduction. Another major initiative

was the Access to Justice Program loan, which supported legal and judicial reforms, focusing on helping the Government improve access to justice by strengthening the subordinate judiciary, supporting policy reforms, and enhancing the judicial system to ensure timely commercial adjudication and a mechanism for enforcing contracts, thereby providing a greater comfort for prospective international investors. Policy dialogue also continued under the Energy Sector Restructuring Program and the Trade, Export Promotion, and Industry Program.

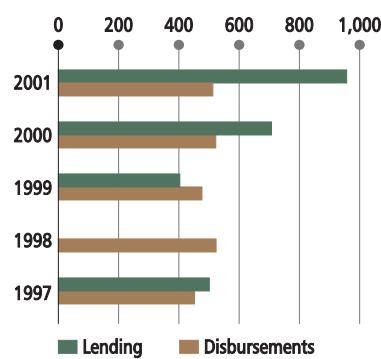
**Loans and technical assistance:** ADB approved 11 loans for 5 projects and programs in 2001 totaling \$956.8 million. These are for the urban sector development in the North-West Frontier Province, road sector development (a program loan and two sector loans),



access to justice program (two program loans and a technical assistance loan), agriculture sector program (a project loan and a technical assistance loan), and reproductive health. ADB approved 17 technical assistance grants totaling \$6.6 million in 2001. Twelve grants were to provide advisory assistance on fiscal decentralization, a forum on poverty analysis, supporting access to justice under the local government plan, institutional strengthening of the State Bank of Pakistan, environmental assessment, institutional reform and road maintenance financing study, poverty reduction study, social impact analysis and resettlement planning, support for the implementation of the national policy and action plan to combat child labor, capacity building for capital market development and corporate governance, and restructuring the gas sector. Five were

assistance in project preparation for the preliminary engineering update of the provinces of Punjab and Sindh; additional preparatory work on the Sindh Rural Development Project; and supporting government restructuring and reform.

#### Pakistan Lending and Disbursements, 1997–2001 (\$ million)



#### Pakistan Cumulative ADB Lending (as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	61	3,384.6	29.5
Energy	46	3,062.0	26.7
Finance	33	1,427.0	12.4
Social Infrastructure	26	1,135.0	9.9
Transport and Communications	14	967.0	8.4
Industry and Nonfuel Minerals	17	798.4	7.0
Others	3	350.0	3.1
Multisector	3	344.0	3.0
<b>TOTAL</b>	<b>203</b>	<b>11,468.0</b>	<b>100.0</b>

**Project implementation:** Since joining ADB in 1966, Pakistan has received 203 loans—including 21 private sector loans without government guarantee—of which 59 were active at the end of 2001. Contract awards totaled \$418.9 million, bringing the cumulative figure to \$8.0 billion. The contract award ratio was 18.1%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$512.3 million, bringing cumulative disbursements to \$8.4 billion. The disbursement ratio was 28.2%, higher than the ADB-wide average of 20.5%.

The Pakistan Resident Mission initiated quarterly provincial project review meetings in the four provinces and held two review meetings at the federal level. To enhance further project and portfolio performance, the resident mission conducted two provincial level and one federal level workshops on project management with staff of executing agencies, line ministries, and other government offices concerned. ADB also conducted a country project implementation and administration workshop for executing agency and line ministry staff. Proactive project implementation has improved key portfolio monitoring indicators and overall portfolio performance.

#### Papua New Guinea

##### Economic performance

In 2001, real GDP in Papua New Guinea declined by 3.3%, led by a 9.0% drop in mining and quarrying. While the agriculture, forestry, and fishing sectors grew by 0.9%, economic activity declined or remained subdued in most other sectors. A fiscal deficit of 1.8% of GDP was recorded in 2001. The Government reduced expenditure in the second half of the year in response to a major shortfall in tax revenue. External debt increased by 5.6% in US dollar terms by the end of 2001. However, annual average inflation fell from 15.6% in 2000 to 9.8% in 2001. This allowed easing of monetary policy by reducing the kina facility rate to below 10.0% by end-2001, with modest relief in commercial bank interest rates. Broad money supply grew by about 10.0% in 2001. Declining exports caused the current account surplus to fall slightly to about \$221 million. The overall balance-of-payments surplus also declined to about \$106 million from about \$130 million in the previous year. Gross international reserves reached \$400 million or 5 months of imports. The local currency continued to depreciate, with the average rate against the US dollar falling by about 20.0% in 2001 compared with the previous year. Public sector reforms continued with increasing

emphasis on public service delivery. The privatization program also progressed with Air Niugini brought to the point of sale, and privatization of the PNG Banking Corporation nearly completed.

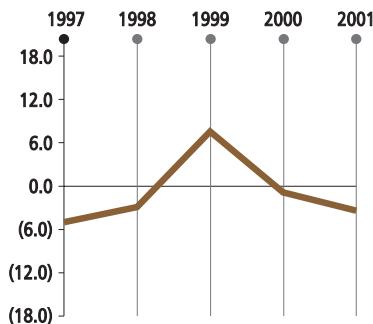
### **ADB operations**

**Operational strategy:** Poor governance and inadequate public sector management are the main development problems. ADB helps the Government strengthen public sector financial management by improving the machinery of financial and general public sector management at national and provincial levels, concentrating management on output and performance; and good governance institutions by improving systems and procedures and through capacity building. Private sector development is critical in reducing poverty. ADB helps strengthen sector policy and institutional frameworks; improve factor productivity, especially through skills development; and enhance market access, especially by rehabilitating and maintaining road and water transport infrastructure. Through public sector reforms, ADB will help improve the management and governance of social service delivery agencies, focusing in particular on health, education, and public works. In the social sectors, ADB will continue to be involved in developing policies, promoting infrastructure investments, and improving service delivery.

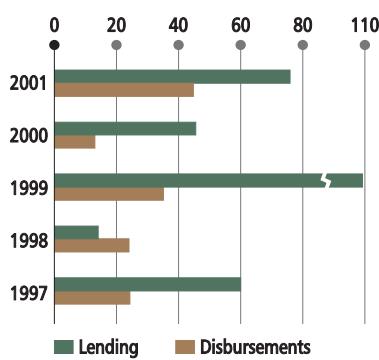
**Policy dialogue:** ADB's policy dialogue with the Government has focused on improving governance and strengthening public sector management for more efficient and effective service delivery. Overall progress in implementing the Government's structural reform program, including public service reforms, has generally been satisfactory despite very difficult economic conditions. ADB has taken a lead role in working with the Government, particularly in strengthening road sector management. As a result, the Government is changing the sector's institutional structure to increase independence and accountability.

**Loans and technical assistance:** In 2001, two loans totaling \$75.9 million were approved for a public service program and a nucleus agro-enterprise project.

**Papua New Guinea  
GDP Growth Rate, 1997–2001  
(percent)**



**Papua New Guinea  
Lending and Disbursements,  
1997–2001 (\$ million)**



ADB approved eight technical assistance grants totaling \$4.3 million, of which five were advisory assistance on health policy support, poverty analyses for socioeconomic development strategies, gas pipeline development, health sector review, and public sector management. Three were to prepare projects for developing a road authority, maintaining and upgrading roads in the Southern region, and gender and population. ADB also approved a \$5.5 million grant, funded by the Government of Australia, to develop employment-oriented skills.

**Project implementation:** Since joining ADB in 1971, Papua New Guinea has received 55 loans, of which 13 were active at the end of 2001. Contract awards totaled \$43.6 million, bringing the cumulative figure to \$570.4 million. The contract award ratio was 21.9%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$44.7 million, bringing cumulative disbursements to \$565.5 million. The disbursement ratio was 19.6%, lower than the ADB-wide average of 20.5%.

While significant improvements in portfolio performance were noted in a country

**Papua New Guinea  
Cumulative ADB Lending  
(as of 31 December 2001)**

Sector	No. of Loans	\$ Million	% <sup>a</sup>
Transport and Communications	12	253.8	29.9
Social Infrastructure	16	215.5	25.4
Agriculture and Natural Resources	12	184.6	21.7
Others	2	95.8	11.3
Energy	5	43.0	5.1
Finance	4	32.1	3.8
Multisector	3	16.0	1.9
Industry and Nonfuel Minerals	1	8.4	1.0
<b>TOTAL</b>	<b>55</b>	<b>849.3</b>	<b>100.0</b>

<sup>a</sup> Figures may not add due to rounding.

portfolio review in September 2001, an action plan was updated to assist in further improving portfolio management and performance. Executing agencies and government officials were briefed on ADB procurement procedures and project administration.

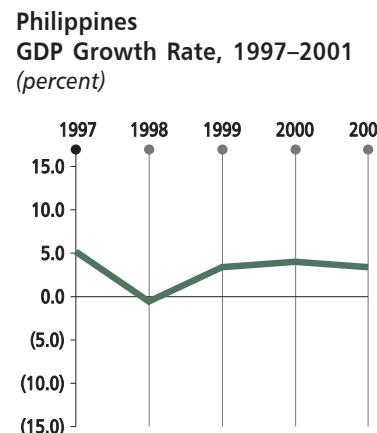
## Philippines

### Economic performance

The GDP growth rate in the Philippines decelerated from 4.0% in 2000 to 3.4% in 2001, owing mainly to the global economic slowdown, political disruptions, and consequent weak investor confidence. All three major economic sectors expanded during the year. The agriculture, industry, and services sectors grew by 3.9%, 1.9%, and 4.3%, respectively. Slow economic activity resulted in average inflation for the year of 6.1%, well within the government target of 6.0%–7.0%. This was due mainly to favorable supply-side factors, notably lower prices for food and oil products, and continued prudent monetary policy. The fiscal deficit of 147 billion pesos in 2001 was maintained close to the government target of 145 billion pesos, because of lower public expenditure. The overall balance of payments yielded a deficit of \$1.5 billion in 2001. Nevertheless, the current account remained in surplus at \$4.5 billion following the surplus in the trade-in goods and income accounts. Compared with the level in 2000, the current account surplus in 2001 was lower by 47% due to the 16.2% slowdown in merchandise exports. Despite the global economic downturn and more cautious investing, direct investments were \$2.0 billion in 2001. Portfolio investments likewise posted a net inflow of \$297 million due largely to the divestment by residents of their holdings of foreign-issued debt securities in September. Unemployment was recorded at 11.1% in 2001, compared with 11.2% in 2000, resulting from high population growth and low employment opportunities.

### ADB operations

**Operational strategy:** ADB's operational strategy supports the Government's development priorities elaborated in the Medium-Term Philippine Development Plan and aligns with the country operational strategy—revised as country strategy and program update in



October 2001—which aims to reduce poverty, promote equity, improve social services delivery, protect the environment, and promote good governance. The strategy balances these priorities and emphasizes socio-environmental development and poverty reduction. Priority projects are basic education and health services; urban services development, especially housing; rural roads; rural development; natural resource and environmental management; and enhancement of nonbank financial governance. The Government and ADB signed the Poverty Partnership Agreement in October 2001.

**Policy dialogue:** Policy dialogue with the Government included reforming the power sector and privatizing the National Power Corporation; enhancing basic urban services in Mindanao; supporting government reforms to improve governance in the nonbank financial sector; improving air quality under the Metro Manila Air Quality Improvement Development Program; and providing assistance for government judiciary and economic sector reforms.

### Loans and technical

**assistance:** ADB approved two loans in 2001 totaling \$105 million for the Mindanao Basic Urban Services Sector and Nonbank Financial Governance Program. Nine technical assistance grants were approved in 2001 totaling \$7.6 million. Six were advisory assistance grants on improving poverty monitoring

surveys, strengthening the independence of the judiciary, capacity building for the Regulatory Office of the Metropolitan Waterworks and Sewerage System, strengthening regulatory and market governance, rural road development policy framework, and competition policy for the electricity sector. Three were project preparatory assistance for integrated coastal resource management, microfinance for rural development, and Metro Manila urban services for the poor.

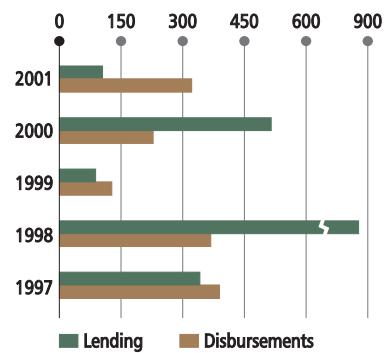
**Project implementation:** Since joining ADB in 1966, the Philippines has received 185 loans, of which 55 were active at the end of 2001. Contract awards totaled \$304.5 million, bringing the cumulative figure to \$4.9 billion. The contract award ratio for 2001 was 21.0%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$321.8 million, bringing cumulative disbursements to \$5.2 billion. The disbursement ratio was 18.7%, lower than the ADB-wide average of 20.5%.

Policy dialogue was intensified on portfolio issues through the quarterly portfolio review, jointly conducted with the Government, World Bank, and Japan Bank for International Cooperation, and ADB's annual country portfolio review.

The country portfolio review mission in April 2001 emphasized to the Government the importance of good governance as a basic principle in sound portfolio management. Consultations that followed focused on improving disbursement performance, reducing underperforming projects, canceling surplus funds, speeding up recruitment of consultants and procurement of goods and civil works, and addressing policy reform issues. Concrete steps taken during the year included restructuring several project subcomponents, canceling \$139 million of unutilized loan

surplus, and increasing contract awards and disbursements.

#### Philippines Lending and Disbursements, 1997–2001 (\$ million)



#### Philippines Cumulative ADB Lending (as of 31 December 2001)

Sector	No. of Loans	\$ Million	% <sup>a</sup>
Energy	27	2,257.6	28.2
Agriculture and Natural Resources	63	1,920.4	24.0
Social Infrastructure	38	1,410.5	17.6
Transport and Communications	26	1,105.9	13.8
Finance	16	673.0	8.4
Others	3	296.0	3.7
Multisector	6	283.7	3.6
Industry and Nonfuel Minerals	6	47.2	0.6
<b>TOTAL</b>	<b>185</b>	<b>7,994.3</b>	<b>100.0</b>

<sup>a</sup> Figures may not add due to rounding.

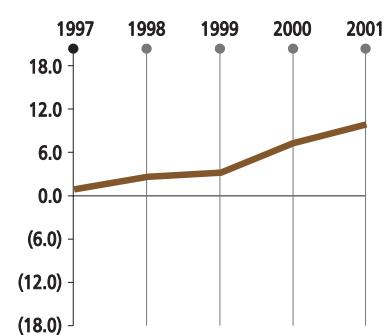
## Samoa

### Economic performance

Real GDP in Samoa is estimated to have grown by 10.0% in 2001 despite the global economic slowdown. Construction, and transport and communications led the growth. However, annual average inflation increased from 0.9% in

2000 to 4.0% in 2001. The overall budget deficit increased from 0.7% of GDP in FY2000 (ending 30 June) to 2.3% of GDP in FY2001, reflecting a rise in development expenditure and budgetary support to Polynesian

#### Samoa GDP Growth Rate, 1997–2001 (percent)



Airlines. In 2001, exports and imports grew by about 20% and 31%, respectively. The level of foreign exchange reserves declined from 6.4 to 4.8 months of import cover during the same period. External debt declined to about 60.2% of GDP at the end of FY2001. In 2001, the effective exchange rate of the tala remained generally stable in nominal and real terms. The central bank considered tightening money supply but deferred this as the economy weakened after 11 September. Reforms continued, which included the approval of the Public Finance Management Act 2001 and the Companies Act 2001. A development strategy for Samoa for 2002–2004 emphasizes the importance of distributing the benefits of development among all communities. The development of health, education, traditional values, and a competitive economy are the cornerstones of this strategy.

### ADB operations

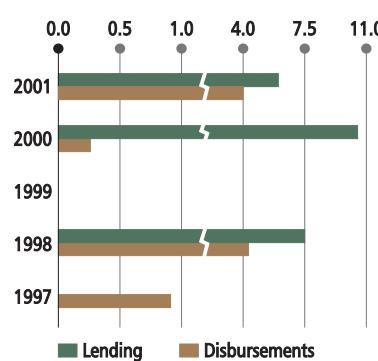
**Operational strategy:** ADB's operational approach in Samoa emphasizes promoting economic growth and equitable social development by enhancing capacity for sound economic management, and supporting financial reform and privatization of state-owned enterprises (SOEs); improving living standards and reducing income disparity through improved equity and access to essential services, particularly education; and supporting sound policy frameworks and physical infrastructure

improvements aimed at creating an enabling environment for private sector development.

**Policy dialogue:** Policy dialogue focused on improving corporate governance for SOEs, implementing the Government's privatization program, further streamlining business processes by removing remaining barriers and simplifying tariffs, improving access to finance, and establishing a more efficient regulatory and legal framework. Dialogue also included land reform and ways to improve availability of land for economic activities.

**Loans and technical assistance:** In 2001, ADB approved one loan of \$6 million for power sector improvement. ADB also approved three advisory technical assistance grants totaling \$800,000 for implementing SOE reforms, carrying out a household income and expenditure survey for socioeconomic equity assessment, and strengthening energy loss reduction and maintenance management capacity of the electric power corporation.

#### Samoa Lending and Disbursements, 1997–2001 (\$ million)



**Project implementation:** Since joining ADB in 1966, Samoa has received 29 loans, of which 3 were active at the end of 2001. Contract awards totaled \$3.7 million, bringing the cumulative figure to \$98.2 million. The contract award ratio was

#### Samoa Cumulative ADB Lending (as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	9	41.5	36.4
Finance	7	27.0	23.7
Energy	7	21.0	18.4
Transport and Communications	4	13.0	11.4
Social Infrastructure	1	7.0	6.2
Multisector	1	4.4	3.9
<b>TOTAL</b>	<b>29</b>	<b>113.9</b>	<b>100.0</b>

21.1%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$3.6 million, bringing cumulative disbursements to \$94.5 million. The disbursement ratio was 26.7%, higher than the ADB-wide average of 20.5%.

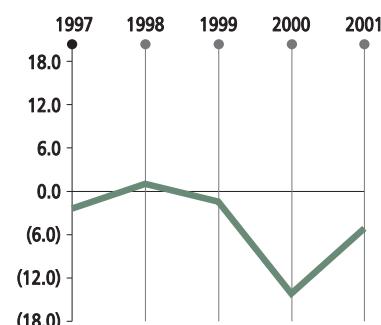
## Solomon Islands

### Economic performance

Further to the contraction in 2000, real GDP in Solomon Islands declined by an estimated 5.0% in 2001. The contraction was broad-based. A positive development in the latter part of 2001 was the resumption of fresh fish exports and sale of canned fish.

Annual average inflation was 8.0%, reflecting the disruption of economic activities. Government expenditure continued to increase while tax collection remained weak, mainly due to a decline in economic activity and discretionary grants of tax and duty remissions. As a result, the budget deficit rose to 8.0% of GDP. Faced with increasing arrears, the Government exceeded the statutory limit of borrowing from the central bank during the year. Broad money supply and credit to the private sector declined by 12.5% and 21.5%, respectively, reflecting the low demand for new credit due to weak economic activity. The trade deficit widened due to a sharp decline in exports, and the current account recorded a deficit of 14.3% of GDP. At end-2001, the official reserves were sufficient to cover only about one month of imports.

#### Solomon Islands GDP Growth Rate, 1997–2001 (percent)



### ADB operations

**Operational strategy:** After suspension of operations following a coup in 2000, ADB resumed limited operations in 2001 to assist Solomon Islands in restructuring basic infrastructure damaged by civil unrest. The objectives of ADB's interim strategy for Solomon Islands are to support the Government in restoring essential facilities and services through the

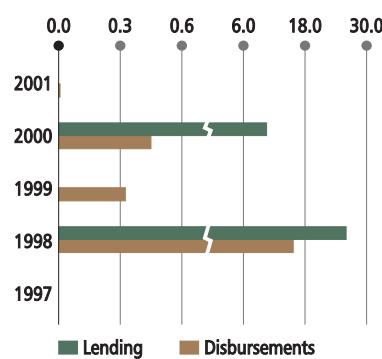
Post-Conflict Emergency Rehabilitation loan, postpone the country programming exercise, and finish any minor activities under ongoing or almost completed technical assistance projects to facilitate project continuity and closure. The strategy will be reviewed in early 2002.

**Policy dialogue:** ADB has helped the Government rehabilitate basic infrastructure. It has also highlighted the need to prioritize issues such as law and order, good governance, and sound public financial management. Moreover, ADB has been concerned about the Government's delivery of basic public services in light of the political and socioeconomic difficulties the country is facing. Overall, the temporary suspension of country programming has limited effective dialogue with the Government on a medium-term assistance program.

**Loans and technical assistance:** No loans or technical assistance were approved in 2001.

#### Project

#### Solomon Islands Lending and Disbursements, 1997–2001 (\$ million)



**Implementation:** Since joining ADB in 1973, Solomon Islands has received 16 loans, of which 2 were active at the end of 2001. Contract awards totaled \$1.1 million, bringing the cumulative figure to \$54.8 million.

#### Solomon Islands Cumulative ADB Lending (as of 31 December 2001)

Sector	No. of Loans	\$ Million	% <sup>a</sup>
Finance	4	30.0	37.8
Agriculture and Natural Resources	4	20.2	25.5
Multisector	2	10.5	13.2
Energy	2	8.9	11.2
Transport and Communications	3	8.0	10.1
Social Infrastructure	1	1.7	2.1
<b>TOTAL</b>	<b>16</b>	<b>79.3</b>	<b>100.0</b>

<sup>a</sup> Figures may not add due to rounding.

The contract awards ratio was 10.7%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$10,000, bringing cumulative disbursements to \$54.1 million. The disbursement ratio was 0.1%, lower than the ADB-wide average of 20.5%.

## Sri Lanka

#### Economic performance

After achieving 6.0% growth in GDP in 2000, Sri Lanka faced negative economic growth of 1.3% in 2001. The decline was largely due to three factors: the global economic slowdown, which reduced demand for manufacturing exports; the ethnic conflict resulting in an attack on Sri Lanka's international airport that adversely affected tourism and shipping; and poor weather, reducing agriculture yields. The fiscal deficit was around 10.0% of GDP for the last 2 years. The national debt rose, reaching more than 100% of GDP in 2001. Consumer prices increased by 11.0% in 2001 from 1.2% in 2000 despite the drop in world oil prices at the end of the year. Inflation increased due to a rise in key administered prices (particularly diesel and electricity) and the 11.0% rupee depreciation, with poor weather also generating high domestic food prices. Money growth of 11.4%—mainly due to rising domestic deficit—might have triggered inflationary pressures, given the declines in real output. The dollar value of merchandise exports fell by 12.8%, but was offset by the 18.4% decline in merchandise imports, thereby improving the merchandise trade balance position. Following the rupee float, supported by an IMF Standby Arrangement, the level of official reserves improved to about 2.7 months of imports. The new Government's challenge is to restore macroeconomic stability to provide an environment conducive to long-term development.

#### ADB operations

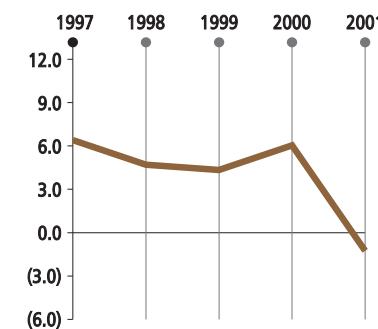
**Operational strategy:** ADB's operational strategy was formulated in 1999. It was further refined, reflecting the Government's framework for poverty reduction and ADB's poverty analysis, to incorporate poverty reduction into ADB operations. The strategy is aimed at achieving sustainable poverty reduction through broad-based, pro-poor growth to generate employment and increase rural income; social development focusing on improving education and increasing nutrition awareness; promoting community-based natural resource management; good governance for greater accountability and responsiveness to the needs of the poor; and reduced conflict-related poverty.

**Policy dialogue:** Policy dialogue with the Government focused on reducing poverty, improving public sector governance and efficiency, and promoting private sector growth. ADB continued the policy dialogue on poverty reduction through ADB's poverty analysis, high-level forum, and the Government's preparation for its poverty reduction strategy. ADB worked with the Government for policy and institutional reforms in the sectors where ADB operations are focused, such as road, power, port, environment and natural resource management, and rural finance. ADB also provided a program for small and medium enterprise (SME) sector development for enhancing the business environment, strengthening business capabilities, and improving private sector access to finance, particularly SMEs. The program will have an integrated strategy that will include policy reforms and capacity building.

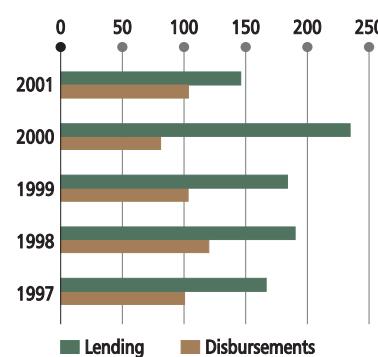
**Loans and technical assistance:** ADB approved six loans for four projects totaling \$146 million in 2001 for Colombo Port's increased efficiency and expansion, North East community restoration and development, Southern Province rural economic advancement, and development of an SME sector program (which includes a program

loan for SME development and two investment loans for a business services support facility and a credit line). ADB also approved nine technical assistance grants totaling \$4.1 million. Two were to prepare projects on aquatic resource development and quality improvement and on rural finance sector development. Seven advisory technical assistance grants were for integrating cleaner production into industrial development, a study of the pricing policy in the petroleum subsector, road maintenance budgeting and expenditure control, transport sector support, resettlement capacity building, and SME development. ADB approved a \$500,000 grant, funded by the Government of The Netherlands, to restore and develop the North East community. The Protected Area Management and Wildlife Conservation Project also received grants from the Global Environment

**Sri Lanka**  
**GDP Growth Rate, 1997–2001**  
(percent)



**Sri Lanka**  
**Lending and Disbursements,**  
**1997–2001 (\$ million)**



Facility (\$9 million) and the Government of The Netherlands (\$4 million).

In 2001, ADB approved an equity investment of up to \$360,000 in Sri Lanka's first private sector housing bank, which will provide loans to low- and medium-income borrowers.

**Project implementation:** Since joining ADB in 1966, Sri Lanka has received 105 loans, of which 32 were active at the end of 2001. Contract awards totaled \$103.5 million, bringing the cumulative figure to \$1.9 billion. The contract award ratio was 15.1%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$103.5 million, bringing cumulative disbursements to \$1.8 billion. The disbursement ratio was 15.1%, lower than the ADB-wide average of 20.5%.

In January 2001, ADB conducted a country project implementation and administration seminar for government officials and executing agency personnel with focus on improving project and portfolio performance. The country portfolio review in October 2001 identified ways to enhance portfolio performance and project administration, with an emphasis on procurement procedures, project quality at entry,

**Sri Lanka**  
**Cumulative ADB Lending**  
(as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	42	920.6	33.6
Social Infrastructure	17	517.0	18.8
Finance	15	446.0	16.3
Transport and Communications	14	437.3	15.9
Energy	10	291.8	10.6
Industry and Nonfuel Minerals	5	91.1	3.3
Multisector	2	39.7	1.5
<b>TOTAL</b>	<b>105</b>	<b>2,743.5</b>	<b>100.0</b>

and project readiness. Recent improvements in project monitoring were discussed with various executing agencies and project directors.

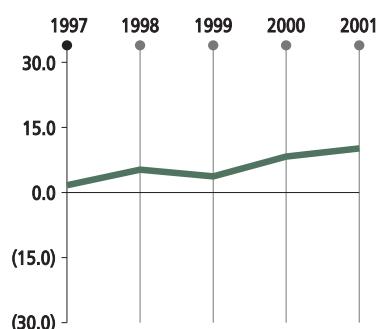
## Tajikistan

### Economic performance

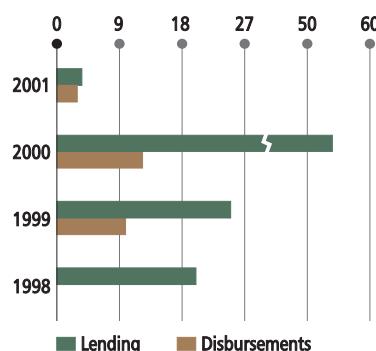
Economic growth in Tajikistan was strong in 2001. Real GDP grew by 10.2%, while industry sector output, led by aluminum production, grew by 14.8%. Inflation rose to 38.5% in 2001, up by 6.0% from the previous year; the exchange rate remained stable, and gross international reserves increased to around 2.3 months of import cover. The fall in world market prices of cotton by about 35% in 2001 had serious consequences for the Tajik economy. Cotton and aluminum are the main foreign exchange earners. Cotton accounts for 80.0% of exports. The Government agreed with Russia to reduce the debt stock by \$49.4 million. The size of the debt stock remains contentious because of disagreements over which exchange rate applies to value it. With external debt now around 120.0% of GDP, the Government plans to approach the Paris Club to discuss debt rescheduling. However, because of higher-than-expected GDP growth, fiscal revenue and tax collection were stronger than anticipated, easing the pressure on the budget. A primary surplus of 5–10 million somoni was recorded for 2001. The IMF did not conclude its third and fourth review of the Poverty Reduction and Growth Facility (PRGF) because of the need to meet specific structural reform targets and resolve issues related to external debt management. Privatizing and restructuring state-owned farms slowed, mainly because of the State Land Reform Committee's limited constitutional capacity and the complexity of the reform process. In May 2001, the four largest commercial banks, accounting for 84.0% of bank assets, signed restructuring agreements with the National Bank of Tajikistan (NBT). To improve supervision further, a Problem Bank Unit was established within the Bank Supervision Department of NBT. Banks that failed to

make satisfactory progress by 2001, as stipulated in their restructuring plans, will either have to merge with more successful ones or be closed.

**Tajikistan  
GDP Growth Rate, 1997–2001  
(percent)**



**Tajikistan  
Lending and Disbursements,  
1997–2001 (\$ million)**



### ADB operations

**Operational strategy:** ADB's operational strategy and program has been based on the interim operational strategy, endorsed by the Board of Directors in 1998. The objectives are to facilitate the country's transition to a market economy, assist in postconflict rehabilitation and reconstruction, and support natural disaster rehabilitation. To maximize the development impact of ADB's assistance, the strategy focuses on three priority areas: agriculture; infrastructure rehabilitation, especially roads and power; and the social sector. ADB plans to prepare a full country strategy and program following the conclusion of a partnership agreement on poverty reduction with the Government, which will be based on the national poverty reduction strategy.

**Policy dialogue:** ADB has held close policy dialogue with the Government in all areas of ADB operations. In 2001, ADB strengthened its ties with the Government with visits of ADB President Tadao Chino and the Board of Directors. Dialogue with the Government continued, particularly on the national poverty reduction strategy and ADB's

assessments on governance, private sector, and social sector. Cooperation with funding agencies has been favorably developed and has strengthened ADB presence in the country. ADB supports the Government in strengthening aid coordination through the technical assistance for Improving Aid Coordination and External Debt Management for the coming 3 years.

**Loans and technical assistance:** In 2001, ADB approved one loan for the emergency restoration of the Yavan water conveyance system for \$3.60 million. Five technical assistance grants were approved totaling \$2.12 million in 2001—three advisory assistance for the governance assessment-sound development management study, building a poverty monitoring mechanism, and support for facilitating sustainable project benefits.

## Tajikistan

### Cumulative ADB Lending

(as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Multisector	3	45.0	43.9
Energy	1	34.0	33.1
Transport and Communications	1	20.0	19.5
Agriculture and Natural Resources	1	3.6	3.5
<b>TOTAL</b>	<b>6</b>	<b>102.6</b>	<b>100.0</b>

Two were project preparatory assistance for social sector development and road rehabilitation. ADB also approved a \$2.9 million grant to help reduce rural poverty, financed by the Japan Fund for Poverty Reduction.

**Project implementation:** Since joining ADB in 1998, Tajikistan has received six loans, of which five were active at the end of 2001. Contract awards totaled \$3.6 million, bringing the cumulative figure to \$27.1 million. The contract award ratio was 5.8%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$2.9 million, bringing cumulative disbursements to \$25.1 million. The disbursement ratio was 3.7%, lower than the ADB-wide average of 20.5%.

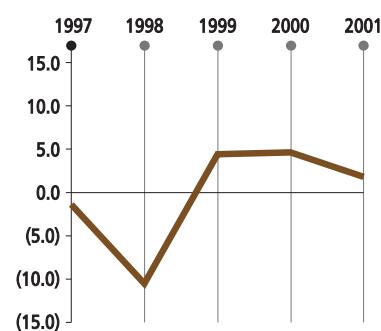
ADB monitors portfolio performance through regular missions from headquarters. A liaison office, established in 1998, was strengthened in 2001 because of increased demand for operational assistance. Preparations for the second seminar on ADB operational policies and procedures and the first country portfolio review began in 2001.

## Thailand

### Economic performance

Thailand's economy grew by 1.8% in 2001 as exports continued to weaken. The manufacturing production index (MPI) subdued as a result of the global slowdown. While MPI for export-oriented industries (exporting more than 60% of total production) shrunk by 11.4%, the MPI for the domestic-oriented industries expanded by 13.2% in 2001. Major declines were noted in the production of electrical and electronic

**Thailand**  
**GDP Growth Rate, 1997–2001**  
(percent)



appliances, and food. The industrial capacity utilization rate slightly dropped to about 54% in 2001, compared with 55.9% in the previous year. The services sector posted a 2.6% growth during the year, while agriculture sector growth dropped to 1.5%. On the demand side, private consumption expenditure grew by 3.5% in 2001, while the government consumption expenditure increased slightly at 1.9% in 2001. Private investment demand increased by 5.1%, while trade balance declined from \$5.5 billion to \$2.5 billion. Of a total labor force of 34.9 million, 34.2 million or 97.9% were employed in 2001. The unemployment rate during the same period at 3.4% was largely unchanged from the previous year (3.6%), reflecting strengthened domestic demand. CPI inflation remained almost unchanged at 1.6% in 2001. For FY2001, the Government registered a budget deficit of 136.1 billion baht or about 2.7% of GDP. In 2001, the trade surplus narrowed to \$2.5 billion as merchandise exports contracted by 6.9% (in dollars). The decline in exports was across the board, reflecting the impact of the global economic slowdown and causing a substantial decline in current account surplus to \$6.2 billion in 2001, from \$9.3 billion in the previous year. Even with the narrowing of the current account, estimated tourism revenues recorded an increase of 3.6% in 2001. Gross official reserves rose slightly to \$33 billion at end-December 2001 from the previous year.

### ADB operations

**Operational strategy:** A new country strategy and program (CSP) is being prepared. The CSP Update, presented to ADB's Board of Directors in August 2001, called for a reevaluation of ADB's strategy and program in response to the constitutionally mandated steps toward decentralization, and the objectives of the newly formulated Ninth National Economic and Social Development Plan (2002–2006). The CSP Update

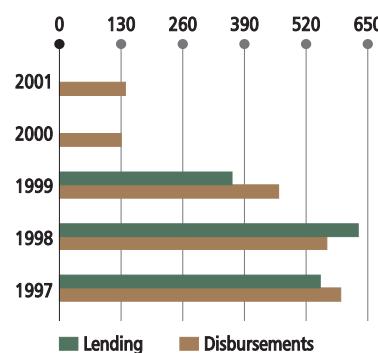
observed that as a consequence of the crisis, the incidence of poverty in Thailand rose, and that serious long-term challenges, such as gaps in the country's competitiveness, remained. In this context, the CSP Update noted the importance of supporting inclusive social development, promoting rural development, and deepening the competitiveness of Thailand's economy. ADB's strategy in Thailand will also continue to emphasize the benefits of subregional economic cooperation. ADB's ability to meet Thailand's development objectives will

depend on an effective partnership with the Government. However, effective operations will also depend on support ADB will receive from target communities. ADB's strategy will complement and support initiatives that have originated from within the Thai society itself.

**Policy dialogue:** Through technical assistance to the National Economic and Social Development Board, ADB supports poverty reduction strategies articulated in the Ninth National Economic and Social Development Plan. As part of ADB's strategy formulation process, a participatory poverty study for Thailand is being undertaken. ADB also helps strengthen governance in

Thailand by supporting constitutionally mandated accountability mechanisms. Support for capital market development focuses on specialized financial institutions. In the financial sector, ADB continues to assist in

#### Thailand Lending and Disbursements, 1997–2001 (\$ million)



examining options for pension reform. In the agriculture and environment sectors, ADB supports Thailand's initiatives for cost recovery of irrigated water, leading to the integrated management of water resources at the national level.

#### Thailand Cumulative ADB Lending (as of 31 December 2001)

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
<b>TOTAL</b>	<b>83</b>	<b>5,348.1</b>	<b>100.0</b>

**Loans and technical assistance:** No public sector loans were approved in 2001. In October 2001, Thailand's foreign currency borrowing ceiling was \$2.2 billion, the lowest ceiling in 8 years. The reduction seemed, in part, to reflect concerns over the rapid accumulation of public sector debt and, in particular, foreign currency debt since the crisis in 1997. ADB approved an equity investment of \$25 million in a private equity fund to help Thai companies recover from the Asian financial crisis of 1997–1998. Also in 2001, ADB approved seven technical assistance grants worth \$2.7 million: one for preparing the North-Northeast Region area development project, and six were advisory assistance for a participatory assessment of poverty in Thailand, an independent inspection of the Samut Prakarn wastewater management project, developing an agriculture sector strategy and policy, planning for sustainable urbanization, strengthening accountability mechanisms, and supporting an international conference on Monetary Outlook on East Asia in an Integrating World Economy.

**Project implementation:** Since joining ADB in 1966, Thailand has received 83 loans, of which 10 were active at the end of 2001. Contract awards totaled \$20 million, bringing the cumulative figure to \$4.1 billion. The contract award ratio was 6.4%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$139.0 million, bringing cumulative disbursements to \$4.0 billion. The disbursement ratio was 26.5%, higher than the ADB-wide average of 20.5%.

During the country portfolio review, the Government agreed to promote implementation readiness for new projects by assigning government counterpart staff to work more closely with ADB missions. The Government also agreed to consider allowing unutilized counterpart funds to carry over to the following fiscal year to ensure availability of project funding.

#### Tonga

##### Economic performance

Real GDP growth in Tonga slowed to 3.0% in FY2001 (ending 30 June)—largely due to subdued agriculture sector growth and stagnant tourism, following the sharp rise in the latter in the preceding year. Annual average inflation rose 6.3% during the same period. This was associated with a sharp rise in money supply and domestic credit expansion by 26.5% and 31.3%, respectively. Overall budget deficit increased to 2.6% of GDP in FY2001, reflecting lower-than-expected revenues and higher expenditures. The rise in the expenditure reflected two payments of cost of living allowance to

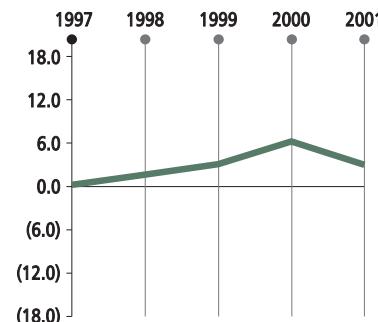
civil servants in FY2001. Total official external debt, including that of public corporations, stood at 44.6% of GDP at the end of FY2001. Exports increased by 3.7%, compared with a 4.3% decline in imports in FY2001. However, the current account deficit increased to 8.2% of GDP due to deterioration in service balance. The overall balance of payments was also in deficit, reducing the gross international reserves in FY2001 to \$12 million, equivalent to about 2 months of imports. During FY2001, the central bank devalued its currency by about 19.0% against the US dollar.

### **ADB operations**

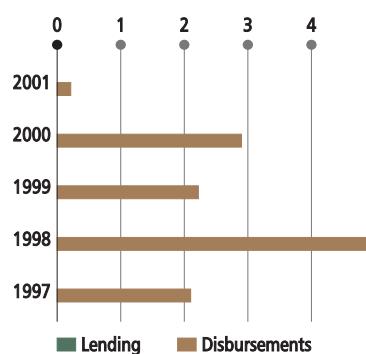
**Operational strategy:** ADB continues to assist in building capacity for governance, economic management, and public service delivery; strengthening the financial sector; and supporting the role of civil society. This strategy is supported by the recently completed ADB-financed economic report.

ADB's assistance for Tonga is expected to strengthen economic and public sector management, thereby creating an enabling environment for private sector development and improving living standards for all Tongans. The public sector, including financial and nonfinancial public enterprises, has a dominant role in the Tongan economy. To encourage private sector development as the basis of economic growth, the demands of the public sector will be curtailed by carrying out reforms of core government departments and public enterprises. A strategy for public sector reforms and its successful implementation will achieve several benefits such as reduced government demand on financial and human resources, thus leaving room for the private sector to develop and grow; decreased current fiscal deficit by improving public sector operational efficiency without impacting on government services; improved governance in the public sector and human resource management practices based on merit; and greater access of women to finance and business opportunities through private sector development initiatives in agriculture, fisheries, and tourism where women traditionally play a significant role.

**Tonga**  
**GDP Growth Rate, 1997–2001**  
(percent)



**Tonga**  
**Lending and Disbursements,**  
1997–2001 (\$ million)



**Policy dialogue:** Important issues for policy dialogue in relation to the Economic and Public Sector Reform Program include preparing a private sector development strategy; implementing public enterprise and civil service reform; and undertaking reforms in the financial sector. The Government has indicated the need for comprehensive reforms. However, strong political commitment and direction need to be sustained during the long implementation phase to ensure that the benefits of the reform program are delivered.

### **Loans and technical assistance:**

No loans were approved in 2001. ADB approved one advisory technical assistance grant of \$650,000 in 2001 for the economic and public sector reform program.

**Project implementation:** Since joining ADB in 1972, Tonga has received 13 loans; none was active at the end of 2001. Contract awards totaled \$20,000, bringing the cumulative figure to \$47.1 million. The contract award ratio was 94.4%, higher than the ADB-wide average of 14.8%. Disbursements during the year

totaled \$220,000, bringing cumulative disbursements to \$41.2 million. The disbursement ratio was 96.0%, much higher than the ADB-wide average of 20.5%.

**Tonga**  
**Cumulative ADB Lending**  
(as of 31 December 2001)

Sector	No. of Loans	\$ Million	%
Multisector	5	11.4	26.6
Transport and Communications	2	11.3	26.3
Energy	1	7.3	17.0
Finance	2	6.5	15.2
Agriculture and Natural Resources	2	6.0	14.0
Industry and Nonfuel Minerals	1	0.4	0.9
<b>TOTAL</b>	<b>13</b>	<b>42.9</b>	<b>100.0</b>

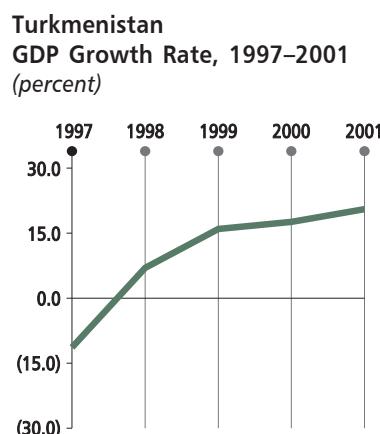
## Turkmenistan

### **Economic performance**

GDP in Turkmenistan grew by 20.5% during 2001. Growth continued to be dependent on the industry sector, with production growing by 26.4% over the same period. Gas and oil production increased by 8.0% and 11.0%, respectively. The Government's import-substituting industrialization policies also appear to have been successful, with strong growth in the textile and food industries. In January–October 2001, cotton processing rose by 15.0%, food industry production by 35.0%, and agriculture sector production by 22.0%. With the introduction of relatively tighter monetary and fiscal policies, the Central Bank of Turkmenistan managed to hold inflation to an average of 7.4% in 2000. In 2001, inflation was reduced further to an average of 6.0%. Inflation partly remained low because of extensive subsidies on basic consumer goods and utilities. The state budget recorded a deficit of 1.2% of GDP for January–October 2001. Revenue was 5.37 trillion manat (M), 14.0% below the target for the period; and expenditures at M5.66 trillion were 15.0% lower than targeted. Of total expenditures, about 80.0% were directed toward social and public services. Although the budgetary position appears to be stable, many expenditures remained off-budget, and the official figures did not give a comprehensive picture of the Government's overall financial position. Turkmenistan maintained a positive trade balance in 2001, with a trade surplus of \$275 million. However, the trade surplus was down by 62.0%, compared with 2000. Import expenditure rose by 32.0% year-on-year (mostly due to a substantial increase in capital good imports) while exports registered a year-on-year rise of about 5%. The current account recorded a small surplus equivalent to about 0.1% of GDP in 2001.

### **ADB operations**

Turkmenistan became ADB's 59<sup>th</sup> member in August 2000. An economic report and interim operational strategy, which define ADB's initial development cooperation activities in the country, have been prepared and are under government consideration.



Consistent with the Government's long-term development objectives as described in its 2000–2010 Development Program and with ADB's objective to reduce poverty, ADB's strategy will include three main strategic objectives: enhancing human and social development, promoting sustainable economic growth, and promoting regional economic cooperation. Human and social development will focus on improving basic services, such as clean drinking water, sanitation, and heating, especially for the rural poor; and maintaining and upgrading the human resource base. Sustainable growth will include building capacity to improve public sector management; enhancing agriculture sector production; and improving environmental management, primarily in terms of water resource management to increase efficiency and improve maintenance of irrigation systems. Turkmenistan can play a key role in restoring security, stability, and economic growth in Central Asia, due to its unique geographic, cultural, and political relations with its neighbors.

Several opportunities have been identified for ADB to support Turkmenistan's involvement in reconstructing and rehabilitating Afghanistan.

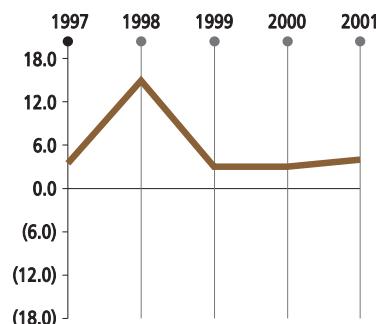
**Loans and technical assistance:** No loans were approved in 2001. ADB approved one technical assistance grant in 2001 worth \$150,000 for seminars on ADB operational policies and procedures.

## Tuvalu

### **Economic performance**

Tuvalu's economy continued to grow in 2001, expanding at approximately 4.0%, compared with 3.0% in 2000. Growth was led by the public sector, and the mining and quarrying sector as a result of government and aid-funded projects. Annual average inflation fell from 5.3% in 2000 to 1.8% in 2001 primarily because of a drop in the prices of textiles, clothing, and other miscellaneous items. Cash incomes have risen strongly with seafarer remittances alone having more than doubled over the last 4 years, reaching an estimated \$2.6 million for 2001. However, significant wealth disparities exist between the main atoll Funafuti and the outer islands. Tuvalu relies heavily on income from fishing license access fees (estimated at A\$6.1 million in 2001), rent from its international telecommunication dial-up code

### Tuvalu GDP Growth Rate, 1997–2001 (percent)



(estimated at A\$0.31 million in 2001), and, more recently, its top-level Internet domain license fees ".tv" (estimated at A\$1.6 million in 2001). Remittances from seafarers, official transfers, and investment income from the

Tuvalu Trust Fund (TTF) assets also contribute substantially to foreign exchange earnings. A positive effect of the Australian dollar depreciation is that the US\$-denominated revenue from fishing licenses and domain fees are increasing. Over the past 5 years, revenue from the TTF has contributed an average of 19.0% per annum to the Government's total recurrent revenues but this revenue was smaller in 2001 due to weakness in overseas financial markets. The actual budget outcome for 2001 was an overall budget surplus of A\$2.5 million or 20.0% of GDP.

#### ADB operations

**Operational strategy:** ADB's operational strategy for Tuvalu is to promote economic growth and poverty reduction by supporting the development of the outer islands, where the poor and the vulnerable groups are concentrated. The main principles of ADB's strategy call for encouraging public sector reform, including corporatizing government businesses; devolving responsibility for island development to local governments; reorienting the economy toward private sector-led growth; improving economic infrastructure; and developing human resources.

**Policy dialogue:** Ongoing dialogue with the Government focuses on outer island decision making and corporatizing government agencies. Also, discussions on the need to maintain the standards of Tuvalu's only higher educational institution, the Tuvalu Maritime Training Institute, are under way.

**Loans and technical assistance:** No loans were approved in 2001. One technical assistance grant amounting to \$300,000 was approved for a country economic study and strategy development.

**Project implementation:** Since joining ADB in 1993, Tuvalu has received one loan. Contract awards totaled \$1.2 million, bringing the cumulative total to

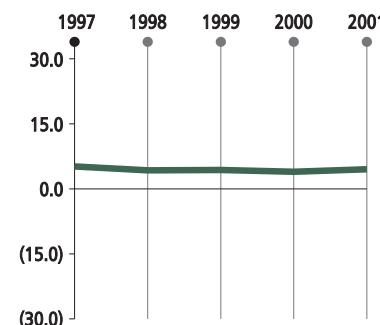
\$4.0 million. The contract award ratio was 100%. Disbursement during the year totaled \$1.2 million, bringing cumulative disbursements to \$4.0 million. The disbursement ratio was 95.8%, higher than the ADB-wide average of 20.5%.

### Uzbekistan

#### Economic performance

Uzbekistan's economy continued to grow in 2001, expanding at 4.5%, compared with 4.0% in 2000. While growth in the industry sector remained strong, it was hampered by a lack of investment owing to the restrictive trade and foreign exchange regime. Despite the severe drought, agriculture rebounded in 2001. An unfavorable global environment and a slump in cotton prices partly offset the positive impact of the improved crop. Falling import demand in the Commonwealth of Independent States, the absence of wide-ranging restructuring in

### Uzbekistan GDP Growth Rate, 1997–2001 (percent)



Uzbekistan, continued reliance on the cotton crop, and the worsening environmental conditions in the region, have led to lower-than-expected GDP growth. The 2001 budget target assumed a deficit of 57.5 billion sum (1.5% of GDP). The overall budget deficit was about 1.0% of GDP in 2001. The shortfall was financed by central bank credits and proceeds from the sale of state-owned enterprises. A slump in commodity prices in 2001 reduced export revenue and forced the Government to continue its policy of import compression and import substitution to prevent a rise in financing requirements. A massive devaluation of the sum also depressed imports. However, these policies did not cancel out the current account deficit at 0.5% of GDP in 2001 from a surplus equivalent to 0.8% of GDP in 2000. External debt was estimated at \$4.6 billion. Consumer price inflation was 26.6% in 2001, according to official statistics, but the actual level could be even higher. The partial unification of

foreign exchange rates and the rise in fuel prices and public sector wages became the main drivers of inflation over the last quarter of 2001. Registered unemployment in 2001 was at the same level as at the end of 1999—0.4% of the workforce. Actual unemployment was higher because of underreporting. Considerable hidden underemployment also existed.

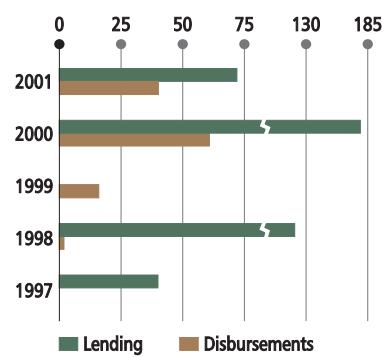
### **ADB operations**

**Operational strategy:** The central goal of ADB's assistance to Uzbekistan is managing a smooth transition to a market economy, while providing for sustainable poverty reduction and raising living standards. The strategy has two operational objectives: to manage transition by supporting basic reforms and minimizing the social costs of transition; and to enhance growth potential by promoting regional cooperation, investment in the rural sector, and direct support to the private sector.

**Policy dialogue:** Policy dialogue with the Government centered on reforms in education,

agriculture, and urban infrastructure, and small and medium enterprise (SME) development. In the education sector, policy dialogue covered modernizing the structure, content, and processes of education; improving sector sustainability and efficiency;

**Uzbekistan**  
**Lending and Disbursements,**  
**1997–2001 (\$ million)**



**Uzbekistan**  
**Cumulative ADB Lending**  
**(as of 31 December 2001)**

Sector	No. of Loans	\$ Million	%
Transport and Communications	3	190.0	41.4
Social Infrastructure	4	133.0	29.0
Agriculture and Natural Resources	2	86.0	18.7
Finance	1	50.0	10.9
<b>TOTAL</b>	<b>10</b>	<b>459.0</b>	<b>100.0</b>

reforming education governance; and protecting the poor and vulnerable population groups. In agriculture, the dialogue focused on farm debt restructuring, abolishing joint responsibility, promoting producer incentives, and encouraging private farming. In urban infrastructure, dialogue was on institutional reforms and decentralizing implementation, cost recovery, capacity building, and raising the standards of urban infrastructure service delivery and maintenance. As a result of ADB policy dialogue, SMEs will benefit from easier foreign exchange availability.

**Loans and technical assistance:** ADB approved two loans totaling \$72 million in 2001 for the agricultural development of Ak Altin and urban water supply projects. ADB approved five advisory technical assistance grants totaling \$2.3 million in 2001 for pilot testing rural savings and credit unions, institutional support for sustainable agricultural development, building research and analytical capability for structural reforms, capacity building for urban water supply, and comprehensive medium-term strategy for improving the living standards of the people of Uzbekistan. ADB also approved a \$2.5 million grant-financed project for supporting innovative poverty reduction activities in Karakalpakstan, financed by the Japan Fund for Poverty Reduction.

**Project implementation:** Since joining ADB in 1995, Uzbekistan has received 10 loans, all of which were active at the end of 2001. Contract awards totaled \$32.6 million, bringing the cumulative figure to \$133.2 million. The contract award ratio was 5.6%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$40.1 million, bringing cumulative disbursements to \$119.0 million. The disbursement ratio was 13.1%, lower than the ADB-wide average of 20.5%.

A country portfolio review was held in June. The 2000 action plan was discussed with the Government and further measures were agreed upon to expedite project start-up and improve the overall portfolio performance. To facilitate portfolio performance, several projects were delegated to the Uzbekistan Resident Mission for supervision.

### **Vanuatu**

#### **Economic performance**

Real GDP in Vanuatu declined by 0.5% in 2001 after a 3.7% expansion in 2000. Much of the decline was attributed to an estimated contraction of 14.9% in agriculture, fishing, and forestry. Tourist arrivals before

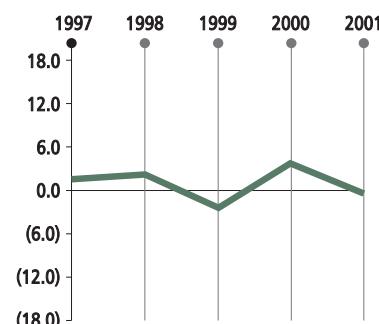
September 2001 decreased due to the weakening world economy and the low value of the Australian dollar; there was a sharp 14.0% drop in the fourth quarter, which is largely attributed to the 11 September events. The weakening export sector saw the trade balance deteriorate. Combined with softening tourism, the current account deficit grew to around \$4.7 million. However, international reserves remained at 5.7 months worth of imports by the end of 2001. Consumer price index for 2001 showed an annual inflation rate of 3.6%, from 2.5% in the previous year, mainly attributed to higher prices for housing, utilities, and transport and communications.

The overall budget deficit stood at 3.9% of GDP. Due to a narrow revenue base with very little direct taxes, total annual revenue remained at 21.6% of GDP. The Government relied heavily on overdraft facilities of the Reserve Bank until they were exhausted in the third quarter of 2001.

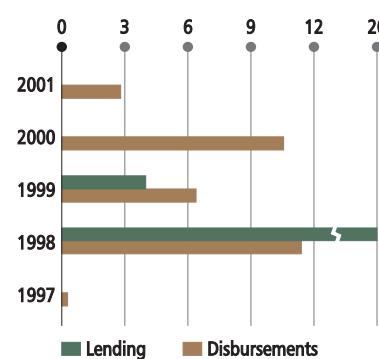
### **ADB operations**

**Operational strategy:** Vanuatu has good growth prospects based on abundant natural resources. Economic management and governance, access to basic social services such as health and education, rural transport infrastructure and financial services, social development indicators, and employment creation could be improved. ADB's strategy for Vanuatu focuses on reforms in economic policy,

**Vanuatu**  
**GDP Growth Rate, 1997–2001**  
(percent)



**Vanuatu**  
**Lending and Disbursements, 1997–2001 (\$ million)**



### **Vanuatu** **Cumulative ADB Lending** (as of 31 December 2001)

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
<b>TOTAL</b>	<b>9</b>	<b>51.3</b>	<b>100.0</b>

governance, and public sector management; poverty reduction; and private sector development. Specific objectives of ADB's strategy are to build local capacities for sound economic and financial management and good governance; increase employment and income; and redress disparities in living standards and access to social services.

**Policy dialogue:** ADB participates in high-level policy dialogue with the Government through its programming and project missions and also on an ad hoc basis. The Government recognizes ADB's assistance in critical areas such as the Comprehensive Reform Program; infrastructure, agriculture, and legal sectors; Parliament; Statistics Office; and the preparation of the country's economic report. The Government confirms that ADB's operational strategy adequately supports its development priorities. The Government has proposed holding the second ADB-sponsored Consultative Group Meeting in 2002.

**Loans and technical assistance:** No loans were approved in 2001. ADB approved three advisory

technical assistance grants totaling \$700,000 for strengthening development policies, service delivery, and the Parliament.

**Project implementation:** Since joining ADB in 1981, Vanuatu has received nine loans, of which one was active at the end of 2001. Contract awards totaled \$767,000, bringing the cumulative figure to \$47.6 million. The contract award ratio was 85.1%, higher than the ADB-wide average of 14.8%. Disbursements during the year totaled \$2.8 million, bringing cumulative disbursements to \$48.5 million. The disbursement ratio was 82.5%, higher than the ADB-wide average of 20.5%.

### **Viet Nam**

#### **Economic performance**

GDP growth in Viet Nam in 2001 slowed to 5.8% from 6.1% in 2000, reflecting poor agriculture sector performance and weakening external demand. The agriculture sector's growth rate declined to 2.3% in 2001

due to a poor rice crop and low world prices for agricultural goods. Industry sector growth in 2001 dropped slightly from the 2000 level to 9.7%, following the weakening external demand for manufactured exports, while services sector growth was maintained. Inflation, as measured by CPI, remained low in 2001. As of end-December, the percentage change in the CPI was 0.8%. The fall in world prices for agricultural commodities, particularly rice, and 2 years of bumper rice harvests, led to a decline in the food price index that was only partially offset by higher nonfood item prices in the CPI. The preliminary estimates of fiscal deficit, excluding grants and including onlending, was 4.9% of GDP in 2001. Higher-than-planned revenues are partly attributed to newly registered enterprises that were brought under the tax base. Total expenditures exceeded planned levels by about 4.0% due to higher wage expenditures and capital spending on infrastructure projects. Merchandise export growth decelerated to 6.5% in 2001, following the deterioration in the external environment. The dip in crude oil prices accounted for a large part of the decline. Agricultural exports remained depressed, particularly rice and coffee. Import growth also declined in 2001, growing by only 6.0%. Reflecting the sluggish growth of both exports and imports, the current account surplus dropped to 1.5% of GDP in 2001, compared with 1.6% in 2000. The bilateral trade agreement with the US was ratified by the National Assembly, and Viet Nam is now taking steps toward accession to the World Trade Organization. Total employment increased by 1.3% with nonstate employment growing by 1.5%, while state sector employment dropped by 0.6%. Urban unemployment fell slightly to 6.3% in the first 7 months of 2001 from 6.4% in 2000. Poverty incidence, as measured by the new national poverty line, declined from an estimated 17.2% at end-2000 to an estimated 16.0% at end-2001.

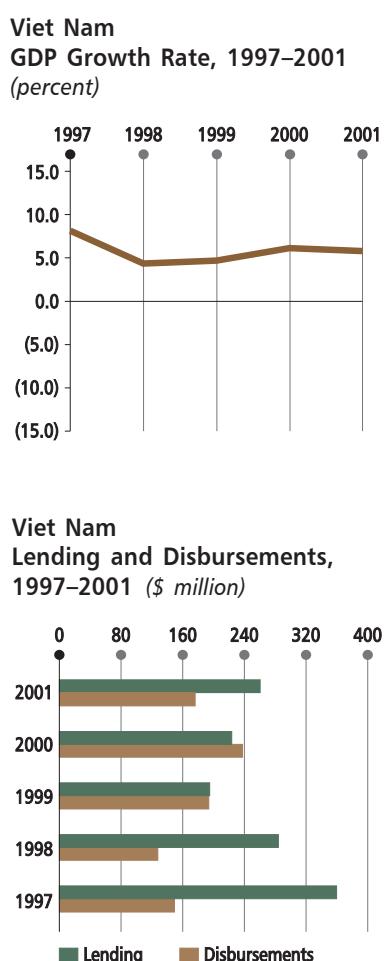
### **ADB operations**

**Operational strategy:** ADB's new country strategy and program was prepared in 2001. ADB loan operations in

2001 began to implement the transition from the 1995 operational strategy that emphasized policy reform, infrastructure rehabilitation, and human development to the new strategy. Two of the 2001 loans focused on livelihood improvement in poor districts of the central region and provincial towns development, both important components of the new strategy.

ADB's future strategy for Viet Nam prioritizes sustainable growth through rural and private sector development; inclusive social development by adopting an integrated and mainstreamed approach, and building the poverty, gender, and ethnic dimensions into relevant areas of assistance; good governance; and adapting a geographic focus on the central region to promote more balanced regional development and increase the development impact of ADB operations.

**Policy dialogue:** Policy dialogue with the Government evolved around the Government's preparation of Viet Nam's Socioeconomic Development Strategy for 2001–2010, adopted in April 2001, and the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), scheduled for completion by mid-2002. ADB supported the effort through the Poverty Task Force, providing input for monitoring the CPRGS by



### **Viet Nam Cumulative ADB Lending (as of 31 December 2001)**

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	17	717.9	30.5
Social Infrastructure	16	623.4	26.5
Transport and Communications	9	601.2	25.5
Energy	3	186.3	7.9
Industry and Nonfuel Minerals	3	130.0	5.5
Finance	2	97.0	4.1
<b>TOTAL</b>	<b>50</b>	<b>2,355.8</b>	<b>100.0</b>

adapting the International Development Goals to Viet Nam's development vision and targets, with special attention to health and governance.

ADB supported policy dialogue in financial sector development, corporate governance, public administration reform, power sector institutional arrangements and tariff setting, and water resource management through a National Water Resource Council. A governance strategy for Viet Nam was finalized, and ADB supported—with other multilateral and bilateral funding agencies—the implementation of a joint Legal Needs Assessment that will develop an action plan for further legal reform in Viet Nam.

**Loans and technical assistance:** In 2001, ADB approved seven loans for six projects totaling \$260.6 million in the fields of water resource management, water supply and sanitation, integrated livelihood improvement, and road improvement. These loans also include \$17.5 million in two pioneering private sector projects in social infrastructure. ADB also approved 10 technical assistance projects totaling \$8.4 million. Seven were advisory assistance for institutional support to the Office of the Government, fishing port management, project financial management through decentralization, enhancing the resettlement legal framework and institutional capacity, framework for microfinance development, road map for power sector reform, and

capacity building for the central region's poverty reduction efforts. Three project preparatory assistance grants were for upper secondary education development, urban development in the central region, and livelihood improvement in the central highlands.

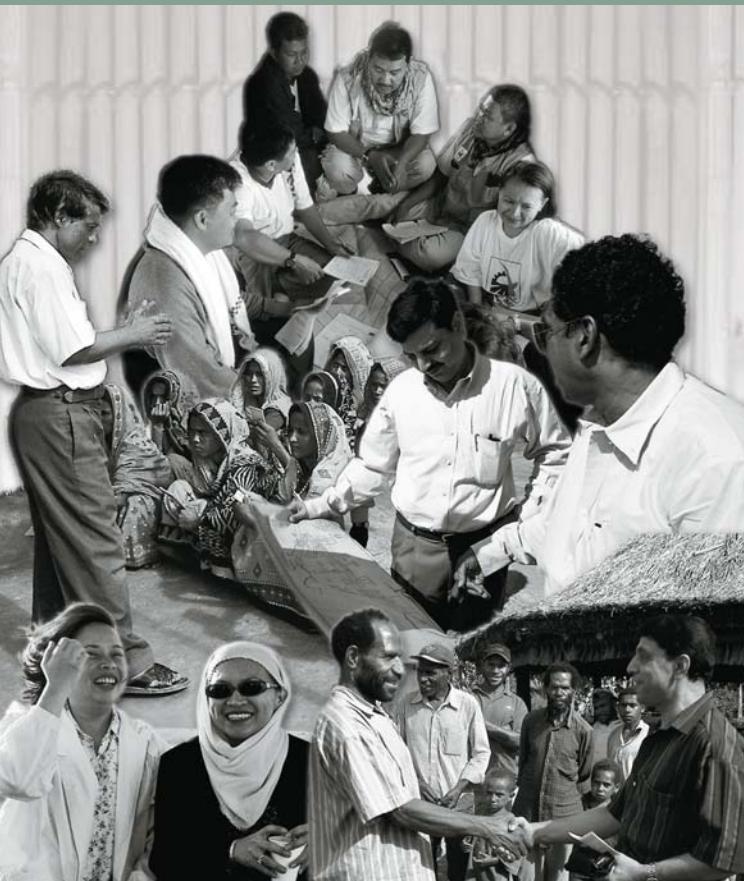
**Project implementation:** Since joining ADB in 1966, Viet Nam has received 50 loans, of which 34 were active at the end of 2001. Contract awards totaled \$71.4 million, bringing the cumulative figure to \$1.1 billion. The contract award ratio was 7.8%, lower than the ADB-wide average of 14.8%. Disbursements during the year totaled \$176.2 million, bringing cumulative disbursements to \$990.0 million. The disbursement ratio was 17.0%, lower than the ADB-wide average of 20.5%.

The Viet Nam Resident Mission (VRM) and the Government monitored the country portfolio performance through monthly project implementation meetings. The second joint country portfolio review by the Government, ADB, Japan Bank for International Cooperation, and World Bank was held in August. ADB's 2001 country portfolio review with the Government was conducted in October and an action plan for further improving overall portfolio performance was prepared. The action plan will be monitored through the monthly project implementation meetings. VRM is playing an increasing role in country programming and in the administration of several loan and technical assistance projects.

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### Note

For a more comprehensive analysis of economic developments in the developing member countries (DMCs) of Asia and the Pacific, see the Asian Development Bank publication *Asian Development Outlook, 2002*, at <http://www.adb.org/Documents/Books/ADO/>. For more on ADB's operations in each DMC, see regions and countries at <http://www.adb.org>.



## STRATEGIC PLANNING AND SUPPORT ACTIVITIES

“ADB recognizes that the needs and priorities of its developing member countries will evolve, and it must respond to these changes, as well as to changes in regional and global conditions. ADB’s Long-Term Strategic Framework (LTSF) 2001–2015 provides that response. Approved in 2001, the LTSF sets the mission, development objectives, and corporate agenda and responds to the challenges of reducing poverty.”

The Asian Development Bank (ADB) responds to the challenges of reducing poverty by ensuring that its planning process integrates its strategic agenda and operating principles with its organizational capacity for the efficient delivery of services. ADB regularly updates the strategic agenda in which it plans country-specific operations and reviews, and adjusts its policies in the context of its own experience and the emerging needs of its developing member countries (DMCs). Operational work plans are developed based on these strategies and policies. ADB recognizes that the needs and priorities of its DMCs will evolve, and it must respond to these changes, as well as to changes in regional and global conditions.

ADB’s Long-Term Strategic Framework (LTSF) 2001–2015 provides that response. Approved in 2001, the LTSF sets the mission, development objectives, and corporate agenda and responds to the challenges of reducing poverty. Specific objectives and targets are set out in the 5-year Medium-Term Strategy 2001–2005, also approved in 2001. To translate the strategy into action, individual country strategy and program (CSP) reports and a 3-year rolling operational program are developed with each DMC. The CSP is updated yearly in consultation with the DMC concerned. These country-based plans form the basis for ADB’s overall 3-year work program and budget framework, which in turn provide the framework for the annual administrative budget.

Following the major strategic reorientation in 2001 to meet the challenges confronting its DMCs more efficiently, ADB undertook a comprehensive review of its organizational structure and operational business processes, both effective in January 2002. *For more on ADB’s reorganization, see [http://www.adb.org/documents/others/reorganization\\_2002/](http://www.adb.org/documents/others/reorganization_2002/).*

### Economics and Development Resource Center

The role of the Economics and Development Resource Center (EDRC; upgraded to Economics and Research Department effective 1 January 2002) is to help ADB achieve its corporate objectives through knowledge generation and dissemination activities. Externally, it aims to strengthen DMCs’ policy analysis and institutional

capacity and enhance ADB's profile as a premier development institution. Internally, it enhances the knowledge base of ADB operations. EDRC's key functions include policy research and country macroeconomic studies, economic and financial analysis, maintenance of data support, and capacity-building activities. In 2001, EDRC continued to focus its core functions on policy and operations issues relating to ADB's Poverty Reduction Strategy and data requirements for operationalizing the Strategy.

EDRC carried out several studies in 2001 on a range of issues—policy, labor market, institutional and social development, information and communication technology (ICT), and approaches to poverty reduction. These studies were disseminated through the Asia and Pacific Forum on Poverty; the Third Asia Development Forum conducted with the World Bank and United Nations Economic and Social Commission for Asia and the Pacific; the ADB-Organisation for Economic Co-operation and Development (OECD) Forum on Asian Perspective: Technology and Poverty Reduction in Asia; and the Conference on Poverty, Growth, and the Role of Institutions in Developing Member Countries.

ADB's statistical database system was expanded to include additional poverty, environment, and social indicators to reflect progress being made in achieving the targets of the Millennium Development Goals. *For more on the International Development Goals and the Millennium Development Goals, see box on page 32.* Also, macroeconomic prudential indicators were added to the database, thus enabling better monitoring of financial sector developments.

EDRC studies also clarified the methodology and measurement issues arising from operationalizing the Poverty Reduction Strategy. Several implementation guidelines were published for staff, including integrating the poverty impact and risk analysis in project economic analyses; a poverty impact assessment of policy-based lending; and pro-poor growth measurement guidelines for strengthening the financial management and governance of ADB operations. Mapping and measuring poverty and a diagnostic study of accounting and auditing practices in selected DMCs were also undertaken. EDRC worked with members of a technical working group organized by multilateral development banks (MDBs) to harmonize financial management and reporting practices among themselves, with a view to minimizing transaction costs to MDB borrowers.

Major capacity-building activities included in-house staff training and external training for DMC officials on project economic analysis and financial management and governance. Working with the ADB Institute and the

Colombo Plan, ADB also provided capacity building in workshops and seminars on taxation, international finance, ICT strategies, and technology innovation and transfers. Several technical assistance projects were aimed at improving DMC census capability, data quality, and national statistical systems.

EDRC strengthened ADB's knowledge base with the publication of the *Asian Development Outlook 2001* and its *Update and Growth and Change in Asia and the Pacific: Key Indicators 2001*. *For recent titles of ADB publications, see page 264.* For the first time in 31 years, the latter included an analytical chapter on long-term demographic and other socioeconomic trends in DMCs. A new publication, *Policy Briefs*—based on papers or notes prepared by ADB staff and resource persons—was launched to provide concise nontechnical accounts of policy issues of topical interest.

An annual event to discuss the medium-term global and regional outlook—the Workshop on Asian Economic Outlook—brought together scholars, policymakers, private sector representatives, and officials from multilateral institutions. Participants also examined the implications of the 11 September terrorist attacks for ADB's DMCs and the world economy, and the proliferation of regional trade arrangements within and outside the Asian and Pacific region. Other activities included organizing the Distinguished Speakers' Program, a workshop in India to disseminate the findings of ongoing studies on Asia's international competitiveness, and a workshop in Thailand on intergovernmental fiscal transfers for equitable in-country growth.

EDRC and the ADB Institute coordinated their efforts through regular consultations and by membership of ADB's chief economist in the Institute's Advisory Council. In 2001, they jointly conducted four capacity-building activities: the Eleventh Tax Conference, the Asia Development Forum, the Eleventh Seminar on International Finance, and the Workshop on ICT Strategies for Developing Asia. Staff also participated as resource persons in a regional workshop on social safety nets, workshops on developing corporate bond markets in Asia, and other training programs organized by the ADB Institute.

## ADB Institute

The ADB Institute (the Institute)—located in Tokyo, Japan—provides another avenue for ADB to better understand the dynamics of development in Asia and the Pacific, and helps formulate long-term strategies for sustainable social and economic development in the region.

Research activities at the Institute are focused on examining the respective roles of markets, governments, and institutions that best fit countries—with their diverse historical and cultural settings—at different stages of development. Research assesses the potential strengths and weaknesses of different development paradigms as a basis for postcrisis strategies for long-term development and for capacity building and training.

Poverty studies have become an important part of the Institute's research program, and the last two anniversary conferences focused squarely on measures to reduce poverty. In 2001, research included surveying the experiences of the "miracle" economies in reducing poverty; assessing the impact of the financial crisis on poverty in Indonesia; and studying poverty in the western region of the People's Republic of China (PRC).

Under development paradigms, the Institute conducted a survey of the current views on poverty in the development literature and assessed the impact of different types of growth on poverty reduction. The Institute also analyzed the links between ICT and poverty in Asia; examined the relationship between public governance and poverty; and studied policy failures in the name of poverty reduction.

Other areas of research included corporate governance and international competitiveness. Under corporate governance, the Republic of Korea was studied as were state-owned enterprises in the PRC. On product markets and competitiveness, work was completed on operations of multinational firms, including a study of the basic characteristics of skills and organizational structure of software firms in India; lessons from the research and development activities of multinationals in Singapore; foreign direct investment of Japanese firms in East Asia, including development of technology platforms; and a comparative analysis of international production networks between multinationals from Japan and the United States. In addition, a study on trade competitiveness prior to the 1997 Asian financial crisis was completed.

The Institute conducted research on designing a new intermediate financial market structure in postcrisis Asia and on the relationship between the information quality of financial systems and economic development. In addition, economic modeling of the financial crisis in Indonesia was used to examine the macroeconomic consequences of exchange rate depreciation, high interest rate policy, and political turmoil. The criteria used by global credit rating agencies in assessing developing country borrowers were critically analyzed. Work also started on banking

reforms in the PRC and on more effective alternative means of resolving the problems of nonperforming bank loans in the region.

In 2001, the Institute strengthened institutional links it had developed in previous years. For example, the Asian Policy Forum, established in December 1999 to bring together leading researchers from various institutions in Asia, focused in 2001 on the problem of developing new and balanced financial market structures in postcrisis Asia, with an emphasis on the corporate bond market. Policy recommendations were discussed for the first time at ADB's 34<sup>th</sup> Annual Meeting in May 2001. Dissemination seminars of the final policies were conducted in the PRC and India and during the ADB Institute's Advisory Council meeting in October.

The Institute's 4<sup>th</sup> anniversary conference in December 2001 focused on quality of growth, governance, and social development in reducing poverty. Papers were commissioned from leading international scholars on development strategies and poverty reduction and on trade liberalization and poverty reduction. In addition, the Institute's staff and visiting scholars produced papers for the conference on trade liberalization and poverty reduction, governance and famine, financial issues and poverty, and policy options for developing the western region of the PRC.

The research output of the Institute was published and posted on-line. *For recent titles of ADB Institute publications, see page 266.*

In 2001, the Institute completed 29 capacity-building and training activities with wide thematic coverage, including rural and urban poverty reduction, social protection, and pension funds; public and private sector governance, public administration, and public expenditure management; public-private partnerships in the social sector; ICT strategies for developing countries and the potential for partnerships in ICT and education; and international finance and securities market regulation. These competency-based training programs benefited over 1,600 participants from 45 ADB members and achieved about 6,300 participant-days of training.

## **Resident and regional missions and representative offices**

ADB's field offices—resident missions, special and extended missions, country office, regional mission, and representative offices—support ADB's objective of reducing poverty by strengthening its representation in its regional and nonregional members.

### **Implementing the Resident Mission Policy**

In 2001, ADB continued to effectively implement its Resident Mission Policy. Continuing the expansion called for in the policy, ADB inaugurated a mission in the Lao People's Democratic Republic (Lao PDR) and opened an extended mission in Gujarat, India; a mission in Mongolia; and a country office in the Philippines. The functions of the missions were realigned and expanded, with each taking a more active role in ADB's standard functions. Progress was made in expanding contacts with country stakeholders, coordinating with other funding agencies, and disseminating information about ADB operations. The missions continued work in portfolio management, with some assuming more responsibilities in 2001 in country programming, project processing, and economic and sector work.

Significant increases in the amount of country programming work being handled by the resident missions were evident in Bangladesh, PRC, and Indonesia with each preparing the 2001 country strategy and program (CSP) updates. The PRC and Indonesia resident missions began work on full CSPs. The India Resident Mission supported expeditious processing of the Gujarat Earthquake Rehabilitation and Reconstruction Project and also processed the West Bengal Corridor Development Project as one of the pilot efforts in project processing; the Cambodia, Indonesia, and Viet Nam resident missions took a prominent role in major ADB initiatives in governance. The Sri Lanka Resident Mission processed an emergency loan to rebuild communities directly affected by the ongoing civil conflict. The Viet Nam Resident Mission prepared a private sector assessment for Viet Nam. The Cambodia, Lao PDR, and Viet Nam resident missions helped process an \$8 million grant, to be financed through the Japan Fund for Poverty Reduction, to help decrease the impact of the HIV/AIDS epidemic in the region.

The resident missions assisted in public relations and information dissemination in 2001 as well. Resident mission staff in Mongolia, Nepal, Pakistan, and Uzbekistan hosted visits by ADB President Tadao Chino; the Bangladesh, PRC, India, Kazakhstan, Nepal, Sri Lanka, and Uzbekistan resident missions produced regular newsletters; and several maintained web sites.

At the end of 2001, ADB had 14 resident missions, one each in Bangladesh, Cambodia, PRC, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao PDR, Mongolia, Nepal, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam; extended missions (nonpermanent representation) in Gujarat, India and Papua New Guinea; and a Special Office in East Timor. ADB also began work on establishing a Special Liaison Office in Kabul, Afghanistan.

### **Country office**

ADB officially opened the Philippines Country Office (PhCO) at ADB headquarters in March 2001. The new office, with staff dedicated solely to operations in the Philippines, strengthened client orientation by establishing a streamlined and coordinated communication channel. Through PhCO, ADB is addressing urban poverty in Metro Manila; helping the Government develop the private sector to create jobs and boost economic growth; providing technical assistance in policy areas including governance, trade, and environment; and assisting in capacity building at the national and local government levels. The 2001 country portfolio review mission, held in April, focused on improving disbursement performance and addressing policy reform issues. In October 2001, ADB and the Government signed a partnership agreement on poverty reduction.

### **Regional mission**

The South Pacific Regional Mission in Port Vila, Vanuatu, works with eight ADB DMCs: Cook Islands, Fiji Islands, Kiribati, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. The mission interacts with governments, civil societies, and the private sector; engages in policy dialogue; and coordinates aid. In 2001, the mission undertook country programming for the Cook Islands and Vanuatu, processed several loan and technical assistance projects, and administered 11 loan and 22 technical assistance projects, all performing satisfactorily.

### **Representative offices**

The representative offices in Europe, Japan, and North America furthered ADB's interests in 2001 by increasing ADB's visibility in its donor members; mobilizing resources by promoting cofinancing with official and commercial sources; and improving awareness of the private sector through seminars and exhibits, leading to increased investment in the region.

The European Representative Office (ERO), based in Germany, organized a conference on Infrastructure and Poverty Reduction in Asia with the Kreditanstalt für Wiederaufbau and arranged an ADB Day in cooperation with the Regional Council of the Rhones-Alpes region in Lyon. ERO also helped organize the Seventh ADB-OECD Conference on Asian Perspectives on Technology and Poverty Reduction in Asia and the Pacific.

The Japanese Representative Office (JRO) coordinated with organizers of the Third Asia-Europe Finance Ministers' Meeting in Kobe in January, where ADB President Tadao Chino delivered a keynote address

entitled "Post-Crisis Economic Recovery in Asia." To further strengthen its relationship with nongovernment organizations (NGOs) in Japan, JRO, in cooperation with the World Bank and the Japanese Ministry of Finance, arranged a review meeting on ADB's Japan Fund for Poverty Reduction and World Bank's Japan Social Development Fund.

The North American Representative Office, covering Canada and the US, played a key role in coordinating with the US Government arrangements for the 34<sup>th</sup> Annual Meeting of the Board of Governors in Honolulu, Hawaii, and worked with the United Nations Development Programme, World Bank, and other institutions in coordinating recovery and reconstruction efforts of post-conflict Afghanistan.

## Information management

Several departments and offices help generate and maintain ADB's knowledge base.

The Office of External Relations (OER) facilitates knowledge management and dissemination of ADB's operations to internal and external audiences. Efforts to raise ADB's international profile continued in 2001 through OER's work in media relations, publications, web site (<http://www.adb.org>), briefings, speech writing, speaking engagements, photographic services, video production and distribution, exhibits, and internal information flows.

ADB approved 62 new publications in 2001 and continued to disseminate ADB documents as part of its disclosure policy to 157 depository libraries and over 200 NGOs. *For recent titles of ADB publications, see page 264.* ADB projects and activities were featured in the newsmagazine *ADB Review*. Complementing print and on-line information, ADB's work was also documented through video and photographic services. Internal communications were strengthened by the quarterly *Bank Forum*, the *Weekly Press Review*, and the *Daily News Digest*, and regular updates to the resident missions and representative offices.

Within the Office of Administrative Services, the Library, with its collection of 200,000 volumes, continued as ADB's knowledge resource center for print and electronic information. Educational institutions and individual researchers from around the world regularly used the Library's collections and services via the Internet, telephone, facsimile inquiries, or in-person visits. On-line services and access continued to be enhanced in 2001. An upgraded on-line catalog of library resources was made available to ADB staff at headquarters, resident/regional missions, and representative offices. The Learning Resources Center (LRC) was

administratively and physically transferred to the Library to provide unified access to materials and to assist ADB staff in upgrading their skills. The LRC will facilitate the transition to e-learning and distance-learning activities within ADB and its projects.

ADB's Records Center continued to maintain a records protection program to ensure that ADB's operations will continue during emergencies, while the Archives preserved and made available records of permanent value to ADB's history.

The Office of Information Systems and Technology completed a midterm review of its Information Systems and Technology Strategy for 1998–2002 and began work on a follow-on strategy to cover 2003 and beyond. Implementation of the current strategy continued with the installation of network and server upgrades to improve network security, including network intrusion detection capabilities. An integrated server management system was acquired as part of a larger enterprise network management system. Computer hardware and software were procured and installed to provide enhanced risk management capabilities for ADB's investment and borrowing operations.

The INTEGRA project was launched in 1999 to replace ADB's major computer systems with an integrated, web-enabled environment. The standard functionality of the new human resources and financial applications systems was pilot-tested in 2001. The off-the-shelf packages for these two modules were further customized to gain the full benefits of streamlined, automated, and integrated business processes. However, the standard commercial software could not be customized to meet ADB's operational requirements. This matter will be further addressed once the human resources payroll and financial applications are implemented.

A multiyear replacement contract for microcomputers and associated peripheral equipment was initiated to meet operational needs and keep pace with technology changes. Extended-term facilities were set up to reduce the costs and streamline the processes involved in acquiring and managing personal computer software. A basic web infrastructure enabled internal collaboration and communication via the Intranet.

In support of the Resident Mission Policy, complete information technology installations were provided to two new resident missions. Telephone systems, servers, and local area network equipment were upgraded, and voice and data link capacity was increased in three resident missions. Data links using virtual private network technology were implemented in seven resident missions and videoconferencing equipment was installed in two others.

**“The new organizational structure will enhance ADB’s effectiveness in meeting the needs of its developing member countries by strengthening the relevance of strategic planning and resource allocation and by ensuring that strong technical knowledge and skills are spread across ADB.”**



## INSTITUTIONAL MATTERS

**S**ince its last reorganization in 1995, the Asian Development Bank (ADB) has faced new challenges, expanded its mandate, and taken on new and complex policy initiatives, including the Poverty Reduction Strategy in 1999. The Long-Term Strategic Framework (LTSF) 2001–2015, approved in 2001, consolidates those initiatives and experiences and charts ADB’s agenda for the next 15 years.

Consequently, ADB President Tadao Chino appointed a steering committee, working group, and secretariat to assess how best to implement the LTSF. After consulting with the Board of Directors, stakeholders, and external advisors, the steering committee recommended and the Board approved a reorganization plan for ADB.

The new organizational structure will enhance ADB’s effectiveness in meeting the needs of its developing member countries (DMCs) by strengthening the relevance of strategic planning and resource allocation and by ensuring that strong technical knowledge and skills are spread across ADB. At the heart of the new structure is a strong country and subregional focus that will improve the quality of ADB’s assistance to individual DMCs, promote subregional

cooperation, and, within ADB, strengthen the accountability for all services to the DMCs.

DMCs will be grouped into five geographically contiguous areas: East and Central Asia, Mekong, Pacific, South Asia, and Southeast Asia. These departments replace the former projects and programs departments. Each regional department will be responsible for implementing ADB’s strategic agenda in the countries it covers. They will undertake a full range of activities in their respective DMCs, beginning with the country strategy and program process; extending to planning, designing, and implementing projects; and undertaking economic, thematic, and sector work. For the most part, each regional department will consist of one operations coordination division, four sector divisions (infrastructure; agriculture, environment, and natural resources; social sectors; and governance, finance, and trade), and resident missions in the DMCs concerned. Each DMC will have a country team, headed by a principal desk officer at headquarters or the resident mission.

The reorganization will improve ADB’s work in other ways as well, such as enhancing the efficient management of knowledge and resources.

The new Regional and Sustainable Development Department (RSDD) will be responsible for maintaining

quality and technical excellence across ADB and for developing and monitoring policies and guidelines for all thematic and sector work. RSDD will support regional cooperation and strengthen ADB's role in linking the region to global networks.

RSDD will also monitor ADB's compliance with its own policies. An ADB-wide Knowledge Management Committee will be established to oversee ADB's program for knowledge products and monitor the progress in delivering such products. ADB's Private Sector Group has been strengthened and upgraded to a department, reflecting ADB's increased emphasis on private sector development.

The new organizational structure of ADB and the accompanying changes in the business processes essential for meeting the goals of the reorganization became effective on 1 January 2002. *For a chart of the new structure, see Appendix 6.*

## **Human resource management, training, and development**

In 2001, human resource management programs focused on attracting, retaining, and motivating staff, and on developing and implementing human resource policies to support ADB's goal of reducing poverty. In addition to recruiting highly qualified professional and support staff, staff members were redeployed to help attain the desired skills mix and promote professional development.

Also in 2001, ADB began a review of its gender action program and outlined steps to integrate the program into its strategic policies. The role of the spouse liaison officer was expanded to include assisting spouses of new professional staff in settling in Manila. ADB continued to recognize staff for their meritorious contribution to ADB's operations through the Performance Recognition Program and for long-term employment through the Service Awards.

In line with the Resident Mission Policy, approved in February 2000, human resource issues in the resident missions were identified and systems were implemented to align practices of the resident missions and the headquarters. Internal and external recruitment of professional and support staff was intensified to help each resident mission achieve its functional requirement.

In the area of training, ADB focused on strengthening existing modules, developing new programs, and exploring new ways of delivering training sessions. Modules were added to the mission leadership program,

taking into consideration the widening role and responsibility of a mission team. A mentoring component was added to the mission leadership program. Videoconferencing enabled resident mission staff to take part in orientation seminars. Staff participated in policy and strategy awareness sessions and structured technical training in sector and thematic areas, including poverty analysis and reduction, governance, economic analysis, resettlement, and microfinance. Through seminars and general briefings, staff were familiarized with the new business processes. ADB continued to send staff to external learning events to acquire technical skills not provided in-house. Several staff attending the in-house Masters in Business Administration program entered their final year.

ADB provided government officials, staff from other international organizations, and graduate students an opportunity to learn more about ADB through the Orientation Program for DMC Officials, Secondment Program, and the Internship Program, respectively.

At the end of 2001, ADB had 2,163 staff from 47 of its 59 members. The total comprised 763 professional staff<sup>1</sup> and 1,400 support staff,<sup>2</sup> of which 295 staff<sup>3</sup> or about 13.7% are located in the field offices. During the year, there were 86 appointments and 55 departures among professional staff, while 128 support staff joined ADB and 53 left. The number of women professional staff increased from 184 or 25.3% of total professional staff at the end of 2000, to 198 or 26.1% at the end of 2001. *For more about careers at ADB, see <http://www.adb.org/Employment>.*

## **Compensation**

Consistent with ADB's market-driven compensation system, a 4.3% increase in the professional staff salary structure was approved (effective 1 January 2002). For support staff salaries, the local salary survey for 2001 resulted in a 9.6% salary increase effective 1 January 2001 (the salary effectivity date was moved from 1 April to 1 January to coincide with the fiscal year and the annual performance evaluation).

Upon recommendation of the Pension Committee, revisions to the Staff Retirement Plan were approved, which enhanced the commuted lump sum and the early retirement benefits. The review of the terms and service conditions for professional staff in the field offices continued in 2001 with further streamlining of the implementation guidelines announced in June 2001.

## Administrative services

Security was tightened in 2001: additional security equipment was installed and close cooperation between ADB and the Philippine Government and foreign embassies continued.

Anticipating the reorganization and continuing efforts to cut costs, ADB further streamlined its business processes. For example, more paper forms were converted to electronic templates and the use of ADB's Intranet was expanded. Shipping and marine insurance policies and procedures were made more effective and, as a result, several difficult insurance claims were resolved satisfactorily. Improvements in business processes also included prequalifying suppliers and awarding contracts for procuring various information technology products.

Inventory and procurement management improved with enhancement of the new server-based software system in ADB's commissary. Commissary services improved with the assumption of the new management services contractor.

## Budget

Actual internal administrative expenses (IAE) for 2001 amounted to \$220.7 million, a saving of \$6.2 million against the original budget of \$226.9 million. The saving resulted mainly from the Philippine currency depreciation; net saving realized in various operational and administrative expenses; not using the 1% general contingency; and effective budget monitoring, including midyear review of work program and budget allocations.

The IAE budget for 2002 of \$240.0 million is the first under the reorganized ADB. The budget was formulated under the LTSF and the Medium-Term Strategy, with the work programs based on ADB's 3-year rolling work plan outlined in the Work Program and Budget Framework paper (2002–2004). ADB's 2002 budget is aimed principally at accelerating the translation of its strategic agenda into tangible outcomes at the country and subregional levels. Budgetary resources, therefore, will be targeted primarily at the effective direct delivery of quality products and services. The 2002 budget's volume growth was contained at 1.8%, demonstrating ADB's continuing efforts toward strict budgetary discipline. Major increments for 2002 include 30 new professional staff positions to enhance the delivery capacity of frontline operations in headquarters and resident missions, cater to fiduciary and other requirements of the new London interbank offered rate

(LIBOR)-based loan products, and strengthen anticorruption work; and other expenses for ongoing and planned

upgrading of information technology systems, and for enhancing the communications capacity of resident missions.

In addition to internal administrative expenses, the 2002 budget also includes an annual capital budget of \$4.0 million, mainly for improving infrastructure at ADB headquarters, enhancing technology and automation systems, and meeting the field offices' regular capital expenditure requirements. *For details, see Appendix 9.*

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**RSDD will support regional cooperation and strengthen ADB's role in linking the region to global networks.**

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## Audit and anticorruption

The Office of the General Auditor (OGA) conducts periodic, independent, and objective appraisals of ADB activities to ensure adequacy and effectiveness of controls and to identify the means for 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 in dealing with alleged incidents of corruption or fraud in its projects or by its staff. OGA reports directly to the President. The Audit Committee of the Board of Directors reviews OGA's activities.

Internal audits in 2001 led to recommendations for better controlling and supervising building maintenance work and contractors' monthly billings; clearing all outstanding audit recommendations in audited project accounts in Bangladesh; preparing timely completion reports and settling advances for project preparation technical assistance; strengthening follow-up procedures for loans with overdue payments; implementing appropriate measures for controlling various administrative processes in the Nepal Resident Mission; and strengthening control over mail delivery and communications costs. OGA also audited six consultants' contracts in 2001 with the assistance of appointed auditors. These audits further strengthened the control procedures to ensure accurate and factual declaration of information in the consultants' financial proposals and other documents submitted to ADB.

In 2001, OGA implemented measures to streamline and standardize further various audit functions to maximize the use of available resources in producing value-added audit services. To promote interaction with

other multilateral development banks (MDBs) and comply with the requirements for professional practice in internal auditing. OGA arranged to have internal auditors from the European Bank for Reconstruction and Development (EBRD) conduct a peer review for determining the extent to which OGA has implemented best practices in its audit processes. The question of carrying out peer reviews has been discussed with other MDBs on a continuous basis, and OGA is likewise prepared to conduct such peer review, as it did on EBRD in 1998.

ADB's Anticorruption Unit (<http://www.adb.org/anticorruption>), established in 1999, is the point of contact for reporting allegations of fraud and corruption among ADB-financed projects or its staff. To date, the Anticorruption Unit has investigated more than 190 allegations of fraud and corruption, treating the sources of allegations with utmost confidentiality and discretion. In 2001, the Anticorruption Unit increased awareness of the Anticorruption Policy and the Anticorruption Unit through presentations, seminars, and publications.

OGA continued to audit project procurement-related activities, helping prevent and detect corruption or fraud. OGA also continued to strengthen its exchange of information with Supreme Audit Institutions (SAIs) and other MDBs through meetings, international conferences, and the annual meeting of MDBs' auditors general. OGA has played an active role in helping upgrade the audit capability of SAIs in DMCs. In 2001, OGA was involved in training programs for the Asian Organization of

Supreme Audit Institutions and the South Pacific Association of Supreme Audit Institutions, and upgrading the audit capabilities of the Government of the People's Republic of China and government auditors in three countries in Central Asia.

OGA continued to participate in the ongoing implementation of the financial management and human resource management information system, focusing on security and control aspects in data conversion and acceptance testing of the system; the preimplementation activities of the Treasury Risk Management System to ensure that security and control aspects are addressed; fallback tests for the Society for Worldwide Interbank Financial Telecommunications (SWIFT, an electronic funds transfer system) and ADB's mainframe facilities, conducted in 2001 at the backup sites; and various administrative procurements, providing comments and observations to ensure compliance with procurement guidelines.

OGA provided integrated assistance to ADB's external auditors in their continuing audit of ADB's annual financial statements throughout the year, and in certifying interim financial statements for ADB's various bond offerings. In 2001, the external auditors made a presentation on developments in International Accounting Standards and the extent of use and acceptance of these standards in selected DMCs. The presentation, attended by various departments, also provided an overview of developments in financial reporting in these countries.

## Notes

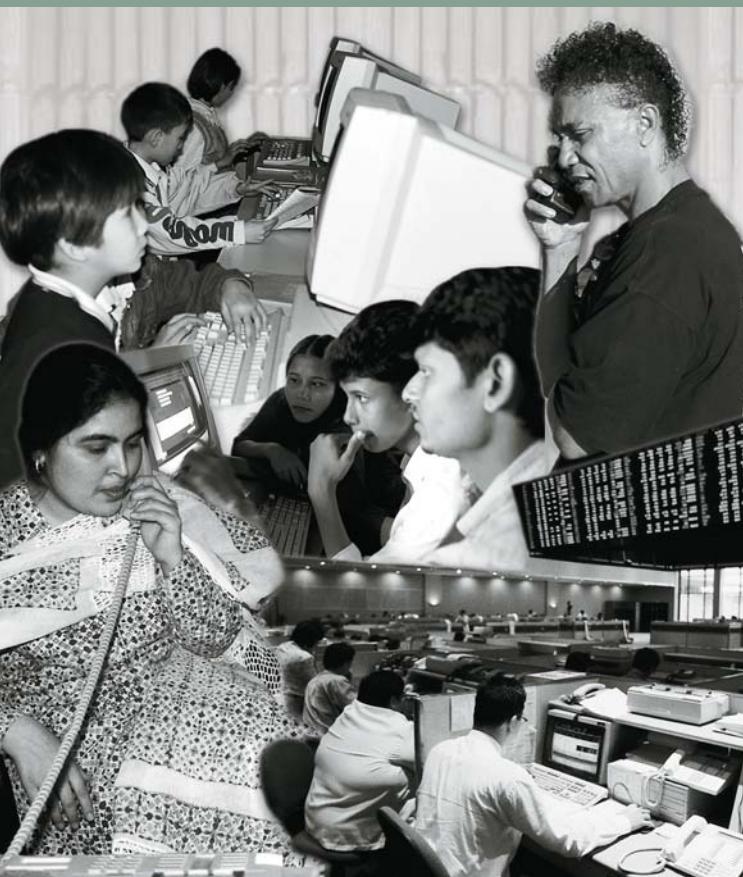
- 1 Includes Management, i.e., the President and Vice-Presidents, Director's Advisors, staff on secondment and special leave without pay, and staff on loan to ADB Institute.
- 2 Includes staff on special leave without pay.
- 3 Includes 61 professional staff and 234 support staff.



# MANAGEMENT'S DISCUSSION *and* ANALYSIS

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# FINANCIAL STATEMENTS



# MANAGEMENT'S DISCUSSION and ANALYSIS

The Management's Discussion and Analysis contains forward-looking statements that may be identified by such terms as "believes," "expects," "intends," or words of similar meaning. Such statements involve several assumptions and estimates based on current expectations, which are subject to risks and uncertainties beyond ADB's control. Consequently, actual future results could differ materially from those currently anticipated.

**T**he Asian Development Bank (ADB) is an international development finance institution whose vision is to make the Asian and Pacific region free of poverty. ADB was established in 1966 through the "Agreement Establishing the Asian Development Bank" (the Charter), ratified by 31 countries to promote the social and economic development of the region. ADB has 59 members (as of 31 December 2001), of which 43 are in the region. ADB is rated triple-A by Moody's and Standard & Poors.

In pursuing its objectives, ADB provides different forms of financial assistance to its developing member countries (DMCs). The main instruments are loans, technical assistance, grants, guarantees, and equity investments, which are met through various funding resources. Such funding resources are ADB's ordinary capital resources (OCR)—which are the main topic of this Management's Discussion and Analysis—Special Funds resources, and other funds. The Charter requires that each funding resource be kept separate from the other.

## Ordinary capital resources

OCR come from three distinct sources: private capital markets in the form of borrowings; paid-in capital provided by government funds; and accumulated retained income (reserves), which provide a buffer for risk arising from operations.

### Financial policies

The most important financial risk facing ADB as a multilateral development bank (MDB) is country credit risk. ADB has devised two policy instruments that provide the operational framework for addressing this risk: the income and reserves policy and the liquidity policy. The income and reserves policy addresses the potential losses caused by a major default by borrowers, while the liquidity policy addresses the potential disruption of access to capital markets, by the same default.

The review of the income and reserves policy, undertaken by the Board of Directors in 1997, identified ADB's decisive income indicators—the interest coverage ratio (ICR) and the reserve:loan ratio (RLR). The ICR is the ratio of net income to financial expenses plus a factor of one. It measures the extent to which net income can fall without jeopardizing ADB's ability to service its financial expenses from current

income. The review concluded that the minimum policy level for the ICR should be about 1.31. The RLR is the ratio of total reserves to the sum of outstanding loans, equity investments, and guarantees. The RLR measures the adequacy of ADB's earning base relative to its loan assets. The policy maintains an RLR of about 25%.

In light of deteriorating creditworthiness of most ADB borrowers resulting from the 1997 Asian financial crisis, ADB reviewed its OCR loan charges in 1999. A change in the structure of ADB's OCR loan charges was recommended and approved by the Board, and became effective on 1 January 2000. ADB's lending spread for all outstanding pool-based loans was raised from 40 to 60 basis points. A front-end fee of 1% was introduced for new loans, and a commitment fee of 0.75% was adopted for new program loans.

To ensure the adequacy of its risk-bearing capacity, ADB reviews its income outlook annually. Based on the review, Management recommends to the Board the portion of the previous year's actual net income for allocation to reserves, to ensure that the level of reserves is commensurate with the policy level. An increase in loan charges is recommended if net income is deemed inadequate, and a reduction in loan charges is recommended if net income is deemed excessive.

ADB's existing liquidity policy requires that at the end of the year, the liquidity level should not be less than 40% of the undisbursed balance of loans to ensure that operations will not suffer from any disruption in ADB's access to capital markets due to loss of investor confidence. Such disruption could arise as a result of protracted arrears by one or more major borrowers. The existing policy is based on a balance sheet concept, not a cash flow concept. Accordingly, the policy is being reviewed with a view to shifting the target level of liquidity to a more dynamic one.

On 1 July 2001, ADB introduced London interbank offered rate (LIBOR)-based loan (LBL) products to meet the needs of its public and private sector borrowers in managing interest rate and exchange rate risks. The new loans provide borrowers with

- a choice of currency and interest rate basis;
- options to link the repayment schedules to actual disbursements for financial intermediary borrowers;
- ability to change the original loan terms (currency and interest rate basis) at any time during the life of the loans; and
- options to purchase a cap or collar on a floating lending rate at any time during the life of the loans.

With the introduction of the LBL, the pool-based multicurrency loans and market-based loans were no longer offered. ADB will cease offering the pool-based

single-currency loan in United States (US) dollars by 1 July 2002.

### ***Basis of financial reporting***

**Statutory reporting:** ADB prepares its financial statements in accordance with generally accepted accounting principles applied in the US. Effective 1 January 2001, ADB adopted Financial Accounting Standard (FAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," along with its related amendments under FAS No. 138. These two standards are collectively termed "FAS 133."

As defined and required by FAS 133, ADB has marked all derivative instruments to fair value and reported in the balance sheet with changes in the fair value recognized in current net income.

Under FAS 133, two options exist in accounting for derivative instruments: hedge or non-hedge accounting. In hedge accounting, changes in the fair value of certain hedge instruments have to be reflected in current income, while others have to be reflected in other comprehensive income. In non-hedge accounting, all changes in the fair value of hedge instruments need to be recognized as current income. A preliminary assessment using FAS 133 hedge criteria indicates that most of ADB's derivative transactions are highly effective in hedging underlying transactions and are appropriate for its operations in achieving lower funding costs. At the same time, however, ADB has also found that applying FAS 133 hedge criteria is not entirely reflective of risk management strategies within ADB. Compliance with the hedge criteria would impose undue constraints on ADB's future borrowing, loan, and hedge programs, and likely detract from its focus of minimizing the cost of borrowings. Therefore, ADB believes it is more important to continue pursuing the objective of minimizing the cost of borrowings rather than follow the accounting definition of a qualifying hedge. The application of FAS 133 qualifying hedge criteria would not make fully evident economic risks inherent in ADB's financial assets and liabilities. Accordingly, ADB chooses to adopt the non-hedge accounting and recognizes changes in fair value of derivative instruments in the period as part of the net income.

**Supplemental reporting:** ADB manages its balance sheet by selectively using derivatives to minimize the interest rate and currency risks associated with its financial assets and liabilities. It uses derivative instruments to enhance asset/liability management of individual positions and portfolios, and to reduce borrowing costs. As certain financial instruments (including all derivatives and certain investments) are

### Selected Financial Data

As of or for the year ended 31 December 2001  
(amounts in \$ million)

	Statutory Reported Basis <sup>a</sup>				
	2001	2000	1999	1998	1997
<b>Income and Expenses</b>					
From Loans	1,813.7	1,861.3	1,674.6	1,440.9	1,127.9
From Investments	403.4	399.9	344.0	382.9	311.7
From Other Sources	21.6	39.7	9.2	8.7	10.1
<b>Total Income</b>	<b>2,238.7</b>	<b>2,300.9</b>	<b>2,027.8</b>	<b>1,832.5</b>	<b>1,449.7</b>
Interest and Other Financial Expenses	1,434.1	1,576.7	1,447.2	1,206.5	853.2
Administrative Expenses <sup>b</sup>	59.0	92.6	105.9	121.7	95.7
<b>Technical Assistance to Member Countries</b>					
	20.0	—	—	—	—
Provision for Losses	9.8	5.9	24.8	37.4	32.9
<b>Total Expenses</b>	<b>1,522.9</b>	<b>1,675.2</b>	<b>1,577.9</b>	<b>1,365.6</b>	<b>981.8</b>
Operating Income before FAS 133	715.8	625.7	449.9	466.9	467.9
FAS 133 Adjustments	147.5	—	—	—	—
<b>Net Income</b>	<b>863.3</b>	<b>625.7</b>	<b>449.9</b>	<b>466.9</b>	<b>467.9</b>
Average Earning Assets	36,272	36,693	34,788	28,558	23,226
Annual Return on Average Earning Assets	2.28%	1.71%	1.29%	1.63%	2.01%
Return on Loans	6.42%	6.59%	6.41%	6.78%	6.89%
Return on Investments	5.91%	5.09%	3.96%	5.27%	5.24%
Cost of Borrowings	5.54%	5.90%	5.66%	5.70%	6.10%
Reserve-to-Loan Ratio	28.47%	27.26%	25.97%	27.70%	33.62%
Liquidity Ratio	46.95%	52.10%	59.05%	55.43%	41.90%
Interest Coverage Ratio	1.58 <sup>c</sup>	1.40	1.31	1.39	1.55
			Pre-FAS <sup>a</sup> 133 Basis 2001	Current Value Basis 2001	
Net Income	716		473		
Average Earning Assets	36,271		38,431		
Annual Return on Average Earning Assets	1.97%		1.23%		
Return on Loans	6.42%		3.11%		
Return on Investments	5.91%		2.66%		
Cost of Borrowings	5.63%		3.02%		
Reserve-to-Loan Ratio	28.09%		26.66%		
Interest Coverage Ratio	1.50		1.33 <sup>d</sup>		

— nil

a FAS 133 was implemented in 2001. Accordingly, statutory reported basis is the same as pre-FAS 133 basis prior to 2001.

b Net of administration charge allocated to the Asian Development Fund. For 2000 and 2001, administrative expenses were net of front-end fees earned as well.

c Excludes the one-time cumulative effect of recording the adoption of FAS 133 on 1 January 2001.

d Excludes the cumulative effect of the adoption of current value basis accounting.

recognized at their fair value, while some others are still at cost (loans and borrowings), FAS 133 does not fully reflect the overall economic value of ADB's financial instruments.

ADB also prepares two supplemental financial statements in the Management's Discussion and Analysis: current value basis and pre-FAS 133 basis for management information. ADB believes that the financial

statements under current value basis present the economic value of all its financial instruments. On the other hand, pre-FAS 133 basis presents financial information that is comparable to that in prior years.

**Discussion and analysis of current value:** The Condensed Current Value Balance Sheet at right presents ADB's estimates of the economic value of its financial

**Condensed Current Value Balance Sheet at 31 December 2001 and 2000**  
(\$ thousand)

	31 December 2001				31 December 2000	
	FAS 133 Reported Basis	Reversal of FAS 133 Effects <sup>a</sup>	Pre-FAS 133 Basis	Current Value Adjustments	Current Value Basis	Pro Forma Current Value
Due from Bank	68,823	–	68,823	–	68,823	62,546
Investments and Accrued Income	8,330,341	–	8,330,341	–	8,330,341	7,620,321
Loans Outstanding and Accrued Interest	29,053,143	(1,212)	29,051,931	1,645,219	30,697,150	29,924,355
Equity Investment	208,018	–	208,018	–	208,018	203,497
Receivable from Members	348,500	–	348,500	(147,957)	200,543	218,210
Receivable from Swaps	6,379,403	(330,164)	6,049,239	330,164	6,379,403	6,263,545
Other Assets	478,096	–	478,096	–	478,096	1,069,706 <sup>b</sup>
<b>TOTAL</b>	<b>44,866,324</b>	<b>(331,376)</b>	<b>44,534,948</b>	<b>1,827,426</b>	<b>46,362,374</b>	<b>45,362,180</b>
Borrowings and Accrued Interest	25,252,189	(26,261)	25,225,928	1,508,822	26,734,750	26,811,266
Payable for Swaps	6,784,076	(194,674)	6,589,402	194,674	6,784,076	6,989,667
Other Liabilities	1,955,836	–	1,955,836	–	1,955,836	643,871 <sup>b</sup>
<b>Total Liabilities</b>	<b>33,992,101</b>	<b>(220,935)</b>	<b>33,771,166</b>	<b>1,703,496</b>	<b>35,474,662</b>	<b>34,444,804</b>
Paid-In Capital	2,989,775	–	2,989,775	–	2,989,775	3,049,828
Net Notional Maintenance of Value	(462,456)	–	(462,456)	–	(462,456)	– <sup>b</sup>
Ordinary Reserve	7,812,436	–	7,812,436	(222,905)	7,589,531	7,166,484
Special Reserve	182,903	–	182,903	–	182,903	181,608
Surplus	116,645	–	116,645	–	116,645	116,645
Net Income after Appropriation	861,965	(147,501)	714,464	(243,150)	471,314	402,811
Accumulated Other Comprehensive Income	(627,045)	37,060	(589,985)	589,985	–	–
<b>Total Equity</b>	<b>10,874,223</b>	<b>(110,441)</b>	<b>10,763,782</b>	<b>123,930</b>	<b>10,887,712</b>	<b>10,917,376</b>
<b>TOTAL</b>	<b>44,866,324</b>	<b>(331,376)</b>	<b>44,534,948</b>	<b>1,827,426</b>	<b>46,362,374</b>	<b>45,362,180</b>

– Nil

( ) Negative.

a Translated using exchange rates at transaction date.

b See the reclassification section in Note B to OCR Financial Statements.

assets and liabilities, taking into consideration the changes in interest rates, exchange rates, and credit risks. Current value reflects the exit price for financial instruments with liquid markets and accordingly is similar in most respects to fair value. For financial instruments with no market, current value reflects the expected cash flow streams discounted with the appropriate interest and exchange rates.

**Loan portfolio:** The majority of ADB loans are made to or guaranteed by ADB members. ADB does not sell its loans, believing that there is no comparable market for them. The current value of loans incorporates Management's best estimate of the probable expected

cash flow, including interest, to ADB. Estimated cash flows from principal repayments, interest, and other loan charges are discounted by the applicable market yield curves for ADB's funding cost, plus ADB's lending spread.

The current value also includes ADB's appropriate credit risk assessment. To recognize the risk inherent in these and other potential overdue payments, ADB has adjusted the value of the loans through its loan loss provisioning. ADB has never suffered a loss on its public sector loans, with the exception of opportunity losses resulting from the difference between the discounted present value of expected payments for interest and

**Condensed Current Value Income Statement for the Years Ended 31 December 2001 and 2000**  
(\$ thousand)

	Year-to-Date Reported Basis	31 December 2001	Year-to-Date Current Value Basis	31 December 2000
	Year-to-Date Reported Basis	Adjustments to Current Value	Year-to-Date Current Value Basis	Year-to-Date Reported Basis
<b>Income</b>				
From Loans	1,813,640	–	1,813,640	1,861,334
From Investments	403,436	–	403,436	399,862
From Other Sources	21,634	–	21,634	39,734
<b>Total Income</b>	<b>2,238,710</b>	–	<b>2,238,710</b>	<b>2,300,930</b>
<b>Expenses</b>				
Interest and Other Financial Expenses	1,434,112	–	1,434,112	1,576,745
Administrative Expenses	59,039	–	59,039	92,559
Technical Assistance to Member Countries	19,962	–	19,962	–
Provision for Losses	9,838	(9,838)	–	5,910
<b>Total Expenses</b>	<b>1,522,951</b>	<b>(9,838)</b>	<b>1,513,113</b>	<b>1,675,214</b>
<b>Operating Income</b>				
Before FAS 133 Adjustment	715,759	9,838	725,597	625,716
FAS 133 Adjustment	147,501	(147,501)	–	–
Current Value Adjustments	–	(243,150)	(243,150)	–
Provision for Losses	–	(9,838)	(9,838)	–
Net Income	863,260	(390,651)	472,609	625,716
Appropriation of Guarantee Fees to Special Reserve	(1,295)	–	(1,295)	–
<b>Net Income After Appropriation</b>	<b>861,965</b>	<b>(390,651)</b>	<b>471,314</b>	<b>625,716</b>

charges, according to the loan's contractual terms, and actual timing of cash flows.

The positive adjustment of \$1.6 billion (5.7%) to ADB's loan balance—from the FAS 133-reported basis of \$29.1 billion to the current value basis of \$30.7 billion—reflects that the loans in the portfolio, on average, carry a higher interest rate than the discount rate at which ADB would currently originate similar loans.

**Investments:** Under both the reported and current value bases, the investments held in ADB are carried and reported at fair value. Fair value is based on market quotations. In the case of instruments for which market quotations are not readily available, the current value is calculated using market-based methodologies.

**Equity investments:** Equity investments with readily determinable fair values (i.e., market value) are reported at fair value. Unlisted equity investments without market value are reported at cost less allowance for losses, which represent a fair approximation of the current value.

**Receivables from members:** Receivables from members consist of unrestricted, may be restricted, and restricted promissory notes. The current value of

receivables from members is based on the cash flow of the projected encashment of the promissory notes, discounted using appropriate interest and exchange rates.

**Borrowings after swaps:** The current value of these liabilities includes the value of the debt securities and the financial derivative instruments associated with the borrowings portfolio. The current value is calculated using market-based methodologies.

The increase of \$1.5 billion—equivalent to 5.8% in the value of the borrowings portfolio after swaps from the FAS 133-reported basis of \$25.6 billion to the current value basis of \$27.1 billion—represents the fact that the average cost of the borrowings portfolio is higher than the rate at which ADB could currently obtain funding. *For borrowings for 1991–2001, see chart on page 120.*

### **Operating activities**

In pursuing its objectives, ADB provides financial assistance to its DMCs through loans, technical assistance, guarantees, and equity investments to help meet their development needs.

**Loans:** Until 30 June 2001, ADB's three lending windows for loans from OCR were the pool-based

## LIBOR-Based Loan Products

On 1 July 2001, ADB introduced the London interbank offered rate (LIBOR)-based loan (LBL) products, carrying a floating lending rate that consists of 6-month LIBOR and a spread fixed over the life of the loan. The LBL is a timely response to borrowers' demand for new ADB financial loan products that can meet borrowers' needs to tailor the currency of the loan and the interest rate basis to suit project needs and/or external debt risk management strategies.

The LBL has market-based features, including a fixed spread and pricing relative to standard market references that provide a transparent basis for borrowers to compare the terms of ADB loan products with those of other lenders and to be amenable to ADB's efficient intermediation on the finest possible terms. With the new LBL facility, a high degree of flexibility is given to borrowers in terms of choice of currency and interest rate basis; options to link repayment schedules to actual disbursements for financial intermediary borrowers; the ability to change the original loan terms (currency and interest rate basis) at any time during the life of the loans; and options to purchase a cap or collar on a floating lending rate at any time during the life of the loans.

The LBL terms are available for all new loans with invitation to negotiate issued on or after 1 July 2001. LBLs are also extended to borrowers that wish to convert undisbursed amounts of presently effective pool-based single-currency United States (US) dollar loans, if the undisbursed balance constitutes at least 40% of the original loan amount as of 30 June 2001. To become a full-fledged LIBOR-based lender, however, ADB will retire all its existing loan products. Since 1 July 2001, the existing pool-based multicurrency and market-based lending facilities have no longer been offered; while on 1 July 2002, pool-based single-currency US dollar loans will be retired. Thus, effective 1 July 2002, ADB's loan product menu will consist only of LBLs.

**Loan currency:** Borrowers may choose to denominate their LBLs in Euros, Japanese yen, or US dollars. The currency selected by the borrower will be the loan currency, i.e., the currency to be disbursed by ADB and to be paid by the borrower for its debt service payments.

**Interest rate basis:** LBLs can be made on a floating-rate basis or on a fixed-rate basis, but initially all LBLs will have a floating lending rate. In a floating-rate loan, the lending rate is reset every 6 months on each interest payment date, referred to also as the lending rate reset

date. The lending rate is the cost base rate plus a spread (the fixed spread) that is fixed in the loan agreement. The cost base is reset every 6 months, on either the 1<sup>st</sup> or 15<sup>th</sup> day of the month of a loan's reset dates. The fixed spread for public sector borrowers is equal to ADB's basic lending spread prevailing at the time of loan signing (currently 60 basis points), regardless of the loan currency. The spread for private sector borrowers reflects the credit risk of the specific project and borrower.

Borrowers may direct ADB to automatically implement a series of interest rate fixings either by period or by amount.

**Other loan charges:** The current commitment charge of 0.75% and front-end fee of 1% applied to pool-based loans also apply to public sector LBL products. Other loan charges for private sector loans remain unchanged.

**Rebates and surcharges:** Since the principle of automatic cost pass-through pricing is maintained for the LBLs, any actual sub-LIBOR funding cost margin will be returned to public sector borrowers through a rebate. For this purpose ADB will calculate twice a year (on 1 January and 1 July) its actual average funding cost margin. A surcharge could arise if ADB's funding cost is above the 6-month LIBOR, which is unlikely unless ADB experiences serious credit deterioration. Rebates or surcharges could also arise due to changes in ADB's basic lending spread because of changes in the credit quality of its entire loan portfolio.

**Pricing of conversions:** For all conversions and interest rate caps and collars, ADB will pass on to borrowers the rates or cost of the corresponding hedge prevailing at the time of executing the conversion. In addition, a transaction fee applies ranging from 0.0625% to 0.125% of the principal amount involved. These fees may change during the life of the loan. By 1 July 2002, ADB will offer one set of loan products—LBL. Thereafter, borrowers can focus on three key terms that are central to external debt management strategy: currency, interest rate basis, and amortization.

LBLs allow borrowers to tailor cash flows of their loans to suit their project or overall debt management needs. Therefore, borrowers should become familiar with the features of the LBL products as early as possible in the project cycle. Borrowers must consider the available options for the loan terms during project preparation and analyze the advantages and risks well before project appraisal.

multicurrency loan (PMCL) window, the pool-based single-currency loan (PSCL) window in US dollars, and the market-based loan (MBL) window. With the introduction of the LBL products on 1 July 2001, the PMCL and MBL were no longer offered; while on 1 July 2002, the PSCL in US dollars will be retired. The LBL facility is a timely response to borrower demand for new ADB financial loan products that suit project needs and external debt risk management strategies. LBL products give borrowers a high degree of flexibility and at the same time provide low intermediation risk to ADB.

**OCR loan approvals, disbursements, repayments, and prepayments:** In 2001, 30 OCR loans totaling \$4.0 billion were approved, compared with 39<sup>1</sup> OCR loans totaling \$4.1 billion approved in 2000. Of the 2001 amount, 91.2% of the loans went to India, People's Republic of China, Pakistan, Indonesia, and Bangladesh. Disbursements in 2001 totaled \$2.8 billion, a decrease of 1.2% from \$2.9 billion in 2000. Principal repayments for the year were \$1.2 billion, of which \$52.5 million represented prepayments on loans. In 2001, three loans were fully prepaid and one loan was partially prepaid. On 31 December 2001, cumulative loans outstanding after allowance for losses amounted to \$28.7 billion.

**Status of loans:** Three public sector OCR loans (two to Myanmar and one to Nauru) and 12 private sector loans were in nonaccrual status at the end of 2001. The total outstanding balances of these public and private sector loans were \$3.1 million and \$75.4 million, respectively. The combined total of \$78.5 million comprised 0.3% of the total OCR loans outstanding.

**Lending rates:** The lending rates for the PMCL and PSCL US dollar loan windows are determined on the basis of the previous semester's average cost of borrowings plus a lending spread (60 basis points since 1 January 2000).

The MBL window provides single-currency loans in US dollars, Japanese yen, or Swiss francs to private sector borrowers and government-guaranteed financial intermediaries at current terms. The interest rates on loans from the MBL window are on either fixed- or floating-rate terms.

ADB's pool-based variable lending rates for the first half of 2001 were 5.50% per annum for multicurrency loans and 6.70% per annum for US dollar loans. For the second half of 2001, the lending rate

for multicurrency loans decreased to 5.21% per annum, while the rate for US dollar loans remained at 6.70% per annum.

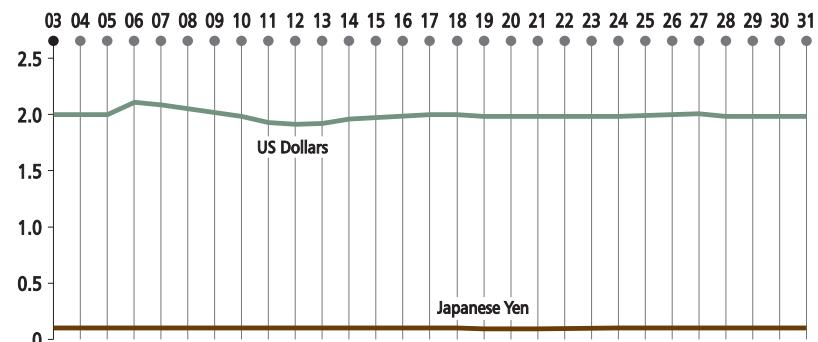
The lending rates for MBLs are determined on the basis of the 6-month LIBOR on 1 January and 1 July plus a lending spread. The lending spread for MBL loans to financial intermediaries in the public sector is the same as that applicable for OCR pool-based public sector loans. For private enterprises, the lending spread is determined on a case-to-case basis to cover ADB's risk exposure to particular borrowers and projects. See *Lending Rates table at right*.

Four LBLs became effective in December 2001, three in US dollars and one in Japanese yen. The lending rates are determined on the basis of the 6-month LIBOR by reference to each loan disbursement date, plus a lending spread. The lending spread for public sector loans is 60 basis points, while the spread for private sector loans varies. *The daily 6-month LIBOR for US dollars and Japanese yen are shown in the chart below.*

**Technical assistance:** ADB considers technical assistance programs as an important part of ADB's overall operations in helping DMCs meet their development objectives. From 1967 to 1992, technical assistance expenses were charged to OCR as well as to other technical assistance funding resources—Technical Assistance Special Fund, Japan Special Fund, and other trust/grant funds. In 2001, ADB's Board of Directors approved the financing of high priority technical assistance programs out of OCR current income within a rolling 4-year financing framework. The amount of financing required varies between years and will be subject to the approval of the Board of Directors.

**Guarantees:** ADB provides guarantees as credit enhancements for eligible projects to cover risks that

Daily 6-Month LIBOR,<sup>a</sup> December 2001<sup>b</sup>  
(percent)



<sup>a</sup> London interbank offered rate.

<sup>b</sup> Applicable LIBOR will be determined by reference to each loan disbursement date and interest payment date. Future rates may fluctuate depending on the market situation.

**Lending Rates<sup>a</sup>**  
(% per annum)

	2001	2000	
1 January	5.50	5.72	Multicurrency
	6.70	6.46	US Dollar
1 July	5.21	5.68	Multicurrency
	6.70	6.53	US Dollar

a Lending rates are set on 1 January and 1 July every year and are valid for 6-month periods.

the private sector cannot easily absorb or manage on its own. Reducing these risks can make a significant difference in mobilizing debt funding for projects. ADB has used its guarantee instruments successfully for infrastructure projects, financial institutions, capital markets, and trade finance. The guarantee instruments are recognized as off-balance sheet financial instruments in ADB's annual financial statements.

ADB offers two guarantee products—political risk guarantees and partial credit guarantees—both designed to mitigate risk exposure of commercial lenders and capital market investors. These guarantees are not issued on a stand-alone basis but are provided for projects where ADB has direct participation. ADB can cooperate with other multilateral, official, and private sector entities in providing its guarantee products.

**Political risk guarantees:** ADB's political risk guarantee (PRG) program is designed to facilitate cofinancing by providing lenders/capital market investors of an ADB-assisted project with cover against specifically defined political risks. Coverage is available against any combination of the risks in the nature of expropriation, currency inconvertibility or nontransferability, political violence, and breach of contract, and is available for loans and other debt instruments, but not equity instruments. Equity instruments are ineligible for PRG coverage. Tenors are based on the underlying project merits. All or part of outstanding debt service obligations to a lender may be covered. The cover may be for principal and/or interest payment obligations. For private sector projects, ADB can issue a PRG without a counterguarantee from the host government. However, PRG exposure to a private sector project without a counterguarantee from the host government is subject to a maximum of \$150 million or 50% of the project cost, whichever is lower. Fees, payable in advance, are market-based and comprise a guarantee fee, a front-end fee, and a standby fee. ADB's PRG is callable when a guaranteed event has occurred and resulted in debt service default to the guaranteed lender.

In 2001, ADB concluded three PRG transactions, two of which were in the private sector—one each in Bangladesh (\$70 million) and Sri Lanka (\$31 million) to support power projects. In these, ADB's PRG covered breach of contract to commercial cofinanciers. These transactions were backed by the respective host country's counterguarantee. The third transaction was in the public sector to promote and gain access to trade finance by small- and medium-sized enterprises (SMEs) in Pakistan (\$150 million). ADB's PRG now allows eligible banks to confirm offshore letters of credit issued by select local banks from Pakistan.

**Partial credit guarantees:** The partial credit guarantee (PCG) provides comprehensive cover (commercial and political risks) for a specific portion of the debt provided by cofinanciers. PCG cover is particularly useful for projects in DMCs with restricted access to financial markets, but which ADB considers creditworthy and financially sound. Since the 1997 Asian financial crisis, borrowers, project sponsors, cofinanciers, and host governments have aimed to hedge currency mismatch risks by using the revenue currency as the borrowing currency. ADB's PCGs can cover local currency debt, including domestic bond issues or long-term loans from local financial institutions. For private sector transactions not supported by a counterguarantee from the host government, the exposure limit is \$75 million or 25% of the project cost, whichever is less. Guarantee fees for private sector transactions are determined by the market. Guarantee fees for transactions backed by a host government guarantee comprise a standard counterguarantee fee of 40 basis points (0.4%) per annum on the present value of the outstanding guarantee obligation plus a front-end fee to cover ADB's processing costs. Fees can be charged either to the borrower or lender. One PCG project in the public sector was approved in 2001 to support the SME Sector Development Program in Sri Lanka.

ADB is committed to further develop the regional bond markets by using its guarantee products. ADB's guarantee instruments are reliable in catalyzing capital flows to its DMCs by providing necessary credit enhancements. *ADB's total exposure toward loan guarantees is disclosed in Note E to the OCR Financial Statements.*

**Private sector equity investments and loans:** The Charter allows ADB to use the OCR to make total equity investments in private enterprises up to 10% of its unimpaired paid-in capital with reserves and surplus, exclusive of special reserve. As of 31 December 2001, there were 61 companies in which ADB held equity only, 23 in which it provided loans only, and

21 companies where it provided both equity and loans. The total equity portfolio for both outstanding and undisbursed approved facilities amounted to \$449.2 million, including \$0.5 million relating to the Japan Special Fund at year-end 2001. This represents about 3.5% as against the 10% ceiling defined by the Charter.

At the end of 2001, the overall private sector portfolio (equity investments and loans) was about \$1.2 billion, which is within the operational limit of \$1.5 billion set by the Board of Directors. As an interim arrangement, pending the implementation of a more objective capital allocation methodology, approvals of private sector operations in excess of \$1.5 billion are allowed beginning in September 2001. It is also ADB's policy to limit a single project exposure (aggregate equity investment and loan) to the lesser of \$75 million or 25% of total project cost. In 2001, ADB approved equity investments amounting to \$30.4 million in three projects. These were \$0.4 million in NDB Housing Bank Limited in Sri Lanka; \$25 million in the Lombard Thailand Intermediate Fund, LLC; and \$5 million in the Mekong Enterprise Fund, a regional project.

### **Equity**

Total shareholders' equity, after reclassifying the notional maintenance value of \$0.4 million as of 31 December 2000, grew from \$10.4 billion as of 31 December 2000 to \$10.9 billion as of 31 December 2001. This was primarily due to 2001 net income after appropriation of guarantee fee to special reserve of \$862.0 million, offset by unfavorable translation adjustments of \$289.5 million, and unfavorable movement in the exchange rates and notional maintenance value of \$174.7 million.

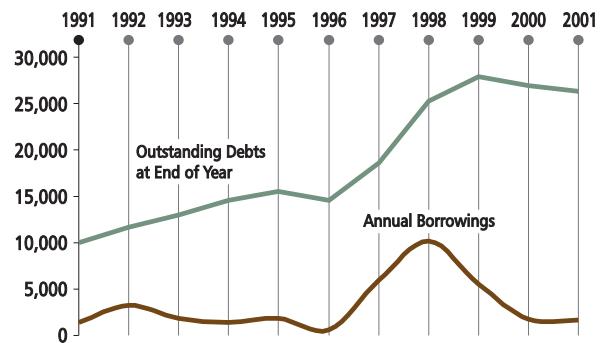
In addition to subscribed and paid-in capital, capital backing in the form of callable capital can be called only if required to meet ADB's obligations incurred on borrowings or guarantees under the OCR. As of 31 December 2001, the callable shares subscribed amounted to \$40.6 billion.

### **Borrowings**

In May 2001, the Board of Directors approved a borrowing program of \$3.4 billion equivalent for 28 May 2001 to 30 April 2002. As in previous years, implementing the borrowing program for 2001/2002 focused on the core objective of ensuring the availability of long-term funds at the lowest cost possible for ADB's lending operations. Accordingly, in 2001, ADB employed a selective bond issuance funding strategy, concentrating mainly on private placement transactions that offer cost-efficient

### **Borrowings, 1991–2001**

*(\$ million)*



funding. Under this strategy, in July 2001 ADB established a \$20 billion Global Debt Issuance Facility (GDIF) designed to increase its responsiveness to opportunities in the private placement market.

The newly established GDIF allowed ADB to issue bonds at short notice and in a currency, size, and structure that matched investors' needs. As a result, in 2001 ADB completed a total of 15 structured private placement transactions under the GDIF, raising about \$700 million in long-term funds. Interest rate and currency swaps allowed ADB to transform these structured borrowings into plain "vanilla" liabilities on a fully hedged basis. Aside from the private placement transactions, ADB also raised about \$500 million through two public offerings in July 2001, bringing total 2001 medium- and long-term borrowings to about \$1.2 billion. First, ADB issued a 10-year A\$500 million bond in Australia's domestic debt market; with a 10-year maturity, the issue became the longest maturity deal launched by a supranational entity in that market. Second, ADB reopened its existing 6.75%, \$1.0 billion global bond due 2007 in the amount of \$250 million, increasing the outstanding principal to \$1.2 billion.

The average life of long-term borrowings undertaken in 2001 was about 6.2 years, compared with 5.6 years in 2000. As part of its market diversification strategy, ADB borrowed in three currencies, with Australian dollars accounting for about 41%, US dollars 38%, and Japanese yen 21%. After swaps, almost all the 2001 borrowings were converted into US dollar floating-rate liabilities. Aside from the medium- and long-term borrowings, ADB also raised short-term funds totaling \$1.2 billion through Euro-commercial paper (ECP) issuance. As of the end of 2001, only \$400 million of ECPs were outstanding. These ECPs will be refinanced by long-term borrowings in 2002.

The remainder of the borrowing program for 2001/2002, amounting to \$2.2 billion, will be implemented

**Borrowings**  
(amounts in \$ million)

	2001	2000
<b>Medium and Long Term</b>		
Total Principal Amount	1,207.1	1,692.6
Average Maturity <sup>a</sup> (years)	6.2	5.6
Number of Transactions		
Public Offerings	2	3
Private Placements	15	1
Number of Currencies		
Public Offerings	2	1
Private Placements	3	1
<b>Short Term<sup>b</sup></b>		
Total Principal Amount <sup>c</sup>	1,249.7	250.0
Number of Transactions	9	2
Number of Currencies	2	1

a On a first call basis.

b All Euro-commercial papers.

c At year-end, the outstanding principal amount was \$400 million in 2001 and nil in 2000.

during January–April 2002. Aside from the private placement strategy, ADB, in 2002, will focus on maintaining its strong presence in key currency bond markets through regular benchmark global bond issuance.

### Liquidity portfolio management

The liquidity portfolio helps ensure the uninterrupted availability of funds to meet loan disbursements, debt servicing, and other cash requirements. It also contributes to ADB's earning base.

The Investment Authority, which is approved by the Board of Directors, governs liquid asset investments. Its primary objective is to ensure the security and liquidity of funds invested, as ADB seeks to maximize returns on its liquidity portfolio investment.

ADB's investments are made in the same currencies as received. In compliance with its Charter, ADB does not convert currencies for investment. At present, liquid investments are held in 18 currencies.

ADB's liquid assets are held in obligations of governments and other official entities, time deposits, and other unconditional obligations of banks and financial institutions, and, to a limited extent, in corporate bonds, mortgage-backed securities, and asset-backed securities of high credit quality.

The liquid assets are held in three subportfolios—core portfolio, operational cash portfolio, and cash cushion portfolio—all of which have different risk profiles and performance benchmarks. *The average size of*

**Average Size of Liquidity Portfolio**  
(percent per annum)

	2001	2000
Core Portfolio	5,202.00	5,027.00
Operational Cash Portfolio	381.00	967.00
Cash Cushion Portfolio	1,101.00	1,461.00
<b>TOTAL</b>	<b>6,684.00</b>	<b>7,455.00</b>

### Return on Liquidity Portfolio

	Annualized Financial Return (%)	
	2001	2000
Core Portfolio	7.25	7.00
Operational Cash Portfolio	3.59	0.97
Cash Cushion Portfolio	2.29	1.22
<b>TOTAL</b>	<b>6.11</b>	<b>6.09</b>

*the liquidity portfolios during 2000 and 2001 is presented in the table above.*

The core portfolio is funded by equity and invested to ensure that the primary objective of a liquidity buffer is met. Cash inflows and outflows are minimized to achieve the core portfolio's objective of maximizing the total return relative to a defined risk tolerance level. The portfolio performance is measured against external benchmarks with an average duration of about 2 years.

The operational cash portfolio is designed to meet net cash requirements over a 1-month period. It is funded by equity and invested in short-term, highly liquid money market instruments. The portfolio performance is measured against short-term external benchmarks.

The cash cushion portfolio holds the proceeds of ADB's borrowing transactions pending disbursements. The portfolio is invested in short-term instruments and its performance is measured against short-term external benchmarks.

**Risk management:** Implementing the new investment strategy substantially changed the treasury risk management requirements of ADB's investment portfolio, requiring new monitoring measures and reporting systems. In 2001, ADB selected and began installing an advanced treasury risk management system, the software components of which will enable the Risk Management Division to enhance the current level of risk identification, measurement, and analysis. New tools will be introduced to measure market and credit risks, including various value-at-risk methodologies, stress-tests, and risk-adjusted performance and

attribution measures. The risk management system will generate greater operational efficiency by introducing "straight-through-processing," linking the Treasurer's Department's front, middle, and back offices. Software implementation will be completed in late 2002.

In ADB's private sector operations, the Risk Management Unit has two main functions: special assets management to give special attention to the most vulnerable private sector projects; and credit review to evaluate and give an independent credit judgment, separate from the dealing officer's judgment on each project.

ADB is currently reviewing its ADB-wide risk management.

### ***Summary of financial performance and allocation of net income***

**Income and expenses:** Gross income decreased by 2.7%, from \$2.3 billion in 2000 to \$2.2 billion in 2001 because of a decrease in loan and other income. Of the total gross income, \$1.8 billion was generated by the loan portfolio, \$403.4 million by the investment portfolio, and \$21.6 million from other sources (see *Selected Financial Data* on page 114).

Total operating expenses were \$1.5 billion, down by \$152.3 million, or 9.1% from the previous year of \$1.7 billion. The reduction in expenses was because of a \$142.6 million decrease in interest and financial expenses, a \$33.5 million decrease in administrative expenses,<sup>2</sup> a \$3.9 million increase in the provision for losses, and technical assistance financing for 2001 of \$19.9 million. The provision for losses was higher for 2001 (\$9.8 million), compared with 2000 (\$5.9 million) primarily because of exceptional loss provisions established during 2001 as a result of operational difficulties in some investee companies and private sector borrowers. The reduction in administrative expenses resulted primarily from the offset of front-end fees of \$34.8 million earned in 2001. Total operating expenses accounted for 68.0% of the gross income, compared with 72.8% in 2000.

For the year ending 31 December 2001, the reported net income was \$863.3 million, compared with \$625.7 million in 2000. The increase of \$237.6 million (representing 38.0% increase) in net income is predominantly attributable to the following.

- Income of \$147.5 million related to FAS 133 adjustments reflected the initial adoption of this standard on 1 January 2001 and the year-to-date marked to fair value of ADB's derivative instruments. The FAS 133 adjustment is limited to

the change in value of derivative instruments as opposed to all financial instruments.

- The remaining increase in income of \$90.1 million related primarily to a reduction in interest and financial expenses, as well as administrative expenses.

**FAS 133 adjustments:** Of the FAS 133 adjustment of \$147.5 million, \$34.7 million reflected the initial transition entry on adoption of FAS 133 and \$153.5 million represented the change in the values of the derivatives during the period. These amounts have been offset by amortization of the FAS 133 transition adjustments during 2001 of \$40.7 million. The \$153.5 million gain on derivatives arose predominantly because of several US dollar interest rate swaps with fixed interest receivable and floating interest payable. The significant fall in US dollar interest rates during 2001 meant that these derivatives gained significant value.

The adjustment to current value removes the impact related to the adoption of FAS 133, as these effects are already accounted for in the current value adjustment.

**Current value income:** For 2001, net income was \$472.6 million under the current value basis, compared with the pre-FAS 133 income of \$715.8 million. The decrease under the current value method was attributed to the unfavorable currency translation adjustment for the period, which outweighed the gain on investment holding and the gain resulting from the downward movement of interest rates.

**Allocation of net income:** During the year, in accordance with the income and reserves policy approved in 1997, ADB reviewed its income outlook and allocation of 2000 net income. Based on the review, the Board of Governors approved that the entire amount of \$625.7 million of the 2000 net income be allocated to reserves. The Board of Directors approved that in 2001, ADB be allowed to convert an equivalent amount of \$600 million of nondollar operating currencies into US dollars; and that there should be no generalized change in OCR loan charges.

### **Special Funds**

ADB is authorized by its Charter to establish and administer Special Funds. Special Funds being administered as of 31 December 2001 were the Asian Development Fund (ADF); the Technical Assistance Special Fund (TASF); the Japan Special Fund (JSF), including the Asian Currency Crisis Support Facility (ACCSF); and the ADB Institute Special Fund.

## Asian Development Fund

The ADF is the concessional lending window of ADB that provides loans to its DMCs with low per capita gross national product and limited debt repayment capacity. The governments of 27 donor members (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 improve 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:** On completing their negotiations in Okinawa, Japan, on 7 September 2000, donors recommended a level of ADF operations for 2001–2004 of \$5.65 billion. Of this, \$2.79 billion will come from new donor contributions, and an additional \$0.12 billion will be generated from the acceleration of encashments in accordance with the schedule agreed by the donors. The \$2.74 billion balance will be met from the commitment authority derived from repayments of earlier loans. In December 2000, the Board of Governors adopted Resolution No. 276, which set out the replenishment terms and conditions. ADF VIII became effective on

### ADF Commitment Authority (\$ million, year-end)

	2000 <sup>a</sup>	2001 <sup>a</sup>
ADF VIII Contributions	—	417.3
ADF VII Contributions	1,978.2	120.6
ADF VI Contributions	417.0	—
Expanded Advance Commitment Authority	2,231.4	800.0
Total ADF Resources	4,626.6	1,337.9 <sup>b</sup>
Less:		
Loans Committed	4,471.0	712.9 <sup>c</sup>
Carryover of Conditional Loans Committed	0.0	584.8 <sup>d</sup>
Provision for Disbursement Risk	155.7	35.0
<b>TOTAL</b>	<b>0.0</b>	<b>5.3</b>

<sup>a</sup> Total does not add due to rounding.

<sup>b</sup> Excludes pre-ADF VIII amounts for determining the ADF commitment authority under the new financial planning framework for managing ADF resources, as approved by the Board on 15 April 1997.

<sup>c</sup> Excludes loans that were conditionally approved in November and December 2001.

<sup>d</sup> Loans that were conditionally approved the previous year and were funded in January 2001.

14 June 2001 when the total amount of Instruments of Contribution deposited with ADB for unqualified contributions reached an amount equivalent to SDR1,028,652,262 (\$1,405,068,014 at the Resolution exchange rates), thereby exceeding the trigger amount for effectiveness, equal to 50% of all pledged contributions (including the contribution of Hong Kong, China, which was not reflected in the Resolution table of contributions, and New Zealand's increased contribution).

By the end of 2001, ADF VIII Instruments of Contribution had been received from 16 donors, for a total of \$1,845,752,514.<sup>3</sup> Fourteen of those donors—Australia; Austria; France; Hong Kong, China; Japan; Republic of Korea; The Netherlands; New Zealand; Norway; Singapore; Sweden; Switzerland; Turkey; and United Kingdom—deposited untied Instruments of Contribution. Canada and Taipei, China deposited Instruments of Contribution containing a qualification, as permitted by the Resolution, that all installment payments except the first were subject to budgetary appropriations. *For details of amounts released for operational commitment in 2001, see the column labeled "Addition" in Table 31 in the Statistical Annex.*

**ADF VII:** The sixth ADF replenishment (ADF VII) was intended to cover 1997–2000. At the end of the period, a few installment payments were still outstanding. Italy and Australia paid their fourth installments, totaling \$48.70 million, in February 2001 and May 2001, respectively. In March 2001, the US released \$71.84 million as partial payment of its third installment. These resources became part of the ADF VIII commitment authority in 2001. Since the US paid only part of its third installment and none of its fourth installment, four donors—Austria, France, Germany, and Malaysia—exercised their pro rata rights and did not release their fourth installments for operational commitment. The total amount withheld was \$58.71 million.

**ADF loan approvals, disbursements, and repayments:** In 2001, 46 ADF loans totaling \$1.4 billion were approved, compared with 49 ADF loans totaling \$1.6 billion approved in 2000. Of the 2001 amount, about 56% went to Pakistan, Viet Nam, and Bangladesh, in order of magnitude. Disbursements during 2001 totaled \$1,024.3 million, a decrease of 9.8% from \$1,135.0 million in 2000. At the end of the year, cumulative disbursements from ADF resources were \$17.6 billion. Loan repayments during the year amounted to \$219.3 million, and cumulative repayments were \$1.6 billion. As of 31 December 2001, ADF loans outstanding amounted to \$14.8 billion. *The table at left indicates the availability and use of ADF resources in 2001.*

**Status of loans:** Four public sector loans to Afghanistan, 28 public sector loans to Myanmar, and 1 private sector loan were in nonaccrual status at the end of 2001. Total outstanding ADF loans to Afghanistan amounted to \$27.7 million, to Myanmar \$414.4 million, and to the private sector \$5.2 million, together comprising about 3.0% of the total ADF loans outstanding.

**Portfolio position:** The ADF investment portfolio amounted to \$2.6 billion at the end of 2001, compared with \$2.3 billion at the end of 2000. About 15% of the portfolio was invested in bank deposits, and 85% in floating and fixed income securities. The financial rate of return on ADF investments rose to 5.4% in 2001 from 5.2% in 2000.

The portfolio was denominated in 14 currencies, with yen and US dollars accounting for about 30% of portfolio holdings.

### Technical Assistance Special Fund

**Review of activities:** In April 2001, the Board of Directors approved the reintroduction of the use of ordinary capital resources (OCR) current income for financing part of technical assistance operations. Thus, no reallocation was made from the OCR surplus account to the TASF. During the year, Pakistan made its 24<sup>th</sup> direct voluntary contribution to the TASF and India made its 17<sup>th</sup>, amounting to about \$70,000 and \$47,000, respectively. These were made on a wholly untied basis.

At the end of 2001, total TASF resources amounted to \$911.0 million (see table). Of this, \$829.7 million had been committed, leaving an uncommitted balance of \$81.3 million. For details, see Table 32 in the Statistical Annex.

**Operations and resource position:** Technical assistance committed (approved and effective) decreased from \$80.5 million in 2000 to \$34.7 million in 2001, with 74 technical assistance projects effective during the year. In 2001, \$5.5 million (\$13.4 million in 2000), 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 investment increased from \$9.7 million in 2000 to \$10.9 million in 2001, due to favorable fair value changes. As a result of decreased

### JSF: Reducing Poverty in East Timor, Educating Children in Viet Nam

The Japan Special Fund (JSF) continued to support ADB's efforts to reduce poverty.

In East Timor, ADB's first technical assistance—funded through the JSF—will enhance the country's capacity to make more informed decisions about its post-independence needs. A Memorandum of Understanding between the East Timor Transitional Administration, ADB, World Bank and the United Nations Development Programme for the design and implementation of a joint poverty assessment was a first step in developing a collaborative poverty reduction strategy for East Timor. The poverty assessment included surveys at the household, village, and community levels.

In Viet Nam, rural students, including ethnic minorities in remote areas, will have better access to quality secondary education because of a \$600,000 technical assistance grant provided by ADB using JSF monies. Vietnamese Government officials, a representative of the Government of Japan, and ADB staff signed a technical assistance agreement in September in Hanoi, which cleared the way for preparing papers on key education issues, including a detailed proposal for the Upper Secondary Education Development Loan Project. At the signing ceremony, officials stressed the importance of investing in education as a way to empower the poor and reduce poverty, noting that education empowers the poor to boost their incomes and leave the pain of poverty behind.

contribution, the uncommitted balance available for future commitments decreased from \$115.5 million in 2000 to \$81.3 million in 2001. In terms of technical assistance approved during the year, the TASF contributed 40.8% of funding for total technical assistance. For details, see Table 24 in the Statistical Annex.

At the end of 2001, TASF investments stood at \$185 million, down by \$54 million from 2000. Other

### Technical Assistance Special Fund Cumulative Resources (\$ million)

	2000	2001
Regularized Replenishment Contributions	238.0	238.0
Allocations from OCR Net Income	501.0	501.0
Direct Voluntary Contributions	87.3	87.4
Income from Investment and Other Sources	76.7	88.1
Transfers from the TASF to the ADF	(3.5)	(3.5)
<b>TOTAL</b>	<b>899.5</b>	<b>911.0</b>

( ) Negative.

assets—comprising dues from banks, advances to consultants, and others—totaled \$9.5 million. Accounts payable to the OCR and others amounted to \$177,000.

### **Japan Special Fund**

**Review of activities:** The technical assistance grants funded by the JSF continued to support ADB operations aimed at reducing poverty. In March 2001, the Government of Japan contributed 3.7 billion yen (\$30.9 million equivalent) as a regular contribution to the JSF. As of 31 December 2001, Japan's cumulative contribution to the JSF, since its inception in 1988, totaled 94.3 billion yen (about \$813.5 million equivalent), comprising regular contributions of 76.3 billion yen and supplementary contributions of 18.0 billion yen. In 2001, ADB approved 96 technical assistance grants for JSF funding totaling \$53.8 million. The uncommitted balance as of 31 December 2001 was \$39.3 million. *For details, see Tables 24 and 33 in the Statistical Annex.*

**Sectoral activities:** In 2001, the JSF financed 37% of the total amount of technical assistance approved by ADB, including 72% 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 for a 3-year period as an independent component of the JSF. The ACCSF is administered by ADB and funded entirely by the Government of Japan as part of its financial assistance under the New Miyazawa Initiative to countries in the region most affected by the Asian financial crisis: Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand. The ACCSF modalities comprise

### **Japan Special Fund**

#### **Technical Assistance<sup>a</sup> by Sector, 2001**

	\$ Million	%
Agriculture and Natural Resources	15.2	28.3
Social Infrastructure	11.4	21.2
Others	11.2	20.7
Transport and Communications	7.0	13.0
Multisector	3.1	5.9
Energy	3.0	5.6
Industry and Nonfuel Minerals	1.9	3.4
Finance	1.0	1.9
<b>TOTAL</b>	<b>53.8</b>	<b>100.0</b>

<sup>a</sup> Includes regional technical assistance.

interest payment assistance (IPA), technical assistance grants, and guarantees. The ACCSF assistance must be approved within the 3-year period after the ACCSF was established (i.e., not beyond 23 March 2002).

At the end of 2001, Japan's cumulative contributions for the IPA and technical assistance components of the ACCSF amounted to 27.5 billion yen (\$241.0 million equivalent). In 2001, ADB approved 16 technical assistance grants for ACCSF funding amounting to \$16.1 million (see tables below). The uncommitted balance of ACCSF funds for IPA and technical assistance was \$89.1 million as of 31 December 2001. *For details, see Tables 24 and 34 in the Statistical Annex.*

ACCSF financing is targeted at activities that support policy dialogue, human resource development, institutional strengthening, and other relevant efforts focusing on bank and corporate debt restructuring; create or develop sound financial monitoring, supervision, and regulation; enhance public sector and corporate governance; develop social safety nets; and protect the environment.

The Government of Japan also deposited a promissory note for 360.0 billion yen (\$2.7 billion equivalent) in the ACCSF custodian account, which may be encashed to meet a call on any guarantees issued under the ACCSF. Although opportunities for using ACCSF guarantees in relation to ADB operations in the

### **Asian Currency Crisis Support Facility Technical Assistance by Country, 2001**

	\$ Million	%
Indonesia	8.9	55.3
Philippines	3.8	23.6
Thailand	1.6	9.9
Regional	1.8	11.2
<b>TOTAL</b>	<b>16.1</b>	<b>100.0</b>

### **Asian Currency Crisis Support Facility Technical Assistance by Sector, 2001**

	\$ Million	%
Finance	6.3	39.1
Social Infrastructure	4.0	24.9
Others	3.8	23.6
Energy	1.0	6.2
Multisector	1.0	6.2
<b>TOTAL</b>	<b>16.1</b>	<b>100.0</b>

DMCs eligible for ACCSF financing were identified in 2001, no ACCSF guarantee operations were concluded during the year.

**Sectoral activities:** In 2001, the ACCSF financed 11% of all technical assistance approved by ADB.

### **ADB Institute Special Fund**

The costs for operating the ADB Institute are met from the ADB Institute Special Fund (ADBISF), which is administered by ADB in accordance with the Statute of ADB Institute. Japan made its fifth and sixth contributions in the aggregate amount of 2.2 billion yen (equivalent to \$18.5 million) in March and August 2001. *For details, see ADBISF-3 in Financial Statements.*

As of 31 December 2001, cumulative commitments amounted to 7.5 billion yen (equivalent to about \$61.5 million) excluding translation adjustments. Of total contributions received, \$52.8 million had been used as of 31 December 2001, mainly for research and capacity-building activities, including organizing symposiums, forums, and training; preparing research reports, publications, and web sites; and associated administrative expenses.

As of 31 December 2001, the balance of net current assets available for future projects and programs of ADB Institute was about \$8.7 million.

### **Other funds managed by ADB**

In addition to the OCR and Special Fund resources, ADB also manages and administers the funds for the Japan Scholarship Program (JSP), Japan Fund for Poverty Reduction (JFPR), Japan Fund for Information and Communication Technology (JFICT), and channel financing of grants provided by bilateral donors to support technical assistance and soft components of loans. However, these funds do not become part of ADB's own resources.

#### **Japan Scholarship Program**

The JSP was established in 1988 to provide an opportunity for well-qualified citizens of DMCs to undertake postgraduate studies in economics, management, science and technology, and other development-related fields at selected educational institutions in Asia and the Pacific. The JSP is funded by the Government of Japan and administered by ADB. Currently, 18 institutions in 10 countries participate in the JSP.

Between 1988 and 2001, the Government of Japan contributed more than \$46.1 million to the JSP. A total of 1,334 scholarships were awarded to recipients from 34 member countries. Of these, 99 have already completed their courses. Women received 389 scholar-

ships. The number of new scholarships awarded annually has grown from 49 in 1988 to 170 in 2001.

#### **Channel financing arrangements**

Official grant cofinancing plays a vital role in ADB operations, particularly in view of the continuing constraints on TASF and ADF resources. These grant funds support ADB's technical assistance program and finance soft components of its loan projects.

A majority of such grants are provided by bilateral donors under channel financing arrangements (CFAs). ADB acts as administrator of the funds and applies its own guidelines and procedures in recruiting consultants, procurement, disbursement, and project supervision.

Under a CFA, the donor enters into a comprehensive agreement with ADB whereby the donor provides an untied grant fund to be administered by ADB (but the fund does not become part of ADB's own resources); the donor indicates its preferred sectors and recipient countries in the use of the fund; ADB regularly provides the donor with a list and description of proposed technical assistance projects that satisfy the donor's preferences; and the donor and ADB agree on the specific activities to be financed under the fund. Funds provided under a CFA are transferred to an interest-bearing account and may also be invested by ADB pending disbursement. A donor is provided with regular financial statements and progress reports on the use of the fund. ADB is responsible for project preparation, processing, and administration. CFAs may be replenished with additional funds at the donor's discretion.

The primary advantage of CFAs is that funding for several 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 14 bilateral donors: Australia, Belgium, Canada, Denmark, Finland, France, Italy, The Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, and the United Kingdom. To date, 151 technical assistance grants have been financed under CFAs with a cumulative amount of about \$73.7 million.

In addition to the traditional type of CFA (which may be used for several sectors), the processing of thematic CFAs with bilateral agencies rose sharply in 2001 in such areas as renewable energy, climate change, poverty reduction, governance, and water. Several thematic CFAs are now being packaged as umbrella facilities to allow more than one donor to contribute. The traditional CFAs approved in 2001 include the Canadian Cooperation Fund on Climate

## JSP: Helping Students Get a Quality Education

To Dinh Kho, a Vietnamese student at the Asian Institute of Technology, credits the Japan Scholarship Program (JSP) for helping him get a good education. He notes that because of the JSP he has been able "to acquire more knowledge" that will benefit his country as well as his career. Because of an increase in the budget, nearly 300 scholarship slots were available in 2001, an increase of 20 over the number in 2000. The JSP continues to attract many applicants and is considered by the designated institutions as one of the most successful scholarship programs in Asia and the Pacific.

## JFPR Projects Are Recognized for Their Innovation

Projects funded under the Japan Fund for Poverty Reduction (JFPR) have been recognized by stakeholders in the following ways.

- During the signing ceremonies for the JFPR-funded On-Site Integrated Urban Upgrading for Vulnerable Slum Communities in Payatas (Manila dumpsite), Philippine President Gloria Macapagal-Arroyo and ADB President Tadao Chino noted the importance of the JFPR in supporting self-help activities.
- The Uzbekistan Government sought urgent assistance from the JFPR for a project to reduce poverty in Khorezem in the Aral Sea basin after noting the innovative JFPR project to create jobs and provide drinking water in Karakalpakstan.
- A JFPR project on girl street children at risk of sexual abuse in Indonesia received widespread international media attention.
- In the six countries that make up the Greater Mekong Subregion, the JFPR-funded project Community Action for Prevention of HIV/AIDS received strong support from governments, media, and the community, particularly in Cambodia and Viet Nam.
- JFPR support for improving nutrition of poor children and mothers with iodized salt and fortified wheat in Central Asia was welcomed by the six participating countries, the private sector, and nongovernment organizations.
- Recognition of the JFPR as an innovative tool for fighting poverty in Asia has spread through increased coverage by the international media and has often been cited by ADB Directors.

Change, the United Kingdom Cooperation Fund for Technical Assistance (Poverty-Focused) in India, and the Danish Cooperation Fund on Renewable Energy and Energy Efficiency in Rural Areas. Thematic CFAs approved in 2001 include the Cooperation Fund for the Formulation and Implementation of National Poverty Reduction Strategies (first contribution by The Netherlands), the Cooperation Fund on Water Sector (first contribution by The Netherlands), and the Governance Cooperation Fund (first contribution by Canada). The total amount made available over a period of several years through these CFAs is \$47.4 million equivalent.

## **Japan Fund for Poverty Reduction**

In support of the Poverty Reduction Strategy, the Government of Japan established in May 2000 the JFPR with an initial grant contribution of 10 billion yen (about \$92.6 million). An additional contribution from the Government of Japan of 7.9 billion yen (about \$65 million) was announced in early 2001. By 31 December 2001, ADB had approved 13 JFPR projects amounting to \$31.5 million. In addition, the Government of Japan has preapproved 8 more projects totaling \$15.7 million. ADB-approved JFPR projects include activities on nutrition for poor children and mothers in Central Asia, preventive measures against HIV/AIDS in the Greater Mekong Subregion, upgrading housing facilities for two slum areas in the Philippines, helping girl street children at risk in Indonesia, participatory watershed management for poverty reduction along the Yellow River in the People's Republic of China, livelihood improvement in connection with a rural infrastructure loan in the Philippines, income-generating activities for the poor through small irrigation and water impounding systems in Bangladesh, addressing poverty of landless and bonded agricultural workers in Nepal, low-cost sanitation in Papua New Guinea, rural poverty reduction in Tajikistan, and addressing poverty near the Aral Sea in Uzbekistan through drinking

water and employment generation. *For details, see Table 35 in the Statistical Annex.*

**Characteristics and eligibility:** The JFPR provides a unique opportunity to pilot-test new approaches that directly target the poor and can later be scaled up for use in mainstream ADB operations. The JFPR also provides more opportunities to work directly with nongovernment organizations (NGOs) and community-based organizations in their efforts to reduce poverty. The JFPR finances projects that directly target poverty reduction and that have a strong relation and clear conceptual link to the regular ADB-financed activities.

It is also expected that JFPR projects will enhance the quality and impact of ADB-financed projects that they support. Priority is given to activities that have an innovative and demonstrative character. Project proposals must meet all of the following eligibility criteria. They must directly target the poor; possess a clear conceptual link to an ADB loan;<sup>4</sup> show sustainable impact on poverty reduction; promote maximum community and NGO involvement, including the possibility of disbursing to NGOs directly as implementing agencies; demonstrate an innovative approach to poverty reduction that is operationally relevant for future ADB loans; and veer from being a substitute for traditional ADB loan and technical assistance, or for typical government financing.

**Impact:** The JFPR has opened the door for innovative poverty-targeted approaches that can be mainstreamed into the broader pipeline of ADB loans. Because of its flexibility in the use of funds but insistence that most funding should directly impact on the poor, the JFPR provides opportunities to work with civil society and show that the poor are bankable for ADB loans. The strength of the JFPR is its implementation and partnership on the ground and its direct target at poverty in connection with ADB loans. Through this approach, the poor, the governments, and ADB staff can see the impact of the JFPR grant and its relevance to future loan investments, and gain practical experience that could not be facilitated through technical assistance alone. As a result, some DMC governments have considered in loan preparations the innovative poverty-focused features that have been piloted under the JFPR. For example, in Bangladesh, a JFPR project provides input for designing a new water resource development loan; and in Uzbekistan, discussions on JFPR projects have initiated demand for a new ADB loan on drought-prone areas in the Aral Sea basin. Another impact of the JFPR is its close cooperation with NGOs and other funding agencies such as in Indonesia with various local NGOs from Yogyakarta; in the Philippines with Mindanao Coalition of Development NGOs, Philippine Business for Social Progress, and the Vincentian Missionaries; in Tajikistan with the Aga Khan Foundation; and in Uzbekistan with the United Nations Development Programme. Also, JFPR projects opened new areas for ADB cooperation such as in slum development, housing-related poverty, social

protection for disabled poor people, rural infrastructure for livelihood improvement of the poor and watershed-related poverty, and cooperation with the private sector to improve nutrition for poor mothers and children.

### ***Japan Fund for Information and Communication Technology***

The JFICT was established in July 2001 for a 3-year period to harness the potential of information and communication technology (ICT) and bridge the growing digital divide in Asia and the Pacific. ADB will administer the JFICT, which is financed with a contribution of 1,273.3 million yen (approximately \$10.7 million) from the Japanese Government.

In line with ADB's strategic approach for ICT, the JFICT-funded projects will have a strong relation to, and enhance the effectiveness and impact of, ADB's Poverty Reduction Strategy. The strategic approach recognizes ADB's limited financial and human resources and consists of three strategic thrusts: creating an enabling environment, building human resources, and developing ICT applications and information content.

The JFICT will finance on a pilot basis ICT-related activities, including the purchase of ICT equipment and services, software development, provision of technical assistance, development of equity/fund investment approaches, and other means. The JFICT will basically cover activities to create and improve DMC environments for ICT development, such as policy initiatives for developing ICT infrastructure and human resource capacities; and to help establish a center for learning, information, communication, and knowledge for Asia and the Pacific.

The JFICT is a grant-financed trust fund whose main goal is to assist DMCs in bridging the digital divide, thereby reducing poverty in Asia and the Pacific. Specifically, the JFICT will support ICT-related activities in DMCs that can add substantive value to promote and impact ADB's Poverty Reduction Strategy and other development objectives; encourage private sector participation in ICT development and enhance its capabilities in the region; and improve regional and international cooperation, partnerships, and networking to enhance local efforts at development through appropriate ICT applications.

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### Notes

- 1 Excluding two terminated loans amounting to \$180 million.
- 2 This is after allocating administrative charges to the ADF of \$129.5 million and offsetting front-end fee income of \$34.8 million.
- 3 Another donor, Germany, submitted its ADF VIII Instrument of Contribution in January 2002.
- 4 The requirement to link JFPR projects to existing or future ADB loans also results in a different timing for approving JFPR projects through the Government of Japan and ADB.

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#### REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying balance sheets and the related statements of income and expenses, of cash flows, and of changes in capital and reserves present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank—Ordinary Capital Resources at 31 December 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note B, the Asian Development Bank—Ordinary Capital Resources adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, effective 1 January 2001.

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 2001 and 2000, and of statement of subscriptions to capital stock and voting power as at 31 December 2001 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.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is fluid and cursive, with "PricewaterhouseCoopers" on the first line and "LLP" on the second line.

Detroit, Michigan  
27 February 2002

**ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES**
**BALANCE SHEET**
**31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	<b>ASSETS</b>		
	<b>2001</b>		<b>2000</b>
DUE FROM BANKS (Notes B and C)	\$ 68,823		\$ 62,546
INVESTMENTS (Notes B, C, D, and J)			
Government and government-guaranteed obligations	\$ 3,527,786		\$ 3,623,338
Time deposits	2,673,253		2,065,190
Other securities	2,063,876	8,264,915	1,844,480
LOANS OUTSTANDING (OCR-5) (Notes A, B, and E) (Including FAS 133 adjustment of \$1,212 – 31 December 2001)			
Members and guaranteed by members	28,334,516		27,825,302
Private sector	404,458		405,424
	28,738,974		28,230,726
Less—allowance for loan losses	80,128	28,658,846	75,610
EQUITY INVESTMENTS (Notes A, B, and F)		208,018	203,497
ACCRUED INCOME			
On investments	65,426		87,313
On loans	394,297	459,723	408,735
RECEIVABLE FROM MEMBERS (Note I)			
Nonnegotiable, noninterest-bearing demand obligations (Note C)	333,047		384,045
Amounts required to maintain value of currency holdings	11,100		8,725
Subscription installments	4,353	348,500	1,169
RECEIVABLE FROM SWAPS (Notes B and H) (Including FAS 133 adjustment of \$330,164 – 31 December 2001)		6,379,403	5,942,697
OTHER ASSETS			
Notional amounts required to maintain value of currency holdings (Notes B and I)	–		677,808
Property, furniture, and equipment (Notes B and G)	155,262		156,256
Investment related receivables	159,500		86,026
Unamortized issuance costs of borrowings	52,343		46,613
Miscellaneous (Note L)	110,991	478,096	103,003
<b>TOTAL</b>	\$44,866,324		\$43,856,557

The accompanying notes are an integral part of these financial statements (OCR-8).

LIABILITIES, CAPITAL, AND RESERVES			
	2001	2000	
BORROWINGS (OCR-6) (Notes B and H) (Including FAS 133 adjustment of \$26,261 – 31 December 2001)	\$24,880,784	\$25,367,175	
ACCRUED INTEREST ON BORROWINGS	371,405	378,140	
PAYABLE FOR SWAPS (Notes B and H) (Including FAS 133 adjustment of \$194,674 – 31 December 2001)	6,784,076	6,633,736	
ACCOUNTS PAYABLE AND OTHER LIABILITIES			
Notional amounts required to maintain value of currency holdings (Notes B and I)	\$ –	\$ 279,051	
Investment related payables	1,778,553	222,646	
Undisbursed technical assistance commitments (Notes J and K)	19,753	–	
Advance payments on subscriptions (Note I)	4	102	
Miscellaneous (Note G)	<u>157,526</u>	<u>1,955,836</u>	<u>142,072</u>
CAPITAL AND RESERVES (OCR-4)			643,871
Capital stock (OCR-7) (Notes B and I)			
Authorized (SDR34,909,940,000)			
Subscribed (SDR34,746,270,000 - 2001 and 2000)	43,628,112	45,271,263	
Less—"callable" shares subscribed	<u>40,559,590</u>	<u>42,087,172</u>	
"Paid-in" shares subscribed	3,068,522	3,184,091	
Less—subscription installments not due	<u>18,967</u>	<u>72,232</u>	
Subscription installments matured	3,049,555	3,111,859	
Less—capital transferred to the Asian Development Fund	<u>59,780</u>	<u>62,031</u>	
	2,989,775	3,049,828	
Net notional amounts required to maintain value of currency holdings (Notes B and I)	(462,456)	–	
Ordinary reserve (Note J)	7,812,436	7,166,484	
Special reserve (Note J)	182,903	181,608	
Surplus (Note J)	116,645	116,645	
Net income after appropriation (OCR-2) (Note J)	861,965	625,716	
Accumulated other comprehensive income (OCR-4) (Note J)	<u>(627,045)</u>	<u>10,874,223</u>	<u>(306,646)</u>
<b>TOTAL</b>	<b>\$44,866,324</b>		<b>\$43,856,557</b>

OCR-2

**ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES**
**STATEMENT OF INCOME AND EXPENSES**  
**For the Years Ended 31 December 2001 and 2000**  
 Expressed in Thousands of United States Dollars (Note B)

	<b>2001</b>	<b>2000</b>
<b>INCOME (Note K)</b>		
From loans (Notes B and E)		
Interest	\$1,765,025	\$1,807,955
Commitment charge	47,050	46,860
Other	<u>1,565</u>	<u>6,519</u>
	<u>\$1,813,640</u>	<u>\$1,861,334</u>
From investments (Notes B and D)		
Interest	322,586	403,490
Net gain (loss) on sales	81,032	(3,628)
Net loss from futures	<u>(182)</u>	<u>—</u>
	<u>403,436</u>	<u>399,862</u>
From other sources—net (Notes E and P)	<u>21,634</u>	<u>39,734</u>
<b>TOTAL INCOME</b>	<b>\$2,238,710</b>	<b>\$2,300,930</b>
<b>EXPENSES (Note K)</b>		
Interest and other financial expenses (Note H)	1,434,112	1,576,745
Administrative expenses (Note M)	59,039	92,559
Technical assistance to member countries	19,962	—
Provision for losses (Notes B and E)	<u>9,838</u>	<u>5,910</u>
<b>TOTAL EXPENSES</b>	<b><u>1,522,951</u></b>	<b><u>1,675,214</u></b>
<b>FAS 133 ADJUSTMENT (Notes B and K)</b>	<b>715,759</b>	<b>625,716</b>
<b>OPERATING INCOME</b>	<b>828,604</b>	<b>625,716</b>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (Note B)</b>	<b><u>34,656</u></b>	<b><u>—</u></b>
<b>NET INCOME</b>	<b>863,260</b>	<b>625,716</b>
<b>APPROPRIATION OF GUARANTEE FEES TO SPECIAL RESERVE (Note J)</b>	<b>1,295</b>	<b>—</b>
<b>NET INCOME AFTER APPROPRIATION TO SPECIAL RESERVE</b>	<b>\$ 861,965</b>	<b>\$ 625,716</b>

The accompanying notes are an integral part of these financial statements (OCR-8).

**ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES**
**STATEMENT OF CASH FLOWS**
**For the Years Ended 31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	<b>2001</b>	<b>2000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and other charges on loans received	\$ 1,559,651	\$ 1,570,741
Interest on investments received	366,408	400,347
Interest and other financial expenses paid	(1,367,316)	(1,485,833)
Administrative expenses paid	(77,599)	(56,385)
Technical assistance disbursed	(337)	—
Others—net	19,550	21,741
<b>Net Cash Provided by Operating Activities</b>	<b>500,357</b>	<b>450,611</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investment	6,627,494	5,493,655
Maturities of investment	199,790,074	213,024,681
Purchases of investment	(205,830,483)	(217,953,656)
Principal collected on loans	1,195,800	1,856,437
Loans disbursed	(2,555,876)	(2,640,125)
Property, furniture, and equipment acquired	(6,825)	(10,570)
Net (sale) purchases of equity investments	(8,934)	511
<b>Net Cash Used in Investing Activities</b>	<b>(788,750)</b>	<b>(229,067)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds of new borrowings	2,458,205	1,944,312
Bonds purchased for redemption and borrowings redeemed	(2,164,031)	(1,969,637)
Matured capital subscriptions collected <sup>1</sup>	15,740	20,301
Borrowing issuance expenses paid	(21,319)	(6,491)
Demand obligations of members encashed	53,492	23,967
Net currency swaps	(33,913)	(172,193)
Resources transferred to TASF	—	(80,000)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>308,174</b>	<b>(239,741)</b>
<b>Effect of Exchange Rate Changes on Due from Banks</b>	<b>(13,504)</b>	<b>7,771</b>
<b>Net Increase (Decrease) in Due from Banks</b>	<b>6,277</b>	<b>(10,426)</b>
<b>Due from Banks at Beginning of Year</b>	<b>62,546</b>	<b>72,972</b>
<b>Due from Banks at End of Year</b>	<b>\$ 68,823</b>	<b>\$ 62,546</b>
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net Income (OCR-2)	\$ 863,260	\$ 625,716
Adjustments to reconcile net income to net cash provided by operating activities:		
FAS 133 Adjustment	(112,845)	—
Cumulative effect of change in accounting principle	(34,656)	—
Change in accrued income, including interest and commitment charges added to loans	(266,895)	(299,873)
Depreciation and amortization	138,548	96,218
Net (gain) loss from sales of investments	(80,850)	3,628
Change in accrued interest and other expenses	(23,173)	1,752
Undisbursed technical assistance commitments	19,753	—
Provision for losses charged	9,838	5,910
Change in administration charge receivable	1,771	33,653
Others—net	(14,394)	(16,393)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 500,357</b>	<b>\$ 450,611</b>

<sup>1</sup> In addition, nonnegotiable, noninterest-bearing demand promissory notes amounting to \$29,952 (\$47,508 - 2000) were received from members. The accompanying notes are an integral part of these financial statements (OCR-8).

## ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

### STATEMENT OF CHANGES IN CAPITAL AND RESERVES

**For the Years Ended 31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Notes B and I)

	Capital Stock	Net Notional Maintenance of Value	Ordinary Reserve	Special Reserve	Surplus	Net Income After Appropriations	Accumulated Other Comprehensive Income	Total
<b>Balance—</b>								
1 January 2000	\$3,121,843	\$ –	\$6,688,873	\$181,608	\$196,645	\$449,873	\$ (75,606)	\$10,563,236
Comprehensive income for the year 2000 (Note J)						625,716	(231,040)	394,676
Change in SDR value of paid-in shares subscribed	(157,007)							(157,007)
Additional paid-in shares subscribed during the year	7,600							7,600
Change in subscription installments not due	74,037							74,037
Change in SDR value of capital transferred to Asian Development Fund	3,355							3,355
Change in Notional Maintenance of Value								–
Allocation of 1999 net income to ordinary reserve (Note J)		449,873				449,873		–
Allocation of surplus to Technical Assistance Fund (Note J)					27,738	(80,000)		(80,000)
Credit to ordinary reserve for change in SDR value of capital stock (Note J)								27,738
<b>Balance—</b>								
<b>31 December 2000 (Forward)</b>	<b>\$3,049,828</b>	<b>\$ –</b>	<b>\$7,166,484</b>	<b>\$181,608</b>	<b>\$116,645</b>	<b>\$625,716</b>	<b>\$ (306,646)</b>	<b>\$10,833,635</b>

	Capital Stock	Net Notional Maintenance of Value	Ordinary Reserve	Special Reserve	Surplus	Net Income After Appropriations	Accumulated Other Comprehensive Income	Total
<b>Balance—</b> 31 December 2000 (Forward)	\$3,049,828	\$ —	\$7,166,484	\$181,608	\$116,645	\$625,716	\$(306,646)	\$10,833,635
Comprehensive income for the year 2001 (Note J)				1,295		861,965	(320,399)	542,861
Change in SDR value of paid-in shares subscribed	(110,960)							(110,960)
Change in subscription installments not due	48,656							48,656
Change in SDR value of capital transferred to Asian Development Fund	2,251							2,251
Reclassification of notional maintenance of value		(462,456)						(462,456)
Allocation of 2000 net income to ordinary reserve (Note J)			625,716			(625,716)		—
Credit to ordinary reserve for change in SDR value of capital stock (Note J)			20,236					20,236
<b>Balance—</b> 31 December 2001	\$2,989,775	\$ (462,456)	\$7,812,436	\$182,903	\$116,645	\$861,965	\$(627,045)	\$10,874,223

**Accumulated Other Comprehensive Income (Note J)****For the Years Ended 31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	FAS 133 Adjustment and Amortization		Accumulated Translation Adjustments		Unrealized Investment Holding Gains (Losses)		Accumulated Other Comprehensive Income	
	2001	2000	2001	2000	2001	2000	2001	2000
Balance, 1 January	\$ —	\$ —	\$ (376,002)	\$ (78,329)	\$ 69,356	\$ 2,723	\$(306,646)	\$ (75,606)
Transition adjustment	(116,313)	—	—	—	—	—	(116,313)	—
Amortization	61,415	—	—	—	—	—	61,415	—
Other comprehensive income for the year	—	—	(289,470)	(297,673)	23,969	66,633	(265,501)	(231,040)
<b>Balance, 31 December</b>	<b>\$ (54,898)</b>	<b>\$ —</b>	<b>\$ (665,472)</b>	<b>\$ (376,002)</b>	<b>\$ 93,325</b>	<b>\$ 69,356</b>	<b>\$(627,045)</b>	<b>\$ (306,646)</b>

The accompanying notes are an integral part of these financial statements (OCR-8).

## ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

### SUMMARY STATEMENT OF LOANS

**31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

Borrower/Guarantor	Loans Outstanding <sup>1</sup>	Undisbursed Balances of Effective Loans <sup>2</sup>	Loans Not Yet Effective	Total Loans	Percent of Total Loans
Bangladesh	\$ 35,654	\$ 173,346	\$ 138,700	\$ 347,700	0.82
China, People's Rep. of	5,906,050	2,453,389	1,055,000	9,414,439	22.13
Fiji Islands	46,812	29,847	—	76,659	0.18
India	4,054,780	2,010,868	1,370,000	7,435,648	17.48
Indonesia	6,971,037	2,896,917	—	9,867,954	23.20
Kazakhstan	284,057	38,738	97,000	419,795	0.99
Korea, Rep. of	3,916,313	1,727	—	3,918,040	9.21
Malaysia	433,781	75,940	—	509,721	1.20
Marshall Islands	2,040	1,960	—	4,000	0.01 <sup>3</sup>
Myanmar	795	—	—	795	n.a. <sup>3</sup>
Nauru	2,300	2,700	—	5,000	0.01
Nepal	41,963	1,433	—	43,396	0.10
Pakistan	2,161,012	516,355	325,562	3,002,929	7.06
Papua New Guinea	168,454	147,045	—	315,499	0.74
Philippines	2,461,965	1,399,733	148,053	4,009,751	9.43
Sri Lanka	27,001	58,706	60,000	145,707	0.34
Thailand	2,072,420	385,219	—	2,457,639	5.78
Uzbekistan	107,919	254,239	72,000	434,158	1.02
Viet Nam	40,177	51,002	15,000	106,179	0.25
	28,734,530	10,499,164	3,281,315	42,515,009	99.95
Regional	4,444	15,556	—	20,000	0.05
TOTAL – 31 December 2001	28,738,974	10,514,720	3,281,315	42,535,009	100.00
Allowance for loan losses	(80,128)	—	—	(80,128)	
<b>NET BALANCE – 31 December 2001</b>	<b>\$28,658,846</b>	<b>\$10,514,720</b>	<b>\$3,281,315</b>	<b>\$42,454,881</b>	
Made up of loans to:					
Members and guaranteed by members	\$ 28,334,516	\$ 10,268,101	\$ 3,221,315	\$ 41,823,932	
Private sector (net of allowance for loan losses)	324,330	246,619	60,000	630,949	
Net balance – 31 December 2001	<u>\$ 28,658,846</u>	<u>\$ 10,514,720</u>	<u>\$ 3,281,315</u>	<u>\$ 42,454,881</u>	
TOTAL – 31 December 2000	<u>\$ 28,230,726</u>	<u>\$ 10,728,001</u>	<u>\$ 3,128,903</u>	<u>\$ 42,087,630</u>	
Allowance for loan losses	(75,610)	—	—	(75,610)	
<b>NET BALANCE – 31 December 2000</b>	<b><u>\$ 28,155,116</u></b>	<b><u>\$ 10,728,001</u></b>	<b><u>\$ 3,128,903</u></b>	<b><u>\$ 42,012,020</u></b>	
Made up of loans to:					
Members and guaranteed by members	\$ 27,825,302	\$ 10,657,925	\$ 2,822,903	\$ 41,306,130	
Private sector (net of allowance for loan losses)	329,814	70,076	306,000	705,890	
Net balance – 31 December 2000	<u>\$ 28,155,116</u>	<u>\$ 10,728,001</u>	<u>\$ 3,128,903</u>	<u>\$ 42,012,020</u>	

<sup>1</sup> Amounts outstanding on loans made under the Pool-based variable interest rate systems and market-based variable/floating interest rate loans totaled \$28,007,486 (\$27,298,476 - 2000). The average yield on loans was 6.42% (6.59% - 2000).

<sup>2</sup> Of the undisbursed balances, ADB has made irrevocable commitments to disburse various amounts totaling \$97,520 (\$165,122 - 2000).

<sup>3</sup> Below 0.01%.

**MATURITY OF EFFECTIVE LOANS**

<b>Twelve Months Ending 31 December</b>	<b>Amount</b>	<b>Five Years Ending 31 December</b>	<b>Amount</b>
2002	\$1,423,105	2011	14,346,775
2003	1,489,569	2016	9,665,658
2004	1,603,923	2021	5,283,919
2005	1,737,322	2026	1,597,709
2006	1,851,731	2030	<u>253,983</u>
		<b>Total</b>	<b><u>\$39,253,694</u></b>

**SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING**

<b>Currency</b>	<b>2001</b>	<b>2000</b>	<b>Currency</b>	<b>2001</b>	<b>2000</b>
Australian dollar	\$ 71	\$ 122	New Zealand dollar	370	624
Euro	11,024	14,350	Swiss franc	77,262	121,459
Japanese yen	7,401,173	9,075,555	United States dollar	<u>21,249,074</u>	<u>19,018,616</u>
			<b>Total</b>	<b><u>\$28,738,974</u></b>	<b><u>\$28,230,726</u></b>

## ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

### SUMMARY STATEMENT OF BORROWINGS

**31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	Borrowings		Swap Arrangements <sup>2</sup>	
	Principal Outstanding <sup>1</sup>		Payable (Receivable)	
	2001	2000	2001 <sup>3</sup>	2000
<b>Long-Term Borrowing:</b>				
Australian dollar	\$ 1,265,406	\$ 838,125	\$ (1,290,423)	\$ (835,049)
Austrian schilling	—	67,578	—	(67,753)
Canadian dollar	157,104	165,585	(176,767)	(165,080)
Deutsche mark	—	—	(731,048)	(714,747)
Euro	677,970	714,745	—	—
Hong Kong dollar	—	256,419	—	(256,393)
Japanese yen	4,663,401	5,531,275	1,656,207	2,200,546
Korean won	60,929	63,885	(66,207)	(63,885)
Netherlands guilder	280,799	296,030	(307,358)	(295,597)
New Taiwan dollar	560,320	590,717	(600,565)	(590,517)
Pound sterling	360,350	480,754	(221,421)	(333,813)
Swiss franc	738,282	844,384	(356,923)	315,496
United States dollar	15,648,410	15,490,881	4,751,057	4,117,694
Subtotal	<u>24,412,971</u>	<u>25,340,378</u>	<u>(1,834,626)</u>	<u>(2,033,320)</u>
<b>Short-Term Borrowing:</b>				
Japanese yen	—	—	376,812	—
United States dollar	400,000	—	(400,560)	—
Subtotal	<u>400,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Principal amount outstanding	24,812,971	25,340,378		
Unamortized discounts/premiums and transition adjustments	67,813	26,797		
FAS 133 Adjustment to financial expenses				
<b>Total</b>	<b><u>\$24,880,784</u></b>	<b><u>\$25,367,175</u></b>		

### MATURITY STRUCTURE OF BORROWINGS OUTSTANDING<sup>5</sup>

Twelve Months Ending 31 December	Amount	Five Years Ending 31 December	Amount
2002	\$5,853,994	2011	5,394,725
2003	4,483,100	2016	500,395
2004	4,771,961	2021	7,632
2005	2,956,433	2022	38,156
2006	806,575		
		<b>Total</b>	<b><u>\$24,812,971</u></b>

<sup>1</sup> 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	
	2001	2000	2001	2000
Swiss franc	\$ 291,905	\$ 300,313	\$ 141,726	\$ 138,526
United States dollar	1,254,591	1,254,591	1,058,410	979,258

<sup>2</sup> Include currency liability, dual currency and interest rate swaps for 2001. At 31 December 2001, the remaining duration of swap agreements ranged from 1 to 21 years. Approximately 22.62% of the swap receivables and 24.09% of the payables are due from 31 December 2006 through 1 August 2022.

	Net Currency Obligation		Weighted Average Cost (%) After Swaps <sup>4</sup>		
	2001 <sup>3</sup>	2000			
			2001		
\$ (25,017)	\$ 3,076		1.67		
–	(175)		(3.39)		
(19,663)	505		0.10		
(731,048)	(714,747)		5.10		
677,970	714,745		5.52		
–	26		0.22		
5,926,103	7,512,561		4.66		
(5,278)	–		(2.80)		
(26,559)	433		0.21		
(40,245)	200		(0.97)		
138,929	146,941		12.78		
381,359	792,597		6.63		
18,564,841	17,575,255		5.87		
			5.63		
376,812	–		0.04		
(560)	–		7.11		
			4.15		
			(0.08)		
			5.54		
<b>INTEREST RATE SWAP ARRANGEMENTS<sup>6</sup></b>					
	Average Rate (%)				
	Notional Amount		Receive	Pay	
	Notional	Amount	Fixed	Floating	Maturing Through
<b>Receive Fixed Swaps:</b>					
Australian dollar <sup>7</sup>	\$ 76,313	4.60	3.59		2005
Deutsche mark <sup>8</sup>	76,313	4.40	3.62		2010
Japanese yen	76,313	5.50		0.27	2004
United States dollar <sup>9</sup>	22,893	1.93		(0.34)	2016
United States dollar	4,191,840	6.00		2.32	2002-2011
<b>Receive Floating Swaps:</b>					
Japanese yen	389,194	2.42	4.56	(0.34)	2002-2016
United States dollar	31,500	3.06	6.60		2007-2014
<b>Total</b>	<b>\$4,864,366</b>				

<sup>3</sup> Adjusted by the cumulative effect of the adoption of FAS 133 effective 1 January 2001.

<sup>4</sup> In calculating cost of borrowings, the cumulative effect of the adoption of FAS 133 is excluded.

<sup>5</sup> Bonds with put and call options were considered maturing on the first put or call date.

<sup>6</sup> The interest rate swap information is based on interest rates at 31 December 2001. To the extent that interest rates change, variable interest rate information will change.

<sup>7</sup> Consists of a currency coupon swap with interest receivable in Australian dollar and interest payable in Japanese yen.

<sup>8</sup> Consists of a currency coupon swap with interest receivable in Deutsche mark and interest payable in Japanese yen.

<sup>9</sup> Consists of a currency coupon swap with interest receivable in United States dollar and interest payable in Japanese yen.

**ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES**
**STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER**
**31 December 2001**

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			
<b>REGIONAL</b>								
Afghanistan	1,195	0.034	\$ 15,005	\$ 10,208	\$ 4,796	15,918	0.366	
Australia	204,740	5.892	2,570,756	2,390,726	180,031	219,463	5.053	
Azerbaijan	15,736	0.453	197,584	183,685	13,900	30,459	0.701	
Bangladesh	36,128	1.040	453,630	421,863	31,767	50,851	1.171	
Bhutan	220	0.006	2,762	2,474	289	14,943	0.344	
Cambodia	1,750	0.050	21,973	18,232	3,742	16,473	0.379	
China, People's Rep. of	228,000	6.562	2,862,814	2,662,279	200,535	242,723	5.588	
Cook Islands	94	0.003	1,180	1,105	75	14,817	0.341	
Fiji Islands	2,406	0.069	30,210	28,088	2,122	17,129	0.394	
Hong Kong, China	19,270	0.555	241,958	225,007	16,951	33,993	0.783	
India	224,010	6.447	2,812,714	2,615,745	196,969	238,733	5.497	
Indonesia	192,700	5.546	2,419,580	2,250,146	169,433	207,423	4.776	
Japan	552,210	15.893	6,933,659	6,448,086	485,573	566,933	13.053	
Kazakhstan	28,536	0.821	358,304	333,204	25,100	43,259	0.996	
Kiribati	142	0.004	1,783	1,657	126	14,865	0.342	
Korea, Rep. of	178,246	5.130	2,238,092	2,081,378	156,714	192,969	4.443	
Kyrgyz Republic	10,582	0.305	132,870	123,566	9,304	25,305	0.583	
Lao PDR	492	0.014	6,178	5,512	665	15,215	0.350	
Malaysia	96,350	2.773	1,209,790	1,125,061	84,729	111,073	2.557	
Maldives	142	0.004	1,783	1,657	126	14,865	0.342	
Marshall Islands	94	0.003	1,180	1,105	75	14,817	0.341	
Micronesia, Fed. States of	142	0.004	1,783	1,657	126	14,865	0.342	
Mongolia	532	0.015	6,680	6,215	465	15,255	0.351	
Myanmar	19,270	0.555	241,958	225,007	16,951	33,993	0.783	
Nauru	142	0.004	1,783	1,657	126	14,865	0.342	
Nepal	5,202	0.150	65,317	60,734	4,583	19,925	0.459	
New Zealand	54,340	1.564	682,304	634,528	47,776	69,063	1.590	
Pakistan	77,080	2.218	967,832	900,054	67,778	91,803	2.114	
Papua New Guinea	3,320	0.096	41,687	38,786	2,900	18,043	0.415	
Philippines	84,304	2.426	1,058,538	984,419	74,119	99,027	2.280	
Samoa	116	0.003	1,457	1,306	151	14,839	0.342	
Singapore	12,040	0.347	151,177	140,592	10,585	26,763	0.616	
Solomon Islands	236	0.007	2,963	2,762	201	14,959	0.344	
Sri Lanka	20,520	0.591	257,653	239,610	18,043	35,243	0.811	
Taipei, China	38,540	1.109	483,916	450,039	33,877	53,263	1.226	
Tajikistan	10,134	0.292	127,245	118,292	8,953	24,857	0.572	
Thailand	48,174	1.386	604,882	562,518	42,365	62,897	1.448	
Tonga	142	0.004	1,783	1,657	126	14,865	0.342	
Turkmenistan	8,958	0.258	112,478	104,568	7,910	23,681	0.545	
Tuvalu	50	0.001	628	578	50	14,773	0.340	
Uzbekistan	23,834	0.686	299,264	278,308	20,956	38,557	0.888	
Vanuatu	236	0.007	2,963	2,762	201	14,959	0.344	
Viet Nam	12,076	0.348	151,629	134,238	17,390	26,799	0.617	
<b>Total Regional (Forward)</b>	<b>2,212,431</b>	<b>63.674</b>	<b>\$27,779,726</b>	<b>\$25,821,072</b>	<b>\$1,958,654</b>	<b>2,845,520</b>	<b>65.515</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		
<b>Total Regional (Forward)</b>	<b>2,212,431</b>	<b>63.674</b>	<b>\$27,779,726</b>	<b>\$25,821,072</b>	<b>\$1,958,654</b>	<b>2,845,520</b>	<b>65.515</b>
<b>NONREGIONAL</b>							
Austria	12,040	0.347	151,177	140,592	10,585	26,763	0.616
Belgium	12,040	0.347	151,177	140,592	10,585	26,763	0.616
Canada	185,086	5.327	2,323,977	2,161,236	162,741	199,809	4.600
Denmark	12,040	0.347	151,177	140,592	10,585	26,763	0.616
Finland	12,040	0.347	151,177	140,592	10,585	26,763	0.616
France	82,356	2.370	1,034,078	961,654	72,424	97,079	2.235
Germany	153,068	4.405	1,921,952	1,787,350	134,602	167,791	3.863
Italy	63,950	1.840	802,969	746,730	56,239	78,673	1.811
The Netherlands	36,294	1.045	455,715	423,809	31,905	51,017	1.175
Norway	12,040	0.347	151,177	140,592	10,585	26,763	0.616
Spain	12,040	0.347	151,177	140,592	10,585	26,763	0.616
Sweden	12,040	0.347	151,177	140,592	10,585	26,763	0.616
Switzerland	20,650	0.594	259,286	241,117	18,169	35,373	0.814
Turkey	12,040	0.347	151,177	140,592	10,585	26,763	0.616
United Kingdom	72,262	2.080	907,336	843,802	63,534	86,985	2.003
United States	552,210	15.893	6,933,659	6,448,086	485,573	566,933	13.053
<b>Total Nonregional</b>	<b>1,262,196</b>	<b>36.326</b>	<b>15,848,386</b>	<b>14,738,518</b>	<b>1,109,868</b>	<b>1,497,764</b>	<b>34.485</b>
<b>TOTAL</b>	<b>3,474,627</b>	<b>100.000</b>	<b>\$43,628,112</b>	<b>\$40,559,590</b>	<b>\$ 3,068,522</b>	<b>4,343,284</b>	<b>100.000</b>

Note: Figures may not add due to rounding.

The accompanying notes are an integral part of these financial statements (OCR-8).

## ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

**31 December 2001 and 2000**

#### NOTE A—NATURE OF OPERATIONS AND LIMITATIONS ON LOANS, GUARANTEES, AND EQUITY INVESTMENTS

##### *Nature of Operations*

The Asian Development Bank (ADB), a multilateral development finance institution, was established in 1966 with its headquarters in Manila, Philippines. ADB and its operations are governed by the Agreement Establishing the Asian Development Bank (the Charter). Its purpose is to foster economic development and co-operation in the Asian and Pacific region and to contribute to the acceleration of the process of economic development of the developing member countries (DMCs) in the region, collectively and individually. With the adoption of its poverty reduction strategy at the end of 1999, ADB made reducing poverty in the region its main goal. ADB provides financial and technical assistance (TA) for projects and programs which will contribute to achieving this purpose.

Mobilizing financial resources, including cofinancing, is an integral part of ADB's operational activities. In addition, ADB, alone or jointly, administers on behalf of donors, including members, their agencies and other development institutions, funds restricted for specific uses which include TA grants as well as regional programs.

ADB's ordinary operations comprise loans, equity investments, and guarantees. In 2001, limited technical assistance to member countries to support high priority TA programs is included. 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 2001, the total of such loans, equity investments, and guarantees aggregated approximately 83.7% (80.7% - 2000) 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 2001, such equity investments represented approximately 3.5% (3.7% - 2000) 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 2001, the value of the SDR in terms of the current United States dollar was \$1.25562 (\$1.30291 - 2000) giving a value for each share of ADB's capital equivalent to \$12,556.20 (\$13,029.10 - 2000). 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 appli-

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cable 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 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."

#### *Derivative Financial Instruments*

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 was further amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of Statement 133." The standards are herein collectively referred to as FAS 133. FAS 133, is effective for ADB on 1 January 2001. This statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the Balance Sheet as either an asset or liability measured at its fair value. Changes in the fair value of derivatives are recorded in net income or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction.

ADB uses derivative instruments for asset/liability management of individual positions and portfolios, as well as for the reduction of transaction costs. In applying FAS 133 for purposes of financial statement reporting, ADB has elected not to define any qualifying hedging relationships. Rather, all derivative instruments, as defined by FAS 133, have been marked to fair value and all changes in the fair value have been recognized in net income. ADB has elected not to define any qualifying hedging relationships, not because economic hedges do not exist, but rather because the application of FAS 133 hedging criteria does not make evident the impact of economic risks inherent in ADB's financial assets and liabilities.

The cumulative effect of a change in accounting principle includes the difference between the carrying value and the

fair value of the derivative instruments in the borrowings portfolio on 31 December 2000 as well as loans that met hedge criteria, offset by any gains or losses on those borrowings and loans for which a fair value exposure was being hedged. The net effect gave rise to a transition loss of \$81,657,000, out of which, a loss of \$116,313,000 is reported in other comprehensive income and a gain of \$34,656,000 is reported in net income. The allocation between net income and other comprehensive income was based upon the hedging relationships that existed before the initial application of this statement.

Since ADB has not defined any qualifying hedging relationships under this standard, the amount recorded in other comprehensive income as part of the transition is being reclassified into earnings in the same period or periods in which the hedged forecasted transaction affects earnings.

#### *Investments*

All investment securities and negotiable certificate of deposits held by ADB other than derivative instruments are considered by Management to be "Available for Sale" and are reported at estimated fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income." All derivative instruments are marked to market. Estimated fair value generally represents market value. Time deposits are classified as "Held-to-Maturity" and are reported at cost. Realized gains and losses are included in income from investments and are measured by the difference between amortized cost and the net proceeds of sales. With respect to futures, realized gain or loss is reported based on daily settlement of the net cash margin.

#### *Loans*

ADB's loans are made to or guaranteed by members, with the exception of loans to the private sector, and have maturities ranging between 3 and 30 years. ADB requires its borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies which it has disbursed. It is the policy of ADB to place loans in nonaccrual status for which principal, interest, or other charges are overdue by six months. Interest and other charges on nonaccruing loans are included in income only to the extent that payments

## ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

**31 December 2001 and 2000**

have been received by ADB. ADB follows a policy of not taking part in debt rescheduling agreements with respect to public sector loans. In the case of private sector loans, ADB may agree to debt rescheduling only after alternative courses of action have been exhausted.

ADB determines that a loan is impaired and therefore subject to provisioning when principal or interest is in arrears for one year for public sector loans (unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning) and six months for private sector loans. If the present value of expected future cash flows discounted at the loan's effective interest rate is less than the carrying value of the loan, a valuation allowance is established with a corresponding charge to provision for loan losses.

ADB's periodic evaluation of the adequacy of the allowance for loan losses is based on its past loan loss experience, known and inherent risks in existing loans, and adverse situations that may affect a borrower's ability to repay.

ADB levies front-end fees on all new loans. Incremental direct loan origination costs are offset against front-end fees earned and, if material, the difference is deferred and amortized over the life of the loans.

#### *Equity Investments*

Investments in equity securities without readily determinable fair values are reported at cost less probable losses inherent in the portfolio but not specifically identifiable.

The reserve against losses for equity investments is established quarterly based on Management's evaluation of potential losses for such investments. Equity 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."

#### *Reclassification*

Certain reclassifications of prior year's information have been made to conform to the current year's presentation due to FAS 133.

Also, in prior years, notional amounts receivable and payable required to maintain value of currency holdings were classified as an asset and a liability, respectively. These amounts have been reclassified in the Balance Sheet of 2001 as a component of "CAPITAL AND RESERVE." This reclassification has no impact on the legal obligation of the members to maintain value of their capital.

#### **NOTE C—RESTRICTIONS ON USE OF CURRENCIES AND DEMAND OBLIGATIONS OF MEMBERS**

In accordance with Article 24, paragraph 2(i) of the Charter, the use by ADB or by any recipient from ADB of certain currencies may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 39 DMCs for 2001 (39 - 2000), cash in banks (due from banks) and demand obligations totaling \$51,919,000 (\$54,221,000 - 2000) and \$217,926,000 (\$233,767,000 - 2000), 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

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(due from banks), demand obligations of members, and investments totaling \$36,000 (\$45,000 - 2000), \$2,778,000 (\$2,966,000 - 2000) and \$4,783,000 (\$4,604,000 - 2000), respectively, have been so restricted.

#### NOTE D—INVESTMENTS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments. Investments are governed by the Investment Authority approved by the Board of Directors in 1999. ADB is restricted by its Investment Authority to invest in investment instruments which are obligations of a limited class of issuers, primarily government or government-guaranteed obligations and corporate obligations. Included in other securities as of 31 December 2001 were corporate bonds, asset/mortgage-backed securities, and other obligations of banks amounting to \$1,205,915,000 (\$801,978,000 - 2000), \$534,331,000 (\$269,991,000 - 2000) and \$323,630,000 (\$772,511,000 - 2000), respectively.

Exposure to interest rate risk may be adjusted within defined bands to reflect changing market circumstances. These adjustments are made through the purchase and sale of both securities, financial futures, and options. To increase returns, ADB may invest in securities denominated in currencies other than the originating functional currencies and then enter into covered forward foreign exchange agreements in order to maintain its original mix of functional currency holdings. Accordingly, the financial futures, options, and covered forwards are held for risk management rather than for trading purposes.

The currency compositions of the investment portfolio as of 31 December 2001 and 2000 expressed in United States dollars are as follows:

Currency	2001	2000
Australian dollar	\$ 245,470,000	\$ 266,777,000
Canadian dollar	136,680,000	251,606,000
Euro	278,641,000	387,748,000
Japanese yen	1,078,786,000	1,088,950,000
Pound sterling	183,040,000	226,308,000
Swiss franc	321,441,000	874,819,000
United States dollar	5,785,007,000	4,117,683,000
Others	235,850,000	319,117,000
Total	\$8,264,915,000	\$7,533,008,000

The estimated fair value and amortized cost of the investments by contractual maturity at 31 December 2001 are as follows:

	Estimated Fair Value	Amortized Cost
Due in one year or less	\$3,440,387,000	\$3,437,342,000
Due after one year		
through five years	4,295,656,000	4,214,445,000
Due after five years		
through ten years	528,872,000	522,072,000
Total	\$8,264,915,000	\$8,173,859,000

Cost for time deposits approximates fair value. Additional information relating to investments in government and government-guaranteed obligations and other securities is as follows:

	2001	2000
As of 31 December		
Amortized cost	\$5,500,606,000	\$5,401,464,000
Estimated fair value	5,591,662,000	5,467,817,000
Gross unrealized gains	91,430,000	66,458,000
Gross unrealized losses	374,000	105,000
For the years ended 31 December		
Change in net unrealized gains	24,703,000	83,468,000
Proceeds from sales	6,627,494,000	5,493,655,000
Gross realized gains	86,397,000	9,094,000
Gross realized losses	5,547,000	12,722,000

**Asset/Mortgage-backed Securities:** Asset/Mortgage-backed securities are instruments whose cash flow is based on the cash flows of a pool of underlying assets or mortgage loans managed by a trust.

**Futures:** Futures are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities, and changes in the market prices are settled daily. ADB generally closes out open positions prior to maturity. Therefore, cash receipts

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or payments are limited to the change in market value of the futures. At 31 December 2001, the nominal amount of outstanding purchase and sales contracts were \$294,500,000 and \$187,300,000, respectively (nil - 2000).

#### NOTE E—LOANS AND GUARANTEES

##### *Loans*

ADB does not currently sell its loans, nor does it believe there is a comparable market for its loans. The estimated fair value of all loans is based on the estimated cash flows from principal repayments, interest, and other charges discounted at the applicable market yield curves for ADB's borrowing cost plus lending spread. The estimated fair value of public sector loans is not affected by credit risks based on ADB's experience with its borrowers. Allowance for loan losses is made against private sector loans.

The carrying amount and estimated fair value of loans outstanding at 31 December 2001 and 2000 are as follows:

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 rate system, and in November 1994, a market-based variable lending rate system was made available to financial intermediaries in the public sector and to the private sector borrowers. For loans to the private sector borrowers, approximately 69% (66% - 2000) of the loans were based on variable lending rates.

Since 1988, ADB has charged front-end fees for private sector loans. Effective 1 January 2000, ADB levies front-end fee of 1% for new public sector loans for which the loan negotiations are completed after that date. In addition, the lending spread applied to all outstanding pool-based OCR public sector loans and new public sector market-based loans has been increased from 0.4% to 0.6%. Also effective the same date, a flat commitment fee of 0.75% is charged for new program loans, while the progressive commitment fee of 0.75% is maintained for project loans.

	2001		2000	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Fixed rate multicurrency loans	\$ 559,641,000	\$ 708,134,000	\$ 748,078,000	\$ 936,719,000
Pool-based multicurrency loans	7,006,085,000	7,902,889,000	8,634,853,000	9,691,828,000
Pool-based single currency (US\$) loans	16,158,226,000	17,108,946,000	14,215,879,000	14,726,296,000
LIBOR-based single currency loans	4,873,607,000	4,906,480,000	4,487,301,000	4,487,544,000
Fixed rate single currency loans	61,287,000	70,701,000	69,005,000	81,968,000
Total	<u>\$28,658,846,000</u>	<u>\$30,697,150,000</u>	<u>\$28,155,116,000</u>	<u>\$29,924,355,000</u>

Administrative expenses relating to direct loan origination of \$34,793,000 for the year ended 31 December 2001 (\$8,531,000 - 2000) were offset against front-end fees earned of a similar amount, resulting in a reduction in administrative expenses of this amount.

Commencing 1 July 2001, ADB offered LIBOR-based loans (LBLs) in any of the following currencies – Euro, Japanese yen, or US dollar. The new LBL lending facility offers borrowers the flexibility of (i) choice of currency and interest rate basis;

(ii) options to link repayment schedules to actual disbursements for financial intermediary borrowers; (iii) change the original loan terms (currency and interest rate basis) at any time during the life of the loan; and (iv) options to cap or collar the floating lending rate at any time during the life of the loan. LBL terms are available for all new loans for which the invitation to negotiate is issued on or after 1 July 2001. It is also extended to borrowers who wish to transform undisbursed amount of presently effective pool-based single currency loan

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in US dollars, if this constitutes at least 40 percent of the original loan amount as of 30 June 2001. ADB's loan product menu will consist only of LBL by the 1<sup>st</sup> of July 2002.

Undisbursed loan commitments and an analysis of loans by borrowing member countries as of 31 December 2001 are shown in OCR-5. The carrying amounts of loan outstanding by loan products at 31 December 2001 and 2000 are as follows:

	2001	2000
Public Sector		
Fixed rate		
multicurrency loans	\$ 559,641,000	\$ 748,078,000
Pool-based		
multicurrency loans	6,995,932,000	8,617,170,000
Pool-based single currency (US\$) loans	16,158,226,000	14,215,879,000
Market-based loans – floating rate	4,298,838,000	4,244,175,000
Market-based loans – fixed rate	1,095,000	-
LIBOR-based loans	320,784,000	-
	<u>28,334,516,000</u>	<u>27,825,302,000</u>
Private Sector		
Pool-based		
multicurrency loans	12,497,000	19,221,000
Currency specific loans	190,094,000	208,729,000
Private sector facility loans	7,340,000	15,672,000
Market-based loans – floating rate	152,747,000	131,588,000
Market-based loans – fixed rate	37,336,000	26,214,000
Revolving facility – AFIC	4,444,000	4,000,000
	<u>404,458,000</u>	<u>405,424,000</u>
Less: Allowance for loan loss	<u>(80,128,000)</u>	<u>(75,610,000)</u>
	<u>324,330,000</u>	<u>329,814,000</u>
Total	<u>\$28,658,846,000</u>	<u>\$28,155,116,000</u>

#### *Public Sector Loans*

Two public sector loans to Myanmar and one public sector loan to Nauru were in nonaccrual status as of 31 December 2001 (two to Myanmar - 2000). The principal outstanding for these three loans as of 31 December 2001 was \$3,095,000 (\$864,000 - 2000) of which \$795,000 (\$864,000 - 2000) was

overdue. Loans in nonaccrual status resulted in \$307,000 (\$66,000 - 2000) not being recognized as income from public sector loans for the year ended 31 December 2001. The accumulated interest and other charges on these loans that were not recognized as income as of 31 December 2001 would have totaled \$514,000 (\$207,000 - 2000).

#### *Private Sector Loans*

Twelve private sector loans were in nonaccrual status as of 31 December 2001 (twelve - 2000). The principal outstanding at that date was \$75,449,000 (\$77,699,000 - 2000) of which \$51,065,000 (\$42,116,000 - 2000) was overdue. Loans in nonaccrual status resulted in \$7,676,000 (\$7,214,000 - 2000) not being recognized in income from private sector loans for the year ended 31 December 2001. The accumulated interest and other charges on these loans that were not recognized as of 31 December 2001 would have totaled \$29,380,000 (\$21,704,000 - 2000).

#### *Loan Loss Provision*

ADB has not suffered any losses of principal on public sector loans. No loan loss provisions have been made against outstanding public sector loans, but loan loss provisions have been made against private sector loans during the year (see Note K).

Information pertaining to loans which were subject to loan loss provisions at 31 December 2001 and 2000 is as follows:

	2001	2000
Loans not subject to loss provisions	\$28,629,075,000	\$28,148,427,000
Loans subject to loss provisions	109,899,000	82,299,000
Total	<u>\$28,738,974,000</u>	<u>\$28,230,726,000</u>
Average amount of loans subject to loss provisions	\$ 113,060,000	\$ 83,601,000
Related interest income on such loans	\$ 3,182,000	\$ 6,429,000
Cash received on related interest income on such loans	\$ 3,591,000	\$ 1,506,000

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The changes in the allowance for loan losses during 2001 and 2000 are as follows:

	2001	2000
Balance – 1 January	\$75,610,000	\$72,991,000
Provision during the year	4,994,000	3,045,000
Translation adjustments	(476,000)	(426,000)
Balance – 31 December	<u>\$80,128,000</u>	<u>\$75,610,000</u>

#### *Loan Guarantees*

ADB extends guarantees to public sector and private sector borrowers which are not reflected in the financial statements. Such guarantees include (i) partial credit guarantees where only certain principal and/or interest payments are

covered; and (ii) political risk guarantees, which provide coverage against well-defined sovereign risks. Guaranteed payments under partial credit guarantees are generally due 10 or more years from the loan inception date. ADB's political risk guarantee is callable when a guaranteed event has occurred and such an event has resulted in debt service default to the guaranteed lender. The present value of the contingent future payment obligations of all outstanding partial credit guarantees and the nominal value of political risk guaranteed obligation at 31 December 2001 and 2000 are used to calculate ADB's lending limitation. None of these amounts were subject to call as of that date (nil – 31 December 2000). ADB estimates that the present value of guarantees outstanding at 31 December 2001 approximates their fair value.

As at 31 December 2001 and 2000, the outstanding amount and present value of ADB's guarantee obligations covered:

	2001		2000	
	Outstanding Guaranteed Amount	Present Value	Outstanding Guaranteed Amount	Present Value
Partial Credit Guarantees				
Complementary Loans				
China, People's Rep. of	\$ 27,966,000	\$ 21,039,000	\$ 28,709,000	\$ 19,361,000
India	57,235,000	39,935,000	65,778,000	40,849,000
Indonesia	21,741,000	16,174,000	24,987,000	16,709,000
Papua New Guinea	505,000	494,000	1,601,000	1,515,000
Subtotal	<u>107,447,000</u>	<u>77,642,000</u>	<u>121,075,000</u>	<u>78,434,000</u>
Bond Issue				
Philippines	<u>91,575,000</u>	<u>44,148,000</u>	<u>105,245,000</u>	<u>42,702,000</u>
Term Loans				
Sri Lanka	<u>112,636,000</u>	<u>80,839,000</u>	<u>115,268,000</u>	<u>74,103,000</u>
Subtotal	<u>311,658,000</u>	<u>202,629,000</u>	<u>341,588,000</u>	<u>195,239,000</u>
Political Risk Guarantees				
Bangladesh	28,735,000	16,147,000	–	–
Pakistan	8,662,000	8,220,000	–	–
Sri Lanka	6,118,000	3,936,000	–	–
Subtotal	<u>43,515,000</u>	<u>28,303,000</u>	<u>–</u>	<u>–</u>
Total	<u>\$355,173,000</u>	<u>\$230,932,000</u>	<u>\$341,588,000</u>	<u>\$195,239,000</u>

The outstanding guaranteed amounts represent the amounts utilized under the related loans which have been disbursed as of the end of a reporting period. At 31 December 2001, the nominal amount of the partial credit guarantees

and political risk guarantees facilities were \$317,596,000 and \$251,000,000, respectively (\$346,455,000 and nil – 31 December 2000).

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*Cofinancing*

ADB functions as lead lender in cofinancing arrangements with other participating financial institutions who also provide funds to ADB's public and private sector borrowers. In such capacity, ADB provides loan administration services,

which include loan disbursements and loan collections. The participating financial institutions have no recourse to ADB for their outstanding loan balances.

Loans administered by ADB on behalf of participating institutions as at 31 December 2001 and 2000 are as follows:

	2001		2000	
	<u>Amount</u>	<u>No. of Loans</u>	<u>Amount</u>	<u>No. of Loans</u>
Public sector loans	\$ 994,709,000	39	\$1,251,620,000	40
Private sector loans	<u>277,284,000</u>	<u>15</u>	<u>271,844,000</u>	<u>12</u>
Total	<u><u>\$1,271,993,000</u></u>	<u><u>54</u></u>	<u><u>\$1,523,464,000</u></u>	<u><u>52</u></u>

During the year ended 31 December 2001, a total of \$532,000 (\$224,000 - 2000) 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 an \$13,874,000 (\$12,511,000 - 2000) 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 - 2000). In October 2001, ADB together with other financiers, renewed the revolving credit facility up to a maximum aggregate principal amount outstanding at any time of \$45,000,000 (\$45,000,000 - 2000). ADB's obligations amount to \$20,000,000, of which, at 31 December 2001, the outstanding loan is \$4,444,000 (\$4,000,000 - 2000). This amount has been included in "LOANS OUTSTANDING" (see Note E).

Unrealized gains on equity investments reported at market value were \$2,269,000 at 31 December 2001 (\$3,003,000 - 2000) and were reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income."

Approved equity investment facility that has not been disbursed was \$176,739,000 at 31 December 2001 (\$185,377,000 - 2000).

**NOTE G—PROPERTY, FURNITURE, AND EQUIPMENT**

In 1991, under the terms of an agreement with the Philippines (Government), ADB returned the former headquarters premises which had been provided by the Government. In accordance with the agreement as supplemented by a memorandum of understanding, ADB was compensated \$22,657,000 for the return of these premises. The compensation is in lieu of being provided premises under the agreement and accordingly, is deferred and amortized over the estimated life of the new headquarters building as a reduction of occupancy expense. The amortization for the year ended 31 December 2001 amounted to \$567,000 (\$567,000 - 2000) reducing depreciation expense for the new headquarters building from \$4,414,000 (\$4,700,000 - 2000) to \$3,847,000 (\$4,133,000 - 2000). At 31 December 2001, the unamortized deferred compensation balance (included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES - Miscellaneous") was \$16,473,000 (\$17,040,000 - 2000). At 31 December 2001, accumulated depreciation for property, furniture, and equipment was \$82,614,000 (\$78,898,000 - 2000).

**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

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borrowed under advantageous terms into one of ADB's major operational currencies, taking advantage of the opportunities offered in different financial markets. Such currency swaps enable ADB to raise operationally needed currencies in a cost-efficient way and to maintain its borrowing presence in the major capital markets. Interest rate swaps are used generally to reduce balance sheet interest rate mismatches arising from lending operations.

ADB issues structured debt which includes embedded currency and/or interest rate derivatives in order to decrease its cost of borrowing. However, ADB enters into simultaneous currency and/or interest rate swaps to hedge fully against the effects of such embedded derivatives.

ADB has a potential risk of loss if the swap counterparty fails to perform its obligations. In order to reduce such credit risk, ADB only enters into long-term swap transactions with counterparties eligible under ADB's swap guidelines which include a requirement that the counterparties have a credit rating of double A or higher. ADB does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

The fair value of outstanding currency swap agreements, interest rate swap agreements, and borrowings is determined at the estimated amount that ADB would receive or pay to terminate the agreements using a market-based valuation model. The basis of valuation is the present value of expected cash flows based on appropriate market data.

**Interest rate swaps:** Under a typical interest rate swap agreement used by ADB, one party agrees to make periodic payments based on a notional principal amount and an interest rate that is fixed at the outset of the agreement. The counterparty agrees to make floating rate payments based on the same notional principal amount. The terms of ADB's interest rate swap agreements specifically match the terms of particular borrowings. Prior to the adoption of FAS 133 in 2001, amounts receivable or payable under the terms of the swap were accrued over the period to which the payment relates and the related cost or income is included in "Interest and other financial expenses."

**Currency swaps:** Under a typical currency swap agreement, one party agrees to make periodic payments in one currency while the counterparty agrees to make periodic payments in another currency. The payments may be fixed at the outset of the agreement or vary based on interest rates. A receivable is created for the currency swapped out, and a payable is created for the currency swapped in. The terms of ADB's currency swap agreements specifically match the terms of particular borrowings. Prior to the adoption of FAS 133 in 2001, swap premiums and discounts were deferred and amortized over the life of the underlying instruments. Such amortizations are included in "Interest and other financial expenses."

As of 31 December 2001 and 2000, the carrying amounts (inclusive of accrued interest) and estimated fair values of borrowings and swaps are as follows:

	2001		2000	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Borrowings	\$25,252,189,000	\$26,734,750,000	\$25,767,437,000	\$26,811,266,000
Payable for swaps	6,784,076,000	6,784,076,000	6,785,302,000	6,989,667,000
Receivable from swaps	6,379,403,000	6,379,403,000	6,116,385,000	6,263,545,000

#### 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 2001 and 2000 consists of 3,490,994 shares, of which 3,474,627

shares (3,474,627 – 2000) have been subscribed by members. Of the subscribed shares, 3,230,244 (3,230,244 - 2000) are "callable" and 244,383 (244,383 – 2000) 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

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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 2001, all matured installments amounting to \$3,049,555,000 (\$3,111,859,000 - 2000) were received except for \$4,353,000 (\$1,169,000 - 2000) from two countries (two - 2000). Installments not due aggregating \$18,967,000 (\$72,232,000 - 2000) are receivable as follows:

Year ending 31 December:

2002	\$16,989,000	2003	\$1,978,000
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Payments in respect of capital subscription installments in advance of due dates are shown in the Balance Sheet (under "ACCOUNTS PAYABLE AND OTHER LIABILITIES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by ADB as of the date on which such payments are actually due.

#### *Capital Transferred to Asian Development Fund*

Pursuant to the provisions of Article 19, paragraph 1(i) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973 to be used as a part of the Special Funds of ADB. The resources so set aside amounting to \$59,780,000 as of 31 December 2001 (\$62,031,000 - 2000) expressed in terms of the SDR on the basis of \$1.25562 (\$1.30291 - 2000) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar—see Note B), were allocated and transferred to the Asian Development Fund.

#### *Maintenance of Value of Currency Holdings*

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, ADB implemented maintenance of value (MOV) in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of the Charter and relevant resolutions of the Board of Directors. Since then, settlement of MOV has been put in abeyance.

Inasmuch as the valuation of ADB's capital stock and the basis of determining possible MOV obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. In view thereof, the notional MOV amounts of receivables and payables are offset against one another and shown as net notional amounts to maintain value of currency holdings in the "CAPITAL AND RESERVES" portion of the Balance Sheet. In 2000 and prior years, the notional MOV amounts were shown as asset and liability in the Balance Sheet. The timing of the establishment and settlement of such amounts is uncertain and, accordingly, it is not practicable to determine a fair value for such receivables and payables.

One country made an arrangement with ADB that has the effect of continuing the settlement of their MOV obligation. The "Amounts required to maintain value of currency holdings" under "RECEIVABLE FROM MEMBERS" represents the amount receivable from changes in exchange rates of the member's currency in relation to the United States dollar.

The net notional amounts as of 31 December 2001 consisted of (a) the increase of \$148,847,000 (\$239,791,000 - 2000) in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar during the period from 1 April 1978 to 31 December 2001 and (b) the net decrease of \$313,609,000 (\$158,966,000 - 2000) in the value of such currency holdings in relation to the United States dollar during the same period. In terms of receivable from and payable to members, they are as follows:

	2001	2000
Notional MOV Receivables	\$657,940,000	\$677,808,000
Notional MOV Payables	<u>195,484,000</u>	<u>279,051,000</u>
Total	<u><u>\$462,456,000</u></u>	<u><u>\$398,757,000</u></u>

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#### *Membership*

As of 31 December 2001, ADB is owned by 59 member countries, 43 countries from the region and 16 countries from outside the region (see *OCR-7*). There has been no subscription from new members in 2001 (Turkmenistan – 2000).

#### 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 2001, \$625,716,000 of the net income for the year ended 31 December 2000 was allocated to the Ordinary Reserve (\$449,873,000 - 2000).

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 \$20,236,000 to the Ordinary Reserve during the year ended 31 December 2001 (\$27,738,000 - 2000). 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.” As the amount of guarantee fees earned of \$1,587,000 for 2001 covered the residual charge of \$292,000 resulting from the guarantee refund made to Thailand in 1999, the amount of \$1,295,000 was appropriated to Special Reserve for 2001 (nil – 2000).

##### *Surplus*

Surplus represents funds for future use to be determined by the Board of Governors. During 2001, no amount (\$80,000,000

- 2000) was allocated by the Board of Governors out of Surplus to Technical Assistance Special Fund.

##### *Comprehensive Income and Accumulated Other Comprehensive Income*

Comprehensive income has two major components: net income and other comprehensive income comprising gains and losses affecting equity that, under generally accepted accounting principles, are excluded from net income. Other comprehensive income includes such items as the effects of the implementation of FAS 133, unrealized gains and losses on available-for-sale securities and listed equity investments, and currency translation adjustments.

#### NOTE K—INCOME AND EXPENSES

Total income from loans for the year ended 31 December 2001 was \$1,813,640,000 (\$1,861,334,000 - 2000). The average yield on the loan portfolio during the year was 6.42% (6.59% - 2000).

Total income from investments for the year ended 31 December 2001 was \$403,436,000 (\$399,862,000 - 2000). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 5.91% (5.09% - 2000). If unrealized gains and losses were included, the annualized rate of return would have been 6.18% (6.15% - 2000).

Income from other sources includes a share of the net earnings of an equity investment of \$1,478,000 (\$667,000 - 2000) accounted for on the equity method. There were no gains/losses realized in 2001 (gains of \$4,530,000 – 2000) representing the difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity.

Dividends received for the year ended 31 December 2001 amounted to \$13,229,000 (\$11,354,000 - 2000).

Total interest expense incurred for the year ended 31 December 2001 amounted to \$1,416,830,000 (\$1,560,606,000 - 2000). Other financial expenses consist of amortization of borrowings' issuance costs and other expenses of \$17,282,000 (\$16,139,000 - 2000).

Administrative expenses (other than those pertaining directly to ordinary operations and special operations) for the

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year ended 31 December 2001 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 \$223,313,000 (\$203,389,000 - 2000), \$129,481,000 (\$102,299,000 - 2000) was accordingly charged to the Asian Development Fund. The balance of administrative expenses after allocation was offset by front-end fee from new loans for the year ended 31 December 2001 of \$34,793,000 (\$8,531,000 - 2000) (see Notes B and E).

In April 2001, the Board of Directors approved financing of technical assistance (TA) directly from current income and outlined a 4-year financing framework for TA operations. The full amount of TA commitments is to be charged to ADB current income as "TECHNICAL ASSISTANCE TO MEMBER COUNTRIES" in the year of commitment. As at 31 December 2001, the amount of TA commitments amounted to \$19,962,000 out of which \$209,000 had been disbursed.

For the year ended 31 December 2001, the provision for losses totaled \$9,838,000 (\$4,994,000 for private sector loans and \$4,844,000 for equity investments). For the year ended 31 December 2000, the provision for losses totaled \$5,910,000 (\$3,045,000 for private sector loans and \$2,865,000 for equity investments).

FAS 133 adjustment of \$112,845,000 was made up of mark to market gains on derivatives of \$153,560,000 offset by amortization of the FAS 133 transition adjustments of \$40,715,000.

#### NOTE L—OTHER ASSETS—MISCELLANEOUS

Included in miscellaneous assets are amounts receivable from the following related funds as of 31 December 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Asian Development Fund (Note K)	\$6,103,000	\$8,823,000
Technical Assistance Special Fund	-	502,000
Japan Special Fund	143,000	144,000
Asian Development Bank Institute Special Fund	<u>107,000</u>	<u>115,000</u>
<b>Total</b>	<b><u>\$6,353,000</u></b>	<b><u>\$9,584,000</u></b>

#### NOTE M—STAFF RETIREMENT PLAN AND POSTRETIREMENT MEDICAL BENEFITS

##### *Staff Retirement Plan*

ADB has a contributory defined benefit Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant from the first day of service, provided that at such a date, the employee has not reached the normal retirement age of 60. The Plan applies also to members of the Board of Directors who elect to join the Plan. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service. The Plan assets are segregated and are not included in the accompanying Balance Sheet. The costs of administering the Plan are absorbed by ADB, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their salary to the Plan and may also make additional voluntary contributions. ADB's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

##### *Postretirement Medical Benefits Plan*

In 1993, ADB adopted a cost-sharing plan for retirees' medical insurance premiums. Under the plan, ADB is obligated to pay 75% of the Group Medical Insurance Plan premiums for retirees, including retired members of the Board of Directors, and their eligible dependents who elected to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits.

## ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

**31 December 2001 and 2000**

The following table sets forth the pension and postretirement medical benefits at 31 December 2001 and 2000:

	Pension Benefits		Postretirement Medical Benefits	
	2001	2000	2001	2000
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of year	\$576,014,000	\$ 530,866,000	\$ 61,231,000	\$ 56,791,000
Service cost	19,014,000	17,968,000	4,252,000	1,874,000
Interest cost	44,165,000	42,354,000	6,964,000	4,510,000
Participants' contributions	29,898,000	21,812,000	-	-
Amendments	40,392,000	-	-	(4,082,000)
Actuarial loss (gain)	32,295,000	(12,919,000)	34,460,000	3,167,000
Benefits paid	(27,413,000)	(24,067,000)	(1,118,000)	(1,029,000)
Benefit obligation at end of year	<u>\$714,365,000</u>	<u>\$ 576,014,000</u>	<u>\$ 105,789,000</u>	<u>\$ 61,231,000</u>
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	\$729,822,000	\$ 754,458,000	\$ -	\$ -
Actual return on plan assets	(49,607,000)	(32,545,000)	-	-
Employer's contribution	10,175,000	10,164,000	1,118,000	1,029,000
Plan participants' contributions	29,898,000	21,812,000	-	-
Benefits paid	(27,413,000)	(24,067,000)	(1,118,000)	(1,029,000)
Fair value of plan assets at end of year	<u>\$692,875,000</u>	<u>\$ 729,822,000</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Funded status</b>				
Unrecognized actuarial loss (gain)	\$ (21,490,000)	\$ 153,808,000	\$(105,789,000)	\$(61,231,000)
Unrecognized prior service cost	2,605,000	(146,392,000)	32,190,000	(272,000)
Unrecognized transition obligation	42,185,000	2,775,000	(3,697,000)	(4,082,000)
Net amount recognized	(2,217,000)	(3,322,000)	7,706,000	10,115,000
Net amount recognized	<u>\$ 21,083,000</u>	<u>\$ 6,869,000</u>	<u>\$ (69,590,000)</u>	<u>\$ (55,470,000)</u>
<b>Amounts recognized in the balance sheet consist of:</b>				
Prepaid benefit cost	\$ 21,409,000	\$ 7,144,000	\$ -	\$ -
Accrued benefit liability	(326,000)	(286,000)	(69,590,000)	(55,470,000)
Intangible asset	-	-	N/A	N/A
Accumulated other comprehensive income	-	11,000	N/A	N/A
Net amount recognized	<u>\$ 21,083,000</u>	<u>\$ 6,869,000</u>	<u>\$ (69,590,000)</u>	<u>\$ (55,470,000)</u>
<b>Weighted-average assumptions as of 31 December</b>				
Discount rate	7.00%	7.50%	7.00%	7.50%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase varies with age and averages	6.00%	6.50%	6.00%	6.50%

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For measurement purposes, an 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for the valuation as at 31 December 2001. The rate

was assumed to decrease gradually to 5.75% for 2009 and remain at that level thereafter.

	Pension Benefits		Postretirement Medical Benefits	
	2001	2000	2001	2000
<b>Components of net periodic benefit cost:</b>				
Service cost	\$ 19,014,000	\$ 17,968,000	\$ 4,252,000	\$ 1,874,000
Interest cost	44,165,000	42,354,000	6,964,000	4,510,000
Expected return on plan assets	(58,746,000)	(52,559,000)	–	–
Amortization of prior service cost	982,000	1,046,000	(385,000)	–
Amortization of transition obligation	(1,105,000)	(1,105,000)	2,409,000	2,409,000
Recognized actuarial (gain) loss	(8,349,000)	(5,726,000)	1,998,000	–
Net periodic benefit cost	<u>\$ (4,039,000)</u>	<u>\$ 1,978,000</u>	<u>\$15,238,000</u>	<u>\$8,793,000</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 \$630,000,000, \$625,000,000, and \$319,000,000, respectively as of 31 December 2001 and \$592,000,000, \$589,000,000, and \$303,000,000, respectively, as of 31 December 2000.

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	\$ 2,623,000	\$ (2,023,000)
Effect on postretirement benefit obligation	20,865,000	(16,503,000)

## ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

31 December 2001 and 2000

#### NOTE N—FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of ADB's significant financial instruments as of 31 December 2001 and 2000 are summarized as follows:

	2001		2000	
	Carrying Amount <sup>a</sup>	Estimated Fair Value	Carrying Amount <sup>a</sup>	Estimated Fair Value
<b>On-balance sheet financial instruments:</b>				
<b>ASSETS:</b>				
Due from banks	\$ 68,823,000	\$ 68,823,000	\$ 62,546,000	\$ 62,546,000
Investments (Note D)	8,264,915,000	8,264,915,000	7,533,008,000	7,533,008,000
Loans outstanding (Note E)	28,658,846,000	30,697,150,000	28,155,116,000	29,924,355,000
Equity investments (Note F)	208,018,000	208,018,000	203,497,000	203,497,000
Other assets				
Nonnegotiable, noninterest-bearing demand obligations	333,047,000	185,090,000	384,045,000	208,316,000
Receivable from swaps (Note H)	6,379,403,000	6,379,403,000	6,116,385,000	6,263,545,000
<b>LIABILITIES:</b>				
Borrowings (Note H)	25,252,189,000	26,734,750,000	25,767,437,000	26,811,266,000
Other liabilities				
Payable for swaps (Note H)	6,784,076,000	6,784,076,000	6,785,302,000	6,989,667,000
<b>Off-balance sheet financial instruments:</b>				
Guarantees (Note E)	\$ 355,173,000	\$ 230,932,000	\$ 341,588,000	\$ 195,239,000

<sup>a</sup> The carrying amount for borrowings and swaps are inclusive of accrued interest.

Additional fair value information, including methods used to estimate certain values, is included in the notes referenced in the above table.

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amount.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using a market-based

valuation model. The basis of valuation is the expected cash flows discounted at the applicable market yield curves or appropriate market data.

#### NOTE O—OFF-BALANCE SHEET CREDIT RISK

ADB is a party to off-balance sheet financial instruments on guarantees. Guarantees involve elements of credit risk which are not reflected on the balance sheet. Credit risk represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contract. The amount of credit risks on guaran-

tees as at 31 December 2001 was \$230,932,000 (\$195,239,000 – 31 December 2000).

#### NOTE P—SPECIAL AND TRUST FUNDS

ADB's operations include special operations, which are financed from special fund resources, consisting of the Asian Development Fund, the Technical Assistance Special Fund, Japan Special Fund, and the Asian Development Bank Institute Special Fund.

In addition, ADB, alone or jointly with donors, administers on behalf of the donors, including members of ADB, their agencies and other development institutions, projects/programs supplementing ADB's operations. Such projects/

programs are funded with external funds administered by ADB and with external funds not under ADB's administration. The funds are restricted for specific uses including technical assistance to borrowers and technical assistance for regional programs. The responsibilities of ADB under these arrangements range from project processing to project implementation including the facilitation of procurement of goods and services.

Special funds and funds administered by ADB on behalf of the donors are not included in the assets of ordinary capital resources. The breakdown of the total of such funds together with the funds of the special operations as of 31 December 2001 and 2000 is as follows:

	2001		2000	
	Total Net Assets	No. of Funds	Total Net Assets	No. of Funds
<b>Special Funds</b>				
Asian Development Fund	\$19,887,498,000	1	\$20,999,228,000	1
Technical Assistance Special Fund	81,271,000	1	115,457,000	1
Japan Special Fund	268,129,000	1	326,977,000	1
Asian Development Bank Institute Special Fund	9,857,000	1	7,614,000	1
<b>Subtotal</b>	<b><u>20,246,755,000</u></b>	<b><u>4</u></b>	<b><u>21,449,276,000</u></b>	<b><u>4</u></b>
<b>Trust Funds</b>				
Funds administered by ADB	219,626,000	30	140,310,000	21
Funds not administered by ADB	6,900,000	1	8,234,000	1
<b>Subtotal</b>	<b><u>226,526,000</u></b>	<b><u>31</u></b>	<b><u>148,544,000</u></b>	<b><u>22</u></b>
<b>Total</b>	<b><u>\$20,473,281,000</u></b>	<b><u>35</u></b>	<b><u>\$21,597,820,000</u></b>	<b><u>26</u></b>

During the year ended 31 December 2001, a total of \$411,000 (\$655,000 - 2000) was received as compensation for

administering projects/programs under Trust Funds. The amount has been included in "Income from other sources."





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#### REPORT OF INDEPENDENT AUDITORS

##### Asian Development Bank

We have audited the accompanying special purpose statement of assets, liabilities and fund balances of the Asian Development Bank—Asian Development Fund as of 31 December 2001 and 2000 and the related special purpose statements of revenues and expenses, of cash flows and of changes in fund balances for the years then ended. These financial statements are the responsibility of the management of the Asian Development Bank. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. 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 our opinion.

As discussed in Notes B and D, the Board of Directors approved in May 2001 the adoption of special purpose financial statements for the Asian Development Bank—Asian Development Fund in 2001. With the adoption of the special purpose financial statements, loan loss provisioning policy has been eliminated. The financial statements for 2000 have been restated accordingly. The accompanying financial statements are not intended to be a presentation in conformity with generally accepted accounting principles in the United States.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of Asian Development Bank—Asian Development Fund at 31 December 2001 and 2000, and the revenues and expenses and of cash flows for the years then ended, on the basis explained in Notes B and D.

Our audits were conducted for the purpose of forming an opinion on the special purpose financial statements taken as a whole. The accompanying special purpose statements of loans as at 31 December 2001 and 2000, and of resources as at 31 December 2001 are presented for purposes of additional analyses and are not required parts of the special purpose financial statements. Such information has been subjected to the auditing procedures applied in the audits of the special purpose financial statements and in our opinion is fairly stated in all material respects in relation to the special purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Governors, Board of Directors, management and members of the Asian Development Bank—Asian Development Fund. However, under the Agreement Establishing the Asian Development Fund, this report is included in the Annual Report of the Asian Development Bank and is therefore a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is fluid and cursive, with "PricewaterhouseCoopers" on the first line and "LLP" on the second line to the right.

Detroit, Michigan  
27 February 2002

ADF-1

**ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND**
**SPECIAL PURPOSE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES**
**31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	<b>2001</b>		<b>2000</b>	
<b>ASSETS</b>				
DUE FROM BANKS (Note B)		\$ 6,293		\$ 7,591
INVESTMENTS (Notes B and C)				
Government and government-guaranteed obligations	\$ 1,002,046		\$ 590,283	
Time deposits	386,344		1,072,066	
Other securities	1,197,736	2,586,126	599,069	2,261,418
LOANS OUTSTANDING (ADF-5) (Notes B and D)		14,832,323		15,531,500
ACCRUED REVENUE				
On investments	28,508		27,826	
On loans	36,066	64,574	39,536	67,362
DUE FROM CONTRIBUTOR(S) (Notes B and E)		2,476,215		3,154,538
OTHER ASSETS		2,963		1,345
<b>TOTAL</b>		<b>\$19,968,494</b>		<b>\$21,023,754</b>
<b>LIABILITIES AND FUND BALANCES</b>				
PAYABLE TO ORDINARY CAPITAL RESOURCES		\$ 6,103		\$ 8,823
ADVANCE PAYMENTS ON CONTRIBUTIONS (ADF-6)		2,651		2,704
OTHER LIABILITIES				
Investment related payables	\$ 70,842		\$ 12,429	
Others	1,400	72,242	570	12,999
FUND BALANCES				
Amounts available for loan commitments (ADF-6)				
Contributed Resources (Note B)	18,180,486		19,319,810	
Set-Aside Resources (Note G)	59,780		62,031	
Transfers from Ordinary Capital Resources and Technical Assistance Special Fund (Note A)	232,553		232,670	
	18,472,819		19,614,511	
Accumulated surplus (ADF-4)	1,608,532		1,469,993	
Accumulated other comprehensive income (ADF-4) (Notes B and H)	(193,853)	19,887,498	(85,276)	20,999,228
<b>TOTAL</b>		<b>\$19,968,494</b>		<b>\$21,023,754</b>

The accompanying notes are an integral part of these special purpose financial statements (ADF-7).

ADF-2

**ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND**
**SPECIAL PURPOSE STATEMENT OF REVENUE AND EXPENSES**
**For the Years Ended 31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	<b>2001</b>	<b>2000</b>
<b>REVENUE</b>		
From loans (Notes B and D)	\$146,763	\$150,327
From investments (Notes B and C)		
Interest	\$120,018	\$115,148
Net gain on sales	1,015	1
From other sources—net	260	\$ 268,056
<b>EXPENSES</b>		
Administrative expenses (Note F)	129,517	102,308
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$138,539</b>	<b>\$163,546</b>

The accompanying notes are an integral part of these special purpose financial statements (ADF-7).

## ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

**SPECIAL PURPOSE STATEMENT OF CASH FLOWS**  
**For the Years Ended 31 December 2001 and 2000**  
 Expressed in Thousands of United States Dollars (Note B)

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest charges on loans received	\$ 126,324	\$ 119,869
Interest on investments received	116,773	92,267
Cash received from other sources	121	479
Administrative expenses paid	<u>(131,456)</u>	<u>(135,962)</u>
Net Cash Provided by Operating Activities	<u>111,762</u>	<u>76,653</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investment	362,994	1,209,982
Maturities of investment	49,239,054	34,779,807
Purchases of investment	<u>(49,935,316)</u>	<u>(36,306,232)</u>
Principal collected on loans	219,334	208,442
Loans disbursed	<u>(1,005,975)</u>	<u>(1,109,423)</u>
Net Cash Used in Investing Activities	<u>(1,119,909)</u>	<u>(1,217,424)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received and notes of contributors encashed <sup>1</sup>	<u>1,006,117</u>	<u>1,121,856</u>
Net Cash Provided by Financing Activities	<u>1,006,117</u>	<u>1,121,856</u>
Effect of Exchange Rate Changes on Due from Banks	<u>732</u>	<u>(3,645)</u>
Net Decrease in Due from Banks	<u>(1,298)</u>	<u>(22,560)</u>
Due from Banks at Beginning of Period	<u>7,591</u>	<u>30,151</u>
Due from Banks at End of Period	<u>\$ 6,293</u>	<u>\$ 7,591</u>
<b>RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Excess of revenue over expenses (ADF-2)	\$ 138,539	\$ 163,546
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Capitalized charges on loans	(20,162)	(24,666)
Amortization of discounts/premiums	(2,564)	(13,243)
Change in accrued/prepaid administrative expenses	(1,939)	(33,653)
Net gain on sales of securities	(1,015)	(1)
Change in accrued revenue on investments and loans	(958)	(15,431)
Changes in receivables/payables	<u>(139)</u>	<u>101</u>
Net Cash Provided by Operating Activities	<u>\$ 111,762</u>	<u>\$ 76,653</u>

<sup>1</sup> In addition, nonnegotiable, noninterest-bearing demand promissory notes amounting to \$558,674 (\$495,274 - 2000) were received from contributing members.

The accompanying notes are an integral part of these special purpose financial statements (ADF-7).

**ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND**
**SPECIAL PURPOSE STATEMENT OF CHANGES IN FUND BALANCES**
**For the Years Ended 31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	Contributed Resources	Set-Aside Resources	Transfers from OCR & TASF	Accumulated Surplus	Accumulated Other Comprehensive Income	Total
<b>Balance— 1 January 2000</b>	\$20,452,212	\$65,386	\$232,855	\$1,306,447	\$ 36,848	\$22,093,748
Comprehensive income for the year 2000 (Note H)				163,546	(122,124)	41,422
Change in amount of contributed resources available for loan commitments	(1,132,402)					(1,132,402)
Change in SDR value of set-aside resources		(3,355)				(3,355)
Change in value of transfers from Technical Assistance Special Fund			(185)			(185)
<b>Balance— 31 December 2000</b>	\$19,319,810	\$62,031	\$232,670	\$1,469,993	\$ (85,276)	\$20,999,228
Comprehensive income for the year 2001 (Note H)				138,539	(108,577)	29,962
Change in amount of contributed resources available for loan commitments	(1,139,324)					(1,139,324)
Change in SDR value of set-aside resources		(2,251)				(2,251)
Change in value of transfers from Technical Assistance Special Fund			(117)			(117)
<b>Balance— 31 December 2001</b>	\$18,180,486	\$59,780	\$232,553	\$1,608,532	\$ (193,853)	\$19,887,498

**Accumulated Other Comprehensive Income (Note H)**
**For the Years Ended 31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	Accumulated Translation Adjustments		Unrealized Investment Holding Gains (Losses)		Accumulated Other Comprehensive Income	
	2001	2000	2001	2000	2001	2000
Balance, 1 January	\$ (87,242)	\$ 39,830	\$ 1,966	\$ (2,982)	\$ (85,276)	\$ 36,848
Other comprehensive income for the year	(121,738)	(127,072)	13,161	4,948	(108,577)	(122,124)
<b>Balance, 31 December</b>	<b>\$ (208,980)</b>	<b>\$ (87,242)</b>	<b>\$ 15,127</b>	<b>\$ 1,966</b>	<b>\$ (193,853)</b>	<b>\$ (85,276)</b>

The accompanying notes are an integral part of these special purpose financial statements (ADF-7).

## ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

### SPECIAL PURPOSE SUMMARY STATEMENT OF LOANS

**31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

Borrower/Guarantor <sup>1</sup>	Loans Outstanding	Undisbursed Balances of Effective Loans <sup>2</sup>	Loans Not Yet Effective <sup>2</sup>	Total Loans	Percent of Total Loans
Afghanistan	\$ 27,702	\$ —	\$ —	\$ 27,702	0.13
Bangladesh	3,904,445	774,411	152,796	4,831,652	23.49
Bhutan	53,665	31,995	—	85,660	0.42
Cambodia	221,140	201,501	73,825	496,466	2.41
Cook Islands	19,500	2,587	—	22,087	0.11
Indonesia	589,084	238,914	97,410	925,408	4.50
Kazakhstan	43,729	6,020	—	49,749	0.24
Kiribati	4,928	6,708	—	11,636	0.06
Kyrgyz Republic	290,469	122,373	68,898	481,740	2.34
Lao PDR	564,790	184,284	64,573	813,647	3.95
Maldives	31,558	15,008	17,368	63,934	0.31
Marshall Islands	42,323	14,785	—	57,108	0.28
Micronesia, Fed. States of	26,203	2,704	20,572	49,479	0.24
Mongolia	310,123	96,180	35,456	441,759	2.15
Myanmar	414,444	—	—	414,444	2.01
Nepal	1,045,336	276,016	109,847	1,431,199	6.96
Pakistan	3,664,451	834,172	303,530	4,802,153	23.34
Papua New Guinea	238,772	34,674	20,845	294,291	1.43
Philippines	778,956	77,971	—	856,927	4.17
Samoa	66,570	9,414	5,895	81,879	0.40
Solomon Islands	43,111	9,974	—	53,085	0.26
Sri Lanka	1,456,724	477,678	166,196	2,100,598	10.21
Tajikistan	23,190	73,424	—	96,614	0.47
Thailand	50,394	—	—	50,394	0.24
Tonga	32,962	—	—	32,962	0.16
Tuvalu	3,972	—	—	3,972	0.02
Uzbekistan	5,853	12,104	—	17,957	0.09
Vanuatu	44,740	509	—	45,249	0.22
Viet Nam	833,189	859,396	239,407	1,931,992	9.39
<b>BALANCE – 31 December 2001</b>	<b>\$14,832,323</b>	<b>\$4,362,802</b>	<b>\$1,376,618</b>	<b>\$20,571,743</b>	<b>100.00</b>
<b>BALANCE – 31 December 2000</b>	<b>\$15,531,500</b>	<b>\$4,179,239</b>	<b>\$1,488,266</b>	<b>\$21,199,005</b>	

<sup>1</sup> 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 \$8,836 (\$9,839 - 2000).

<sup>2</sup> 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 \$90,393 (\$88,474 - 2000).

The accompanying notes are an integral part of these special purpose financial statements (ADF-7).

**MATURITY OF EFFECTIVE LOANS**

<u>Twelve Months Ending 31 December</u>	<u>Amount</u>	<u>Five Years Ending 31 December</u>	<u>Amount</u>
2002	\$380,940	2011	3,048,507
2003	323,203	2016	3,793,437
2004	361,509	2021	4,019,093
2005	391,470	2026	3,316,146
2006	427,931	2031	2,125,269
		2036	918,961
		2039	<u>88,659</u>
		<b>Total</b>	<b><u>\$19,195,125</u></b>

**SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING**

<u>Currency</u>	<u>2001</u>	<u>2000</u>	<u>Currency</u>	<u>2001</u>	<u>2000</u>
Australian dollar	\$ 350,116	\$ 383,838	Korean won	14,034	66
Austrian schilling	–	626	New Zealand dollar	17,340	21,778
Belgian franc	–	36	Norwegian krone	30,386	40,984
Canadian dollar	771,606	790,524	Pound sterling	227,914	263,517
Danish krone	68,359	83,638	Swedish krona	88,962	89,779
Euro	2,271,650	2,299,201	Swiss franc	189,745	176,349
Japanese yen	8,768,144	9,567,705	United States dollar	2,034,067	<u>1,813,459</u>
			<b>Total</b>	<b><u>\$14,832,323</u></b>	<b><u>\$15,531,500</u></b>

**ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND**
**SPECIAL PURPOSE STATEMENT OF RESOURCES**
**31 December 2001**

Expressed in Thousands of United States Dollars (Note B)

	<b>Effective Amounts Committed During 2001</b>	<b>Effective Amounts Committed</b>			<b>Amounts Not Yet Available For Loan Commitments</b>	<b>Amounts Available For Loan Commitments</b>	<b>Amounts Received</b>	<b>Amounts Receivable</b>
<b>CONTRIBUTED RESOURCES</b>								
Australia	\$ 147,333	\$ 1,324,951	\$ 824,812	\$ 110,500	\$ 714,312	\$ 714,312	\$ —	\$ —
Austria	21,726	169,562	150,603	20,191	130,412	130,412	—	—
Belgium	—	138,556	113,245	—	113,245	113,245	—	—
Canada	122,389	1,413,316	1,113,726	91,791	1,021,935	1,021,935	—	—
Denmark	—	154,229	123,358	—	123,358	123,358	—	—
Finland	—	100,391	67,997	—	67,997	67,997	—	—
France	110,135	957,755	754,390	106,348	648,042	648,042	—	—
Germany	—	1,132,547	1,010,863	29,388	981,475	981,475	—	—
Hong Kong, China	16,280	36,550	36,550	12,210	24,340	24,340	—	—
Indonesia	—	14,960	14,960	—	14,960	14,960	—	—
Italy	—	707,302	407,727	—	407,727	407,727	—	—
Japan	856,613	7,502,667	9,957,463	642,460	9,315,003	9,315,003	—	—
Korea, Rep. of	71,426	158,580	126,687	53,570	73,117	73,117	—	—
Malaysia	—	10,000	6,708	1,677	5,031	5,031	—	—
Nauru	—	1,933	1,933	—	1,933	1,433	500	—
The Netherlands	72,420	496,350	435,986	54,315	381,671	381,671	—	—
New Zealand	16,441	90,472	57,858	12,331	45,527	45,527	—	—
Norway	24,265	165,600	119,318	18,199	101,119	101,119	—	—
Singapore	3,645	4,000	3,645	2,734	911	911	—	—
Spain	122	103,931	70,694	—	70,694	70,694	—	—
Sweden	31,475	288,985	174,394	23,606	150,788	150,788	—	—
Switzerland	33,253	250,051	251,820	24,940	226,880	226,880	—	—
Taipei,China	13,796	46,508	42,732	10,327	32,405	32,405	—	—
Thailand	—	4,000	2,288	—	2,288	2,288	—	—
Turkey	5,000	105,386	105,386	3,750	101,636	101,636	—	—
United Kingdom	122,850	862,613	719,065	92,137	626,928	626,928	—	—
United States	—	2,924,928	2,924,928	128,176	2,796,752	2,796,752	—	—
Total	1,669,169	19,166,123	19,619,136	1,438,650	18,180,486	18,179,986 <sup>1</sup>	500	—
SET-ASIDE RESOURCES (Note G)	—	—	59,780	—	59,780	—	—	—
TRANSFER FROM ORDINARY CAPITAL RESOURCES	—	—	230,000	—	230,000	—	—	—
TRANSFERS FROM TECHNICAL ASSISTANCE SPECIAL FUND <sup>2</sup>	—	—	2,553	—	2,553	—	—	—
<b>TOTAL</b>	<b>\$1,669,169</b>	<b>\$19,166,123</b>	<b>\$19,911,469</b>	<b>\$1,438,650</b>	<b>\$18,472,819</b>	<b>\$18,179,986</b>	<b>\$500</b>	

<sup>1</sup> Excludes \$2,651 equivalent representing advance payments received but not yet available for loan commitments as of 31 December 2001.

<sup>2</sup> Includes translation adjustments amounting to \$919 as of 31 December 2001.

## ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

**31 December 2001 and 2000**

#### NOTE A—NATURE OF OPERATIONS

The Asian Development Fund (ADF) was established on 28 June 1974 to more effectively carry out the special operations of the Asian Development Bank (ADB) by providing resources on concessional terms which are made available almost exclusively to the least developed borrowing countries.

The resources of ADF have been subsequently augmented by seven replenishments, the most recent of which became effective in June 2001 in a total amount equivalent to \$2,791,483,000 to cover the operational requirements for the four-year period from January 2001. The last allocation from the surplus account of ADB's ordinary capital resources to ADF in the amount of \$230,000,000 was in 1997.

#### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In May 2001, the Board of Directors approved the adoption of the special purpose financial statements for ADF. With the adoption of the special purpose financial statements, loan loss provisioning has been eliminated.

Due to the nature and organization of ADF, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and are not intended to be a presentation in accordance with generally accepted accounting principles. These special purpose financial statements have been prepared to comply with Article IV, Section 4.01 of the Regulations of ADF.

#### *Functional Currencies and Reporting Currency*

The currencies of contributing member countries are functional currencies. The reporting currency is the United States dollar, and the special purpose financial statements are expressed in thousands of current US 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 appli-

cable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments relating to set-aside resources (see Note G) are recorded as notional amounts receivable from or payable to ordinary capital resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments" and reported in "FUND BALANCES" as part of "Accumulated other comprehensive income." Exchange gains or losses on currency transactions among functional currencies are included in revenue.

#### *Investments*

All investment securities and negotiable certificate of deposits held by ADF are considered by Management to be "Available for Sale" and are reported at estimated fair value, with unrealized gains and losses excluded from revenue and reported in "FUND BALANCES" as part of "Accumulated other comprehensive income." Estimated fair value generally represents market value. Time deposits are classified as "Held-to-Maturity" and are reported at cost. Realized gains and losses are included in revenue from investments and are measured by the difference between amortized cost and the net proceeds of sales.

#### *Loans*

It is the policy of ADF to place in nonaccrual status loans made to eligible borrowing member countries if the principal or interest with respect to any such loans is overdue by six months. Interest on nonaccruing loans is included in revenue only to the extent that payments have actually been received by ADF. ADB follows a policy of not taking part in debt rescheduling agreements with respect to public sector loans. In the case of private sector loans, ADB may agree to debt rescheduling only after alternative courses of action have been exhausted. When ADB decides that a particular loan is no longer collectible, the entire amount will be expensed during the period.

#### *Contributed Resources*

Contributions by member countries are included in the financial statements as amounts committed from the date

## ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

**31 December 2001 and 2000**

Instruments of Contribution are deposited and related formalities are completed.

Contributions are generally paid or to be paid in the currency of the contributor either in cash or notes.

#### *Accounting Estimates*

The preparation of special purpose financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

#### *Special Purpose Statement of Cash Flows*

For the purposes of the special purpose statement of cash flows, ADF considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

#### *Reclassification and Restatement*

Certain 2000 amounts have been restated to conform with the 2001 presentation.

#### NOTE C—INVESTMENTS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments. Investments are governed by the Investment Authority approved by the Board of Directors in 1999. ADB is restricted by its Investment Authority to invest in investment instruments which are obligations of a limited class of issuers, primarily government or government-guaranteed obligations and corporate obligations. Included in other securities as of 31 December 2001 were corporate bonds and other obligations of banks amounting to \$805,044,000 (\$229,400,000 - 2000) and \$392,692,000 (\$369,669,000 - 2000), respectively.

The currency compositions of the investment portfolio as of 31 December 2001 and 2000 expressed in United States dollars are as follows:

Currency	2001	2000
Australian dollar	\$ 355,074,000	\$ 267,308,000
Canadian dollar	240,118,000	191,797,000
Danish krone	50,268,000	30,726,000
Euro	555,904,000	454,888,000
Japanese yen	53,693,000	65,893,000
Norwegian krone	87,934,000	65,464,000
Pound sterling	450,718,000	367,517,000
Swedish krone	38,403,000	35,767,000
United States dollar	710,052,000	735,625,000
Others	43,962,000	46,433,000
 Total	 <u>\$2,586,126,000</u>	 <u>\$2,261,418,000</u>

The estimated fair value and amortized cost of the investments by contractual maturity at 31 December 2001 are as follows:

	Estimated Fair Value	Amortized Cost
Due in one year or less	\$1,407,039,000	\$1,402,719,000
Due after one year through five years	1,179,087,000	1,168,280,000
Total	<u>\$2,586,126,000</u>	<u>\$2,570,999,000</u>

Cost for time deposits approximates fair value. Additional information relating to investments in government and government-guaranteed obligations and other securities is as follows:

	2001	2000
As of 31 December		
Amortized cost	\$2,184,655,000	\$1,187,386,000
Estimated fair value	2,199,782,000	1,189,352,000
Gross unrealized gains	15,156,000	2,088,000
Gross unrealized losses	29,000	122,000
 For the years ended 31 December		
Change in net unrealized gains	13,161,000	4,948,000
Proceeds from sales	362,994,000	1,209,982,000
Gross gains	1,019,000	13,000
Gross losses	4,000	12,000

CONTINUED

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 4.84% (5.01% - 2000). If unrealized gains and losses were included, the annualized rate of return would have been 5.35% (5.22% - 2000).

#### NOTE D—LOANS AND LOAN LOSS PROVISION

##### *Loans*

Prior to 1 January 1999, loans of ADF were extended to eligible borrowing member countries, which bore a service charge of 1% and required repayment over periods ranging from 35 to 40 years. On 14 December 1998, the Board of Directors approved an amendment to ADF loan terms, as follows: (i) for loans to finance specific projects, the maturity was shortened to 32 years including an 8-year grace period; (ii) for program loans to support sector development, the maturity was shortened to 24 years including an 8-year grace period; and (iii) all new loans bear a 1% interest charge during the grace period, and 1.5% during the amortization period, with equal amortization. The new ADF lending terms took effect on 1 January 1999 and apply only to new loans for which formal loan negotiations were completed on or after 1 January 1999. ADF requires borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed.

The fair value of loans is determined using an entry value method. Under this method, fair value is determined based on the terms at which a similar loan would currently be made by ADB to a similar borrower. For such loans, fair value approximates the carrying amount. The estimated fair value of loans is not affected by credit risks because the amount of any such adjustment is not considered to have a material effect based on ADB's experience with its borrowers.

Undisbursed loan commitments and an analysis of loans by country as of 31 December 2001 are shown in ADF-5.

The principal amount outstanding of public sector loans in nonaccrual status as of 31 December 2001 was \$442,146,000 (\$491,216,000 - 2000) of which \$69,994,000 (\$55,693,000 - 2000) was overdue. Loans in nonaccrual status resulted in \$4,712,000 (\$5,162,000 - 2000) not being recognized as income

from loans for the year ended 31 December 2001. The accumulated interest on these loans that was not recognized as income as of 31 December 2001 would have totaled \$22,882,000 (\$18,170,000 - 2000). The loans in nonaccrual status as of 31 December 2001 were four loans made to Afghanistan and 28 loans to Myanmar. (Four loans to Afghanistan and 28 loans to Myanmar - 2000).

One private sector loan was in nonaccrual status as of 31 December 2001 (one - 2000). The principal outstanding at that date was \$5,234,000 (\$6,015,000 - 2000). Loan in nonaccrual status resulted in \$57,000 (\$122,000 - 2000) not being recognized in income from private sector loans for the year ended 31 December 2001.

Private sector loans outstanding as of 31 December 2001 were \$8,836,000 (\$9,839,000 - 2000), and there were no undisbursed loan commitments (nil - 2000).

##### *Loan Loss Provision*

In May 2001, the Board of Directors approved the elimination of ADF loan loss provisioning. For comparative purpose to this year's presentation, the amount of loans outstanding as of 31 December 2000 has been restated with the amount of the allowance for possible losses of \$6,667,000 as of 31 December 2000. Correspondingly the balances of accumulated surplus and accumulated translation adjustment as of 31 December 2001 have been restated by \$6,849,000 and (\$182,000), respectively.

#### 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 2001 will be encashed in varying amounts over a nine-year period ending 31 December 2010.

The fair value of notes of contributors is determined using an entry value method, whereby fair value is determined based on the terms at which notes are currently being accepted from contributors. On this basis, the fair value of outstanding notes of contributors approximates their carrying amount.

## ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

**31 December 2001 and 2000**

#### NOTE F—ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses for 2001 included an administration charge from ordinary capital resources amounting to \$129,481,000 (\$102,299,000 - 2000). The charge represents an apportionment of all administrative expenses of ADB (other than those pertaining directly to ordinary operations and special operations), based on the number of loans and equity investments approved during the year.

#### NOTE G—SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(i) of the Articles of Agreement Establishing the Asian Development Bank (the Charter), the Board of Governors has authorized the setting aside of 10% of the unimpaired “paid-in” capital paid by member countries pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by member countries pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973, to be used as a part of the Special Funds of ADB. The capital so set aside was allocated and transferred from the ordinary capital resources to ADF as Set-Aside Resources.

The capital stock of ADB is defined in Article 4, paragraph 1 of the Charter, “in terms of United States dollars of the weight and fineness in effect on 31 January 1966” (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (ADB’s unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer had par values in terms of gold. Pending ADB’s selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources have been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States

dollars as computed by the IMF. As of 31 December 2001, the value of the SDR in terms of the current United States dollar was \$1.25562 (\$1.30291 - 2000). On this basis, Set-Aside Resources amounted to \$59,780,000 (\$62,031,000 - 2000). If the capital stock of ADB as of 31 December 2001 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

#### NOTE H—COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income has two major components: net income and other comprehensive income. Other comprehensive income include such items as unrealized gains and losses on available-for-sale securities and foreign currency translation adjustments.

#### NOTE I—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction, or whether they are actually exchangeable is not determinable.

The carrying amounts of ADF’s assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments. See Notes B, C, D, and E for discussions relating to investments, loans, and notes of contributors.



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#### REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank—Technical Assistance Special Fund at 31 December 2001 and 2000, and the results of its activities and changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying statement of resources as at 31 December 2001 and summary statement of technical assistance approved and effective for the year ended 31 December 2001 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.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is fluid and cursive, with "Pricewaterhouse" on the first line and "Coopers LLP" on the second line.

Detroit, Michigan  
27 February 2002

TASF-1

**ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND**
**STATEMENT OF FINANCIAL POSITION**
**31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	<b>2001</b>	<b>2000</b>
<b>ASSETS</b>		
DUE FROM BANKS (Note B)	\$ 1,467	\$ 1,156
INVESTMENTS (Notes B and C)		
Government and government-guaranteed obligations	\$ 60,678	\$ 26,095
Time deposits	124,275	159,220
Other obligations of banks	<u>—</u>	<u>53,454</u>
ACCRUED REVENUE	991	3,356
OTHER ASSETS	7,052	8,457
<b>TOTAL</b>	<b>\$194,463</b>	<b>\$251,738</b>
<b>LIABILITIES AND UNCOMMITTED BALANCES</b>		
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ —	\$ 502
ACCOUNTS PAYABLE AND OTHER LIABILITIES	177	3
UNDISBURSED COMMITMENTS (Notes B and E)	113,015	135,776
UNCOMMITTED BALANCES (TASF-2 and TASF-4) (Note B)		
Unrestricted net assets	81,271	115,457
<b>TOTAL</b>	<b>\$194,463</b>	<b>\$251,738</b>

The accompanying notes are an integral part of these 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 2001 and 2000

Expressed in Thousands of United States Dollars (Note B)

	<b>2001</b>	<b>2000</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
CONTRIBUTIONS (TASF-4) (Notes B and D)	\$ 117	\$ 80,103
REVENUE		
From investments (Notes B and C)		
Interest	\$ 9,103	\$ 9,624
Unrealized investment gains	<u>1,844</u>	<u>112</u>
	10,947	9,736
From other sources—net (Note E)	<u>447</u>	<u>388</u>
	11,394	10,124
Total	<u>11,511</u>	<u>90,227</u>
EXPENSES		
Technical assistance (TASF-5) (Notes B and E)	34,744	80,456
Financial expenses	<u>3</u>	<u>4</u>
Total	<u>34,747</u>	<u>80,460</u>
CONTRIBUTIONS AND REVENUE (LESS THAN) IN EXCESS OF EXPENSES	(23,236)	9,767
EXCHANGE LOSSES—net (Note B)	<u>(10,950)</u>	<u>(10,599)</u>
DECREASE IN NET ASSETS	(34,186)	(832)
NET ASSETS AT BEGINNING OF YEAR	115,457	116,289
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 81,271</b>	<b>\$115,457</b>

The accompanying notes are an integral part of these financial statements (TASF-6).

## TASF-3

**ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND****STATEMENT OF CASH FLOWS****For the Years Ended 31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	<b>2001</b>	<b>2000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 70	\$ 80,173
Interest on investments received	11,227	7,937
Cash received from other activities	563	525
Technical assistance disbursed	(56,382)	(58,407)
Financial expenses paid	(3)	(4)
Net Cash (Used in) Provided by Operating Activities	<u>(44,525)</u>	<u>30,224</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investment	523	2,048
Maturities of investment	2,952,122	1,533,084
Purchases of investment	(2,907,548)	(1,567,780)
Net Cash Provided by (Used in) Investing Activities	<u>45,097</u>	<u>(32,648)</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(261)</u>	<u>(92)</u>
Net Increase (Decrease) in Due from Banks	311	(2,516)
Due from Banks at Beginning of Year	<u>1,156</u>	<u>3,672</u>
Due from Banks at End of Year	<u>\$ 1,467</u>	<u>\$ 1,156</u>
<b>RECONCILIATION OF DECREASE IN NET ASSETS</b>		
TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Decrease in net assets (TASF-2)	\$ (34,186)	\$ (832)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Change in undisbursed commitments	(22,761)	22,095
Translation adjustments	11,066	10,736
Change in accrued interest receivable and others	1,920	(404)
Unrealized investment gains	(1,844)	(112)
Change in advances for technical assistance to member countries	1,568	(860)
Amortization of discounts/premiums	(241)	(469)
Change in contributions receivable	<u>(47)</u>	<u>70</u>
Net Cash (Used in) Provided by Operating Activities	<u>\$ (44,525)</u>	<u>\$ 30,224</u>

The accompanying notes are an integral part of these financial statements (TASF-6).

**ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND**
**STATEMENT OF RESOURCES**
**31 December 2001**

Expressed in Thousands of United States Dollars (Note B)

	<b>Contributions Committed During 2001</b>	<b>Direct Voluntary Contributions</b>	<b>Regularized Replenishment</b>	<b>Total Contributions</b>
<b>DIRECT VOLUNTARY CONTRIBUTIONS</b>				
Australia	\$ —	\$ 2,484	\$ 15,318	\$ 17,802
Austria	—	159	2,207	2,366
Bangladesh	—	47	—	47
Belgium	—	1,394	1,808	3,202
Canada	—	3,346	17,185	20,531
China, People's Rep. of	—	600	—	600
Denmark	—	1,963	2,283	4,246
Finland	—	237	1,007	1,244
France	—	1,697	12,900	14,597
Germany	—	3,315	15,249	18,564
Hong Kong, China	—	100	120	220
India	47	2,810	—	2,810
Indonesia	—	250	40	290
Italy	—	774	8,795	9,569
Japan	—	47,710	97,279	144,989
Korea, Rep. of	—	1,900	600	2,500
Malaysia	—	909	—	909
Nauru	—	—	67	67
The Netherlands	—	1,338	5,978	7,316
New Zealand	—	1,096	715	1,811
Norway	—	3,279	2,021	5,300
Pakistan	70	1,457	—	1,457
Singapore	—	1,100	—	1,100
Spain	—	190	1,651	1,841
Sri Lanka	—	6	—	6
Sweden	—	861	4,129	4,990
Switzerland	—	1,035	3,137	4,172
Taipei, China	—	200	500	700
Turkey	—	—	2,354	2,354
United Kingdom	—	5,617	8,344	13,961
United States	—	1,500	34,352	35,852
<b>Total</b>	<b>117</b>	<b>87,374</b>	<b>238,039</b>	<b>325,413</b>
Transfers to Asian Development Fund				(3,472)
Allocation from OCR Net Income				501,000
Other Resources <sup>1</sup>				88,025
<b>TOTAL</b>				<b>\$910,966</b>

<sup>1</sup> Other resources represent income and replenishments accruing to TASF since 1 April 1980, including unrealized investment holding gains.

The accompanying notes are an integral part of these financial statements (TASF-6).

TASF-5

**ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND**
**SUMMARY STATEMENT OF TECHNICAL ASSISTANCE APPROVED AND EFFECTIVE**
**For the Year Ended 31 December 2001**

Expressed in Thousands of United States Dollars (Note B)

Recipient	Project Preparation	Project Implementation/ Advisory	Total
Azerbaijan	\$ –	\$ 300	\$ 300
Bangladesh	–	2,062	2,062
Bhutan	–	(60)	(60)
Cambodia	(12)	1,773	1,761
China, People's Rep. of	1,174	3,586	4,760
East Timor	–	351	351
India	–	3,095	3,095
Indonesia	754	(771)	(17)
Kazakhstan	–	(94)	(94)
Kyrgyz Republic	–	23	23
Lao PDR	–	990	990
Malaysia	–	(19)	(19)
Maldives	–	85	85
Marshall Islands	–	(99)	(99)
Micronesia, Fed. States of	(31)	213	182
Mongolia	–	1,121	1,121
Nepal	–	4,825	4,825
Pakistan	130	3,361	3,491
Papua New Guinea	–	779	779
Philippines	(111)	(581)	(692)
Samoa	(40)	439	399
Solomon Islands	–	(46)	(46)
Sri Lanka	(330)	395	65
Tajikistan	(78)	140	62
Thailand	–	350	350
Tuvalu	–	(135)	(135)
Uzbekistan	–	(11)	(11)
Vanuatu	–	79	79
Viet Nam	–	453	453
<b>Total</b>	<b>\$1,456</b>	<b>\$22,604</b>	<b>24,060</b>
Regional Activities			10,684
<b>TOTAL</b>			<b>\$34,744</b>

Negative amounts represent net undisbursed commitments written back to balances available for future commitments (Notes B and E).

The accompanying notes are an integral part of these financial statements (TASF-6).

## ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 2001 and 2000**

#### NOTE A—NATURE OF OPERATIONS

The Technical Assistance Special Fund (TASF) was established to provide technical assistance on a grant basis to developing member countries of the Asian Development Bank (ADB) and for regional technical assistance. TASF resources consist of direct voluntary contributions by members, allocations from the net income of ordinary capital resources (OCR) and Asian Development Fund (ADF) contributions, and revenue from investments and other sources.

#### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Presentation of the Financial Statements*

The financial statements of the TASF are presented on the basis of unrestricted and temporarily restricted net assets.

TASF reports contributed cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. There were no restricted net assets at 31 December 2001 and 2000.

##### *Investments*

All investment securities held by TASF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Time deposits are classified as "Held-to-Maturity" and are reported at cost.

##### *Contributions*

Contributions from members are included in the financial statements from the date contribution agreements become effective. Contributions from donors which are restricted by them to technical assistance (TA) projects/programs with specified procurement sources are classified as temporarily restricted contributions. Those without any stipulations as to specific use are accounted for as unrestricted contributions.

##### *Technical Assistance to Member Countries*

Technical assistance is recognized in the financial statements when the related project is approved and becomes effective. Upon completion of the TA project, any undisbursed amount is written back as a reduction in technical assistance for the period and the corresponding undisbursed commitment is eliminated accordingly.

##### *Reporting Currency*

The financial statements of TASF are expressed in thousands of current United States dollars. As a matter of convenience, the United States dollar is the functional and reporting currency and is used to measure exchange gains and losses.

##### *Translation of Currencies*

Assets, liabilities, and uncommitted balances in currencies other than United States dollars are translated at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are recognized at applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in currencies other than United States dollars are translated for each semimonthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments are accounted for as exchange gains or losses and are charged or credited to operations.

##### *Accounting Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

##### *Statement of Cash Flows*

For the purposes of the statement of cash flows, the TASF considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

## ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 2001 and 2000**

#### *Reclassification*

Certain 2000 amounts have been reclassified to conform with the 2001 presentation.

#### NOTE C—INVESTMENTS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments. Investments are governed by the Investment Authority approved by the Board of Directors in 1999. ADB is restricted by its Investment Authority to invest in investment instruments which are obligations of a limited class of issuers, primarily government or government-guaranteed obligations and corporate obligations.

The currency compositions of the investment portfolio as of 31 December 2001 and 2000 expressed in United States dollars are as follows:

Currency	2001	2000
Australian dollar	\$ 5,147,000	\$ 5,113,000
Canadian dollar	132,725,000	129,910,000
Euro	10,078,000	18,528,000
Swiss franc	33,918,000	81,954,000
Others	<u>3,085,000</u>	<u>3,264,000</u>
Total	<u><u>\$184,953,000</u></u>	<u><u>\$238,769,000</u></u>

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 5.26% (5.18% - 2000).

#### NOTE D—FUNDING

Since inception in 1967, direct contributions have been made by 29 member countries. In 1986 and 1992, the Board of Governors, in authorizing a replenishment of the ADF, provided for an allocation to the TASF in an aggregate amount equivalent to \$72,000,000 and \$140,000,000, respectively, to be used for technical assistance to ADF borrowing developing member countries and for regional technical assistance.

In addition, an aggregate amount equivalent to \$501,000,000 had been allocated to TASF out of OCR in 1992 to 1995 and in 1998 to 2000.

Some of the direct contributions received were subject to restricted procurement sources, while some were given on condition that the technical assistance be made on a reimbursable basis.

The total contributions received for the years ended 31 December 2001 and 2000 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 2001, an amount of \$5,471,000 (\$13,390,000 - 2000) representing completed and canceled TA projects has been written back as a reduction in technical assistance of the period and the corresponding undisbursed commitment has been eliminated. The fair value of undisbursed commitments approximates the amounts undisbursed because ADB expects that grants will be made for all projects/programs covered by the commitments. When TA provided as a project preparatory grant leads to an ADB loan, the amount of the grant exceeding \$250,000 will be refunded by the borrower through the loan proceeds under the terms of that ADB loan. Refinanced amount of \$346,000 (\$279,000 - 2000) was charged to such loans and credited to revenue from other sources of the TASF during the year ended 31 December 2001.

#### 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.

The carrying amounts of TASF's assets, liabilities, and uncommitted balances are considered to approximate fair values for all significant financial instruments. See Notes B and E for discussions with respect to investments and undisbursed commitments, respectively.



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#### REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank—Japan Special Fund at 31 December 2001 and 2000, and the results of its activities and changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is fluid and cursive, with "PricewaterhouseCoopers" on the top line and "LLP" on the bottom line.

Detroit, Michigan  
27 February 2002

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## ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND

### STATEMENT OF FINANCIAL POSITION

**31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	2001			2000			
	ACCSF	JSF Regular & Supplementary		Total	ACCSF	JSF Regular & Supplementary	
		ACCSF	Supplementary			ACCSF	Supplementary
<b>ASSETS</b>							
DUE FROM BANKS (Note B)	\$ 1,315	\$ 663	\$ 1,978	\$ 61	\$ 537	\$ 598	
INVESTMENTS (Notes A, B, and C)							
Government and government-guaranteed obligations	35,967	—	35,967	103,281	10,676	113,957	
Time deposits	80,964	96,085	177,049	127,616	136,256	263,872	
Other securities	64,546	181,676	246,222	—	145,816	145,816	
	<u>181,477</u>	<u>277,761</u>	<u>459,238</u>	<u>230,897</u>	<u>292,748</u>	<u>523,645</u>	
EQUITY INVESTMENTS (Notes A, B, and D), net	—	105	105	—	338	338	
ACCRUED REVENUE	431	1,335	1,766	46	6,701	6,747	
OTHER ASSETS (Note E)	23	6,170	6,193	71	4,289	4,360	
<b>TOTAL</b>	<b>\$183,246</b>	<b>\$286,034</b>	<b>\$469,280</b>	<b>\$231,075</b>	<b>\$304,613</b>	<b>\$535,688</b>	
<b>LIABILITIES AND UNCOMMITTED BALANCES</b>							
ACCOUNTS PAYABLE AND OTHER LIABILITIES							
Payable to Ordinary Capital Resources	\$ —	\$ 143	\$ 143	\$ —	\$ 144	\$ 144	
Other Liabilities (Note E)	<u>10,327</u>	<u>43</u>	<u>10,370</u>	<u>4,807</u>	<u>60</u>	<u>4,867</u>	
	<u>10,327</u>	<u>186</u>	<u>10,513</u>	<u>4,807</u>	<u>204</u>	<u>5,011</u>	
UNDISBURSED COMMITMENTS (Notes B and F)							
Technical assistance	14,918	117,605	132,523	13,099	114,416	127,515	
Interest payment assistance	58,115	—	58,115	76,185	—	76,185	
	<u>73,033</u>	<u>117,605</u>	<u>190,638</u>	<u>89,284</u>	<u>114,416</u>	<u>203,700</u>	
NET ASSETS (JSF-2) (Note B), represented by:							
Uncommitted balances (Note G)							
Unrestricted	—	8,505	8,505	—	43,469	43,469	
Temporarily restricted (Notes A and H)	<u>99,366</u>	<u>57,794</u>	<u>157,160</u>	<u>136,637</u>	<u>57,276</u>	<u>193,913</u>	
	<u>99,366</u>	<u>66,299</u>	<u>165,665</u>	<u>136,637</u>	<u>100,745</u>	<u>237,382</u>	
Net accumulated investment income							
Temporarily restricted (Notes A and H)	520	101,944	102,464	347	89,248	89,595	
	<u>99,886</u>	<u>168,243</u>	<u>268,129</u>	<u>136,984</u>	<u>189,993</u>	<u>326,977</u>	
<b>TOTAL</b>	<b>\$183,246</b>	<b>\$286,034</b>	<b>\$469,280</b>	<b>\$231,075</b>	<b>\$304,613</b>	<b>\$535,688</b>	

The accompanying notes are an integral part of these financial statements (JSF-4).

**ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND**
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**
**For the Years Ended 31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	2001			2000			
	ACCSF	JSF Regular & Supplementary		Total	ACCSF	JSF Regular & Supplementary	
			Total				Total
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>							
CONTRIBUTIONS (Notes B and H)	\$ —	\$ 30,929	\$ 30,929	\$ —	\$ 37,561	\$ 37,561	
REVENUE FROM OTHER SOURCES	—	74	74	—	150	150	
UNREALIZED INVESTMENT GAINS (LOSSES) ON EQUITY INVESTMENTS (Note D)	—	205	205	—	(330)	(330)	
NET ASSETS RELEASED FROM (PUT BACK INTO) RESTRICTIONS (Notes B and H)	8,779	894	9,673	9,632	(557)	9,075	
<b>Total</b>	<b>8,779</b>	<b>32,102</b>	<b>40,881</b>	<b>9,632</b>	<b>36,824</b>	<b>46,456</b>	
<b>EXPENSES</b>							
Technical assistance (Notes B and F)	8,700	64,227	72,927	9,575	59,274	68,849	
Administrative expenses	79	1,413	1,492	57	1,485	1,542	
Provision for losses (Notes B and D)	—	431	431	—	—	—	
<b>Total</b>	<b>8,779</b>	<b>66,071</b>	<b>74,850</b>	<b>9,632</b>	<b>60,759</b>	<b>70,391</b>	
CONTRIBUTIONS AND REVENUE LESS THAN EXPENSES	—	(33,969)	(33,969)	—	(23,935)	(23,935)	
EXCHANGE LOSSES (Note B)	—	(992)	(992)	—	(116)	(116)	
DECREASE IN UNRESTRICTED NET ASSETS BEFORE TRANSLATION ADJUSTMENTS	—	(34,961)	(34,961)	—	(24,051)	(24,051)	
TRANSLATION ADJUSTMENTS (Note B)	—	(3)	(3)	—	802	802	
DECREASE IN UNRESTRICTED NET ASSETS	—	(34,964)	(34,964)	—	(23,249)	(23,249)	
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>							
CONTRIBUTIONS (Notes B and H)	—	—	—	136,587	—	136,587	
REVENUE FROM INVESTMENTS (Notes B and C)	252	14,110	14,362	401	19,823	20,224	
NET ASSETS (RELEASED FROM) PUT BACK INTO RESTRICTIONS (Notes B and H)	(8,779)	(894)	(9,673)	(9,632)	557	(9,075)	
EXCHANGE (LOSSES) GAINS (Note B)	(218)	—	(218)	10	—	10	
TRANSLATION ADJUSTMENTS (Note B)	(28,353)	(2)	(28,355)	(16,514)	676	(15,838)	
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	(37,098)	13,214	(23,884)	110,852	21,056	131,908	
(DECREASE) INCREASE IN NET ASSETS	(37,098)	(21,750)	(58,848)	110,852	(2,193)	108,659	
NET ASSETS AT BEGINNING OF YEAR	136,984	189,993	326,977	26,132	192,186	218,318	
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 99,886</b>	<b>\$168,243</b>	<b>\$268,129</b>	<b>\$136,984</b>	<b>\$189,993</b>	<b>\$326,977</b>	

The accompanying notes are an integral part of these financial statements (JSF-4).

**ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND**
**STATEMENT OF CASH FLOWS**
**For the Years Ended 31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	2001			2000			
	ACCSF	JSF Regular & Supplementary		Total	ACCSF	JSF Regular & Supplementary	
							Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Contributions received	\$ —	\$ 30,929	\$ 30,929	\$ 136,587	\$ 37,561	\$ 174,148	
Interest on investments received	536	18,096	18,632	128	17,731	17,859	
Technical assistance disbursed	(7,010)	(62,893)	(69,903)	(2,684)	(60,622)	(63,306)	
Interest assistance paid	(12,398)	—	(12,398)	(3,736)	—	(3,736)	
Administrative expenses paid	(55)	(1,470)	(1,525)	(14)	(2,038)	(2,052)	
Others—net	(218)	(902)	(1,120)	11	19	30	
Net Cash (Used in) Provided by Operating Activities	(19,145)	(16,240)	(35,385)	130,292	(7,349)	122,943	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Sales of investment	8,419	29,966	38,385	9,309	—	9,309	
Maturities of investment	3,733,758	6,864,848	10,598,606	2,273,868	1,656,089	3,929,957	
Purchases of investment	(3,721,982)	(6,878,441)	(10,600,423)	(2,419,865)	(1,652,737)	(4,072,602)	
Net Cash Provided by (Used in) Investing Activities	20,195	16,373	36,568	(136,688)	3,352	(133,336)	
Effect of Exchange Rate Changes on Due from Banks	204	(7)	197	6,384	(1)	6,383	
Net Increase (Decrease) in Due from Banks	1,254	126	1,380	(12)	(3,998)	(4,010)	
Due from Banks at Beginning of Year	61	537	598	73	4,535	4,608	
Due from Banks at End of Year	\$ 1,315	\$ 663	\$ 1,978	\$ 61	\$ 537	\$ 598	
<b>RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:</b>							
(Decrease) Increase in net assets (JSF-2)	\$ (37,098)	\$ (21,750)	\$ (58,848)	\$ 110,852	\$ (2,193)	\$ 108,659	
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:							
Translation adjustments	28,353	5	28,358	16,514	(1,478)	15,036	
Change in undisbursed commitments	(16,251)	3,189	(13,062)	(1,043)	(3,879)	(4,922)	
Amortization of discounts/premiums	623	(1,401)	(778)	(264)	(1,245)	(1,509)	
Provision for losses charged	—	431	431	—	—	—	
Unrealized investment losses (gains)	45	(203)	(158)	7	382	389	
Loss from sales of investments	—	19	19	—	—	—	
Others—net	5,183	3,470	8,653	4,226	1,064	5,290	
Net Cash (Used in) Provided by Operating Activities	\$ (19,145)	\$ (16,240)	\$ (35,385)	\$ 130,292	\$ (7,349)	\$ 122,943	

The accompanying notes are an integral part of these financial statements (JSF-4).

## ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 2001 and 2000**

#### NOTE A—NATURE OF OPERATIONS

The Japan Special Fund (JSF) was established in March 1988 when Japan and the Asian Development Bank (ADB) entered into a financial arrangement whereby Japan agreed to make an initial contribution and ADB became the administrator. The purpose of JSF is to help developing member countries (DMCs) of ADB restructure their economies and broaden the scope of opportunities for new investments, thereby assisting the recycling of funds to DMCs of ADB. While JSF resources are used mainly to finance technical assistance (TA) operations, these resources may also be used for equity investment operations in ADB's DMCs. Under the agreement between ADB and Japan, ADB may invest the proceeds of JSF pending disbursement. The revenue from such investments, if retained by ADB, may only be used to pay for direct and identifiable costs incurred in the administration of JSF.

In March 1999, the Board approved the acceptance and administration by ADB of a new facility, the Asian Currency Crisis Support Facility (ACCSF) to assist Asian currency crisis-affected member countries (CAMCs). Funded by Japan, ACCSF was established within JSF to assist in the economic recovery of CAMCs through interest payment assistance (IPA) grants, TA grants, and guarantees. ACCSF funds must be committed within three years after the date the facility became effective. Thereafter, the use of any residual funds, if and when the purpose of ACCSF is considered to be fulfilled, shall be decided in consultation between ADB and Japan.

#### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Presentation of the Financial Statements*

The financial statements of JSF are presented on the basis of unrestricted and temporarily restricted net assets. ACCSF funds are separately reported in the financial statements.

JSF reports the contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as "NET ASSETS RELEASED FROM RESTRICTIONS."

##### *Investments*

All investment securities held by JSF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Time deposits are classified as "Held-to-Maturity" and are reported at cost.

##### *Contributions*

Contributions by Japan are included in the financial statements from the date indicated by Japan that funds are expected to be made available. Contributions which are restricted by the donor for specific TA projects/programs or for IPA grants are classified as temporarily restricted contributions. Those without any stipulation as to specific use are accounted for as unrestricted contributions and reported as such.

##### *Technical Assistance and Interest Payment Assistance*

Technical assistance and interest payment assistance are recognized in the financial statements when the related project or assistance is approved and becomes effective. Upon completion of the TA project, 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

## ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 2001 and 2000**

at the beginning of each period; such practice approximates the application of average rates in effect during the period. Exchange gains or losses on currency transactions arise on 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. The reserve against losses is established quarterly based on Management's evaluation of potential losses on investments without readily determinable fair values.

#### *Accounting Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

#### *Statement of Cash Flows*

For the purposes of the statement of cash flows, the JSF considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

#### *Reclassification*

Certain 2000 amounts have been reclassified to conform with the 2001 presentation.

#### NOTE C—INVESTMENTS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments. Investments are governed by the Investment Authority approved by the Board of Directors in 1999. ADB is restricted by its Investment Authority to invest in investment instruments which are obligations of a limited class of issuers, primarily government or government-guaranteed obligations and corporate obligations.

The currency compositions of the investment portfolio as of 31 December 2001 and 2000 expressed in United States dollars are as follows:

Currency	2001			2000		
	JSF		Total	JSF		Total
	ACCSF	Regular and Supplementary		ACCSF	Regular and Supplementary	
Japanese yen	\$181,477,000	\$ -	\$181,477,000	\$230,897,000	\$ -	\$230,897,000
United States dollar	-	277,761,000	277,761,000	-	292,748,000	292,748,000
Total	\$181,477,000	\$277,761,000	\$459,238,000	\$230,897,000	\$292,748,000	\$523,645,000

The annualized rates of return on the average investments held under ACCSF and JSF funds during the year, based on the portfolio held at the beginning and end of each month were 0.12% and 4.76%, respectively (0.18% and 6.42% - 2000).

#### NOTE D—EQUITY INVESTMENTS

ADB used JSF resources to make an equity investment in India in 1990. In May 2001, due to the unavailability of a reliable market for the investment, ADB reported the

investment at its written down value of \$105,000 (\$338,000 - 2000).

#### NOTE E—OTHER ASSETS AND LIABILITIES

Included in other assets and liabilities are interfund transfers between JSF and ACCSF. As at 31 December 2001, an amount of \$431,000 (\$584,000 - 2000) was receivable from ACCSF. The said amount is reflected as other assets under JSF and other liabilities under ACCSF.

CONTINUED

**NOTE F—UNDISBURSED COMMITMENTS**

Undisbursed commitments are denominated in United States dollars and represent TA projects/programs and IPA grants which have become effective but not yet disbursed. During 2001, an amount of \$2,920,000 (\$11,751,000 - 2000), representing completed and canceled TA projects, has been written back as a reduction in technical assistance for the period, and the corresponding undisbursed commitment has been eliminated. The fair value of undisbursed commitments approximates the amounts outstanding because JSF expects

that disbursements will substantially be made for all the projects/programs covered by the commitments.

**NOTE G—UNCOMMITTED BALANCES**

Uncommitted balances comprised of amounts which have not been committed by ADB as at 31 December 2001. These balances include TA projects/programs that had been approved but not yet become effective.

As of 31 December 2001 and 2000 these balances are as follows:

	2001			2000			
	ACCSF	JSF Regular and Supplementary		Total	ACCSF	JSF Regular and Supplementary	Total
Uncommitted balances	\$99,366,000	\$ 66,299,000		\$165,665,000	\$136,637,000	\$100,745,000	\$237,382,000
TA projects/programs approved by Japan and ADB but not yet effective	(7,540,000)	(23,555,000)		(31,095,000)	(1,875,000)	(38,725,000)	(40,600,000)
TA projects/programs approved by Japan and not yet effective	(2,750,000)	( 3,440,000)		( 6,190,000)	(8,865,000)	(10,918,000)	(19,783,000)
Uncommitted balances available for new commitments	<u>\$89,076,000</u>	<u>\$ 39,304,000</u>		<u>\$128,380,000</u>	<u>\$125,897,000</u>	<u>\$ 51,102,000</u>	<u>\$176,999,000</u>

**NOTE H—CONTRIBUTIONS AND TEMPORARILY RESTRICTED NET ASSETS**

All contributions for the years ended 31 December 2001 and 2000 were received during the respective years. Some of the contributions received were with restriction that 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 2001 and 2000:

	2001	2000
Asian Currency Crisis Support Facility	\$ 99,366,000	\$ 136,637,000
Japan Special Fund Environment-Related Activities	29,365,000	29,113,000
Financial Sector	11,009,000	10,997,000
Private Sector Promotion	9,916,000	9,676,000
Gender and Development Training/Symposium	7,110,000	7,096,000
	<u>394,000</u>	<u>394,000</u>
	<u>57,794,000</u>	<u>57,276,000</u>
Total	<u>\$157,160,000</u>	<u>\$193,913,000</u>

## ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

31 December 2001 and 2000

Accumulated investment income net of accumulated administrative expenses has been categorized as temporarily restricted net assets because, under the terms of the agreement between ADB and Japan, it may only be used for defraying of the JSF's administrative expenses.

Net assets released from restrictions relate to commitments for technical assistance and interest payment assistance satisfying the conditions specified by the donor and, in the case of accumulated investment income, to defray the administrative expenses of the Fund.

#### NOTE I—GUARANTEES

To assist in the economic recovery of CAMCs, a guarantee facility is provided under ACCSF. In this connection, Japan has made available a noninterest-bearing, nonnegotiable note in the amount of ¥360 billion (\$2.7 billion), encashable by ADB at any time to meet any calls on the guarantee facility. As of 31 December 2001, no guarantee has been made.

#### NOTE J—FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The carrying amounts of JSF's assets, liabilities, and uncommitted balances are considered to approximate fair values for all significant financial instruments. See Notes B, C, D, and F for discussions relating to investments, equity investments, and undisbursed commitments.



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#### REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets, and of cash flows present fairly, in all material respects in terms of United States dollars, the financial position of the Asian Development Bank—Asian Development Bank Institute Special Fund at 31 December 2001 and 2000, and the results of its activities and changes in net assets and its cash flows for the years ended 31 December 2001 and 2000, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the management of the Asian Development Bank Institute; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

A large, handwritten signature of "PricewaterhouseCoopers LLP" is written in a cursive script. The signature is oriented diagonally, with "PricewaterhouseCoopers" on the top line and "LLP" on the bottom line.

Detroit, Michigan  
27 February 2002

ADBISF-1

**ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND**
**STATEMENT OF FINANCIAL POSITION**
**31 December 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	<b>2001</b>	<b>2000</b>
<b>ASSETS</b>		
DUE FROM BANKS (Note B)	\$ 2,161	\$ 940
INVESTMENTS (Notes B, C, and D)		
Time deposits and government securities	5,975	4,041
PROPERTY, FURNITURE, AND EQUIPMENT (Note B)	\$4,135	\$4,752
Less—allowance for depreciation	<u>2,929</u>	<u>2,787</u>
OTHER ASSETS	1,711	1,869
<b>TOTAL</b>	<b>\$11,053</b>	<b>\$8,815</b>
<b>LIABILITIES AND UNCOMMITTED BALANCES</b>		
ACCOUNTS PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ 107	\$ 115
ACCOUNTS PAYABLE AND OTHER LIABILITIES	1,089	1,086
UNCOMMITTED BALANCES (ADBISF-2)		
Unrestricted net assets	9,857	7,614
<b>TOTAL</b>	<b>\$11,053</b>	<b>\$8,815</b>

The accompanying notes are an integral part of these 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 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	<u>2001</u>	<u>2000</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
CONTRIBUTIONS (Note B)	\$18,476	\$ 8,278
REVENUE		
Income from investments (Notes B and C)	5	12
Income from other sources—net	<u>3</u>	<u>4</u>
Total	<u>18,484</u>	<u>8,294</u>
EXPENSES		
Administrative expenses	10,191	10,306
Program expenses	<u>4,647</u>	<u>4,379</u>
Total	<u>14,838</u>	<u>14,685</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF (LESS THAN) EXPENSES	3,646	(6,391)
EXCHANGE LOSSES—NET	(88)	(57)
TRANSLATION ADJUSTMENTS (Note B)	<u>(1,315)</u>	<u>(1,053)</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS AFTER TRANSLATION ADJUSTMENTS	2,243	(7,501)
NET ASSETS AT BEGINNING OF YEAR	7,614	15,115
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 9,857</b>	<b>\$ 7,614</b>

The accompanying notes are an integral part of these 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 2001 and 2000**

Expressed in Thousands of United States Dollars (Note B)

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 18,476	\$ 8,278
Interest on investments received	5	10
Expenses paid	<u>(14,415)</u>	<u>(13,964)</u>
Net Cash Provided by (Used in) Operating Activities	<u>4,066</u>	<u>(5,676)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investment	155,002	167,340
Purchases of investment	<u>(158,094)</u>	<u>(161,909)</u>
Net Cash (Used in) Provided by Investing Activities	<u>(3,092)</u>	<u>5,431</u>
Effect of Exchange Rate Changes on Cash	<u>247</u>	<u>590</u>
Net Increase in Due From Banks	1,221	345
Due from Banks at Beginning of Year	<u>940</u>	<u>595</u>
Due from Banks at End of Year	<u>\$ 2,161</u>	<u>\$ 940</u>
<b>RECONCILIATION OF INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Increase (decrease) in net unrestricted assets (ADBISF-2)	\$ 2,243	\$ (7,501)
Adjustments to reconcile increase (decrease) in net unrestricted assets to net cash provided by (used in) operating activities:		
Translation adjustments	1,315	1,053
Amortization of discounts/premiums	—	(3)
Depreciation	545	864
Others—net	<u>(37)</u>	<u>(89)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 4,066</u>	<u>\$ (5,676)</u>

The accompanying notes are an integral part of these financial statements (ADBISF-4).

## ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 2001 and 2000**

#### NOTE A—NATURE OF OPERATIONS

In 1996, the Asian Development Bank (ADB) approved the establishment of the Asian Development Bank Institute (the Institute) in Tokyo, Japan as a subsidiary body of ADB. The Institute commenced its operations upon the receipt of the first funds from Japan on 24 March 1997, and it was inaugurated on 10 December 1997. The Institute's funds may consist of voluntary contributions, donations, and grants from ADB member countries, nongovernment organizations, and foundations. The objectives of the Institute, as defined under its Statute, are the identification of effective development strategies and capacity improvement for sound development management in developing member countries.

#### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Presentation of the Financial Statements*

The financial statements of the Institute are presented on the basis of those for not-for-profit organizations.

The Institute reports donor's contributions of cash and other assets as unrestricted support as these are made available to the Institute without conditions other than for the purposes of pursuing the objectives of the Institute.

##### *Investments*

All investment securities held by the Institute are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Time deposits are classified as "Held-to-Maturity" and are reported at cost.

##### *Property, Furniture, and Equipment*

Property, furniture, and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method.

##### *Contributions*

Contributions from donors are included in the financial statements from the date committed.

##### *Functional Currency and Reporting Currency*

The currencies of contributing members are functional currencies. The reporting currency is the United States dollar and the financial statements are expressed in thousands of current United States dollars.

##### *Translation of Currencies*

Assets, liabilities, and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the period are translated at the applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in currency other than the United States dollar are translated for each semimonthly period at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period.

##### *Accounting Estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

##### *Statement of Cash Flows*

For the purposes of the statement of cash flows, the Institute considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

#### NOTE C—INVESTMENTS

The investment portfolio was composed wholly of investments denominated in Japanese yen. As of 31 December 2001 and 2000, the estimated fair value of the investments approximated cost or amortized cost. All such investments are due within one year.

**ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND****NOTES TO FINANCIAL STATEMENTS****31 December 2001 and 2000**

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 0.07% (0.12% - 2000).

Investments are governed by the Investment Authority approved by the Board of Directors in 1999. The Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments.

**NOTE D—FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

The Institute's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments.

**NOTE E—STAFF RETIREMENT PLAN AND POSTRETIREMENT MEDICAL BENEFITS***Staff Retirement Plan*

The Institute participates in the contributory defined benefit Staff Retirement Plan (the Plan) of ADB. Every member of

the professional staff, as defined under the Plan, shall, as a condition of service, become a participant from the first day of service, provided that at such a date, the staff has not reached the normal retirement age of 60. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service. The Plan assets are segregated and are not included in the statement of financial position. The costs of administering the Plan are absorbed by ADB, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their salary to the Plan and may also make voluntary contributions. The Institute's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

*Postretirement Medical Benefits Plan*

The Institute participates in the cost-sharing plan of ADB for retirees medical insurance premiums of ADB. Under the plan, the Institute is obligated to pay 75% of the Group Medical Insurance Plan premiums for retirees and their eligible dependents who elect to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits.

CONTINUED

The following table sets forth the pension and postretirement benefits at 31 December 2001 and at 31 December 2000:

	Pension Benefits		Postretirement Medical Benefits	
	2001	2000	2001	2000
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of year	\$ 750,000	\$ 560,000	\$ 252,000	\$ 179,000
Service cost	270,000	254,000	84,000	92,000
Interest cost	84,000	70,000	28,000	21,000
Plan participants' contributions	124,000	142,000	-	-
Amendments	45,000	-	-	(17,000)
Actuarial gain	(53,000)	(276,000)	(58,000)	(23,000)
Benefits paid	-	-	(16,000)	-
Benefit obligation at end of year	<u>\$1,220,000</u>	<u>\$ 750,000</u>	<u>\$ 290,000</u>	<u>\$ 252,000</u>
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	\$ 651,000	\$ 330,000	\$ -	\$ -
Actual return on plan assets	(53,000)	(22,000)	-	-
Employer contribution	147,000	201,000	16,000	-
Plan participants' contributions	124,000	142,000	-	-
Benefits paid	-	-	(16,000)	-
Fair value of plan assets at end of year	<u>\$ 869,000</u>	<u>\$ 651,000</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status	<u>\$ (351,000)</u>	<u>\$ (99,000)</u>	<u>\$ (290,000)</u>	<u>\$ (252,000)</u>
Unrecognized actuarial gain	<u>(235,000)</u>	<u>(334,000)</u>	<u>(135,000)</u>	<u>(79,000)</u>
Unrecognized prior service cost	<u>45,000</u>	<u>-</u>	<u>(15,000)</u>	<u>(17,000)</u>
Net amount recognized	<u><u>\$ (541,000)</u></u>	<u><u>\$ (433,000)</u></u>	<u><u>\$ (440,000)</u></u>	<u><u>\$ (348,000)</u></u>
<b>Amounts recognized in the statement of financial position consist of:</b>				
Accrued benefit liability	<u><u>\$ (541,000)</u></u>	<u><u>\$ (433,000)</u></u>	<u><u>\$ (440,000)</u></u>	<u><u>\$ (348,000)</u></u>
Net amount recognized	<u><u>\$ (541,000)</u></u>	<u><u>\$ (433,000)</u></u>	<u><u>\$ (440,000)</u></u>	<u><u>\$ (348,000)</u></u>
<b>Weighted-average assumptions as of 31 December</b>				
Discount rate	7.00%	7.50%	7.00%	7.50%
Expected return on plan assets	8.00%	8.00%	n/a	n/a
Rate of compensation increase varies with age and averages	6.00%	6.50%	6.00%	6.50%

For measurement purposes, a 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for the valuation as at 31 December 2001. The rate was assumed to decrease gradually to 5.75% for 2009 and remain at that level thereafter.

There were no projected benefit obligation, accumulated benefit obligation, nor fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets as of 31 December 2001 (nil - 31 December 2000).

**ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND**
**NOTES TO FINANCIAL STATEMENTS**
**31 December 2001 and 2000**
**Components of net periodic benefit cost:**

	<b>Pension Benefits</b>		<b>Postretirement Medical Benefits</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Service cost year	\$270,000	\$254,000	\$ 84,000	\$ 92,000
Interest cost	84,000	70,000	28,000	21,000
Expected return on plan assets	(65,000)	(33,000)	—	—
Amortization of prior service cost	—	—	(2,000)	—
Recognized actuarial loss	(34,000)	(6,000)	(2,000)	(7,000)
Net periodic benefit cost	<b>\$255,000</b>	<b>\$285,000</b>	<b>\$108,000</b>	<b>\$106,000</b>

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:

	<b>1-Percentage-Point Increase</b>	<b>1-Percentage-Point Decrease</b>
Effect on total service and interest cost components	\$26,000	\$(20,000)
Effect on postretirement benefit obligation	61,000	(50,000)

# STATISTICAL ANNEX

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## OPERATIONAL DATA

**Table 1**  
**PUBLIC AND PRIVATE SECTOR LOAN APPROVALS BY COUNTRY, 2001**  
(\$ million)

	OCR	ADF	Total	Total Project Cost <sup>a</sup>	Date Approved
<b>BANGLADESH</b>					
Second Small-Scale Water Resources Development Sector	–	34.00	34.00	78.00	12 Jul
Post-Literacy and Continuing Education	–	65.00	65.00	99.70	13 Dec
West Zone Power System Development	138.70	60.20	198.90	402.10	17 Dec
Subtotal	138.70	159.20	297.90	579.80	
<b>BHUTAN</b>					
Basic Skills Development	–	7.00	7.00	12.50	21 Jun
Subtotal	–	7.00	7.00	12.50	
<b>CAMBODIA</b>					
Financial Sector Program (Subprogram 1)	–	10.00	10.00	10.00	15 Nov
Northwestern Rural Development	–	27.20	27.20	34.73	27 Nov
Education Sector Development Program					4 Dec
- Program Loan	–	20.00	20.00	20.00	
- Project Loan	–	18.00	18.00	22.50	
Subtotal	–	75.20	75.20	87.23	
<b>CHINA, PEOPLE'S REPUBLIC OF</b>					
Yellow River Flood Management (Sector)	150.00	–	150.00	404.70	28 Aug
Shaanxi Roads Development	250.00	–	250.00	757.00	30 Aug
Ganzhou-Longyan Railway	200.00	–	200.00	775.00	30 Oct
Guangxi Roads Development	150.00	–	150.00	455.20	30 Oct
Acid Rain Control and Environmental Improvement	147.00	–	147.00	325.00	19 Dec
Shen-Da Power Transmission and Grid Rehabilitation	100.00	–	100.00	475.00	20 Dec
Subtotal	997.00	–	997.00	3,191.90	
<b>COOK ISLANDS</b>					
Waste Management	–	2.20	2.20	3.10	17 Jul
Subtotal	–	2.20	2.20	3.10	
<b>INDIA</b>					
Gujarat Earthquake Rehabilitation and Reconstruction	500.00	–	500.00	625.00	26 Mar
Western Transport Corridor	240.00	–	240.00	378.00	20 Sep
Madhya Pradesh Power Sector Development Program					6 Dec
- Program Loan	150.00	–	150.00	150.00	
- Project Loan	200.00	–	200.00	318.90	
West Bengal Corridor Development	210.00	–	210.00	323.00	11 Dec
Private Sector Infrastructure Facility at State Level					11 Dec
- Infrastructure Leasing and Financial Services Ltd.	100.00	–	100.00	250.00	
- Industrial Development Bank of India	100.00	–	100.00	100.00	
Subtotal	1,500.00	–	1,500.00	2,144.90	
<b>INDONESIA</b>					
Decentralized Basic Education	–	100.00	100.00	125.00	29 Nov
State-Owned Enterprise Governance and Privatization Program	400.00	–	400.00	400.00	4 Dec
Subtotal	400.00	100.00	500.00	525.00	
<b>KYRGYZ REPUBLIC</b>					
Third Road Rehabilitation	–	40.00	40.00	50.00	31 Oct
Second Phase of the Corporate Governance and Enterprise Reform Program	–	35.00	35.00	35.00	22 Nov
Subtotal	–	75.00	75.00	85.00	

– Data not applicable.

a Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

CONTINUED

	OCR	ADF	Total	Total Project Cost <sup>a</sup>	Date Approved
LAO PEOPLE'S DEMOCRATIC REPUBLIC					
Vientiane Urban Infrastructure and Services	–	25.00	25.00	37.00	23 Aug
Second Education Quality Improvement	–	20.00	20.00	37.60	28 Sep
Environment and Social Program	–	20.00	20.00	20.00	6 Dec
Subtotal	–	65.00	65.00	94.60	
MALDIVES					
Information Technology Development	–	9.50	9.50	12.00	17 Dec
Outer Islands Electrification (Sector)	–	8.00	8.00	10.60	18 Dec
Subtotal	–	17.50	17.50	22.60	
MARSHALL ISLANDS					
Fiscal and Financial Management Program	4.00	8.00	12.00	12.00	7 Jun
Subtotal	4.00	8.00	12.00	12.00	
MICRONESIA, FEDERATED STATES OF					
Private Sector Development Program					
- Program Loan	–	5.00	5.00	5.00	
- Project Loan	–	8.02	8.02	13.03	
Subtotal	–	13.02	13.02	18.03	
MONGOLIA					
Social Security Sector Development Program					28 Aug
- Program Loan	–	8.00	8.00	8.00	
- Project Loan	–	4.00	4.00	10.00	
Housing Finance (Sector)	–	15.00	15.00	24.00	18 Oct
Rural Finance	–	8.69	8.69	15.00	25 Oct
Subtotal	–	35.69	35.69	57.00	
NEPAL					
Teacher Education	–	19.60	19.60	25.90	24 Sep
Governance Reform Program	–	30.00	30.00	30.00	27 Nov
Road Network Development	–	46.00	46.00	69.50	13 Dec
Subtotal	–	95.60	95.60	125.40	
PAKISTAN					
North-West Frontier Province Urban Development Sector	–	20.80	20.80	30.00	8 Nov
Agriculture Sector Program II	225.00	123.00	348.00	348.00	13 Dec
- Technical Assistance Loan	–	2.00	2.00	2.80	
Road Sector Development Program					19 Dec
- Program Loan	50.00	–	50.00	50.00	
- Sector Loans	75.00	75.00	150.00	236.00	
Access to Justice Program	243.20	86.80	330.00	330.00	20 Dec
- Institutional Development for Access to Justice	–	20.00	20.00	25.50	
Reproductive Health	–	36.00	36.00	45.00	20 Dec
Subtotal	593.20	363.60	956.80	1,067.30	
PAPUA NEW GUINEA					
Public Service Program	70.00	–	70.00	70.00	12 Dec
Nucleus Agro-Enterprises	–	5.90	5.90	7.40	18 Dec
Subtotal	70.00	5.90	75.90	77.40	
PHILIPPINES					
Mindanao Basic Urban Services Sector	30.00	–	30.00	60.00	27 Sep
Nonbank Financial Governance Program	75.00	–	75.00	75.00	15 Nov
Subtotal	105.00	–	105.00	135.00	

– Data not applicable.

a Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

## CONTINUED

	OCR	ADF	Total	Total Project Cost <sup>a</sup>	Date Approved
SAMOA					
Power Sector Improvement	—	6.00	6.00	7.50	17 Dec
Subtotal	—	6.00	6.00	7.50	
SRI LANKA					
Colombo Port Efficiency and Expansion	—	10.00	10.00	14.40	27 Sep
North East Community Restoration and Development	—	25.00	25.00	40.00	16 Oct
Southern Province Rural Economic Advancement	—	25.00	25.00	42.70	26 Oct
Small and Medium Enterprise Sector Development Program					20 Dec
- Program Loan	—	20.00	20.00	20.00	
- Investment Loan for the Business Services Support Facility	—	6.00	6.00	96.00	
- Investment Loan for the Lines of Credit	60.00	—	60.00	60.00	
Subtotal	60.00	86.00	146.00	273.10	
TAJIKISTAN					
Emergency Restoration of Yavan Water Conveyance System	—	3.60	3.60	4.50	30 Oct
Subtotal	—	3.60	3.60	4.50	
UZBEKISTAN					
Ak Altin Agricultural Development	36.00	—	36.00	72.00	23 Aug
Urban Water Supply	36.00	—	36.00	65.50	27 Sep
Subtotal	72.00	—	72.00	137.50	
VIET NAM					
RMIT (Royal Melbourne Institute of Technology)					
International University Viet Nam <sup>b</sup>	7.50	—	7.50	33.00	26 Apr
Second Red River Water Resources Sector	—	70.00	70.00	156.20	13 Nov
Far East Medical Vietnam Ltd. <sup>b</sup>				40.00	13 Nov
- Senior Loan	6.50	—	6.50		
- Subordinated Loan	3.50	—	3.50		
Third Provincial Towns Water Supply and Sanitation	—	60.00	60.00	98.00	13 Dec
Central Region Livelihood Improvement	—	43.09	43.09	75.95	17 Dec
Provincial Roads Improvement Sector	—	70.00	70.00	100.00	18 Dec
Subtotal	17.50	243.09	260.59	503.15	
REGIONAL					
Asian Finance and Investment Corporation Ltd. <sup>b</sup>	20.00	—	20.00	45.00	8 Oct
Subtotal	20.00	—	20.00	45.00	
<b>TOTAL</b>	<b>3,977.40</b>	<b>1,361.60</b>	<b>5,339.00</b>	<b>9,209.51</b>	

— Data not applicable.

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: 3-YEAR MOVING AVERAGES, 1968–1970—1999–2001**

	Total Lending <sup>a</sup> (\$ million)	Agriculture and Natural Resources	Energy	Finance	Industry and Nonfuel Minerals	Social Infrastructure	Transport and Communications	Multi-sector/Others
(percent of total lending)								
Average during								
1968–1970	128.44	19.48	11.98	23.36	15.06	6.10	24.03	0.00
1969–1971	199.25	20.48	25.38	19.57	8.69	4.20	21.68	0.00
1970–1972	271.92	15.69	33.06	13.97	5.04	10.75	21.48	0.00
1971–1973	330.53	15.78	32.18	15.49	0.42	12.25	23.88	0.00
1972–1974	428.42	18.76	26.71	15.06	4.02	14.12	21.32	0.00
1973–1975	543.16	27.87	23.03	16.73	4.25	10.44	17.68	0.00
1974–1976	661.30	29.27	21.35	17.44	5.48	9.85	16.61	0.00
1975–1977	774.22	30.51	22.02	15.46	4.19	10.85	16.97	0.00
1976–1978	940.36	27.42	21.53	14.37	7.25	13.45	15.98	0.00
1977–1979	1,098.92	29.86	24.03	11.81	5.62	16.55	12.10	0.04
1978–1980	1,282.01	30.95	24.88	10.96	3.93	16.84	12.39	0.06
1979–1981	1,454.96	32.56	27.21	10.72	0.90	19.11	9.41	0.09
1980–1982	1,598.97	34.00	27.71	10.00	0.74	15.97	11.53	0.06
1981–1983	1,751.46	33.68	26.60	10.61	2.36	18.26	7.52	0.96
1982–1984	1,937.03	34.18	28.98	7.01	1.91	14.36	12.12	1.43
1983–1985	1,978.52	32.42	24.63	6.50	1.87	20.30	12.75	1.53
1984–1986	2,013.77	35.46	25.26	4.65	0.34	17.48	14.40	2.40
1985–1987	2,081.84	30.63	17.47	11.24	3.06	15.24	20.54	1.81
1986–1988	2,512.17	26.90	18.76	12.84	7.46	11.32	21.27	1.45
1987–1989	3,053.71	22.37	16.41	17.16	6.69	14.60	21.94	0.82
1988–1990	3,564.93	25.83	20.78	12.67	4.50	15.15	19.37	1.71
1989–1991	4,115.48	25.30	26.04	10.83	3.58	14.86	17.93	1.45
1990–1992	4,561.39	21.63	28.15	9.53	3.79	12.95	20.82	3.13
1991–1993	4,973.89	13.87	30.33	9.09	5.45	14.30	23.70	3.25
1992–1994	4,616.65	10.98	27.80	7.63	4.44	14.16	29.49	5.49
1993–1995	4,791.51	12.07	30.62	6.59	3.36	17.56	26.67	3.13
1994–1996	4,804.86	14.13	26.65	7.64	2.58	17.16	25.44	6.40
1995–1997	6,693.20	12.72	18.05	29.20	1.30	18.39	16.33	4.00
1996–1998	6,858.75	10.10	11.05	33.90	1.29	15.26	18.50	9.89
1997–1999	6,768.38	9.14	9.00	32.29	2.22	18.70	16.86	11.80
1998–2000	5,537.90	11.45	13.85	11.46	4.58	19.91	22.99	15.75
1999–2001	5,323.39	13.06	15.80	4.97	5.28	19.38	23.47	18.04
<b>Cumulative (1968–2001)</b>	<b>93,155.26</b>	<b>18.34</b>	<b>20.87</b>	<b>14.53</b>	<b>3.47</b>	<b>16.10</b>	<b>20.17</b>	<b>6.51</b>

0.00 Data negligible.

a Total may not tally due to rounding.

**Table 3**  
**LOAN APPROVALS BY SECTOR, 2001**

		\$ Million		
		OCR	ADF	Total
<b>AGRICULTURE AND NATURAL RESOURCES</b>				
BAN	Second Small-Scale Water Resources Development Sector	–	34.00	34.00
CAM	Northwestern Rural Development	–	27.20	27.20
MON	Rural Finance	–	8.69	8.69
PAK	Agriculture Sector Program II - Technical Assistance Loan	225.00	123.00	348.00
PNG	Nucleus Agro-Enterprises	–	2.00	2.00
SRI	Southern Province Rural Economic Advancement	–	5.90	5.90
TAJ	Emergency Restoration of Yavan Water Conveyance System	–	25.00	25.00
UZB	Ak Altin Agricultural Development	36.00	–	36.00
VIE	Second Red River Water Resources Sector	–	70.00	70.00
VIE	Central Region Livelihood Improvement	–	43.09	43.09
	Subtotal	<u>261.00</u>	<u>342.48</u>	<u>603.48</u>
<b>ENERGY</b>				
BAN	West Zone Power System Development	138.70	60.20	198.90
PRC	Shen-Da Power Transmission and Grid Rehabilitation	100.00	–	100.00
IND	Madhya Pradesh Power Sector Development Program - Program Loan	150.00	–	150.00
	- Project Loan	200.00	–	200.00
MLD	Outer Islands Electrification (Sector)	–	8.00	8.00
SAM	Power Sector Improvement	–	6.00	6.00
	Subtotal	<u>588.70</u>	<u>74.20</u>	<u>662.90</u>
<b>FINANCE</b>				
CAM	Financial Sector Program (Subprogram I)	–	10.00	10.00
INO	State-Owned Enterprise Governance and Privatization Program	400.00	–	400.00
KGZ	Second Phase of the Corporate Governance and Enterprise Reform Program	–	35.00	35.00
RMI	Fiscal and Financial Management Program	4.00	8.00	12.00
FSM	Private Sector Development Program - Program Loan	–	5.00	5.00
	- Project Loan	–	8.02	8.02
PHI	Nonbank Financial Governance Program	75.00	–	75.00
REG	Asian Finance and Investment Corporation Ltd. <sup>a</sup>	20.00	–	20.00
	Subtotal	<u>499.00</u>	<u>66.02</u>	<u>565.02</u>
<b>INDUSTRY AND NONFUEL MINERALS</b>				
SRI	Small and Medium Enterprise Sector Development Program - Program Loan	–	20.00	20.00
	- Investment Loan for the Business Services Support Facility	–	6.00	6.00
	- Investment Loan for the Lines of Credit	<u>60.00</u>	–	<u>60.00</u>
	Subtotal	<u>60.00</u>	<u>26.00</u>	<u>86.00</u>
<b>SOCIAL INFRASTRUCTURE</b>				
BAN	Post-Literacy and Continuing Education	–	65.00	65.00
BHU	Basic Skills Development	–	7.00	7.00
CAM	Education Sector Development Program - Program Loan	–	20.00	20.00
	- Project Loan	–	18.00	18.00
COO	Waste Management	–	2.20	2.20
INO	Decentralized Basic Education	–	100.00	100.00
LAO	Vientiane Urban Infrastructure and Services	–	25.00	25.00
LAO	Second Education Quality Improvement	–	20.00	20.00

– Data not applicable.

<sup>a</sup> Private sector loan without government guarantee.

Key: BAN (Bangladesh), BHU (Bhutan), CAM (Cambodia), PRC (People's Republic of China), COO (Cook Islands), IND (India), INO (Indonesia), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MLD (Maldives), RMI (Marshall Islands), FSM (Federated States of Micronesia), MON (Mongolia), PAK (Pakistan), PNG (Papua New Guinea), PHI (Philippines), REG (Regional), SAM (Samoa), SRI (Sri Lanka), TAJ (Tajikistan), UZB (Uzbekistan), and VIE (Viet Nam).

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		\$ Million		
		OCR	ADF	Total
MON	Housing Finance (Sector)	–	15.00	15.00
NEP	Teacher Education	–	19.60	19.60
PAK	North-West Frontier Province Urban Development Sector	–	20.80	20.80
PAK	Reproductive Health	–	36.00	36.00
PHI	Mindanao Basic Urban Services Sector	30.00	–	30.00
UZB	Urban Water Supply	36.00	–	36.00
VIE	RMIT (Royal Melbourne Institute of Technology) International University Viet Nam <sup>a</sup>	7.50	–	7.50
VIE	Far East Medical Vietnam Ltd. <sup>a</sup>			
	- Senior Loan	6.50	–	6.50
	- Subordinated Loan	3.50	–	3.50
VIE	Third Provincial Towns Water Supply and Sanitation	–	60.00	60.00
	Subtotal	83.50	408.60	492.10
<b>TRANSPORT AND COMMUNICATIONS</b>				
PRC	Shaanxi Roads Development	250.00	–	250.00
PRC	Ganzhou-Longyan Railway	200.00	–	200.00
PRC	Guangxi Roads Development	150.00	–	150.00
IND	Western Transport Corridor	240.00	–	240.00
IND	West Bengal Corridor Development	210.00	–	210.00
KGZ	Third Road Rehabilitation	–	40.00	40.00
MLD	Information Technology Development	–	9.50	9.50
NEP	Road Network Development	–	46.00	46.00
PAK	Road Sector Development Program			
	- Program Loan	50.00	–	50.00
	- Sector Loans	75.00	75.00	150.00
SRI	Colombo Port Efficiency and Expansion	–	10.00	10.00
VIE	Provincial Roads Improvement Sector	–	70.00	70.00
	Subtotal	1,175.00	250.50	1,425.50
<b>MULTISECTOR</b>				
IND	Gujarat Earthquake Rehabilitation and Reconstruction	500.00	–	500.00
IND	Private Sector Infrastructure Facility at State Level			
	- Infrastructure Leasing and Financial Services Ltd.	100.00	–	100.00
	- Industrial Development Bank of India	100.00	–	100.00
LAO	Environment and Social Program	–	20.00	20.00
MON	Social Security Sector Development Program			
	- Program Loan	–	8.00	8.00
	- Project Loan	–	4.00	4.00
SRI	North East Community Restoration and Development	–	25.00	25.00
	Subtotal	700.00	57.00	757.00
<b>OTHERS</b>				
PRC	Yellow River Flood Management (Sector)	150.00	–	150.00
PRC	Acid Rain Control and Environmental Improvement	147.00	–	147.00
NEP	Governance Reform Program	–	30.00	30.00
PAK	Access to Justice Program	243.20	86.80	330.00
	- Institutional Development for Access to Justice	–	20.00	20.00
PNG	Public Service Program	70.00	–	70.00
	Subtotal	610.20	136.80	747.00
	<b>TOTAL</b>	<b>3,977.40</b>	<b>1,361.60</b>	<b>5,339.00</b>

– Data not applicable.

a Private sector loan without government guarantee.

Key: PRC (People's Republic of China), IND (India), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MLD (Maldives), MON (Mongolia), NEP (Nepal), PAK (Pakistan), PHI (Philippines), PNG (Papua New Guinea), SRI (Sri Lanka), UZB (Uzbekistan), and VIE (Viet Nam).

**Table 4**  
**DISTRIBUTION OF LENDING AMONG DEVELOPING MEMBERS, 1968–2001**  
Percentage of Value of Loans Approved in Period

	1968–1972		1973–1977		1978–1982	
	OCR	ADF	OCR	ADF	OCR	ADF
Afghanistan	—	2.6	—	7.1	—	0.9
Azerbaijan	—	—	—	—	—	—
Bangladesh	—	—	0.5	27.3	—	32.8
Bhutan	—	—	—	—	—	—
Cambodia	—	0.8	—	—	—	—
China, People's Rep. of	—	—	—	—	—	—
Cook Islands	—	—	—	—	—	0.1
Fiji Islands	0.6	—	0.1	—	0.8	—
Hong Kong, China	2.9	—	1.7	—	0.8	—
India	—	—	—	—	—	—
Indonesia	—	34.6	17.2	4.5	28.4	2.1
Kazakhstan	—	—	—	—	—	—
Kiribati	—	—	—	0.2	—	—
Korea, Rep. of	26.2	1.8	20.9	—	18.4	—
Kyrgyz Republic	—	—	—	—	—	—
Lao PDR	—	2.2	—	0.8	—	1.1
Malaysia	10.6	1.6	10.9	—	9.6	—
Maldives	—	—	—	—	—	0.1
Marshall Islands	—	—	—	—	—	—
Micronesia, Fed. States of	—	—	—	—	—	—
Mongolia	—	—	—	—	—	—
Myanmar	—	—	0.3	13.6	—	11.4
Nauru	—	—	—	—	—	—
Nepal	0.3	17.7	—	9.1	—	7.3
Pakistan	8.9	9.0	12.8	19.2	5.1	27.1
Papua New Guinea	—	7.1	0.8	2.2	0.8	1.9
Philippines	13.5	1.7	21.2	1.2	19.1	2.7
Samoa	—	2.7	—	1.4	—	0.7
Singapore	12.1	1.5	1.4	—	1.1	—
Solomon Islands	—	—	—	1.0	—	0.2
Sri Lanka	1.7	11.1	0.1	8.4	—	8.6
Taipei, China	13.3	—	—	—	—	—
Tajikistan	—	—	—	—	—	—
Thailand	9.9	—	11.9	0.8	15.9	2.7
Tonga	—	—	—	0.2	—	0.2
Turkmenistan	—	—	—	—	—	—
Tuvalu	—	—	—	—	—	—
Uzbekistan	—	—	—	—	—	—
Vanuatu	—	—	—	—	—	0.1
Viet Nam	—	5.6	0.2	3.0	—	—
Regional	—	—	—	—	—	—
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Lending (\$ million)</b>	<b>753.9</b>	<b>201.5</b>	<b>2,326.9</b>	<b>964.9</b>	<b>4,856.2</b>	<b>2,351.1</b>

— nil.

0.0 is equivalent to value less than 0.05.

1983–1987		1988–1992		1993–1997		1998–2001		
OCR	ADF	OCR	ADF	OCR	ADF	OCR	ADF	
—	—	—	—	—	—	—	—	Afghanistan
—	—	—	—	—	—	—	—	Azerbaijan
—	31.7	—	25.4	0.2	21.2	1.8	15.9	Bangladesh
—	0.8	—	0.2	—	0.3	—	0.8	Bhutan
—	—	—	1.1	—	2.5	—	5.4	Cambodia
2.0	—	12.3	—	23.4	—	25.5	—	China, People's Rep. of
—	0.1	—	0.1	—	0.2	—	0.0	Cook Islands
0.2	—	0.4	—	0.2	—	—	—	Fiji Islands
—	—	—	—	—	—	—	—	Hong Kong, China
9.5	—	24.9	—	13.0	—	20.8	—	India
33.7	3.7	31.0	5.7	22.2	3.7	22.9	5.3	Indonesia
—	—	—	—	1.6	0.8	0.3	—	Kazakhstan
—	0.0	—	0.0	—	—	—	0.2	Kiribati
9.2	—	0.9	—	18.4	—	—	—	Korea, Rep. of
—	—	—	—	—	3.5	—	5.5	Kyrgyz Republic
—	1.9	—	3.5	—	5.8	—	3.4	Lao PDR
8.3	—	3.1	—	0.9	—	—	—	Malaysia
—	0.2	—	0.2	—	0.2	—	0.6	Maldives
—	—	—	0.1	—	0.5	0.0	0.5	Marshall Islands
—	—	—	—	—	0.5	—	0.4	Micronesia, Fed. States of
—	—	—	0.5	—	4.8	—	2.6	Mongolia
—	3.5	—	—	—	—	—	—	Myanmar
—	—	—	—	—	—	0.0	—	Nauru
—	9.5	0.0	7.3	0.2	5.2	—	8.5	Nepal
15.9	34.3	10.1	29.0	4.1	20.5	8.0	14.3	Pakistan
1.3	1.6	0.6	2.4	0.2	0.6	1.1	1.0	Papua New Guinea
12.1	1.4	10.9	11.7	6.7	3.1	9.2	0.2	Philippines
—	0.4	—	0.6	—	0.0	—	0.5	Samoa
—	—	—	—	—	—	—	—	Singapore
—	0.6	—	0.1	—	0.0	—	0.7	Solomon Islands
—	9.8	—	11.7	0.0	7.8	0.8	12.2	Sri Lanka
—	—	—	—	—	—	—	—	Taipei, China
—	—	—	—	—	—	—	2.1	Tajikistan
7.8	—	5.5	—	8.5	—	5.9	—	Thailand
—	0.2	—	0.3	—	0.2	—	—	Tonga
—	—	—	—	—	—	—	—	Turkmenistan
—	—	—	—	—	—	—	0.1	Tuvalu
—	—	—	—	0.3	0.3	2.2	—	Uzbekistan
—	0.3	—	0.1	—	0.1	—	0.4	Vanuatu
—	—	—	—	0.1	18.2	0.6	15.4	Viet Nam
—	—	0.3	—	—	—	0.9	4.0	Regional
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	<b>TOTAL</b>
6,755.7	3,617.3	13,978.5	6,428.3	21,828.8	7,139.5	16,941.0	5,011.7	Lending (\$ million)

**Table 5**  
**SECTORAL DISTRIBUTION OF LOANS,<sup>a</sup> 2001**

	OCR		ADF		Total		%
	No. of Loans	\$ Million	No. of Loans	\$ Million	No. of Projects <sup>b</sup>	\$ Million	
Agriculture and Natural Resources	2	261.00	10	342.48	10	603.48	11.30
Energy	4	588.70	3	74.20	5	662.90	12.42
Finance	4	499.00	5	66.02	7	565.02	10.58
Industry and Nonfuel Minerals	1	60.00	2	26.00	1	86.00	1.61
Social Infrastructure	5	83.50	13	408.60	16	492.10	9.22
Transport and Communications	7	1,175.00	6	250.50	11	1,425.50	26.70
Multisector	3	700.00	4	57.00	5	757.00	14.18
Others	4	610.20	3	136.80	5	747.00	13.99
<b>TOTAL</b>	<b>30</b>	<b>3,977.40</b>	<b>46</b>	<b>1,361.60</b>	<b>60</b>	<b>5,339.00</b>	<b>100.00</b>

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,<sup>a</sup> 2001**  
(amounts in \$ million)

	OCR	ADF	Total	%
Bangladesh	138.70	159.20	297.90	5.58
Bhutan	–	7.00	7.00	0.13
Cambodia	–	75.20	75.20	1.41
China, People's Rep. of	997.00	–	997.00	18.67
Cook Islands	–	2.20	2.20	0.04
India	1,500.00	–	1,500.00	28.10
Indonesia	400.00	100.00	500.00	9.37
Kyrgyz Republic	–	75.00	75.00	1.40
Lao PDR	–	65.00	65.00	1.22
Maldives	–	17.50	17.50	0.33
Marshall Islands	4.0	8.00	12.00	0.22
Micronesia, Fed. States of	–	13.02	13.02	0.24
Mongolia	–	35.69	35.69	0.67
Nepal	–	95.60	95.60	1.79
Pakistan	593.20	363.60	956.80	17.92
Papua New Guinea	70.00	5.90	75.90	1.42
Philippines	105.00	–	105.00	1.97
Samoa	–	6.00	6.00	0.11
Sri Lanka	60.00	86.00	146.00	2.73
Tajikistan	–	3.60	3.60	0.07
Uzbekistan	72.00	–	72.00	1.35
Viet Nam	17.50	243.09	260.59	4.88
Regional	20.00	–	20.00	0.37
<b>TOTAL</b>	<b>3,977.40</b>	<b>1,361.60</b>	<b>5,339.00</b>	<b>100.00</b>

– Data not applicable.

a Includes loans to private sector without government guarantee.

**Table 7**  
**PROJECTS INVOLVING COFINANCING, 2001**  
(\$ million)

	ADB Loan	Cofinancing		Source of Cofinancing
		Official	Commercial <sup>a</sup>	
BANGLADESH				
Post-Literacy and Continuing Education	65.00	12.00 <sup>b</sup>	–	Department for International Development (DFID), United Kingdom
Second Small-Scale Water Resources Development Sector	34.00	24.30 <sup>b</sup>	–	The Netherlands
West Zone Power System Development	198.90	30.00	–	Kreditanstalt für Wiederaufbau (KfW), Germany
		10.00	–	Nordic Development Fund (NDF)
		–	20.10	Export credit agency to be determined
BHUTAN				
Basic Skills Development	7.00	2.50 <sup>b</sup>	–	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Germany
CHINA, PEOPLE'S REPUBLIC OF				
Acid Rain Control and Environmental Improvement	147.00	–	69.20	Domestic banks, People's Republic of China (PRC)
Ganzhou-Longyan Railway	200.00	–	266.00	China Development Bank (CDB), PRC
Guangxi Roads Development	150.00	–	60.40	CDB, PRC
		50.00	–	European Investment Bank
Shaanxi Roads Development	250.00	–	181.00	China Construction Bank (CCB), PRC
Shen-Da Power Transmission and Grid Rehabilitation	100.00	–	240.00	CCB, PRC
Yellow River Flood Management (Sector)	150.00	0.30 <sup>b</sup>	–	Danish International Development Agency, Denmark
INDIA				
Private Sector Infrastructure Facility at State Level <sup>c</sup>	200.00	150.00 <sup>d</sup>	–	KfW
LAO PEOPLE'S DEMOCRATIC REPUBLIC				
Second Education Quality Improvement	20.00	9.60 <sup>b</sup>	–	Swedish International Development Cooperation Agency (Sida), Sweden
Vientiane Urban Infrastructure and Services	25.00	4.40 <sup>b</sup>	–	Agence Francaise de Developpement (AFD), France
MONGOLIA				
Social Security Sector Development Program (Investment Loan)	4.00	4.00	–	NDF
NEPAL				
Road Network Development	46.00	9.60 <sup>b</sup>	–	DFID
PAKISTAN				
Road Sector Development Program (Investment Loan)	150.00 <sup>d</sup>	15.00	–	OPEC Fund for International Development (OPEC Fund)
PHILIPPINES				
Mindanao Basic Urban Services Sector	30.00	6.00	–	NDF

– Data not applicable.

a Includes export credit cofinancing.

b Refers to grant cofinancing.

c The Project resulted into two loans, one for the Infrastructure Leasing and Financial Services Ltd. and the other for the Industrial Development Bank of India.

d Consists of both a grant of \$2 million and a loan of \$148 million.

## CONTINUED

	ADB Loan	Cofinancing		Source of Cofinancing
		Official	Commercial <sup>a</sup>	
<b>SRI LANKA</b>				
North East Community Restoration and Development	25.00 – –	2.50 <sup>b</sup> 0.50 <sup>b</sup> 4.00	– – –	GTZ The Netherlands OPEC Fund
Small and Medium Enterprise Sector Development Program Credit Assistance	60.00	–	90.00	Commercial banks under ADB's Partial Credit Guarantee
Southern Province Rural Economic Advancement	25.00	5.00	–	OPEC Fund
<b>VIET NAM</b>				
Central Region Livelihood Improvement	43.09	16.40 <sup>b</sup>	–	DFID
Far East Medical Vietnam Ltd. <sup>c</sup>	10.00	–	6.00	Bank for Investment and Development of Viet Nam
	–	10.00	–	International Finance Corporation (IFC)
RMIT (Royal Melbourne Institute of Technology) International University Viet Nam <sup>c</sup>	7.50	7.50	–	IFC
Second Red River Water Resources Sector	70.00	30.00	–	AFD
	–	10.60 <sup>b</sup>	–	The Netherlands
Third Provincial Towns Water Supply and Sanitation	60.00	11.00	–	AFD
<b>TOTAL</b>	<b>2,077.49</b>	<b>425.20</b>	<b>932.70</b>	

– Data not applicable.

a Includes export credit cofinancing.

b Refers to grant cofinancing.

c Private sector loan.

**Table 8**  
**LOAN DISBURSEMENTS, 2000 AND 2001**  
(amounts in \$ thousand)

	2 0 0 0			% of Total Disbursements
	OCR	% of Total OCR	ADF	% of Total ADF
<b>Project<sup>a</sup></b>				
Nondevelopment Finance Institution	1,695,503	59	749,765	66
Development Finance Institution	96,962	3	552	—
Total Project Loans	1,792,465	62	750,317	66
<b>Program<sup>b</sup></b>	739,500	26	198,940	18
<b>Sector<sup>c</sup></b>	291,052	10	185,791	16
<b>Private Sector<sup>d</sup></b>	61,038	2	—	—
<b>TOTAL</b>	<b>2,884,055</b>	<b>100</b>	<b>1,135,048</b>	<b>100</b>
	2 0 0 1			% Change (2001/2000)
	OCR	% of Total OCR	ADF	% of Total Disbursements
<b>Project<sup>a</sup></b>				
Nondevelopment Finance Institution	1,672,461	59	665,494	65
Development Finance Institution	81,650	3	673	0
Total Project Loans	1,754,111	62	666,167	65
<b>Program<sup>b</sup></b>	635,279	22	174,004	17
<b>Sector<sup>c</sup></b>	409,671	14	184,089	18
<b>Private Sector<sup>d</sup></b>	50,628	2	—	—
<b>TOTAL</b>	<b>2,849,689</b>	<b>100</b>	<b>1,024,260</b>	<b>100</b>

— Data not applicable.

( ) Negative.

a A project loan is a loan provided to finance specific projects. ADB uses development finance institutions in its developing member countries (DMCs) as vehicles to finance small- to medium-sized projects in the private sector.

b A program loan is a loan provided to support DMCs' efforts to improve the policy, institutional, and investment environment of sector development. It helps meet short-term costs that policy adjustments entail.

c A sector loan is a loan provided to develop a specific sector or subsector. It finances a large number of subprojects in a single sector or subsector.

d Excludes equity investments.

**Table 9**  
**PROGRAM LOAN DISBURSEMENTS, 2001**  
(\$ million)

	OCR	ADF	Total
Indonesia	210.00	—	210.00
Kyrgyz Republic	—	33.44	33.44
Marshall Islands	2.04	2.26	4.30
Mongolia	—	10.07	10.07
Nepal	—	11.92	11.92
Pakistan	213.44	86.55	299.99
Papua New Guinea	34.65	—	34.65
Philippines	175.00	—	175.00
Samoa	—	3.31	3.31
Sri Lanka	0.15	25.28	25.43
Tuvalu	—	1.17	1.17
<b>TOTAL</b>	<b>635.28</b>	<b>174.00</b>	<b>809.28</b>

— Data not applicable.

**Table 10**  
**PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS BY COUNTRY,<sup>a</sup> 2001**  
(\$ million)

	Loan	Equity Investment	Total ADB Funds	Complementary Loan	Total ADB Approvals	Project Cost/Fund Size
<b>Sri Lanka</b>						
National Development Bank of Sri Lanka Housing Bank Limited	–	0.36	0.36	–	0.36	10.00
<b>Thailand</b>						
Lombard Thailand Intermediate Fund LLC	–	25.00	25.00	–	25.00	500.00
<b>Viet Nam</b>						
RMIT (Royal Melbourne Institute of Technology)						
International University Viet Nam	7.50	–	7.50	–	7.50	33.00
Far East Medical Vietnam Ltd.	10.00 <sup>b</sup>	–	10.00	–	10.00	40.00
<b>Regional</b>						
Mekong Enterprise Fund	–	5.00	5.00	–	5.00	20.00
Asian Finance and Investment Corporation Ltd. (AFIC) <sup>d</sup>	20.00	–	20.00 <sup>c</sup>	–	20.00	45.00
<b>TOTAL</b>	<b>37.50</b>	<b>30.36</b>	<b>67.86</b>	–	<b>67.86</b>	<b>648.00</b>

– Data not applicable.

a Excluding a supplementary equity investment of \$2 million to Centurion Bank Ltd. (IND), approved by Management on 14 February 2001; however, the rights issue did not materialize; refund received by ADB on 5 May 2001.

b Senior loan of \$6.5 million and subordinated loan of \$3.5 million.

c Maximum limit of \$20 million.

d Second syndicated revolving credit facility to AFIC.

**Table 11**  
**PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS BY SECTOR, 2001**  
(\$ million)

	Loan	Equity Investment	Total ADB Funds	Complementary Loan	Total ADB Approvals	Total Project Cost
Infrastructure	17.50	–	17.50	–	17.50	73.00
Investment Funds and Financial Institutions	20.00	30.36	50.36	–	50.36	575.00
Others	–	–	–	–	–	–
<b>TOTAL</b>	<b>37.50</b>	<b>30.36</b>	<b>67.86</b>	–	<b>67.86</b>	<b>648.00</b>

– Data not applicable.

**Table 12**  
**PRIVATE SECTOR LOAN AND EQUITY INVESTMENT APPROVALS BY YEAR, 1987–2001**  
(amounts in \$ million)

	No. of Projects <sup>a</sup>	Loan	Equity Investment <sup>b</sup>	Total ADB Funds	Complementary Loan	Total ADB Approvals <sup>a</sup>	Total Project Cost
1987	7	20.50	27.61	48.11	5.00	53.11	524.34
1988	12	58.00	35.67	93.67	—	93.67	524.24
1989	16	95.70	67.59	163.29	51.10	214.39	1,178.55
1990	17	78.85	35.94	114.79	24.00	138.79	2,051.63
1991	10	156.80	20.52	177.32	—	177.32	1,330.07
1992	4	50.00	5.42	55.42	81.50	136.92	409.39
1993	9	182.10	20.70	202.80	19.30	222.10	1,513.70
1994	9	—	48.70	48.70	—	48.70	919.20
1995	8	68.00	99.41	167.41	5.83	173.24	1,050.32
1996	8	98.50	95.15	193.65	191.50	410.15	2,420.37
1997	6	45.00	59.50	104.50	—	104.50	1,239.69
1998	6	136.12	39.44	175.56	151.08	326.64	1,152.70
1999	4	146.50	7.40	153.90	181.50	335.40	1,412.50
2000	11	152.00 <sup>c</sup>	78.15	230.15	45.00	275.15	1,631.84
2001	6	37.50	30.36	67.86	—	67.86	648.00

— Data not applicable.

a Net of cancellations.

b Includes equity investments, lines of equity, and equity underwritings.

c Loan amount updated to reflect ADB's committed amount as stated in the loan agreement.

**Table 13**  
**CUMULATIVE PRIVATE SECTOR APPROVALS BY COUNTRY, 1983–2001**  
(amounts in \$ million)

	No. of Projects <sup>a</sup>	Loan	Equity Investment <sup>b</sup>	Total ADB Funds	Complementary Loan	Total ADB Approvals <sup>a</sup>
Bangladesh	6	117.20	14.46	131.66	20.00	151.66
Bhutan	1	—	0.53	0.53	—	0.53
China, People's Rep. of	7	116.50	72.30	188.80	171.50	360.30
India	22	135.70	90.80	226.50	5.00	231.50
Indonesia	12	82.00	23.65	105.65	63.50	169.15
Korea, Rep. of	5	—	8.96	8.96	—	8.96
Malaysia	1	—	2.00	2.00	—	2.00
Nepal	4	49.55	3.26	52.81	5.83	58.64
Pakistan	27	241.80	30.62	272.42	129.90	402.32
Philippines	19	282.32	36.85	319.17	233.58	552.74
Samoa	1	—	0.40	0.40	—	0.40
Sri Lanka	9	72.00	13.58	85.58	—	85.58
Thailand	9	31.46	77.07	108.53	—	108.53
Viet Nam	4	78.50	—	78.50	26.50	105.00
Regional	21	125.00	294.87	419.87	—	419.87
<b>TOTAL</b>	<b>148</b>	<b>1,332.03</b>	<b>669.35</b>	<b>2,001.38</b>	<b>655.81</b>	<b>2,657.19</b>

— Data not applicable.

a Net of cancellations.

b Includes equity investments, lines of equity, and equity underwritings.

**Table 14**

**NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION, PROJECT COMPLETION REPORTS (PCRs) CIRCULATED, PROJECTS COMPLETED, LOANS CLOSED, AND PROJECT/PROGRAM PERFORMANCE AUDIT REPORTS (PPARs) CIRCULATED**  
 (as of 31 December 2001)

	Cumulative No. of Loans Approved <sup>a</sup>	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved <sup>b</sup>	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Loans	Cumulative No. of Cofinanced Projects
Afghanistan	9	8	8	—	1	2
Azerbaijan	—	—	—	—	—	—
Bangladesh	147	142	136	6	5	67
Bhutan	18	18	17	—	—	6
Cambodia	21	17	19	—	—	8
China, People's Rep. of	91	84	89	—	—	41
Cook Islands	12	12	12	—	—	1
Fiji Islands	13	13	13	—	—	5
Hong Kong, China	5	5	5	—	—	—
India	69	60	59	1	—	18
Indonesia	256	255	230	17	2	53
Kazakhstan	13	10	8	2	—	2
Kiribati	6	6	6	—	—	1
Korea, Rep. of	81	81	80	—	—	8
Kyrgyz Republic	20	17	16	—	—	6
Lao PDR	52	49	48	—	3	30
Malaysia	76	76	74	1	1	9
Maldives	11	9	11	—	—	5
Marshall Islands	11	11	10	1	—	1
Micronesia, Fed. States of	6	3	5	—	—	—
Mongolia	29	25	24	—	—	6
Myanmar	32	32	28	2	2	12
Nauru	1	1	1	—	—	—
Nepal	102	99	91	1	9	42
Pakistan	203	193	164	26	5	73
Papua New Guinea	55	53	44	10	—	11
Philippines	185	182	156	17	4	63
Samoa	29	27	25	—	4	9
Singapore	14	14	14	—	—	2
Solomon Islands	16	16	15	—	—	5
Sri Lanka	105	98	96	3	5	37
Taipei, China	12	12	12	—	—	—
Tajikistan	6	6	6	—	—	2
Thailand	83	83	79	2	2	36
Tonga	13	13	13	—	—	3
Turkmenistan	—	—	—	—	—	—
Tuvalu	1	1	1	—	—	—
Uzbekistan	10	8	9	1	—	2
Vanuatu	9	9	8	—	1	3
Viet Nam	50	43	44	3	—	22
Regional	4	4	7 <sup>e</sup>	1	—	—
<b>TOTAL</b>	<b>1,876</b>	<b>1,795</b>	<b>1,683</b>	<b>94</b>	<b>44</b>	<b>591</b>

— Nil or data not applicable.

a Includes special implementation assistance loans, special assistance, and private sector loans; excludes loans withdrawn by borrowers.

b Blended loans and multiloan projects are counted as one project; supplementary loans and special implementation assistance loans are not counted as separate projects.

c Includes projects/loans which 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 Loans Under Administration <sup>c</sup>	No. of Projects Under Administration <sup>a,c</sup>	Cumulative No. of PCRs Circulated/Prepared	No. of Projects Completed in 2001 <sup>d</sup>	No. of Loans Closed in 2001	No. of PCRs Circulated in 2001	No. of PPARs Circulated in 2001	
—	—	—	—	—	—	—	Afghanistan
—	—	—	—	—	—	—	Azerbaijan
37	34	93	7	2	7	3	Bangladesh
7	6	7	—	1	—	—	Bhutan
17	16	3	4	—	2	—	Cambodia
51	49	36	11	3	6	1	China, People's Rep. of
2	2	10	—	—	1	—	Cook Islands
1	1	10	—	—	—	—	Fiji Islands
—	—	5	—	—	—	—	Hong Kong, China
38	29	28	5	6	7	1	India
66	58	139	9	10	5	3	Indonesia
9	6	3	2	—	—	2	Kazakhstan
1	1	4	—	—	—	—	Kiribati
1	1	60	—	—	1	—	Korea, Rep. of
16	15	3	3	—	—	—	Kyrgyz Republic
19	19	24	3	4	2	2	Lao PDR
3	3	51	—	2	3	—	Malaysia
5	5	6	—	—	—	—	Maldives
6	5	3	2	1	1	—	Marshall Islands
5	4	1	—	—	—	—	Micronesia, Fed. States of
15	13	9	2	4	3	—	Mongolia
—	—	26	—	—	—	—	Myanmar
1	1	—	—	—	—	—	Nauru
27	25	63	5	1	4	—	Nepal
59	49	101	12	2	3	4	Pakistan
13	13	27	1	3	1	1	Papua New Guinea
55	43	99	6	6	4	1	Philippines
3	3	19	—	1	—	—	Samoa
—	—	7	—	—	—	—	Singapore
2	2	13	—	—	—	—	Solomon Islands
32	29	59	3	3	4	1	Sri Lanka
—	—	1	—	—	—	—	Taipei, China
5	5	—	1	—	—	—	Tajikistan
10	9	48	1	1	2	2	Thailand
—	—	15	—	1	3	—	Tonga
—	—	—	—	—	—	—	Turkmenistan
—	—	—	—	1	—	—	Tuvalu
10	9	—	—	—	—	—	Uzbekistan
1	1	6	1	—	1	—	Vanuatu
34	32	8	4	1	1	—	Viet Nam
1	1	2	1	—	—	—	Regional
<b>552</b>	<b>489</b>	<b>989</b>	<b>83</b>	<b>53</b>	<b>61</b>	<b>21</b>	<b>TOTAL</b>

d Projects which were physically completed in 2001.

e Includes the regional projects—Greater Mekong Subregion (GMS): Phnom Penh to Ho Chi Minh City Highway Project (Cambodia and Viet Nam loan components); GMS: East-West Corridor Project (Lao PDR and Viet Nam loan components); Almaty-Bishkek Regional Road Rehabilitation Project (Kazakhstan and Kyrgyz Republic loan components); and Asian Finance and Investment Corporation, Ltd.

**Table 15**  
**AMOUNT OF LOANS APPROVED, CONTRACTS AWARDED, AND DISBURSEMENTS**  
(as of 31 December 2001; amounts in \$ million)

	Cumulative Loan Amounts Approved <sup>a</sup>	Cumulative Net Effective Loans <sup>b,c</sup>	Contracts Awarded in 2001 <sup>c,d</sup>	Cumulative Contracts Awarded <sup>c,d</sup>
Afghanistan	95.10	27.90	–	34.21
Azerbaijan	–	–	–	–
Bangladesh	6,488.61	5,622.87	137.90	4,663.96
Bhutan	101.76	92.79	6.04	63.90
Cambodia	560.47	452.93	40.65	328.72
China, People's Rep. of	11,294.50	9,359.12	587.76	6,797.30
Cook Islands	26.67	25.33	0.56	25.15
Fiji Islands	161.10	153.47	12.94	131.82
Hong Kong, China	101.50	94.50	–	94.50
India	10,453.30	7,835.32	106.48	5,950.35
Indonesia	18,328.99	15,198.06	456.33	11,152.44
Kazakhstan	512.00	400.29	8.24	357.98
Kiribati	15.14	12.97	0.30	7.02
Korea, Rep. of	6,338.33	5,562.07	1.17	5,572.35
Kyrgyz Republic	527.20	437.04	41.14	323.30
Lao PDR	952.54	844.56	50.93	718.14
Malaysia	1,987.54	1,442.58	25.59	1,400.52
Maldives	72.68	53.84	3.31	45.40
Marshall Islands	71.13	64.92	6.64	48.10
Micronesia, Fed. States of	56.14	32.55	0.92	30.38
Mongolia	505.11	448.46	31.07	372.49
Myanmar	530.86	411.83	–	418.77
Nauru	5.00	5.00	–	2.30
Nepal	1,951.28	1,586.92	36.32	1,286.34
Pakistan	11,468.04	9,731.65	418.87	7,959.18
Papua New Guinea	849.28	747.21	43.60	570.44
Philippines	7,994.27	6,716.53	304.46	4,937.84
Samoa	113.92	103.94	3.72	98.23
Singapore	181.08	144.44	–	130.22
Solomon Islands	79.31	64.05	1.05	54.82
Sri Lanka	2,743.45	2,322.02	103.52	1,853.89
Taipei, China	100.39	91.14	–	90.28
Tajikistan	102.60	98.54	3.56	27.05
Thailand	5,348.07	4,405.86	20.00	4,073.30
Tonga	42.89	41.17	0.02	47.07
Turkmenistan	–	–	–	–
Tuvalu	4.00	3.97	1.17	3.97
Uzbekistan	459.00	385.31	32.63	133.20
Vanuatu	51.25	48.98	0.77	47.57
Viet Nam	2,355.77	1,919.13	71.40	1,103.68
Regional <sup>f</sup>	125.00	125.00	–	–
<b>TOTAL</b>	<b>93,155.26</b>	<b>77,114.22</b>	<b>2,559.05</b>	<b>60,956.17</b>

– Data not applicable.

a Includes special assistance loans and private sector loans but excludes terminated loans. 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 2001. The cumulative contracts awarded exceed the net effective loan amounts due to the following reasons:

(i) for countries without active loans, the base contract amount of loans that were closed prior to computerization does not reflect the adjustment with regard to procurement data, e.g. Afghanistan; and

(ii) for countries with active loans, the contract amount inputted is the percentage of ADB-financed portion and each contract amount was adjusted upon completion of disbursement.

d Excludes private sector loans without government guarantee.

% of Cumulative Contracts Awarded to Cumulative Net Effective Loans	Disbursements in 2001	Cumulative Disbursements <sup>e</sup>	% of Cumulative Disbursements to Cumulative Net Effective Loans	
122.64	–	27.90	100.0	Afghanistan
–	–	–	–	Azerbaijan
82.95	214.91	4,675.63	83.2	Bangladesh
68.86	6.70	60.80	65.5	Bhutan
72.58	48.35	251.43	55.5	Cambodia
72.63	1,052.90	6,905.73	73.8	China, People's Rep. of
99.28	0.59	22.75	89.8	Cook Islands
85.89	4.43	123.62	80.6	Fiji Islands
100.00	–	94.50	100.0	Hong Kong, China
75.94	269.83	5,810.11	74.2	India
73.38	686.00	12,061.04	79.4	Indonesia
89.43	15.28	355.53	88.8	Kazakhstan
54.13	1.43	6.26	48.3	Kiribati
100.18	1.63	5,560.34	100.0	Korea, Rep. of
73.97	58.30	314.67	72.0	Kyrgyz Republic
85.03	44.67	660.28	78.2	Lao PDR
97.08	14.95	1,366.64	94.7	Malaysia
84.32	2.73	38.83	72.1	Maldives
74.09	8.34	48.18	74.2	Marshall Islands
93.34	2.51	29.84	91.7	Micronesia, Fed. States of
83.06	30.39	352.28	78.6	Mongolia
101.68	–	411.83	100.0	Myanmar
46.00	–	2.30	46.0	Nauru
81.06	57.20	1,309.74	82.5	Nepal
81.79	512.33	8,361.22	85.9	Pakistan
76.34	44.71	565.49	75.7	Papua New Guinea
73.52	321.80	5,238.57	78.0	Philippines
94.51	3.60	94.53	90.9	Samoa
90.15	–	144.44	100.0	Singapore
85.59	0.01	54.07	84.4	Solomon Islands
79.84	103.49	1,785.56	76.9	Sri Lanka
99.06	–	91.14	100.0	Taipei, China
27.45	2.93	25.12	25.5	Tajikistan
92.45	139.00	4,020.64	91.3	Thailand
114.35	0.22	41.17	100.0	Tonga
–	–	–	–	Turkmenistan
100.00	1.17	3.97	100.0	Tuvalu
34.57	40.13	118.97	30.9	Uzbekistan
97.12	2.80	48.47	99.0	Vanuatu
57.51	176.21	989.97	51.6	Viet Nam
–	4.44	94.52	75.6	Regional
<b>79.00</b>	<b>3,873.95</b>	<b>62,168.05</b>	<b>80.6</b>	<b>TOTAL</b>

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 Private sector loans to Asian Finance and Investment Corporation Ltd.

**Table 16**
**DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN,<sup>a</sup>  
PROJECT AND PROGRAM LOANS COMBINED—ORDINARY CAPITAL RESOURCES**

	1967–1976		1977–1986		1987–1996		1997–2001	
	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	1.52	12.21
Austria	2.38	0.84	0.57	0.30	0.28	0.31	0.45	0.02
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	0.00	0.00	0.00	0.03	0.00	0.00	0.07	0.00
Belgium	0.22	0.53	0.49	0.04	0.48	0.00	0.24	0.00
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cambodia	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00
Canada	2.19	2.29	0.91	6.79	0.81	4.48	0.58	2.21
China, People's Rep. of	0.00	0.00	0.00	0.00	9.39	0.00	18.71	0.31
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	0.25	1.37
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	0.20	0.14
France	3.78	6.05	2.02	2.98	2.27	4.39	1.30	5.87
Germany	7.57	10.36	4.79	4.34	5.66	6.21	3.07	1.93
Hong Kong, China	0.60	0.00	1.65	0.47	1.17	0.08	0.63	0.99
India	1.45	3.35	0.67	0.34	9.97	1.29	8.78	5.55
Indonesia	0.00	0.00	8.54	9.58	17.36	29.08	12.94	18.74
Italy	3.36	11.06	1.35	4.08	3.82	2.27	1.05	2.58
Japan	42.33	7.33	22.82	12.58	11.63	7.31	7.04	2.61
Kazakhstan	0.00	0.00	0.00	0.00	0.00	0.00	0.41	0.03
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	9.67	1.31	16.74	4.06	6.40	0.79	13.91	0.91
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	2.80	0.38
Maldives	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	0.00	0.00	0.00	0.00	0.01	0.00	0.02	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Nepal	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
The Netherlands	2.17	2.20	0.90	2.60	0.61	5.60	0.44	4.12
New Zealand	0.17	1.42	0.42	1.46	0.09	0.17	0.09	1.03
Norway	0.15	0.00	0.03	0.25	0.06	0.00	0.03	1.12
Pakistan	0.01	0.00	0.57	0.04	3.02	0.37	2.40	0.00
Papua New Guinea	0.00	0.00	0.25	0.07	0.27	0.19	0.45	0.05
Philippines	1.14	0.94	8.43	1.59	3.36	4.14	1.38	6.17
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	2.27	2.11
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Spain	0.00	0.00	0.00	0.00	0.19	0.00	0.24	0.00
Sri Lanka	0.00	0.00	0.00	0.03	0.01	0.02	0.01	0.01
Sweden	0.57	0.13	0.54	0.04	0.81	0.15	0.27	0.25
Switzerland	1.91	1.07	1.51	5.86	1.69	6.19	0.54	4.73
Taipei, China	1.77	0.09	1.70	3.20	0.75	1.01	0.69	1.25
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	2.99	1.80
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	0.02	0.00
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	4.03	3.61	2.76	11.08	1.53	6.90	1.59	9.34
United States	6.94	41.40	7.01	21.26	6.55	9.76	7.22	11.95
Uzbekistan	0.00	0.00	0.00	0.00	0.02	0.00	0.38	0.24
Vanuatu	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00
Viet Nam	0.00	0.00	0.00	0.00	0.04	0.00	0.09	0.00
Regional	0.00	0.00	0.00	0.00	0.00	0.00	4.82	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>TOTAL VALUE (\$ million)</b>	<b>1,151.81</b>	<b>65.59</b>	<b>5,006.38</b>	<b>327.46</b>	<b>17,780.48</b>	<b>825.74</b>	<b>16,642.61</b>	<b>419.31</b>

0.00 Data negligible.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

**Table 17**
**DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN,<sup>a</sup>  
PROJECT AND PROGRAM LOANS COMBINED—ASIAN DEVELOPMENT FUND**

	1967–1976		1977–1986		1987–1996		1997–2001	
	Goods, Related Services, and Civil Works (%)	Consulting Services (%)	Goods, Related Services, and Civil Works (%)	Consulting Services (%)	Goods, Related Services, and Civil Works (%)	Consulting Services (%)	Goods, Related Services, and Civil Works (%)	Consulting Services (%)
Afghanistan	0.00	0.00	0.37	0.00	0.00	0.00	0.00	0.00
Australia	4.89	6.10	0.83	3.75	1.18	5.64	0.74	7.94
Austria	0.12	0.00	0.34	0.00	0.16	0.00	0.33	0.01
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	0.20	0.00	5.80	0.94	14.03	3.73	14.42	4.84
Belgium	0.18	0.00	0.58	0.05	0.36	0.00	0.29	0.03
Bhutan	0.00	0.00	0.00	0.00	0.18	0.01	0.22	0.13
Cambodia	0.00	0.00	0.00	0.00	0.31	0.00	1.69	0.24
Canada	0.61	18.30	0.51	7.39	0.40	3.11	0.31	5.83
China, People's Rep. of	0.00	0.00	0.00	0.00	5.68	0.00	5.78	0.02
Cook Islands	0.00	0.00	0.04	0.00	0.05	0.01	0.06	0.14
Denmark	0.02	0.93	0.79	0.00	0.33	1.68	0.43	2.88
Fiji Islands	0.12	0.00	0.05	0.00	0.02	0.02	0.06	0.00
Finland	0.01	0.00	0.07	1.34	0.18	0.20	0.22	1.74
France	0.13	0.00	1.37	2.57	1.43	4.01	2.05	5.17
Germany	14.61	22.63	5.08	1.68	3.69	5.35	1.73	5.36
Hong Kong, China	0.27	0.00	0.74	0.00	0.83	0.00	0.29	0.00
India	4.42	1.63	6.30	9.30	2.27	1.84	2.61	2.18
Indonesia	0.00	0.00	1.14	1.85	3.49	4.70	2.43	0.77
Italy	5.68	5.49	2.75	0.82	1.68	2.94	2.06	0.05
Japan	38.73	21.17	25.35	15.18	5.47	3.56	3.36	9.78
Kazakhstan	0.00	0.00	0.00	0.00	0.32	0.00	0.72	0.15
Kiribati	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Korea, Rep. of	5.66	1.84	5.31	2.01	6.79	1.70	5.02	0.89
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.44	0.00	0.88	0.38
Lao PDR	0.00	0.00	0.05	0.00	0.79	0.08	0.93	1.14
Malaysia	0.57	2.56	0.36	0.54	1.02	0.00	0.99	0.00
Maldives	0.00	0.00	0.02	0.00	0.00	0.00	0.03	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.06	0.00	0.17	0.10
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00
Mongolia	0.00	0.00	0.00	0.00	0.14	0.00	0.67	0.16
Myanmar	0.00	0.00	0.78	0.00	0.13	0.00	0.03	0.06
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	2.59	2.77
The Netherlands	1.68	5.57	1.22	2.22	1.61	5.22	0.33	2.49
New Zealand	0.56	2.46	0.81	2.00	0.46	3.48	0.44	1.54
Norway	0.05	0.00	0.02	0.57	0.36	0.28	0.01	1.03
Pakistan	0.00	0.00	4.76	0.47	15.57	9.91	13.66	5.06
Papua New Guinea	2.60	0.00	1.52	0.19	1.16	0.39	0.27	0.16
Philippines	0.14	1.10	2.74	2.83	4.85	5.04	2.78	4.28
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	3.17	0.20
Solomon Islands	0.00	0.00	0.28	0.09	0.10	0.00	0.32	0.00
Spain	0.00	0.00	0.00	0.00	0.06	0.00	0.14	0.00
Sri Lanka	0.00	0.12	3.11	0.26	4.38	1.39	5.68	2.20
Sweden	0.01	0.14	1.64	0.04	0.57	2.19	0.16	0.90
Switzerland	0.33	0.00	2.64	6.18	0.93	2.58	0.37	0.34
Taipei, China	0.74	0.11	0.20	0.04	0.76	0.00	0.29	1.21
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00	0.47	0.27
Thailand	1.66	0.20	2.35	0.05	0.94	0.01	1.79	1.06
Tonga	0.00	0.00	0.15	0.00	0.07	0.06	0.09	0.00
Turkey	0.00	0.00	0.00	0.00	0.30	0.00	3.67	0.16
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	6.96	2.83	6.44	21.11	2.02	17.81	0.73	13.60
United States	3.30	6.82	8.98	15.96	6.28	11.68	3.45	11.89
Uzbekistan	0.00	0.00	0.00	0.00	0.05	0.00	0.79	0.00
Vanuatu	0.00	0.00	0.01	0.00	0.04	0.00	0.17	0.01
Viet Nam	0.00	0.00	0.08	0.00	0.68	0.00	9.54	0.87
Regional	0.00	0.00	0.00	0.00	0.00	0.00	0.33	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>TOTAL VALUE (\$ million)</b>	<b>260.83</b>	<b>27.69</b>	<b>2,447.95</b>	<b>155.37</b>	<b>9,288.56</b>	<b>568.07</b>	<b>4,837.48</b>	<b>408.33</b>

0.00 Data negligible.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 18

**CONTRACTS AWARDED BY COUNTRY OF ORIGIN,<sup>a</sup> 2001**  
**PROJECT LOANS—ORDINARY CAPITAL RESOURCES** (amounts in \$ million)

	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded <sup>b</sup>	% Distribution <sup>b</sup>
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	2.54	0.23	12.08	17.56	14.62	1.26
Austria	6.56	0.60	0.00	0.00	6.56	0.57
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	0.00	0.00	0.00	0.00	0.00	0.00
Belgium	0.31	0.03	0.00	0.00	0.31	0.03
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00
Cambodia	0.00	0.00	0.00	0.00	0.00	0.00
Canada	4.06	0.37	0.62	0.90	4.67	0.40
China, People's Rep. of	549.57	50.52	1.30	1.89	550.87	47.63
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	1.68	0.15	0.28	0.41	1.97	0.17
Fiji Islands	0.10	0.01	0.00	0.00	0.10	0.01
Finland	1.29	0.12	0.00	0.00	1.29	0.11
France	5.53	0.51	0.45	0.66	5.98	0.52
Germany	19.04	1.75	0.00	0.00	19.04	1.65
Hong Kong, China	15.92	1.46	0.00	0.00	15.92	1.38
India	89.86	8.26	10.97	15.96	100.83	8.72
Indonesia	191.34	17.59	14.80	21.52	206.14	17.82
Italy	7.02	0.64	0.07	0.10	7.08	0.61
Japan	9.94	0.91	0.00	0.00	9.94	0.86
Kazakhstan	1.53	0.14	0.02	0.02	1.54	0.13
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	9.88	0.91	0.00	0.00	9.88	0.85
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.00	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	26.08	2.40	0.93	1.36	27.01	2.34
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	0.05	0.00	0.00	0.00	0.05	0.00
The Netherlands	0.89	0.08	0.00	0.00	0.89	0.08
New Zealand	0.30	0.03	0.00	0.00	0.30	0.03
Norway	0.37	0.03	0.00	0.00	0.37	0.03
Pakistan	0.03	0.00	0.00	0.00	0.03	0.00
Papua New Guinea	1.53	0.14	0.00	0.00	1.53	0.13
Philippines	45.01	4.14	2.85	4.14	47.86	4.14
Samoa	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	4.55	0.42	0.00	0.00	4.55	0.39
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	9.72	0.89	0.00	0.00	9.72	0.84
Sri Lanka	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	3.45	0.32	0.00	0.00	3.45	0.30
Switzerland	6.60	0.61	0.45	0.66	7.05	0.61
Taipei, China	1.21	0.11	0.00	0.00	1.21	0.10
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	8.65	0.80	0.05	0.08	8.71	0.75
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.66	0.06	0.00	0.00	0.66	0.06
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	6.65	0.61	17.09	24.86	23.74	2.05
United States	55.83	5.13	6.80	9.89	62.63	5.42
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	0.04	0.00	0.00	0.00	0.04	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>1,087.78</b>	<b>100.00</b>	<b>68.76</b>	<b>100.00</b>	<b>1,156.54</b>	<b>100.00</b>

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 due to rounding.

**Table 19**  
**CONTRACTS AWARDED BY COUNTRY OF ORIGIN,<sup>a</sup> 2001**  
**PROJECT LOANS—ASIAN DEVELOPMENT FUND (amounts in \$ million)**

	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded <sup>b</sup>	% Distribution <sup>b</sup>
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	0.50	0.09	8.72	11.77	9.22	1.53
Austria	0.69	0.13	0.00	0.00	0.69	0.12
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	85.88	16.29	4.19	5.65	90.07	14.98
Belgium	11.07	2.10	0.02	0.03	11.09	1.85
Bhutan	1.65	0.31	0.52	0.71	2.18	0.36
Cambodia	19.50	3.70	0.81	1.09	20.31	3.38
Canada	0.65	0.12	1.01	1.37	1.66	0.28
China, People's Rep. of	17.50	3.32	0.04	0.05	17.54	2.92
Cook Islands	1.27	0.24	0.11	0.15	1.39	0.23
Denmark	1.19	0.23	1.24	1.67	2.43	0.40
Fiji Islands	0.00	0.00	0.00	0.00	0.00	0.00
Finland	2.23	0.42	0.00	0.00	2.23	0.37
France	6.39	1.21	0.08	0.10	6.47	1.08
Germany	3.44	0.65	3.70	5.00	7.14	1.19
Hong Kong, China	1.16	0.22	0.00	0.00	1.16	0.19
India	14.21	2.70	7.77	10.49	21.99	3.66
Indonesia	21.20	4.02	0.02	0.03	21.22	3.53
Italy	2.21	0.42	0.00	0.00	2.21	0.37
Japan	5.60	1.06	5.17	6.98	10.77	1.79
Kazakhstan	1.40	0.27	0.00	0.00	1.40	0.23
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	11.07	2.10	3.64	4.92	14.71	2.45
Kyrgyz Republic	4.68	0.89	0.26	0.35	4.94	0.82
Lao PDR	15.32	2.91	1.22	1.65	16.54	2.75
Malaysia	1.99	0.38	0.00	0.00	1.99	0.33
Maldives	0.90	0.17	0.00	0.00	0.90	0.15
Marshall Islands	0.50	0.09	0.00	0.00	0.50	0.08
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	18.81	3.57	0.06	0.07	18.86	3.14
Myanmar	1.02	0.19	0.25	0.33	1.27	0.21
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	12.76	2.42	4.65	6.28	17.41	2.90
The Netherlands	0.53	0.10	0.48	0.65	1.02	0.17
New Zealand	0.94	0.18	2.07	2.79	3.00	0.50
Norway	0.00	0.00	0.00	0.00	0.00	0.00
Pakistan	77.13	14.63	1.80	2.43	78.93	13.13
Papua New Guinea	0.90	0.17	0.06	0.08	0.95	0.16
Philippines	32.12	6.09	5.16	6.97	37.29	6.20
Samoa	0.21	0.04	0.00	0.00	0.21	0.03
Singapore	0.91	0.17	0.06	0.08	0.97	0.16
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	3.23	0.61	0.00	0.00	3.23	0.54
Sri Lanka	57.27	10.87	5.04	6.80	62.31	10.36
Sweden	0.00	0.00	0.44	0.59	0.44	0.07
Switzerland	0.92	0.17	0.00	0.00	0.92	0.15
Taipei, China	1.10	0.21	0.00	0.00	1.10	0.18
Tajikistan	1.15	0.22	0.00	0.00	1.15	0.19
Thailand	7.27	1.38	4.35	5.87	11.62	1.93
Tonga	0.02	0.00	0.00	0.00	0.02	0.00
Turkey	0.01	0.00	0.00	0.00	0.01	0.00
Turkmenistan	0.15	0.00	0.00	0.00	0.15	0.03
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	1.47	0.28	9.36	12.63	10.83	1.80
United States	13.73	2.60	0.83	1.12	14.56	2.42
Uzbekistan	3.68	0.70	0.00	0.00	3.68	0.61
Vanuatu	0.03	0.01	0.00	0.00	0.03	0.01
Viet Nam	59.52	11.29	0.96	1.29	60.48	10.06
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
<b>TOTAL</b>	<b>527.08</b>	<b>100.00</b>	<b>74.09</b>	<b>100.00</b>	<b>601.17</b>	<b>100.00</b>

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 due to rounding.

**Table 20****CONTRACTS AWARDED BY COUNTRY OF ORIGIN,<sup>a</sup> 2001****PROJECT LOANS—ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED** (amounts in \$ million)

	<b>Goods, Related Services, and Civil Works</b>	<b>% Distribution</b>	<b>Consulting Services</b>	<b>% Distribution</b>	<b>Total Contracts Awarded<sup>b</sup></b>	<b>% Distribution<sup>b</sup></b>
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	3.04	0.19	20.80	14.56	23.84	1.36
Austria	7.26	0.45	0.00	0.00	7.26	0.41
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	85.88	5.32	4.19	2.93	90.06	5.12
Belgium	11.38	0.70	0.02	0.01	11.40	0.65
Bhutan	1.65	0.10	0.52	0.37	2.18	0.12
Cambodia	19.50	1.21	0.81	0.56	20.31	1.16
Canada	4.70	0.29	1.63	1.14	6.33	0.36
China, People's Rep. of	567.06	35.12	1.34	0.94	568.40	32.34
Cook Islands	1.27	0.08	0.11	0.08	1.39	0.08
Denmark	2.87	0.18	1.52	1.06	4.39	0.25
Fiji Islands	0.10	0.01	0.00	0.00	0.10	0.01
Finland	3.52	0.22	0.00	0.00	3.52	0.20
France	11.92	0.74	0.53	0.37	12.45	0.71
Germany	22.48	1.39	3.70	2.59	26.18	1.49
Hong Kong, China	17.08	1.06	0.00	0.00	17.08	0.97
India	104.07	6.44	18.75	13.12	122.82	6.99
Indonesia	212.54	13.16	14.82	10.37	227.36	12.93
Italy	9.23	0.57	0.07	0.05	9.30	0.53
Japan	15.54	0.96	5.17	3.62	20.71	1.18
Kazakhstan	2.93	0.18	0.01	0.01	2.94	0.17
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	20.95	1.30	3.64	2.55	24.59	1.40
Kyrgyz Republic	4.68	0.29	0.26	0.18	4.94	0.28
Lao PDR	15.32	0.95	1.22	0.86	16.54	0.94
Malaysia	28.07	1.74	0.93	0.65	29.01	1.65
Maldives	0.90	0.06	0.00	0.00	0.90	0.05
Marshall Islands	0.50	0.03	0.00	0.00	0.50	0.03
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	18.81	1.16	0.06	0.04	18.86	1.07
Myanmar	1.02	0.06	0.25	0.17	1.27	0.07
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	12.80	0.79	4.65	3.26	17.45	0.99
The Netherlands	1.42	0.09	0.48	0.34	1.90	0.11
New Zealand	1.23	0.08	2.07	1.45	3.30	0.19
Norway	0.37	0.02	0.00	0.00	0.37	0.02
Pakistan	77.15	4.78	1.80	1.26	78.95	4.49
Papua New Guinea	2.43	0.15	0.06	0.04	2.48	0.14
Philippines	77.13	4.78	8.01	5.61	85.14	4.84
Samoa	0.21	0.01	0.00	0.00	0.20	0.01
Singapore	5.46	0.34	0.06	0.04	5.52	0.31
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	12.95	0.80	0.00	0.00	12.95	0.74
Sri Lanka	57.27	3.55	5.04	3.53	62.31	3.55
Sweden	3.45	0.21	0.44	0.31	3.89	0.22
Switzerland	7.52	0.47	0.45	0.32	7.97	0.45
Taipei, China	2.31	0.14	0.00	0.00	2.31	0.13
Tajikistan	1.15	0.07	0.00	0.00	1.15	0.07
Thailand	15.92	0.99	4.40	3.08	20.32	1.16
Tonga	0.02	0.00	0.00	0.00	0.02	0.00
Turkey	0.67	0.04	0.00	0.00	0.67	0.04
Turkmenistan	0.15	0.00	0.00	0.00	0.15	0.01
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	8.12	0.50	26.45	18.52	34.58	1.97
United States	69.56	4.31	7.63	5.34	77.19	4.39
Uzbekistan	3.68	0.23	0.00	0.00	3.68	0.21
Vanuatu	0.03	0.00	0.00	0.00	0.03	0.00
Viet Nam	59.52	3.69	0.96	0.67	60.48	3.44
Regional	0.04	0.00	0.00	0.00	0.04	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>1,614.86</b>	<b>100.00</b>	<b>142.85</b>	<b>100.00</b>	<b>1,757.71</b>	<b>100.00</b>

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 due to rounding.

**Table 21**  
**ESTIMATES OF PAYMENT TO SUPPLYING COUNTRIES FOR FOREIGN PROCUREMENT  
 UNDER PROGRAM LENDING,<sup>a</sup> 2001**

	Ordinary Capital Resources (OCR)		Asian Development Fund (ADF)		Combined OCR and ADF	
	\$ Million	% Distribution	\$ Million	% Distribution	\$ Million	% Distribution
Afghanistan	0.66	0.11	0.03	0.01	0.69	0.09
Australia	20.28	3.23	1.51	0.87	21.79	2.72
Austria	1.47	0.23	0.28	0.16	1.75	0.22
Azerbaijan	0.02	0.00	0.00	0.00	0.02	0.00
Bangladesh	0.48	0.08	0.05	0.03	0.53	0.07
Belgium	3.22	0.51	1.57	0.90	4.79	0.60
Bhutan	0.12	0.02	0.00	0.00	0.12	0.02
Cambodia	0.01	0.00	0.00	0.00	0.01	0.00
Canada	5.10	0.81	1.07	0.62	6.17	0.77
China, People's Rep. of	21.11	3.37	9.03	5.19	30.14	3.76
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	0.95	0.15	0.18	0.10	1.13	0.14
Fiji Islands	0.00	0.00	0.00	0.00	0.00	0.00
Finland	3.38	0.54	0.10	0.06	3.48	0.43
France	12.36	1.97	1.41	0.81	13.77	1.72
Germany	22.88	3.65	9.56	5.49	32.44	4.05
Hong Kong, China	9.22	1.47	0.28	0.16	9.50	1.19
India	5.73	0.91	0.87	0.50	6.60	0.82
Indonesia	4.25	0.68	0.03	0.01	4.28	0.53
Italy	9.37	1.49	8.40	4.83	17.77	2.22
Japan	140.26	22.36	12.21	7.01	152.47	19.03
Kazakhstan	0.05	0.01	4.97	2.85	5.01	0.63
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	26.73	4.26	1.03	0.59	27.76	3.46
Kyrgyz Republic	0.00	0.00	0.03	0.01	0.03	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	18.81	3.00	5.53	3.17	24.33	3.04
Maldives	0.00	0.00	0.20	0.12	0.21	0.03
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	0.37	0.06	0.00	0.00	0.37	0.05
Nauru	0.01	0.00	0.00	0.00	0.01	0.00
Nepal	0.02	0.00	0.03	0.01	0.04	0.01
The Netherlands	5.27	0.84	0.71	0.41	5.97	0.75
New Zealand	1.99	0.32	0.08	0.04	2.07	0.26
Norway	0.60	0.10	0.05	0.03	0.65	0.08
Pakistan	50.73	8.09	37.50	21.55	88.23	11.01
Papua New Guinea	34.25	5.46	0.00	0.00	34.25	4.27
Philippines	0.83	0.13	0.00	0.00	0.84	0.10
Samoa	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	26.60	4.24	0.33	0.19	26.93	3.36
Solomon Islands	0.01	0.00	0.00	0.00	0.01	0.00
Spain	3.06	0.49	0.21	0.12	3.27	0.41
Sri Lanka	0.78	0.12	0.00	0.00	0.78	0.10
Sweden	2.83	0.45	1.02	0.59	3.86	0.48
Switzerland	8.67	1.38	0.33	0.19	9.00	1.12
Taipei, China	11.17	1.78	0.00	0.00	11.17	1.39
Tajikistan	0.03	0.00	0.50	0.29	0.53	0.07
Thailand	10.48	1.67	0.50	0.29	10.99	1.37
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	2.84	0.45	3.68	2.11	6.52	0.81
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	10.59	1.69	9.21	5.29	19.79	2.47
United States	147.02	23.44	52.02	29.89	199.04	24.84
Uzbekistan	1.15	0.18	9.60	5.51	10.75	1.34
Vanuatu	0.00	0.00	0.00	0.00	0.00	0.00
Viet Nam	1.51	0.24	0.00	0.00	1.51	0.19
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
<b>TOTAL</b>	<b>627.30</b>	<b>100.00</b>	<b>174.05</b>	<b>100.00</b>	<b>801.35</b>	<b>100.00</b>

Note: Total may not add due to rounding.

a Estimates are based on import data drawn from the latest information available on borrowers' trade statistics compiled by the International Monetary Fund *Direction of Trade Statistics*.

**Table 22**  
**CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF ORIGIN,<sup>a</sup>**  
**TECHNICAL ASSISTANCE OPERATIONS**  
(as of 31 December 2001; amounts in \$ million)

	ADB's Own Resources	% Distribution	Administered Trust Funds	% Distribution	Japan Special Fund	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan	0.00	0.00	0.00	0.00	0.02	0.00	0.02	0.00
Australia	100.42	12.80	18.27	8.01	81.36	12.43	200.05	12.00
Austria	0.82	0.10	0.00	0.00	0.00	0.00	0.82	0.05
Azerbaijan	0.05	0.01	0.00	0.00	0.00	0.00	0.05	0.00
Bangladesh	6.54	0.83	2.49	1.09	3.17	0.48	12.19	0.73
Belgium	2.83	0.36	0.71	0.31	1.19	0.18	4.73	0.28
Bhutan	0.07	0.01	0.02	0.01	0.03	0.00	0.12	0.01
Cambodia	0.46	0.06	0.00	0.00	0.10	0.01	0.55	0.03
Canada	57.08	7.28	28.34	12.43	51.20	7.82	136.62	8.20
China, People's Rep. of	4.95	0.63	0.90	0.39	4.02	0.61	9.87	0.59
Cook Islands	0.02	0.00	0.00	0.00	0.00	0.00	0.02	0.00
Denmark	9.38	1.20	1.82	0.80	14.36	2.19	25.55	1.53
Fiji Islands	0.43	0.05	0.00	0.00	0.07	0.01	0.49	0.03
Finland	3.75	0.48	4.59	2.01	6.95	1.06	15.29	0.92
France	14.17	1.81	10.52	4.61	17.91	2.74	42.60	2.56
Germany	12.23	1.56	5.21	2.28	26.39	4.03	43.82	2.63
Hong Kong, China	12.73	1.62	1.25	0.55	16.00	2.44	29.98	1.80
India	26.43	3.37	4.15	1.82	11.65	1.78	42.24	2.53
Indonesia	10.86	1.38	1.33	0.58	5.54	0.85	17.73	1.06
Italy	4.49	0.57	0.66	0.29	2.53	0.39	7.67	0.46
Japan	17.26	2.20	5.66	2.48	17.54	2.68	40.46	2.43
Kazakhstan	0.14	0.02	0.18	0.08	0.03	0.00	0.35	0.02
Kiribati	0.00	0.00	0.03	0.01	0.00	0.00	0.03	0.00
Korea, Rep. of	4.19	0.53	0.99	0.43	3.35	0.51	8.53	0.51
Kyrgyz Republic	0.20	0.03	0.00	0.00	0.03	0.00	0.23	0.01
Lao PDR	2.40	0.31	0.00	0.00	0.47	0.07	2.87	0.17
Malaysia	6.68	0.85	0.15	0.07	3.14	0.48	9.97	0.60
Maldives	0.07	0.01	0.00	0.00	0.00	0.00	0.07	0.00
Marshall Islands	0.07	0.01	0.00	0.00	0.00	0.00	0.07	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.44	0.06	0.00	0.00	0.39	0.06	0.82	0.05
Myanmar	0.72	0.09	0.48	0.21	0.00	0.00	1.20	0.07
Nauru	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	4.52	0.58	0.99	0.43	1.18	0.18	6.69	0.40
The Netherlands	17.51	2.23	20.25	8.88	24.16	3.69	61.92	3.71
New Zealand	42.79	5.46	7.55	3.31	42.40	6.48	92.74	5.56
Norway	2.37	0.30	3.16	1.38	3.20	0.49	8.73	0.52
Pakistan	8.39	1.07	0.21	0.09	1.59	0.24	10.19	0.61
Papua New Guinea	1.17	0.15	0.01	0.00	0.01	0.00	1.19	0.07
Philippines	48.09	6.13	9.88	4.33	21.63	3.31	79.60	4.78
Samoa	0.67	0.09	0.00	0.00	0.86	0.13	1.52	0.09
Singapore	10.81	1.38	0.00	0.00	6.90	1.05	17.72	1.06
Solomon Islands	0.45	0.06	0.02	0.01	0.07	0.01	0.53	0.03
Spain	0.54	0.07	1.29	0.57	0.72	0.11	2.54	0.15
Sri Lanka	9.27	1.18	1.08	0.47	2.61	0.40	12.96	0.78
Sweden	4.70	0.60	2.85	1.25	5.82	0.89	13.37	0.80
Switzerland	8.86	1.13	4.65	2.04	8.47	1.29	21.97	1.32
Taipei, China	1.06	0.13	0.07	0.03	2.03	0.31	3.16	0.19
Tajikistan	0.08	0.01	0.00	0.00	0.00	0.00	0.08	0.00
Thailand	8.08	1.03	2.64	1.16	8.57	1.31	19.29	1.16
Tonga	0.18	0.02	0.00	0.00	0.00	0.00	0.18	0.01
Turkey	0.09	0.01	0.08	0.04	0.00	0.00	0.18	0.01
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.04	0.00	0.00	0.00	0.00	0.00	0.04	0.00
United Kingdom	118.89	15.16	36.99	16.22	104.96	16.04	260.84	15.65
United States	169.46	21.61	44.41	19.47	142.80	21.82	356.68	21.40
Uzbekistan	0.08	0.01	0.04	0.02	0.02	0.00	0.14	0.01
Vanuatu	0.73	0.09	0.01	0.01	1.18	0.18	1.92	0.12
Viet Nam	1.49	0.19	0.09	0.04	1.75	0.27	3.32	0.20
Regional	0.98	0.12	0.00	0.00	1.14	0.17	2.12	0.13
International Organizations	23.21	2.96	4.07	1.78	4.90	0.75	32.18	1.93
<b>TOTAL</b>	<b>784.34</b>	<b>100.00</b>	<b>228.06</b>	<b>100.00</b>	<b>654.39</b>	<b>100.00</b>	<b>1,666.79</b>	<b>100.00</b>

Note: Total may not add due to rounding.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

**Table 23**  
**CONTRACTS AWARDED BY COUNTRY OF ORIGIN,<sup>a</sup> 1999–2001**  
**TECHNICAL ASSISTANCE OPERATIONS** (amounts in \$ million)

	1999		2000		2001 <sup>a</sup>	
	Value	%	Value	%	Value	%
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	16.38	13.26	20.99	13.54	17.99	12.91
Austria	0.00	0.00	0.00	0.00	0.67	0.48
Azerbaijan	0.00	0.00	0.00	0.00	0.05	0.03
Bangladesh	0.40	0.32	1.43	0.92	1.77	1.27
Belgium	0.40	0.32	0.13	0.08	0.86	0.62
Bhutan	0.03	0.02	0.02	0.01	0.03	0.02
Cambodia	0.03	0.02	0.07	0.04	0.14	0.10
Canada	7.31	5.92	12.13	7.82	11.01	7.90
China, People's Rep. of	1.07	0.86	1.28	0.83	0.65	0.46
Cook Islands	0.00	0.00	0.01	0.01	0.01	0.01
Denmark	0.14	0.11	1.84	1.18	0.60	0.43
Fiji Islands	0.00	0.00	0.03	0.02	0.08	0.06
Finland	0.57	0.46	1.54	0.99	0.00	0.00
France	3.54	2.86	0.22	0.14	4.00	2.87
Germany	3.20	2.59	6.45	4.16	5.66	4.06
Hong Kong, China	0.92	0.74	4.61	2.97	2.94	2.11
India	2.43	1.97	1.91	1.23	4.13	2.96
Indonesia	1.04	0.84	0.68	0.44	1.30	0.93
Italy	0.48	0.39	0.95	0.61	0.27	0.20
Japan	3.48	2.81	2.64	1.70	1.35	0.97
Kazakhstan	0.01	0.01	0.02	0.01	0.20	0.14
Kiribati	0.03	0.02	0.00	0.00	0.00	0.00
Korea, Rep. of	0.28	0.23	0.12	0.08	0.31	0.22
Kyrgyz Republic	0.04	0.03	0.05	0.03	0.06	0.04
Lao PDR	0.12	0.09	2.01	1.30	0.07	0.05
Malaysia	1.33	1.07	0.62	0.40	0.37	0.27
Maldives	0.00	0.00	0.03	0.02	0.02	0.01
Marshall Islands	0.02	0.01	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	0.06	0.05	0.17	0.11	0.18	0.13
Myanmar	0.15	0.12	0.09	0.06	0.05	0.04
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.23	0.19	0.32	0.20	0.55	0.39
The Netherlands	2.37	1.92	11.29	7.28	4.46	3.20
New Zealand	12.07	9.77	6.89	4.44	9.07	6.51
Norway	0.20	0.16	0.69	0.45	0.03	0.02
Pakistan	0.84	0.68	0.52	0.34	1.28	0.92
Papua New Guinea	0.02	0.02	0.13	0.08	0.41	0.30
Philippines	5.43	4.39	8.68	5.60	8.62	6.18
Samoa	0.02	0.02	0.34	0.22	0.11	0.08
Singapore	1.60	1.30	1.15	0.74	2.17	1.56
Solomon Islands	0.21	0.17	0.18	0.12	0.09	0.07
Spain	0.02	0.02	0.00	0.00	0.05	0.03
Sri Lanka	0.14	0.11	3.34	2.15	0.73	0.52
Sweden	0.10	0.08	0.63	0.41	0.93	0.67
Switzerland	1.41	1.14	2.18	1.40	0.90	0.65
Taipei, China	0.00	0.00	0.03	0.02	0.00	0.00
Tajikistan	0.01	0.01	0.00	0.00	0.04	0.03
Thailand	2.36	1.91	1.39	0.90	2.17	1.55
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.00	0.00	0.00	0.00	0.00	0.00
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.04	0.02	0.00	0.00
United Kingdom	22.95	18.57	19.22	12.39	18.21	13.07
United States	27.44	22.21	35.90	23.15	32.96	23.66
Uzbekistan	0.04	0.03	0.02	0.01	0.03	0.02
Vanuatu	1.22	0.99	0.09	0.06	0.34	0.24
Viet Nam	0.91	0.73	1.50	0.97	0.30	0.22
Regional	0.50	0.40	0.48	0.31	1.12	0.80
International Organizations	0.04	0.03	0.01	0.01	0.00	0.00
<b>TOTAL</b>	<b>123.53</b>	<b>79.67</b>	<b>155.05</b>	<b>111.28</b>	<b>139.34</b>	<b>100.00</b>

Note: Total may not add due to rounding.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

**Table 24**
**TECHNICAL ASSISTANCE GRANTS BY COUNTRY AND REGIONAL ACTIVITIES,<sup>a</sup> 1967–2001, 2000, 2001**  
(amounts in \$ thousand)

	1 9 6 7 – 2 0 0 1 <sup>b</sup>			2 0 0 0					
	No.	Amount	%	No.	OCR and TASF Financing	JSF <sup>c</sup> Financing	ACCSF <sup>d</sup> Financing	Other Sources	Total
Afghanistan	16	2,565.70	0.13	—	—	—	—	—	—
Azerbaijan	5	1,952.00	0.10	—	—	—	—	—	—
Bangladesh	272	145,628.33	7.12	7	600.00	4,590.00	—	—	5,190.00
Bhutan	76	28,625.15	1.40	5	100.00	1,954.00	—	—	2,054.00
Cambodia	82	60,088.60	2.98	9	1,050.00	3,386.00	—	—	4,436.00
China, People's Rep. of	368	195,614.05	9.57	25	5,665.00	11,050.40	—	—	16,715.40
Cook Islands	25	7,995.00	0.39	2	280.00	—	—	—	280.00
East Timor	18	7,312.90	0.36	12	4,042.90	900.00	—	—	4,942.90
Fiji Islands	63	18,916.80	0.93	4	590.00	—	—	—	590.00
India	141	71,326.86	3.49	16	9,545.00	—	—	—	9,545.00
Indonesia	408	180,978.27	8.85	16	3,180.00	2,195.00	5,825.00	2,180.00	13,380.00
Kazakhstan	39	21,149.00	1.03	6	100.00	3,480.00	—	—	3,580.00
Kiribati	30	9,540.00	0.47	2	150.00	350.00	—	—	500.00
Korea, Rep. of	33	5,010.15	0.25	—	—	—	—	—	—
Kyrgyz Republic	46	28,240.50	1.38	8	1,185.00	3,090.00	—	650.00	4,925.00
Lao PDR	184	88,717.78	4.34	13	5,350.00	2,300.00	—	—	7,650.00
Malaysia	92	25,202.30	1.23	—	—	—	—	—	—
Maldives	41	14,178.00	0.69	3	750.00	700.00	—	—	1,450.00
Marshall Islands	37	15,477.00	0.76	4	548.00	340.00	—	—	888.00
Micronesia, Fed. States of	31	19,585.00	0.96	2	800.00	—	—	—	800.00
Mongolia	99	49,770.65	2.43	5	600.00	2,985.00	—	—	3,585.00
Myanmar	38	10,716.00	0.52	—	—	—	—	—	—
Nauru	5	1,244.00	0.06	1	—	300.00	—	—	300.00
Nepal	219	100,569.70	4.92	9	3,580.00	3,735.00	—	—	7,315.00
Pakistan	227	91,981.40	4.50	8	7,905.00	—	—	—	7,905.00
Papua New Guinea	117	39,271.60	1.92	8	736.00	1,420.00	—	1,181.00	3,337.00
Philippines	281	119,994.25	5.87	12	1,393.20	3,228.00	1,775.00	—	6,396.20
Samoa	69	18,601.50	0.91	3	1,320.00	500.00	—	—	1,820.00
Singapore	2	577.42	0.03	—	—	—	—	—	—
Solomon Islands	51	10,900.24	0.53	2	800.00	—	—	—	800.00
Sri Lanka	189	74,390.60	3.64	11	1,085.00	5,600.00	—	—	6,685.00
Taipei, China	1	100.00	0.00	—	—	—	—	—	—
Tajikistan	24	12,465.00	0.61	10	450.00	3,800.00	—	600.00	4,850.00
Thailand	140	51,693.60	2.53	6	450.00	1,600.00	—	500.00	2,550.00
Tonga	44	11,426.50	0.56	2	271.00	—	—	—	271.00
Turkmenistan	1	150.00	0.01	—	—	—	—	—	—
Tuvalu	13	3,336.00	0.16	1	—	250.00	—	—	250.00
Uzbekistan	35	20,000.00	0.98	5	300.00	3,020.00	—	—	3,320.00
Vanuatu	47	12,814.76	0.63	4	1,033.00	330.00	—	67.00	1,430.00
Viet Nam	128	83,933.46	4.11	12	1,755.00	4,924.00	—	2,440.00	9,119.00
<b>Subtotal</b>	3,737	1,662,040.06	81.33	233	55,614.10	66,027.40	7,600.00	7,618.00	136,859.50
<b>Regional</b>	1,011	381,609.62	18.67	73	22,046.00	11,060.00	—	2,022.00	35,128.00
<b>TOTAL</b>	<b>4,748</b>	<b>2,043,649.68</b>	<b>100.00</b>	<b>306</b>	<b>77,660.10</b>	<b>77,087.40</b>	<b>7,600.00</b>	<b>9,640.00</b>	<b>171,987.50</b>

a Excludes technical assistance financed under loans that are included in ADB's loan data.

b Cumulative data are adjusted to exclude technical assistance projects withdrawn by governments.

c Japan Special Fund.

d Asian Currency Crisis Support Facility.

		2 0 0 1							
%	No.	OCR and TASF Financing	JSF <sup>c</sup> Financing	ACCSF <sup>d</sup> Financing	Other Sources	Total	%		
—	—	—	—	—	—	—	—	Afghanistan	
—	5	1,212.00	740.00	—	—	1,952.00	1.33	Azerbaijan	
3.02	12	1,525.00	3,340.00	—	—	4,865.00	3.32	Bangladesh	
1.19	5	900.00	1,200.00	—	—	2,100.00	1.43	Bhutan	
2.58	8	1,750.00	4,050.00	—	1,000.00	6,800.00	4.65	Cambodia	
9.72	20	8,668.00	2,630.00	—	1,150.00	12,448.00	8.51	China, People's Rep. of	
0.16	2	—	500.00	—	—	500.00	0.34	Cook Islands	
2.87	6	270.00	2,100.00	—	—	2,370.00	1.62	East Timor	
0.34	—	—	—	—	—	—	—	Fiji Islands	
5.55	12	5,750.00	—	—	2,250.00	8,000.00	5.47	India	
7.78	19	2,790.00	2,590.00	8,953.00	1,600.00	15,933.00	10.89	Indonesia	
2.08	5	300.00	1,900.00	—	95.00	2,295.00	1.57	Kazakhstan	
0.29	1	—	500.00	—	—	500.00	0.34	Kiribati	
—	—	—	—	—	—	—	—	Korea, Rep. of	
2.86	4	1,550.00	650.00	—	—	2,200.00	1.50	Kyrgyz Republic	
4.45	10	1,100.00	4,100.00	—	—	5,200.00	3.55	Lao PDR	
—	—	—	—	—	—	—	—	Malaysia	
0.84	3	—	700.00	—	—	700.00	0.48	Maldives	
0.52	1	950.00	—	—	—	950.00	0.65	Marshall Islands	
0.47	2	900.00	—	—	333.00	1,233.00	0.84	Micronesia, Fed. States of	
2.08	7	2,000.00	1,800.00	—	—	3,800.00	2.60	Mongolia	
—	—	—	—	—	—	—	—	Myanmar	
0.17	—	—	—	—	—	—	—	Nauru	
4.25	5	1,825.00	2,175.00	—	—	4,000.00	2.73	Nepal	
4.60	17	5,800.00	800.00	—	—	6,600.00	4.51	Pakistan	
1.94	8	1,570.00	2,700.00	—	—	4,270.00	2.92	Papua New Guinea	
3.72	9	917.00	2,358.00	3,790.00	485.00	7,550.00	5.16	Philippines	
1.06	3	800.00	—	—	—	800.00	0.55	Samoa	
—	—	—	—	—	—	—	—	Singapore	
0.47	—	—	—	—	—	—	—	Solomon Islands	
3.89	9	706.00	3,400.00	—	—	4,106.00	2.81	Sri Lanka	
—	—	—	—	—	—	—	—	Taipei, China	
2.82	5	575.00	1,550.00	—	—	2,125.00	1.45	Tajikistan	
1.48	7	350.00	750.00	1,565.00	—	2,665.00	1.82	Thailand	
0.16	1	650.00	—	—	—	650.00	0.44	Tonga	
—	1	150.00	—	—	—	150.00	0.10	Turkmenistan	
0.15	1	300.00	—	—	—	300.00	0.20	Tuvalu	
1.93	5	1,700.00	600.00	—	—	2,300.00	1.57	Uzbekistan	
0.83	3	200.00	500.00	—	—	700.00	0.48	Vanuatu	
5.30	10	1,300.00	3,500.00	—	3,618.00	8,418.00	5.75	Viet Nam	
79.58	206	46,508.00	45,133.00	14,308.00	10,531.00	116,480.00	79.58	Subtotal	
20.42	51	13,286.00	8,650.00	1,800.00	6,143.86	29,879.86	20.42	Regional	
100.00	257	59,794.00	53,783.00	16,108.00	16,674.86	146,359.86	100.00	TOTAL	

**Table 25**  
**TECHNICAL ASSISTANCE GRANTS, 2001**  
(\$ thousand)

	Project Preparatory	Advisory and Operational
<b>AZERBAIJAN</b>		
Urban Water Supply and Sanitation	740.00 <sup>a</sup>	
Seminars on Bank Operational Policies and Procedures	150.00	
Capacity Building for Strategic Economic Policy Formulation in the Ministry of Finance	762.00	
Capacity Building for Poverty Data Analysis	150.00	
Preparation of the Medium-Term National Poverty Reduction Strategy	150.00	
<b>BANGLADESH</b>		
Jamuna-Meghna River Erosion Mitigation	1,000.00 <sup>a</sup>	
Urban Governance and Infrastructure Improvement	350.00 <sup>a</sup>	
Rural Infrastructure Improvement	440.00 <sup>a</sup>	
Northwest Road Corridor Development	150.00 <sup>a</sup>	
Road Network Improvement and Maintenance II	600.00 <sup>a</sup>	
Primary Education Sector Improvement	800.00 <sup>a</sup>	
Bangladesh Poverty Assessment	100.00	
Public Expenditure Review	100.00	
Jamuna Bridge Impact Study	150.00	
Finance, Industry and Trade Sector Review and Strategy Formulation	125.00	
Central Depository Capacity Building	150.00	
Corporatization of the West Zone Distribution Operations of the Bangladesh Power Development Board	900.00	
<b>BHUTAN</b>		
Rural Electrification and Network Expansion	700.00 <sup>a</sup>	
Strengthening the National Statistical System	600.00	
Financial Sector Review	300.00	
Institutional Development of the Department of Employment and Labor	200.00 <sup>a</sup>	
Institutional Development of the National Pension and Provident Fund Bureau	300.00 <sup>a</sup>	
<b>CAMBODIA</b>		
Second Basic Health Services	700.00 <sup>a</sup>	
Rural Water Supply and Sanitation	700.00 <sup>a</sup>	
Agriculture Sector Development Program	600.00 <sup>a</sup>	
Northwest Irrigation Sector	1,200.00 <sup>a</sup>	
Strengthening Public Financial Management (Technical Assistance cluster)	1,200.00	
Transport Sector Strategy	850.00 <sup>a</sup>	
Institutional Support for National Economic Policy Management	550.00	
Capacity Building for Banking and Financial Management	1,000.00 <sup>b</sup>	
<b>CHINA, PEOPLE'S REPUBLIC OF</b>		
Hebei Zhanghewan Pumped Storage (Supplementary)	148.00	
Shanxi and Shaanxi Roads (Supplementary)	152.00	
Songhua River Flood, Wetland, and Biodiversity Management (Supplementary)	250.00	
Wuhan Wastewater Treatment	500.00 <sup>b</sup>	
Western Yunnan Roads Development	770.00 <sup>a</sup>	
Gansu Hydropower	950.00 <sup>a</sup>	
Ningxia Roads Development	600.00 <sup>c</sup>	
Study on Ways to Support Rural Poverty Reduction Projects (Supplementary)	270.00	
Formulation of the Government Procurement Law	578.00	
PRC-Global Environment Facility Partnership on Land Degradation in Dryland Ecosystems	1,150.00 <sup>d</sup>	

a To be financed from the Japan Special Fund (JSF).

b To be financed by the Government of France with ADB acting as executing agency.

c Of this amount, \$300,000 is to be financed from the JSF and \$300,000 by the Government of Italy with ADB acting as executing agency.

d Of this amount, \$350,000 is to be financed by the Global Environment Facility with ADB acting as executing agency.

CONTINUED

	Project Preparatory	Advisory and Operational
<b>CHINA, PEOPLE'S REPUBLIC OF</b>		
Optimizing Initiatives to Combat Desertification in Gansu Province		610.00 <sup>a</sup>
World Trade Organization Membership and Foreign Trade Law Reform		700.00
Pro-Poor Urban Heating Tariff Reforms		850.00
Strategic Planning Study for the Preparation of the Yellow River Law		970.00
Strengthening the Accountancy Profession		600.00
Policy and Institutional Support for the Social Security Reform Pilot Program		1,000.00
National Guidelines for Urban Wastewater Tariffs and Management Study		700.00
Western Region Human Resource Development		1,000.00
Study of Foreign Capital Utilization for Western Region		550.00
Nature Reserve Management Plan in Guangxi Zhuang Autonomous Region		100.00
<b>COOK ISLANDS</b>		
Outer Islands Development Program	250.00 <sup>a</sup>	
Improving Corporate Management in Government Services		250.00 <sup>a</sup>
<b>EAST TIMOR</b>		
Exclusive Economic Zone Demarcation		120.00
Transport Sector Improvement		500.00 <sup>a</sup>
Microfinance Information Technology Systems Development		150.00
Power Sector Development Plan (Phase I)		400.00 <sup>a</sup>
Economic Policies and Strategies for Development Planning		950.00 <sup>a</sup>
Postal Services Development		250.00 <sup>a</sup>
<b>INDIA</b>		
Kerala Power Sector Development Program	800.00	
Madhya Pradesh State Road Sector Development	600.00	
National Highway Corridor - Public-Private Partnership	700.00	
Integrated Urban Development in Madhya Pradesh	1,000.00 <sup>b</sup>	
Capacity Building for Earthquake Rehabilitation and Reconstruction of Housing		1,300.00
Madhya Pradesh Integrated Water Resources Management Strategy		500.00 <sup>b</sup>
Enhancing the Corporate Finance Capability of National Highways Authority of India		700.00
Assessing the Role of Mortgaged-Backed Securities		150.00
Impact on Poverty Reduction of Financial Sector Policies and Reforms		150.00 <sup>b</sup>
Support for Improvements in the Accounting System of the Calcutta Municipal Corporation		150.00 <sup>b</sup>
Conservation and Livelihood Improvement in the Indian Sundarbans		450.00 <sup>b</sup>
Enhancing Private Sector Participation in Infrastructure Development at State Level		1,500.00
<b>INDONESIA</b>		
Urban Poverty Reduction	800.00 <sup>c</sup>	
Second Decentralized Health Services	1,000.00 <sup>a</sup>	
Participatory Irrigation Sector	800.00 <sup>d</sup>	
Local Government Capacity Building for Decentralization	713.00 <sup>c</sup>	
Private Sector Participation Development Facility for Urban Infrastructure	600.00 <sup>c</sup>	
Regional Power Transmission and Competitive Market Development	500.00 <sup>a</sup>	
Rural Microfinance	1,000.00 <sup>e</sup>	
Development of a Financial Services Supervisory Institution		1,700.00 <sup>c</sup>
Gas Sector Development Plan		490.00 <sup>a</sup>
Support for Decentralized Education Management		990.00

<sup>a</sup> To be financed from the JSF.<sup>b</sup> To be financed by the Government of the United Kingdom with ADB acting as executing agency.<sup>c</sup> To be financed from the Asian Currency Crisis Support Facility (ACCSF).<sup>d</sup> Of this amount, \$600,000 is to be financed from the JSF.<sup>e</sup> To be financed by the Government of France with ADB acting as executing agency.

## CONTINUED

	Project Preparatory	Advisory and Operational
<b>INDONESIA</b>		
Developing Leading Indicators for Poverty Monitoring		300.00
Privatization and Restructuring of State-Owned Enterprises		2,600.00 <sup>a</sup>
Strengthening Procurement Policies, Legal Framework, and Institutions		500.00
Commercialization of Public Service Obligations		1,000.00 <sup>a</sup>
Regulatory Framework for Private and Public Water Supply and Wastewater Enterprises		790.00 <sup>a</sup>
Supporting Country Financial Accountability		300.00
Fiscal Decentralization		500.00
Reform of Water Enterprises		600.00 <sup>b</sup>
Support to the Partnership for Governance Reform in Indonesia		750.00 <sup>a</sup>
<b>KAZAKHSTAN</b>		
Urban Small Business Development	600.00 <sup>c</sup>	
Early Childhood and Women's Development	600.00 <sup>c</sup>	
Technology and Institutional Development for Sustainable Locust Management		700.00 <sup>c</sup>
Energy Sector Study		245.00 <sup>d</sup>
Governance Study and Capacity Building for Administrative Reform		150.00
<b>KYRGYZ REPUBLIC</b>		
Governance Assessment Study for Sound Development Management and Poverty Reduction		100.00
Institutional Support in the Transport Sector		650.00 <sup>c</sup>
Strengthening Capacity of the Ministry of Finance for Financial Management and Planning of the Public Investment Program (Phase II)		600.00
Strengthening Corporate Governance and Judicial Reforms		850.00
<b>KIRIBATI</b>		
Strengthening Development Strategies and Supporting Poverty Reduction		500.00 <sup>c</sup>
<b>LAO PEOPLE'S DEMOCRATIC REPUBLIC</b>		
Northern Community-Managed Irrigation Sector	700.00 <sup>c</sup>	
Financial Sector Development Program	400.00 <sup>c</sup>	
Roads for Rural Development	400.00 <sup>c</sup>	
Tree Plantation for Livelihood Improvement	700.00 <sup>c</sup>	
Northern Economic Corridor	600.00 <sup>c</sup>	
Capacity Building in Project Financial Management		400.00 <sup>c</sup>
Institutional Strengthening of Public Investment Management		400.00
Capacity Building of the Lao Women's Union		300.00 <sup>c</sup>
Capacity Building for Environment and Social Management in Energy and Transport		600.00 <sup>c</sup>
Institutional Strengthening of the National Audit Office		700.00
<b>MALDIVES</b>		
Strengthening of the Public Accounting System	150.00 <sup>c</sup>	
Postsecondary Education and Skills Development	400.00 <sup>c</sup>	
Enhancement of the Social Security System		150.00 <sup>c</sup>
<b>MARSHALL ISLANDS</b>		
Fiscal, Financial, and Economy Advisory Services		950.00

<sup>a</sup> To be financed from the ACCSF.<sup>b</sup> To be financed by the Government of France with ADB acting as executing agency.<sup>c</sup> To be financed from the JSF.<sup>d</sup> Of this amount, \$95,000 is to be financed by the Government of Finland with ADB acting as executing agency.

## CONTINUED

	Project Preparatory	Advisory and Operational
<b>MICRONESIA, FEDERATED STATES OF</b>		
Implementation of Performance-Based Budget Management		350.00
Economic Policy Reform and Capacity Building (Phase I)		883.00 <sup>a</sup>
<b>MONGOLIA</b>		
Integrated Development of Basic Urban Services in Secondary Towns	700.00 <sup>b</sup>	
Crop Production	500.00 <sup>b</sup>	
Second Health Sector	600.00 <sup>b</sup>	
Establishment of a Central Procurement Monitoring Office		600.00
Improving Social Statistics		500.00
Strengthening Policy for Social Security Reform		600.00
Improving Aid Coordination and Management		300.00
<b>NEPAL</b>		
Second Rural Infrastructure Development	800.00 <sup>b</sup>	
Community-Managed Irrigation (Central and Eastern Basins) Sector	600.00 <sup>b</sup>	
Institutional Support for Governance Reforms		1,525.00
Support for the Preparation of the Tenth Five-Year Plan		300.00
Optimizing Water Use in Kathmandu Valley		775.00 <sup>b</sup>
<b>PAKISTAN</b>		
Preliminary Engineering Update (Province of Punjab)	150.00	
Preliminary Engineering Update (Province of Sindh)	150.00	
Additional Preparatory Work on the Sindh Rural Development Project	150.00	
Supporting Government Restructuring and Reform	150.00	
Southern Punjab Basic Urban Services	800.00 <sup>b</sup>	
Fiscal Decentralization		1,400.00
Poverty Analysis and High-Level Forum		150.00
Supporting Access to Justice under the Local Government Plan		150.00
Institutional Strengthening of the State Bank of Pakistan		450.00
Environmental Assessment		50.00
Institutional Reform and Road Maintenance Financing Study		150.00
Poverty Reduction Study		100.00
Social Impact Analysis and Resettlement Planning		100.00
Support for the Implementation of the National Policy and Action Plan to Combat Child Labor		150.00
Capacity Building for Capital Market Development and Corporate Governance		600.00
Restructuring the Gas Sector		1,000.00
Supporting and Monitoring Progress under the Access to Justice Program		900.00
<b>PAPUA NEW GUINEA</b>		
Road Authority Development	700.00 <sup>b</sup>	
Southern Road Maintenance and Upgrading	400.00 <sup>b</sup>	
Gender and Population Project	500.00 <sup>b</sup>	
Health Policy Support		220.00
Poverty Analyses for Socioeconomic Development Strategies		650.00
Gas Pipeline Development		700.00
Health Sector Review		250.00 <sup>b</sup>
Strengthening Public Sector Management		850.00 <sup>b</sup>

<sup>a</sup> Of this amount, \$333,000 is to be financed by the Government of the United States with ADB acting as executing agency.<sup>b</sup> To be financed from the JSF.

## CONTINUED

	Project Preparatory	Advisory and Operational
<b>PHILIPPINES</b>		
Integrated Coastal Resource Management	933.00 <sup>a</sup>	
Metro Manila Urban Services for the Poor	1,000.00 <sup>b</sup>	
Microfinance for Rural Development	560.00 <sup>c</sup>	
Improving Poverty Monitoring Surveys		347.00 <sup>d</sup>
Technical Assistance to Strengthen the Independence of the Judiciary		1,200.00 <sup>c</sup>
Capacity Building for the Regulatory Office of the Metropolitan Waterworks and Sewerage System		800.00 <sup>b</sup>
Strengthening Regulatory and Market Governance		1,000.00 <sup>b</sup>
Rural Road Development Policy Framework		720.00
Competition Policy for the Electricity Sector		990.00 <sup>b</sup>
<b>SAMOA</b>		
Household Income and Expenditure Survey for Socioeconomic Equity Assessment	150.00	
Implementation of State-Owned Enterprise Reforms	500.00	
Strengthening Energy Loss Reduction and Maintenance Management Capacity of the Electric Power Corporation	150.00	
<b>SRI LANKA</b>		
Aquatic Resources Development and Quality Improvement	800.00 <sup>c</sup>	
Rural Finance Sector Development	550.00 <sup>c</sup>	
Small and Medium Enterprise Development (Supplementary)	200.00	
Integrating Cleaner Production into Industrial Development	800.00 <sup>c</sup>	
Study of Pricing Policy in the Petroleum Subsector	150.00	
Road Maintenance Budgeting and Expenditure Control	150.00	
Support to Transport Sector for Resettlement Capacity Building	56.00	
Capacity Building for the National Policy on Involuntary Resettlement	150.00	
Enabling Small and Medium Enterprise Growth	1,250.00 <sup>c</sup>	
<b>TAJIKISTAN</b>		
Social Sector Development	950.00 <sup>c</sup>	
Second Road Rehabilitation	600.00 <sup>c</sup>	
Governance Assessment-Sound Development Management Study	140.00	
Building a Poverty Monitoring Mechanism	300.00	
Support for Facilitating Sustainable Project Benefits	135.00	
<b>THAILAND</b>		
North-Northeast Region Area Development	1,000.00 <sup>b</sup>	
Participatory Assessment of Poverty in Thailand	150.00	
Independent Review of the Samut Prakarn Wastewater Management	150.00	
Development of Agriculture Sector Strategy and Policy	250.00 <sup>c</sup>	
Planning for Sustainable Urbanization	500.00 <sup>c</sup>	
Strengthening Accountability Mechanisms	565.00 <sup>b</sup>	
International Conference on "Monetary Outlook on East Asia in an Integrating World Economy"	50.00	
<b>TONGA</b>		
Economic and Public Sector Reform Program	650.00	

<sup>a</sup> Of this amount, \$598,000 is to be financed from the JSF and \$335,000 by the Global Environment Facility with ADB acting as executing agency.

<sup>b</sup> To be financed from the ACCSF.

<sup>c</sup> To be financed from the JSF.

<sup>d</sup> Of this amount, \$150,000 is to be financed by the Government of New Zealand with ADB acting as executing agency.

## CONTINUED

	Project Preparatory	Advisory and Operational
<b>TURKMENISTAN</b>		
Seminars on ADB Operational Policies and Procedures		150.00
<b>TUVALU</b>		
Country Economic Study and Strategy Development		300.00
<b>UZBEKISTAN</b>		
Pilot Testing of Rural Savings and Credit Unions		150.00
Institutional Support for Sustainable Agricultural Development		600.00
Building Research and Analytical Capability for Structural Reforms		150.00
Capacity Building for Urban Water Supply		600.00 <sup>a</sup>
Comprehensive Medium-Term Strategy for Improving the Living Standards of the People of Uzbekistan		800.00
<b>VANUATU</b>		
Strengthening Development Policies		200.00
Performance Improvements to Service Delivery Units		300.00 <sup>a</sup>
Institutional Strengthening of the Parliament		200.00 <sup>a</sup>
<b>VIET NAM</b>		
Upper Secondary Education Development	600.00 <sup>a</sup>	
Central Region Urban Development	1,000.00 <sup>a</sup>	
Forests for Livelihood Improvement in the Central Highlands	1,560.00 <sup>b</sup>	
Framework for Microfinance Development		300.00 <sup>a</sup>
Institutional Support to the Office of the Government		500.00 <sup>c</sup>
Training in Fishing Port Management		140.00
Improving Project Financial Management through Decentralization		500.00
Enhancing the Resettlement Legal Framework and Institutional Capacity		310.00
Road Map for Power Sector Reform		400.00 <sup>d</sup>
Capacity Building for Central Region Poverty Reduction		3,108.00 <sup>e</sup>
<b>TOTAL</b>	<b>40,416.00</b>	<b>76,064.00</b>

a To be financed from the JSF.

b Of this amount, \$800,000 is to be financed from the JSF and \$760,000 by the Government of The Netherlands with ADB acting as executing agency.

c Of this amount, \$150,000 is to be financed by the Government of New Zealand with ADB acting as executing agency.

d To be financed by the Government of France with ADB acting as executing agency.

e Of this amount, \$800,000 is to be financed from the JSF and \$2,308,000 by the Government of the United Kingdom with ADB acting as executing agency.

**Table 26**  
**TECHNICAL ASSISTANCE GRANTS BY SECTOR,<sup>a</sup> 1967–2001, 2000, 2001**

	1967–2001 <sup>b</sup>			2000			2001		
	No.	\$ Thousand	%	No.	\$ Thousand	%	No.	\$ Thousand	%
Agriculture and Natural Resources	1,030	466,434.14	28.06	33	24,033.00	17.56	31	22,206.00	19.06
Energy	398	167,102.05	10.05	15	9,289.00	6.79	16	9,373.00	8.05
Finance	317	132,678.36	7.98	25	17,825.00	13.02	17	13,200.00	11.33
Industry and Nonfuel Minerals	122	44,794.70	2.69	4	4,700.00	3.43	2	1,450.00	1.24
Social Infrastructure	698	303,006.97	18.23	46	24,699.00	18.05	30	19,315.00	16.58
Transport and Communications	472	208,465.95	12.54	31	15,199.00	11.11	26	10,498.00	9.01
Multisector	42	32,450.90	1.95	5	2,497.90	1.83	9	7,175.00	6.16
Others	658	307,107.00	18.48	74	38,616.60	28.22	75	33,263.00	28.56
<b>TOTAL<sup>c</sup></b>	<b>3,737</b>	<b>1,662,040.06</b>	<b>100.00</b>	<b>233</b>	<b>136,859.50</b>	<b>100.00</b>	<b>206</b>	<b>116,480.00</b>	<b>100.00</b>

a Excludes loan-financed technical assistance (which are included in loan data) and regional activities.

b Cumulative data are adjusted to exclude technical assistance grants withdrawn by governments.

c Total may not add due to rounding.

**Table 27**  
**TECHNICAL ASSISTANCE LOANS AND GRANTS BY SECTOR, 2001**

	Loan	Grant <sup>a</sup>	Total	%
Agriculture and Natural Resources	25.35	22.20	47.55	16.02
Energy	5.60	9.37	14.97	5.04
Finance	3.23	13.20	16.43	5.53
Industry and Nonfuel Minerals	4.87	1.45	6.32	2.13
Social Infrastructure	38.20	19.32	57.52	19.38
Transport and Communications	64.91	10.50	75.41	25.40
Multisector	17.13	7.18	24.31	8.19
Others	21.07	33.26	54.33	18.30
<b>TOTAL<sup>b</sup></b>	<b>180.36</b>	<b>116.48</b>	<b>296.84</b>	<b>100.00</b>

a Excludes regional technical assistance.

b Total may not add due to rounding.

**Table 28**  
**REGIONAL TECHNICAL ASSISTANCE ACTIVITIES, 2001**

	\$ Thousand
<b>Conference</b>	
Governance and Poverty Forums	250.00
Support to the Sixth International Congress on AIDS in Asia and the Pacific	150.00
Multilateral Financial Institutions Environmental Group Meeting	25.00
Second Asia-Europe Meeting Seminar on Simplification and Harmonization of Customs Procedures	150.00 <sup>a</sup>
Eleventh Seminar on International Finance	50.00
Eleventh ADB Tax Conference	150.00 <sup>a</sup>
Third ADB-Organisation for Economic Co-operation and Development Conference on Combating Corruption in the Asia-Pacific Region	150.00 <sup>a</sup>
Regional Conference on National Poverty Strategies	50.00 <sup>b</sup>
<b>Research</b>	
Sixth Agriculture and Natural Resources Research at Consultative Group on International Agricultural Research Centers	4,000.00
Strengthening the Collaborative Vegetable Research Network in Cambodia, Lao PDR, and Viet Nam (Phase II)	650.00 <sup>a</sup>
<b>Study</b>	
Regional Economic Cooperation in Central Asia (Phase II-Year Three)	950.00
Strengthening Asian Financial Markets	750.00
Promotion of Renewable Energy, Energy Efficiency, and Greenhouse Gas Abatement Projects	5,000.00 <sup>c</sup>
Coastal and Marine Resources Management and Poverty Reduction in South Asia	600.00 <sup>d</sup>
Regional Study of Health Care Financing for the Poor	400.00 <sup>a</sup>
A Study on Regional Integration and Trade: Emerging Policy Issues for Selected Developing Member Countries (DMCs)	550.00
Expanding the Strategy for Small and Medium Enterprise Development in the East Association of Southeast Asian Nations (ASEAN) Growth Area (EAGA)	240.00
Impact and Special Evaluation Studies of ADB Operations in DMCs	1,600.00
South Asia Subregional Economic Cooperation II	500.00
Strengthening Subregional Cooperation in the Transport Sector of the EAGA and the Indonesia-Malaysia-Thailand-Growth Triangle Regions	260.00
Facilitating Economic Cooperation in Eastern Parts of Inner Mongolia Autonomous Region, People's Republic of China and Mongolia	500.00 <sup>a</sup>
Identifying Disability Issues Related to Poverty Reduction (Supplementary)	300.00 <sup>e</sup>
Promoting Regional Cooperation in the Development of the Insolvency Law Reforms	1,500.00 <sup>f</sup>
Diagnostic Study on Accounting and Auditing Practices in Selected DMCs	230.00
Microfinance Outreach Initiatives of the Consultative Group to Assist the Poorest	500.00
Youth- and Gender-Sensitive Public Expenditure Management in the Pacific	300.00 <sup>a</sup>
Study on Monetary and Financial Cooperation in East Asia	500.00 <sup>a</sup>
Enhancing Social and Gender Statistics in Selected DMCs	150.00
Gender and Governance Issues in Local Government	735.00 <sup>g</sup>
Capacity Building and Regional Cooperation for Economic Statistics in Selected Pacific DMCs	500.00 <sup>a</sup>
Greater Mekong Subregion (GMS) Telecommunications Sector Policy Formulation and Capacity Building	700.00 <sup>a</sup>

a To be financed from the Japan Special Fund (JSF).

b To be financed from the Cooperation Fund for Poverty Reduction.

c Of this amount, \$4.5 million is to be financed by the Government of The Netherlands with ADB acting as executing agency.

d Of this amount, \$450,000 is to be financed from the JSF.

e To be financed by the Government of Finland with ADB acting as executing agency.

f To be financed from the Asian Currency Crisis Support Facility (ACCSF).

g Of this amount, \$600,000 is to be financed from the JSF and \$135,000 by the Government of Canada with ADB acting as executing agency.

CONTINUED

	\$ Thousand
<b>Training</b>	
Facilitating Cross-Border Trade and Investment for Small and Medium Enterprise Development in the GMS	600.00 <sup>a</sup>
Capacity Building for Project Implementation and Administration	600.00
Fourteenth Workshop on the Asian Economic Outlook	250.00
Consultation Workshops on Poverty Reduction Strategies in Selected Pacific DMCs	300.00
Pacific Financial Technical Assistance Centre 1999–2001-Second Tranche	433.00
Capacity Building of Ministries of Finance in Selected DMCs for the ASEAN Surveillance Process (Part II)	300.00 <sup>b</sup>
Strengthening the Regional Training Capability of the Asian Organization of Supreme Audit Institutions	650.00 <sup>a</sup>
Capacity Building for National Institutions Involved in the Greater Mekong Subregion Program	500.00 <sup>a</sup>
Technical Training and Capacity Building in Support of the ASEAN Economic Surveillance Process (Phase II)	200.00 <sup>a</sup>
<b>Others</b>	
A Survey of Nongovernment Organization Capacity Building Needs in Pacific DMCs (Supplementary)	28.86 <sup>c</sup>
Regional Consultations for the Third World Water Forum	1,000.00 <sup>a</sup>
Public-Private Infrastructure Advisory Facility	250.00
Development of a Regional Technical Assistance Home Page (Phase II)	98.00
Asia Recovery Information Center (Phase II)	930.00 <sup>d</sup>
An ASEAN+3 Framework for the Development of Early Warning Systems	150.00
Judicial Independence	475.00 <sup>e</sup>
Information and Communication Technology Assessment in the Pacific	300.00 <sup>a</sup>
Key Indicators of Developing Asian and Pacific Countries	75.00
Ten Years after Rio: Promoting Subregional Cooperation for Sustainable Development	200.00 <sup>a</sup>
Clean Air Initiative for Asian Cities	150.00 <sup>a</sup>
<b>TOTAL</b>	<b>29,879.86</b>

a To be financed from the JSF.

b To be financed from the ACCSF.

c Of this amount, \$13,300 is to be financed by the Government of New Zealand and \$15,560 by the Government of Australia with ADB acting as executing agency.

d To be financed by the Government of Australia with ADB acting as executing agency.

e Of this amount, \$200,000 is to be financed by the Government of The Netherlands with ADB acting as executing agency.

**Table 29**  
**NET TRANSFER OF RESOURCES**  
**(ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND),<sup>a,b</sup> 1999–2001**  
 (\$ million)

	OCR			ADF		
	1999	2000	2001	1999	2000	2001
Afghanistan	–	–	–	–	–	–
Azerbaijan	–	–	–	–	–	–
Bangladesh	11.51	2.35	19.39	172.80	158.38	84.94
Bhutan	0.53	(0.07)	(0.13)	1.10	5.83	5.69
Cambodia	–	–	–	24.86	49.29	46.42
China, People's Rep. of	444.18	400.53	555.26	–	–	–
Cook Islands	–	–	–	0.55	0.11	0.21
Fiji Islands	(5.39)	(2.90)	(2.74)	–	–	–
Hong Kong, China	–	–	–	–	–	–
India	216.73	(137.91)	(218.21)	–	–	–
Indonesia	684.26	18.11	(48.62)	(6.36)	11.28	4.36
Kazakhstan	(11.05)	0.74	(17.26)	6.29	3.92	2.16
Kiribati	–	–	–	(0.08)	0.97	1.32
Korea, Rep. of	(257.35)	(320.69)	(268.83)	–	–	–
Kyrgyz Republic	–	–	–	77.82	19.02	55.83
Lao PDR	–	–	–	38.53	41.75	34.61
Malaysia	(47.93)	(20.05)	(49.30)	–	–	–
Maldives	–	–	–	(0.02)	0.70	2.16
Marshall Islands	–	–	2.00	3.57	9.53	5.87
Micronesia, Fed. States of	–	–	–	4.76	4.14	2.25
Mongolia	–	–	–	44.47	29.94	27.46
Myanmar	–	–	–	(0.05)	–	–
Nauru	2.25	(0.07)	(0.07)	–	–	–
Nepal	4.99	3.20	(5.08)	45.86	64.38	30.63
Pakistan	(81.82)	(39.79)	(48.58)	95.13	117.92	121.19
Papua New Guinea	4.82	(15.05)	19.02	0.85	(2.54)	(5.73)
Philippines	(292.41)	(191.59)	(91.13)	15.34	13.74	10.56
Samoa	–	–	–	(2.05)	(2.09)	1.61
Singapore	–	–	–	–	–	–
Solomon Islands	–	–	–	(0.98)	(0.46)	(0.80)
Sri Lanka	3.38	6.10	10.96	67.96	40.40	54.07
Taipei, China	–	–	–	–	–	–
Tajikistan	–	–	–	9.79	12.22	2.75
Thailand	209.04	(574.92)	(69.30)	(2.43)	(2.71)	(2.74)
Tonga	–	–	–	1.52	2.16	(0.61)
Turkmenistan	–	–	–	–	–	–
Tuvalu	–	–	–	2.80	(0.02)	1.14
Uzbekistan	15.58	55.41	26.03	0.09	1.19	4.44
Vanuatu	–	–	–	5.85	9.94	2.13
Viet Nam	2.50	38.15	(5.00)	185.77	193.08	166.54
Regional	21.46	0.06	(2.54)	–	–	–
<b>TOTAL</b>	<b>925.29</b>	<b>(778.40)</b>	<b>(194.12)</b>	<b>793.74</b>	<b>782.07</b>	<b>658.44</b>

– Data not applicable.

( ) Negative.

Note: Figures may not add due to rounding.

a Net transfer of resources for the OCR defined as loan disbursements less principal repayments/prepayments and interest/charges received. Includes private sector loans and net equity investments.

b Net transfer of resources for the ADF defined as loan disbursements less principal repayments and interest/charges received. Includes private sector loans.

**Table 30**  
**NET TRANSFER OF RESOURCES**  
**(ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED),<sup>a</sup> 1992–2001**  
(\$ million)

	1992–1996 Average	1997	1998	1999	2000	2001
Afghanistan	—	—	—	—	—	—
Azerbaijan	—	—	—	—	—	—
Bangladesh	245.67	112.65	145.91	184.31	160.73	104.33
Bhutan	2.09	6.34	3.39	1.63	5.76	5.57
Cambodia	16.63	9.75	28.42	24.86	49.29	46.42
China, People's Rep. of	368.67	375.44	515.56	444.18	400.53	555.26
Cook Islands	2.18	2.20	1.72	0.55	0.11	0.21
Fiji Islands	(5.92)	(4.39)	(4.85)	(5.39)	(2.90)	(2.74)
Hong Kong, China	—	—	—	—	—	—
India	240.75	364.38	293.70	216.73	(137.91)	(218.21)
Indonesia	(284.97)	(115.65)	583.26	677.90	29.39	(44.26)
Kazakhstan	17.90	63.87	114.55	(4.76)	4.66	(15.10)
Kiribati	0.10	(0.08)	(0.07)	(0.08)	0.97	1.32
Korea, Rep. of	(67.72)	1,912.16	1,498.26	(257.35)	(320.69)	(268.83)
Kyrgyz Republic	11.95	51.24	42.10	77.82	19.02	55.83
Lao PDR	40.58	81.67	59.16	38.53	41.75	34.61
Malaysia	(88.59)	(8.45)	(30.86)	(47.93)	(20.05)	(49.30)
Maldives	3.46	2.50	(0.08)	(0.02)	0.70	2.16
Marshall Islands	1.62	9.99	7.75	3.57	9.53	7.87
Micronesia, Fed. States of	0.09	11.31	6.14	4.76	4.14	2.25
Mongolia	25.99	65.91	29.94	44.47	29.94	27.46
Myanmar	(13.23)	(17.17)	(0.31)	(0.05)	—	—
Nauru	—	—	—	2.25	(0.07)	(0.07)
Nepal	47.19	83.45	97.25	50.85	67.58	25.56
Pakistan	225.72	85.50	181.19	13.31	78.13	72.61
Papua New Guinea	(3.65)	(1.18)	(1.05)	5.67	(17.59)	13.29
Philippines	(71.53)	6.72	(17.96)	(277.07)	(177.85)	(80.57)
Samoa	1.89	(1.48)	2.38	(2.05)	(2.09)	1.61
Singapore	(3.55)	—	—	—	—	—
Solomon Islands	0.43	(0.02)	13.12	(0.98)	(0.46)	(0.80)
Sri Lanka	99.66	70.61	92.22	71.34	46.50	65.03
Taipei, China	—	—	—	—	—	—
Tajikistan	—	—	—	9.79	12.22	2.75
Thailand	(30.14)	456.69	381.88	206.61	(577.63)	(72.05)
Tonga	3.01	1.58	4.31	1.52	2.16	(0.61)
Turkmenistan	—	—	—	—	—	—
Tuvalu	—	—	—	2.80	(0.02)	1.14
Uzbekistan	—	—	1.82	15.67	56.60	30.47
Vanuatu	0.56	0.01	11.02	5.85	9.94	2.13
Viet Nam	11.70	145.89	124.04	188.27	231.23	161.54
Regional	9.03	(17.54)	48.68	21.46	0.06	(2.54)
<b>TOTAL</b>	<b>807.56</b>	<b>3,753.90</b>	<b>4,232.59</b>	<b>1,719.02</b>	<b>3.66</b>	<b>464.32</b>

— Data not applicable.

( ) Negative.

Note: Figures may not add due to rounding.

a Net transfer of resources defined as loan disbursements less principal repayments/prepayments and interest/charges received. Includes private sector loans and net equity investments.

## FINANCIAL RESOURCES

**Table 31**  
**ASIAN DEVELOPMENT FUND (ADF) RESOURCES AND COMMITMENT AUTHORITY**

### ADF-CONTRIBUTED RESOURCES

(\$ million; as of 31 December 2001)

	Valued as of 31 December 2000 (US\$ equiv.)	Addition (US\$ equiv.)	Change in 2001		Valued as of 31 December 2001 (US\$ equiv.) (SDR <sup>a</sup> equiv.)
			Exchange Rate Adjustment (US\$ equiv.)	Net Change (US\$ equiv.)	
Australia	715.52	68.51	(69.72)	(1.21)	714.31 568.89
Austria	131.76	5.54	(6.89)	(1.35)	130.41 103.86
Belgium	119.39	—	(6.14)	(6.14)	113.25 90.19
Canada	1,044.85	31.13	(54.05)	(22.92)	1,021.93 813.88
Denmark	129.74	—	(6.38)	(6.38)	123.36 98.25
Finland	71.68	—	(3.68)	(3.68)	68.00 54.16
France	654.16	28.55	(34.67)	(6.12)	648.04 516.11
Germany	1,034.71	—	(53.23)	(53.23)	981.48 781.67
Hong Kong, China	20.27	4.07	—	4.07	24.34 19.38
Indonesia	14.96	—	—	—	14.96 11.91
Italy	409.40	20.31	(21.98)	(1.67)	407.73 324.72
Japan	10,459.35	230.36	(1,374.71)	(1,144.35)	9,315.00 7,418.66
Korea, Rep. of	56.83	18.33	(2.04)	16.29	73.12 58.23
Malaysia	5.03	—	—	—	5.03 4.01
Nauru	1.93	—	—	—	1.93 1.54
The Netherlands	383.29	17.29	(18.91)	(1.62)	381.67 303.97
New Zealand	44.22	4.08	(2.77)	1.31	45.53 36.26
Norway	97.35	6.06	(2.29)	3.77	101.12 80.53
Singapore	—	0.93	(0.02)	0.91	0.91 0.73
Spain	74.40	0.12	(3.83)	(3.71)	70.69 56.30
Sweden	158.46	8.05	(15.72)	(7.67)	150.79 120.09
Switzerland	224.86	7.73	(5.71)	2.02	226.88 180.69
Taipei,China	28.94	3.47	(0.01)	3.46	32.40 25.80
Thailand	2.39	—	(0.10)	(0.10)	2.29 1.82
Turkey	100.39	1.25	—	1.25	101.64 80.95
United Kingdom	611.02	31.16	(15.25)	15.91	626.93 499.30
United States	2,724.91	71.84	—	71.84	2,796.75 2,227.39
<b>TOTAL</b>	<b>19,319.81</b>	<b>558.78</b>	<b>(1,698.10)</b>	<b>(1,139.32)</b>	<b>18,180.49 14,479.29</b>

### ADF COMMITMENT AUTHORITY

(\$ million; as of 31 December 2001)

	2000	2001
ADF VIII Contributions	—	417.28
ADF VII Contributions	1,978.21	120.63 <sup>b</sup>
ADF VI Contributions	417.02 <sup>c</sup>	—
Expanded Advance Commitment Authority <sup>d</sup>	2,231.43	800.00
Total ADF Resources	4,626.66	1,337.91 <sup>e</sup>
Less: Loans Committed	4,470.97	712.87 <sup>f</sup>
Carryover of Conditional Loans Committed	—	584.82 <sup>g</sup>
Provision for Disbursement Risk	155.69	34.96
<b>TOTAL</b>	<b>0.00</b>	<b>5.26</b>

— Data not applicable.

( ) Negative.

Note: Total may not add due to rounding.

a Refers to special drawing rights (SDR) valued at the rate of \$1.25562 per SDR as of 31 December 2001.

b ADF VII contributions released for operational commitments during the ADF VIII period.

c ADF VI contributions released for operational commitments during the ADF VII period.

d Incorporates additional resources.

e Excludes pre-ADF VIII amounts for determining ADF commitment authority under the new financial planning framework for managing ADF resources as approved by the Board of Directors on 15 April 1997.

f Excludes loans that were conditionally approved in November and December 2001.

g Loans that were conditionally approved in 2000 and were funded in January 2001.

**Table 32**  
**TECHNICAL ASSISTANCE SPECIAL FUND**  
(\$ thousand equivalent; as of 31 December 2001)<sup>a</sup>

	Total Contributions	Amount Utilized
<b>Direct Voluntary Contributions</b>		
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	2,810	2,763
Indonesia	250	250
Italy	774	774
Japan	47,710	47,710
Korea, Rep. of	1,900	1,900
Malaysia	909	909
The Netherlands	1,338	1,338
New Zealand	1,096	1,096
Norway	3,279	3,279
Pakistan	1,457	1,457
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	87,374	87,327
<b>Regularized Replenishment Contributions</b>	<b>238,039</b>	<b>238,039</b>
<b>Transfer to Asian Development Fund</b>	<b>(3,472)</b>	<b>(3,472)</b>
<b>Allocation from OCR Net Income<sup>b</sup></b>	<b>589,025</b>	<b>507,801</b>
<b>TOTAL</b>	<b>910,966</b>	<b>829,695</b>

( ) Negative.

a Represents Technical Assistance Special Fund (TASF) portion of contributions to the replenishment of the Asian Development Fund and the TASF authorized by Governors' Resolution Nos. 182 and 214.

b Represents income, repayments, and reimbursements accruing to TASF since 1980, including unrealized investment holding gains.

**Table 33**  
**JAPAN SPECIAL FUND—REGULAR AND SUPPLEMENTARY CONTRIBUTIONS**  
**Statement of Activities and Change in Net Assets (\$ million)**

	1988–1995 <sup>a</sup>	1996	1997	1998	1999	2000	2001	Total
Contributions Committed	554.0	79.9	–	62.5	48.6	37.6	30.9	813.5
Revenue	50.7	2.5	2.4	16.5	17.2	19.6	14.2	123.1
Total	604.7	82.4	2.4	79.0	65.8	57.2	45.1	936.6
Expenses	299.5	77.3	73.8	96.8	57.2	60.8	65.9	731.3
Exchange Gain (loss)	(0.6)	(11.7)	(10.1)	(1.6)	0.5	(0.1)	(1.0)	(24.6)
Translation Adjustments	54.6	(37.7)	(29.0)	(1.8)	(0.1)	1.5	–	(12.5)
Change in Net Assets	359.2	(44.3)	(110.5)	(21.2)	9.0	(2.2)	(21.8)	168.2

– 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	2000	2001	Total
Contributions Committed	104.4 <sup>a</sup>	136.6	–	241.0
Revenue	–	0.4	0.3	0.7
Total	104.4	137.0	0.3	241.7
Expenses	95.7	9.6	8.8	114.1
Exchange Gain (loss)	–	–	(0.2)	(0.2)
Translation Adjustments	17.4	(16.5)	(28.4)	(27.5)
Change in Net Assets	26.1	110.9	(37.1)	99.9

– Data not applicable.

a In addition, the Government of Japan has made available noninterest-bearing, nonnegotiable notes in the amount of 360 billion yen (\$2.7 billion), encashable by ADB at any time to meet a call on any guarantee issued under the Asian Currency Crisis Support Facility.

**Table 35**  
**JAPAN FUND FOR POVERTY REDUCTION ASSISTANCE, 2001**

	\$ Thousand
BANGLADESH	
Supporting Livelihood Improvement for the Poor through Water Management Associations	900
CHINA, PEOPLE'S REPUBLIC OF	
Innovations for Participatory Flood Control by the Poor along the Yellow River	1,000
LAO PEOPLE'S DEMOCRATIC REPUBLIC	
Community-Managed Livelihood Improvement	1,000
NEPAL	
Supporting Poor and Disadvantaged Farmers through Civil Society Organizations	800
TAJIKISTAN	
Rural Poverty Reduction	2,900
UZBEKISTAN	
Supporting Innovative Poverty Reduction in Karakalpakstan	2,540
REGIONAL	
Improving Nutrition for Poor Mothers and Children	6,850
Community Action for Preventing HIV/AIDS	8,000
<b>TOTAL</b>	<b>23,990</b>

**Table 36**  
**EXTERNAL ADB-ADMINISTERED GRANT COMPONENTS OF LOAN PROJECTS, 2001**  
(\$ million)

Component of the Project	Grant Amount	Source of Cofinancing	Related Loan
BANGLADESH			
Beneficiary Participation and Project Management (supplementary)	0.20	The Netherlands	Small-Scale Water Resources Development Sector
Second Small-Scale Water Resources Development Sector	24.30	The Netherlands	Second Small-Scale Water Resources Development Sector
CHINA, PEOPLE'S REPUBLIC OF			
Flood Forecasting and Early Warning System in the Yellow River Basin	0.30	Denmark	Yellow River Flood Management (Sector)
NEPAL			
Road Network Development	9.60	United Kingdom	Road Network Development
PAPUA NEW GUINEA			
Employment-Oriented Skills Development	5.49	Australia	Employment-Oriented Skills Development
SRI LANKA			
North East Community Restoration and Development	0.50	The Netherlands	North East Community Restoration and Development
Protected Area Management and Wildlife Conservation	9.00	Global Environment Facility	Protected Area Management and Wildlife Conservation
	4.00	The Netherlands	
VIET NAM			
Central Region Livelihood Improvement	16.45	United Kingdom	Central Region Livelihood Improvement
<b>TOTAL</b>	<b>69.84</b>		

## ECONOMIC DATA

**Table 37**  
**ESTIMATES OF REAL GROSS DOMESTIC PRODUCT GROWTH RATE, 1991–2001**  
**AND PER CAPITA GROSS NATIONAL PRODUCT, 2000**

	Annual Average (1991–1998)	GDP Growth Rate (%)			Per Capita GNP <sup>a</sup> (\$) 2000
		1999	2000	2001 <sup>b</sup>	
Afghanistan	(10.6) <sup>c</sup>	...	...	...	... <sup>d</sup>
Azerbaijan <sup>e</sup>	(5.9)	7.4	11.1	9.9	610
Bangladesh <sup>f</sup>	4.6	4.9	5.9	5.2	380
Bhutan <sup>e</sup>	5.9	7.4	5.7	6.5	550
Cambodia	5.2	6.9	5.4	5.3	260
China, People's Rep. of	10.8	7.1	8.0	7.3	840
Cook Islands	1.4	2.7	4.1	3.0	...
Fiji Islands <sup>e</sup>	2.2	9.7	(2.8)	1.5	1,830
Hong Kong, China	3.8	3.0	10.5	0.1	24,812
India <sup>e,f</sup>	5.5	6.1	4.0	5.4	460
Indonesia	4.8	0.8	4.8	3.3	570
Kazakhstan	(6.9)	2.5	9.9	13.5	1,190
Kiribati	3.9	2.1	(1.7)	1.5	950
Korea, Rep. of	5.3	10.9	9.3	3.0	8,910
Kyrgyz Republic	(5.5)	3.8	5.4	5.3	270
Lao PDR	6.2	7.3	5.9	5.5	290
Malaysia	7.2	6.1	8.3	0.4	3,380
Maldives	8.4	7.4	4.6	2.1	1,460
Marshall Islands <sup>f</sup>	(1.8)	(0.2)	0.7	0.6	1,970
Micronesia, Fed. States of <sup>f</sup>	1.5	1.1	2.5	0.9	2,110
Mongolia	(0.4)	3.2	1.1	1.5	390
Myanmar <sup>f</sup>	5.9	10.9	13.7	...	... <sup>d</sup>
Nauru	...	...	...	...	...
Nepal <sup>e,f</sup>	4.8	4.4	6.1	5.0	220
Pakistan <sup>e,f</sup>	4.5	4.2	3.9	2.6	470
Papua New Guinea	5.5	7.6	(0.8)	(3.3)	760
Philippines	2.7	3.4	4.0	3.4	1,040
Samoa	3.2	3.1	7.3	10.0	1,460
Singapore	7.7	6.9	10.3	(2.0)	24,740
Solomon Islands <sup>e</sup>	4.1	(1.3)	(14.0)	(5.0)	630
Sri Lanka	5.3	4.3	6.0	(1.3)	870
Taipei, China	6.6	5.4	5.9	(1.9)	13,880
Tajikistan	(9.5)	3.7	8.3	10.2	170
Thailand	4.6	4.4	4.6	1.8	2,010
Tonga <sup>e,f</sup>	2.4	3.1	6.2	3.0	1,660
Turkmenistan	...	16.0	17.6	20.5	840
Tuvalu <sup>e</sup>	5.6	3.0	3.0	4.0	...
Uzbekistan	(1.0)	4.4	4.0	4.5	610
Vanuatu	5.0	(2.5)	3.7	(0.5)	1,140
Viet Nam	7.9	4.7	6.1	5.8	390
<b>Weighted Average<sup>g</sup></b>	<b>6.7</b>	<b>6.4</b>	<b>7.0</b>	<b>3.7</b>	

... Data not available.

( ) Negative.

a Based on the World Bank Atlas methodology except for Hong Kong, China. Fluctuations in prices and exchange rates are smoothed by averaging the exchange rates for the period 1998–2000, after adjusting for differences in inflation rates between the country and the G-5 countries (France, Germany, Japan, United Kingdom, and United States).

b Preliminary estimates from country sources.

c Refers to 1991–1993.

d Estimated to be low income (\$755 or less).

e Refers to GDP growth at factor cost.

f Refers to fiscal year.

g The weights used were derived from the average of 1995 and 1996 GDP (in US dollars). Myanmar was excluded in the calculation of the average growth.

Sources: Country sources; ADB data file; World Bank web site (<http://www.worldbank.org>); and World Bank official communication.

**Table 38**  
**GROSS DOMESTIC SAVING, GROSS CAPITAL FORMATION, AND RESOURCE GAP AS PERCENTAGE OF GROSS DOMESTIC PRODUCT, 1999–2001**

	Gross Domestic Saving as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resource Gap as Percentage of GDP		
	1999	2000	2001 <sup>a</sup>	1999	2000	2001 <sup>a</sup>	1999	2000	2001 <sup>a</sup>
Afghanistan	...	...	...	...	...	...	...	...	...
Azerbaijan	8.6	20.4	27.1	26.5	20.7	20.9	17.9	0.2	(6.2)
Bangladesh	17.7	17.9	17.9	22.2	23.0	23.1	4.5	5.1	5.2
Bhutan	25.0	27.4	...	43.1	43.8	...	18.0	16.4	...
Cambodia	6.8	7.0	...	17.0	14.1	...	10.2	7.1	...
China, People's Rep. of	39.4	38.9	38.1	37.4	36.1	36.3	(2.0)	(2.8)	(1.8)
Cook Islands	...	...	...	...	...	...	...	...	...
Fiji Islands	25.0	19.9	...	13.8	11.1	...	(11.2)	(8.8)	...
Hong Kong, China	30.4	32.3	31.1	25.0	27.6	25.8	(5.4)	(4.8)	(5.3)
India	23.2	23.4	23.0	24.3	24.0	24.0	1.1	0.6	1.0
Indonesia	20.0	25.7	25.5	12.1	17.9	17.0	(7.9)	(7.8)	(8.5)
Kazakhstan	16.0	22.9	...	17.8	17.9	...	1.7	(5.0)	...
Kiribati	...	...	...	...	...	...	...	...	...
Korea, Rep. of	33.5	32.6	30.1	26.7	28.2	26.7	(6.8)	(4.4)	(3.4)
Kyrgyz Republic	3.2	14.3	...	18.0	20.0	...	14.8	5.7	...
Lao PDR	16.4	14.7	13.8	22.7	20.5	21.0	6.3	5.8	7.2
Malaysia	47.3	46.7	44.2	22.3	26.8	26.4	(25.1)	(20.0)	(17.8)
Maldives	...	...	...	...	...	...	...	...	...
Marshall Islands	...	...	...	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	...	...	...	...	...	...	...
Mongolia	...	...	...	...	...	...	...	...	...
Myanmar	13.0	11.1	...	13.4	11.2	...	0.4	0.1	...
Nauru	...	...	...	...	...	...	...	...	...
Nepal	13.6	15.0	16.0	20.5	23.3	24.4	6.9	8.3	8.3
Pakistan	12.9	15.4	14.5	15.6	15.6	14.7	2.7	0.2	0.2
Papua New Guinea	13.3	...	...	16.4	...	...	3.1	...	...
Philippines	14.3	16.5	17.5	18.8	17.8	17.6	4.4	1.4	0.1
Samoa	...	...	...	...	...	...	...	...	...
Singapore	48.8	49.3	45.8	31.9	31.6	24.3	(17.0)	(17.8)	(21.6)
Solomon Islands	...	...	...	...	...	...	...	...	...
Sri Lanka	19.5	17.3	17.3	27.3	28.0	24.7	7.8	10.6	7.4
Taipei, China	26.1	25.2	23.5	23.4	22.9	18.2	(2.8)	(2.3)	(5.3)
Tajikistan	19.4	...	...	17.3	...	...	(2.1)	...	...
Thailand	32.5	32.5	31.4	20.5	22.7	24.0	(12.0)	(9.7)	(7.4)
Tonga	...	...	...	...	...	...	...	...	...
Turkmenistan	...	...	...	...	...	...	...	...	...
Tuvalu	...	...	...	...	...	...	...	...	...
Uzbekistan	17.3	19.4	19.9	17.1	19.6	20.2	(0.1)	0.2	0.3
Vanuatu	...	...	...	...	...	...	...	...	...
Viet Nam	22.1	22.3	24.7	22.2	23.9	25.9	0.1	1.6	1.2

... Data not available.

( ) Negative.

a Preliminary estimates.

**Table 39**  
**CHANGES IN CONSUMER PRICES,<sup>a</sup> 1999–2001**  
 (%)

	1999	2000	2001 <sup>b</sup>
Afghanistan	...	...	...
Azerbaijan	(8.5)	1.8	1.5
Bangladesh <sup>c</sup>	8.9	3.4	1.6
Bhutan <sup>c</sup>	9.2	3.6	3.6
Cambodia <sup>d</sup>	4.0	(0.8)	(0.6)
China, People's Rep. of	(1.4)	0.4	0.7
Cook Islands <sup>d</sup>	1.4	3.2	8.0
Fiji Islands	2.0	1.1	4.3
Hong Kong, China	(4.0)	(3.8)	(1.6)
India <sup>c,e</sup>	3.3	3.8	...
Indonesia	20.4	3.7	11.5
Kazakhstan <sup>f</sup>	17.8	9.8	6.4
Kiribati <sup>d</sup>	1.8	0.9	7.1
Korea, Rep. of	0.8	2.2	4.1
Kyrgyz Republic	35.9	18.7	6.9
Lao PDR	128.4	23.1	7.8
Malaysia	2.8	1.5	1.4
Maldives	3.0	(1.2)	0.7
Marshall Islands <sup>d</sup>	1.7	(1.9)	2.0
Micronesia, Fed. States of <sup>c</sup>	2.6	3.2	2.6
Mongolia	10.0	8.3	11.8
Myanmar <sup>d</sup>	18.4	1.7	...
Nauru	6.7	7.5	4.0
Nepal	11.3	3.5	2.4
Pakistan <sup>c</sup>	5.7	3.6	4.4
Papua New Guinea	14.9	15.6	9.8
Philippines	6.7	4.4	6.1
Samoa	0.3	0.9	4.0
Singapore	0.1	1.3	1.0
Solomon Islands <sup>d</sup>	8.0	8.8	8.0
Sri Lanka <sup>d</sup>	5.9	1.2	11.0
Taipei, China	0.2	1.3	(0.01)
Tajikistan <sup>f</sup>	30.1	32.9	38.5
Thailand	0.3	1.6	1.6
Tonga	3.9	4.9	6.3
Turkmenistan	...	7.4	6.0
Tuvalu <sup>d</sup>	1.0	5.3	1.8
Uzbekistan <sup>f</sup>	26.0	28.0	26.6
Vanuatu	2.1	2.5	3.6
Viet Nam <sup>f</sup>	0.1	0.6	0.8
<b>Weighted Average<sup>g</sup></b>	<b>2.5</b>	<b>1.9</b>	<b>2.7</b>

... 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 fiscal year.

d Data refer to capital city.

e Discussion in text is based on wholesale price index (WPI). For WPI, growth rates are 3.3 and 7.2 for fiscal years 1999 and 2000, respectively.

f Data refer to end of period.

g The weights used were derived from the average of 1995 and 1996 gross domestic product (in US dollars). Myanmar and Nauru were excluded in the calculation of the average.

Sources: Country sources and ADB data file.

**Table 40**  
**MERCHANDISE TRADE,<sup>a</sup> 1999–2001**  
(\$ million)

	Exports (FOB) <sup>b</sup>			Imports (FOB) <sup>b</sup>			Balance of Trade		
	1999	2000	2001 <sup>c</sup>	1999	2000	2001 <sup>c</sup>	1999	2000	2001 <sup>c</sup>
Afghanistan	...	...	...	...	...	...	...	...	...
Azerbaijan	1,025	1,858	2,005	1,433	1,539	1,456	(408)	319	549
Bangladesh <sup>d</sup>	5,324	5,762	6,477	8,018	8,403	9,364	(2,694)	(2,641)	(2,887)
Bhutan <sup>d,e</sup>	105	114	112	162	185	215	(58)	(71)	(103)
Cambodia	884	1,261	1,349	1,159	1,524	1,575	(275)	(263)	(226)
China, People's Rep. of	194,716	249,131	266,072	158,734	214,657	232,259	35,982	34,474	33,813
Cook Islands <sup>e</sup>	4	9	...	42	51	...	(38)	(42)	...
Fiji Islands	531	556	442	774	582	642	(242)	(25)	(199)
Hong Kong, China <sup>e</sup>	174,727	202,717	190,920	177,885	210,910	199,250	(3,158)	(8,193)	(8,330)
India <sup>d,e</sup>	37,542	44,894	44,445	55,383	59,264	58,731	(17,841)	(14,370)	(14,286)
Indonesia	51,242	65,407	58,998	30,599	40,365	35,438	20,643	25,042	23,560
Kazakhstan	5,989	9,616	9,279	5,648	6,849	8,460	341	2,766	819
Kiribati	9	6	4	40	35	31	(32)	(29)	(28)
Korea, Rep. of	145,164	175,948	151,371	116,793	159,076	137,979	28,371	16,872	13,392
Kyrgyz Republic	463	511	480	547	502	430	(84)	9	50
Lao PDR <sup>e</sup>	363	393	425	554	591	653	(191)	(198)	(228)
Malaysia	84,097	98,429	87,754	61,452	77,575	69,550	22,645	20,854	18,204
Maldives	92	109	107	354	342	349	(262)	(233)	(242)
Marshall Islands <sup>d</sup>	7	8	8	60	59	61	(52)	(51)	(52)
Micronesia, Fed. States of <sup>d</sup>	11	23	24	132	149	155	(121)	(127)	(131)
Mongolia <sup>e</sup>	454	537	443	567	687	621	(113)	(150)	(178)
Myanmar <sup>d</sup>	1,505	1,619	...	2,443	2,135	...	(938)	(516)	...
Nauru	...	...	...	...	...	...	...	...	...
Nepal <sup>d</sup>	525	748	776	1,291	1,551	1,537	(765)	(803)	(762)
Pakistan <sup>d,f</sup>	7,849	8,636	9,265	9,446	10,328	10,741	(1,597)	(1,692)	(1,476)
Papua New Guinea	1,963	2,106	1,974	1,083	1,007	985	881	1,099	989
Philippines	34,211	37,295	31,243	29,252	30,377	28,496	4,959	6,918	2,747
Samoa <sup>e</sup>	18	14	17	115	104	137	(97)	(91)	(120)
Singapore	115,517	139,059	122,479	104,290	127,488	109,607	11,227	11,572	12,872
Solomon Islands	143	69	48	105	92	86	38	(23)	(38)
Sri Lanka	4,610	5,522	4,817	5,979	7,320	5,974	(1,369)	(1,798)	(1,157)
Taipei, China	121,119	147,548	122,080	106,077	133,531	101,803	15,042	14,017	20,277
Tajikistan	688	839	...	645	921	...	43	(82)	...
Thailand <sup>e</sup>	56,801	67,889	63,190	47,529	62,423	60,665	9,272	5,466	2,525
Tonga <sup>d</sup>	12	11	11	56	63	60	(43)	(52)	(49)
Turkmenistan <sup>e,f</sup>	1,187	2,506	...	1,478	1,785	...	(291)	721	...
Tuvalu	...	...	...	...	...	...	...	...	...
Uzbekistan	2,946	2,816	...	2,587	2,440	...	359	376	...
Vanuatu	25	26	22	76	78	80	(51)	(52)	(59)
Viet Nam	11,540	14,449	15,389	10,460	14,072	14,916	1,080	377	473
<b>TOTAL</b>	<b>1,063,409</b>	<b>1,288,440</b>	<b>1,192,025</b>	<b>943,248</b>	<b>1,179,059</b>	<b>1,092,305</b>	<b>120,161</b>	<b>109,382</b>	<b>99,720</b>

... Data not available.

( ) Negative.

a Unless otherwise indicated, data are from the balance-of-payments statistics.

b FOB refers to free on board.

c Preliminary estimates from country sources.

d Refers to fiscal year.

e Refers to imports, cost, insurance, and freight.

f Refers to data from external trade.

Sources: Country sources; ADB data file; and International Monetary Fund, *Balance of Payments Statistics* on CD-ROM, March 2002.

**Table 41**  
**INTERNATIONAL RESERVES AND RATIO OF RESERVES**  
**TO IMPORTS, 1999–2001**

	International Reserves <sup>a</sup> (\$ million)			Ratio to Imports <sup>b</sup> (months)		
	1999	2000	2001 <sup>c</sup>	1999	2000	2001 <sup>c</sup>
Afghanistan	...	...	...	...	...	...
Azerbaijan	673	680	744	5.6	5.3	5.0
Bangladesh	1,623	1,516	1,275	2.4	2.2	1.7
Bhutan <sup>d</sup>	274	295	294	20.3	19.2	16.0
Cambodia <sup>d</sup>	393	502	587	4.1	4.0	4.5
China, People's Rep. of	158,336	168,856	212,200	12.0	9.4	11.0
Cook Islands	...	...	...	...	...	...
Fiji Islands <sup>d</sup>	429	410	360	6.6	8.5	4.4
Hong Kong, China	96,256	107,583	111,174	6.5	6.1	6.7
India	35,069	40,155	45,327	7.6	8.1	9.3
Indonesia	27,257	29,268	28,018	10.7	8.7	9.5
Kazakhstan	2,002	2,096	2,508	4.3	3.7	3.6
Kiribati	...	...	...	...	...	...
Korea, Rep. of	74,054	96,198	102,821	7.6	7.3	8.9
Kyrgyz Republic	254	262	287	5.6	6.3	8.0
Lao PDR	105	140	133	2.3	2.8	2.5
Malaysia	30,645	29,576	30,800	6.0	4.6	5.3
Maldives <sup>d</sup>	127	123	94	4.3	4.3	2.9
Marshall Islands	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	...	...	...	...
Mongolia	137	190	208	2.9	3.5	3.5
Myanmar	277	234	411	1.4	1.3	...
Nauru	...	...	...	...	...	...
Nepal	843	992	1,060	7.8	7.7	7.0
Pakistan	2,054	2,056	4,235	2.6	2.4	4.7
Papua New Guinea	233	336	400	2.6	4.0	5.0
Philippines	15,012	15,024	15,659	6.2	5.9	6.6
Samoa <sup>d</sup>	68	64	57	7.1	6.4	4.8
Singapore <sup>d</sup>	76,843	80,132	75,376	8.8	7.5	8.3
Solomon Islands <sup>d</sup>	51	32	33	5.8	4.2	4.7
Sri Lanka <sup>d</sup>	1,636	1,039	1,287	3.3	1.7	2.7
Taipei, China	111,061	111,370	119,622	12.6	10.0	14.1
Tajikistan <sup>e</sup>	58	87	...	1.1	1.1	...
Thailand	34,781	32,661	33,041	8.8	6.3	6.5
Tonga <sup>d</sup>	27	27	26	5.8	5.2	5.2
Turkmenistan	1,513	...	...	12.3	...	...
Tuvalu	...	...	...	...	...	...
Uzbekistan <sup>e</sup>	1,242	1,100	...	5.8	5.4	...
Vanuatu <sup>d</sup>	41	39	38	6.5	6.0	5.7
Viet Nam	2,947	...	...	3.4	...	...
<b>TOTAL</b>	<b>676,322</b>	<b>723,041</b>	<b>788,073</b>	<b>8.6</b>	<b>7.5</b>	<b>8.8</b>

... Data not available.

a Consists of gold, special drawing rights, reserve position with International Monetary Fund, and foreign exchange holdings; year-end figures, unless otherwise specified.

b Merchandise imports from the balance-of-payments statistics were used for computing the ratio.

c Preliminary estimates.

d Refers to total reserves minus gold.

e Refers to gross official reserves of the country.

Sources: Country sources; and International Monetary Fund, *International Financial Statistics* on CD-ROM, March 2002.

**Table 42**  
**NET FLOWS OF FINANCIAL RESOURCES, 1998–2000**  
(\$ million)

	Long-Term Debt			Foreign Direct Investment			Total Flows <sup>a</sup>		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
Afghanistan	--	--	--	--	--	--	--	--	--
Azerbaijan	140	227	125	1,023	510	130	1,199	790	305
Bangladesh	341	376	332	190	180	280	1,191	1,235	1,207
Bhutan	53	3	25	0	0	0	82	41	46
Cambodia	52	35	71	121	144	126	343	300	398
China, People's Rep. of	(61)	(150)	(374)	43,751	38,753	38,399	45,299	42,709	60,525
Cook Islands	--	--	--	--	--	--	--	--	--
Fiji Islands	(17)	(26)	(16)	107	(33)	0	103	(45)	(6)
Hong Kong, China	--	--	--	(2,197)	5,251	2,537	4,204	35,414	31,918
India	4,154	(590)	5,031	2,635	2,169	2,315	7,621	3,355	9,928
Indonesia	(583)	(3,633)	(5,348)	(356)	(2,745)	(4,550)	(420)	(4,685)	(9,156)
Kazakhstan	1,196	445	686	1,151	1,587	1,250	2,373	2,060	1,979
Kiribati	--	--	--	--	--	--	--	--	--
Korea, Rep. of	3,687	(12,401)	(3,193)	5,412	9,333	9,283	13,199	9,361	13,875
Kyrgyz Republic	123	167	71	109	44	(2)	280	261	112
Lao PDR	78	61	55	46	79	72	243	284	262
Malaysia	2,918	1,531	1,200	2,163	1,553	1,660	5,695	3,618	3,411
Maldives	19	5	0	12	12	13	44	34	23
Marshall Islands	--	--	--	--	--	--	--	--	--
Micronesia, Fed. States of	--	--	--	--	--	--	--	--	--
Mongolia	60	148	42	19	30	30	133	228	154
Myanmar	135	(1)	(56)	315	253	255	517	282	244
Nauru	--	--	--	--	--	--	--	--	--
Nepal	123	76	89	12	4	4	251	228	237
Pakistan	1,222	396	93	506	532	308	1,903	1,125	526
Papua New Guinea	28	(44)	59	110	297	130	346	580	335
Philippines	860	4,292	(75)	2,287	573	2,029	3,798	5,462	2,401
Samoa	0	(3)	2	3	2	0	15	4	7
Singapore	--	--	--	6,316	7,197	6,390	--	--	--
Solomon Islands	11	2	(3)	9	10	10	30	24	56
Sri Lanka	521	77	242	193	176	173	835	371	530
Taipei, China	--	--	--	--	--	--	--	--	--
Tajikistan	11	64	61	30	21	24	99	139	134
Thailand	(356)	(3,408)	(4,972)	7,315	6,213	3,366	9,381	5,399	(525)
Tonga	2	(1)	(0)	2	2	2	10	8	8
Turkmenistan	466	--	--	130	--	--	603	--	--
Tuvalu	--	--	--	--	--	--	--	--	--
Uzbekistan	599	1,078	169	140	121	100	765	1,224	303
Vanuatu	12	5	9	20	20	20	38	32	41
Viet Nam	716	58	256	1,671	1,412	1,298	2,623	1,732	1,790
<b>TOTAL</b>	<b>16,511</b>	<b>(11,213)</b>	<b>(5,419)</b>	<b>73,244</b>	<b>73,699</b>	<b>65,652</b>	<b>102,803</b>	<b>111,572</b>	<b>121,067</b>

-- Not reporting.

( ) Negative.

0 Magnitude is less than half of the unit employed.

a Refer to the sum of net resource flows on long-term debt (excluding the International Monetary Fund) plus net foreign direct investment, portfolio equity flows, and official grants (excluding technical cooperation).

**Table 43**  
**TOTAL EXTERNAL DEBT AND DEBT SERVICE RATIO, 1998–2000**  
(\$ million)

	Debt Outstanding <sup>a</sup>			Service Payment <sup>b</sup>			Debt Service Ratio <sup>b</sup> (%)		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
Afghanistan	--	--	--	--	--	--	--	--	--
Azerbaijan	708	1,038	1,184	24	85	181	2.3	6.5	8.0
Bangladesh	15,671	16,533	15,609	644	718	790	8.6	9.2	9.1
Bhutan	171	184	198	9	7	7	6.3	5.1	4.2
Cambodia	2,210	2,262	2,357	13	33	31	1.2	2.9	2.0
China, People's Rep. of	154,599	154,223	149,800	18,435	20,655	21,728	8.6	9.0	7.4
Cook Islands	--	--	--	--	--	--	--	--	--
Fiji Islands	193	163	136	35	39	30	3.5	3.5	2.5
Hong Kong, China	--	--	--	--	--	--	--	--	--
India	97,639	98,158	100,367	12,094	10,108	9,920	20.6	15.3	12.8
Indonesia	151,236	150,844	141,803	18,310	17,903	18,772	31.7	30.4	25.3
Kazakhstan	6,084	6,105	6,664	992	1,360	1,840	14.4	19.3	16.8
Kiribati	--	--	--	--	--	--	--	--	--
Korea, Rep. of	139,097	130,316	134,417	20,624	43,020	23,205	12.9	24.6	10.9
Kyrgyz Republic	1,511	1,742	1,829	115	110	173	18.8	20.5	29.3
Lao PDR	2,437	2,527	2,499	31	37	42	6.3	7.7	8.1
Malaysia	42,409	41,902	41,797	6,074	4,408	5,967	7.2	4.5	5.3
Maldives	194	219	207	16	18	20	3.7	4.0	4.3
Marshall Islands	--	--	--	--	--	--	--	--	--
Micronesia, Fed. States of	--	--	--	--	--	--	--	--	--
Mongolia	711	891	859	35	26	29	6.2	4.8	4.7
Myanmar	5,647	6,004	6,046	93	97	87	5.2	6.0	4.7
Nauru	--	--	--	--	--	--	--	--	--
Nepal	2,646	2,970	2,823	88	107	100	7.0	7.9	6.5
Pakistan	32,271	33,899	32,091	2,297	2,935	2,857	19.8	29.4	26.8
Papua New Guinea	2,718	2,707	2,604	310	212	305	14.7	9.7	13.5
Philippines	48,266	53,019	50,063	4,730	6,424	6,737	10.8	13.6	13.6
Samoa	180	192	197	5	7	9	3.9	5.1	10.8
Singapore	--	--	--	--	--	--	--	--	--
Solomon Islands	155	165	155	12	11	9	6.0	4.8	6.7
Sri Lanka	8,838	9,797	9,065	557	674	738	8.0	9.9	9.6
Taipei, China	--	--	--	--	--	--	--	--	--
Tajikistan	1,250	1,134	1,170	91	69	88	15.1	10.2	10.9
Thailand	104,916	96,769	79,675	12,754	16,210	14,016	18.4	21.8	16.3
Tonga	62	64	58	4	4	4	7.1	10.9	11.6
Turkmenistan	2,259	--	--	311	--	--	31.8	--	--
Tuvalu	--	--	--	--	--	--	--	--	--
Uzbekistan	3,208	4,685	4,340	369	548	899	10.8	17.5	26.3
Vanuatu	63	65	69	2	2	2	0.9	1.1	1.4
Viet Nam	22,502	23,260	12,787	1,094	1,410	1,303	9.0	10.0	7.5
<b>TOTAL</b>	<b>849,850</b>	<b>841,835</b>	<b>800,869</b>	<b>100,165</b>	<b>127,236</b>	<b>109,886</b>	<b>13.4</b>	<b>15.7</b>	<b>11.2</b>

-- Not reporting.

a Debt outstanding is as of end of year, covering long- and short-term debt of public and private entities in the country, and the use of International Monetary Fund (IMF) credit.

b Service payments include yearly payments on principal and interest on long-term debt, IMF repurchases and charges, and interest payments on short-term debt. Debt service ratio is the percentage of service payments to exports of goods and services (including workers' remittances).

Source: World Bank, *Global Development Finance 2002*.

## ENVIRONMENT AND SOCIAL INDICATORS

**Table 44**  
**ENVIRONMENT INDICATORS**

	Total Forest (as % of land area) 2000	Average Annual Rate of Deforestation <sup>a</sup> (as % of forest area) 1990–2000	National Protected Areas <sup>b</sup> (as % of total land area) 1999	Carbon Dioxide Emissions <sup>c</sup> (per capita metric tons) 1997	GDP per Unit of Energy Use <sup>d</sup> (constant 1995 \$ per kg of oil equivalent) 1998	Population Using Improved Drinking Water Sources (%) 1999
Afghanistan	...	...	0.3	...	...	13
Azerbaijan	12.6	(1.3)	5.5	4.1	0.2	...
Bangladesh	10.2	(1.3)	0.7	0.2	2.0	97
Bhutan	...	...	21.2	...	...	62
Cambodia	52.9	0.6	15.8	0.0	...	30
China, People's Rep. of	17.5	(1.2)	...	2.9	0.6	75
Cook Islands	...	...	...	...	...	100
Fiji Islands	...	...	1.1	...	...	47
Hong Kong, China	16.6 <sup>e</sup>	0.0 <sup>e,f</sup>	33.7 <sup>e</sup>	5.1	8.3	100
India	21.6	(0.1)	4.4	1.1	0.8	88
Indonesia	58.0	1.2	10.1	1.3	1.7	76
Kazakhstan	4.5	(2.2)	2.7	8.0	0.4	91
Kiribati	...	...	...	...	...	47
Korea, Rep. of	63.3	0.1	6.9	9.9	3.3	92
Kyrgyz Republic	5.2	(2.6)	3.5	1.4	1.2	77
Lao PDR	54.4	0.4	0.0 <sup>f</sup>	0.1	...	90
Malaysia	58.7	1.2	4.6	6.3	2.4	95
Maldives	...	...	...	...	...	100
Marshall Islands	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	...	...	...	...
Mongolia	6.8	0.5	11.5	3.3	...	60
Myanmar	52.3	1.4	0.3	0.2	...	68
Nauru	...	...	...	...	...	...
Nepal	27.3	1.8	7.6	0.1	0.6	81
Pakistan	3.2	1.1	4.7	0.8	1.1	88
Papua New Guinea	67.6	0.4	< 0.1	0.5	...	42
Philippines	19.4	1.4	4.8	1.1	2.1	87
Samoa	...	...	...	...	...	99
Singapore	3.3	0.0 <sup>f</sup>	4.7	21.9	3.1	100
Solomon Islands	...	...	0.0 <sup>f</sup>	...	...	71
Sri Lanka	30.0	1.6	13.3	0.4	...	83
Taipei, China	58.1	(1.2)	12.5	...	...	90 <sup>g</sup>
Tajikistan	2.8	(0.5)	4.1	0.9	...	...
Thailand	28.9	0.7	13.8	3.8	2.7	80
Tonga	...	...	...	...	...	100
Turkmenistan	8.0	0.0 <sup>f</sup>	4.1	6.7	...	58
Tuvalu	...	...	...	...	...	100
Uzbekistan	4.8	(0.2)	1.8	4.4	0.4	85
Vanuatu	...	...	...	...	...	88
Viet Nam	30.2	(0.5)	3.0	0.6	0.7	56

... Data not available.

( ) Negative.

< Less than.

a Positive figures indicate deforestation rates while negative figures indicate reforestation rates.

b Refers to all protected areas at least 1,000 hectares listed in categories I–V of the International Union for Conservation of Nature and Natural Resources (IUCN).

c Refers to carbon dioxide emissions from fossil fuel burning and cement manufacturing.

d In previous year, data for GDP per unit of Energy Use were expressed in purchasing power parity (PPP) \$ per kg of oil equivalent (kgoe). Since there may be problems associated with PPP, the major of which is that there is no price data collection since 1993, the indicator expressed in constant 1995 \$ per kgoe is deemed more appropriate.

e For Hong Kong, China figure for total forest refers to 1995, average rate of deforestation refers to 1990–1995, national protected areas refers to 1997.

f The number 0.0 means the magnitude is zero or is less than half of the unit employed and not known more precisely.

g Refers to percentage of population served by tap water.

Sources: Food and Agriculture Organization, *State of the World's Forest 1999*; United Nations Children's Fund, *The State of the World's Children 2000*, web site (<http://www.unicef.org/sowc00>) and *The State of the World's Children 2001*; World Bank, *World Development Indicators 2001*, CD-ROM; World Resources Institute, *World Resources 2000–2001*; Directorate-General of Budget, Accounting and Statistics (DGBAS), *Statistical Yearbook 2001* and past issues; DGBAS, *Social Indicators 2000* for Taipei, China; and Hong Kong Monetary Authority, official communication, 4 April 2002.

**Table 45**  
**POVERTY AND INEQUALITY INDICATORS**

	Population in Poverty (%) <sup>a</sup>			Income <sup>b</sup> Ratio of Highest 20% to Lowest 20%		Gini Coefficient <sup>c</sup>
	Total	Urban	Rural	(1995)	(1995)	
Afghanistan	...	...	...		...	...
Azerbaijan	68.1	...	...	(1995)	6.3	0.36
Bangladesh	44.7	43.3	44.9	(1999)	12.7	0.39
Bhutan	...	...	...		...	...
Cambodia	35.9	25.2 <sup>d</sup>	40.0	(1999)	4.7	...
China, People's Rep. of	4.6	...	...	(1998)	5.5	0.32
Cook Islands	...	...	...		...	...
Fiji Islands	...	...	...		...	...
Hong Kong, China	...	...	...		18.0	0.53
India	26.1	23.6	27.1	(1999–2000)	5.7	0.38
Indonesia	23.4	19.5	26.1	(1999)	4.0	0.31
Kazakhstan	31.8	30.0	34.2	(2000)	6.3	0.35
Kiribati	...	...	...		...	...
Korea, Rep. of	7.4	...	...	(1995)	5.3	0.32
Kyrgyz Republic	52.0	43.9	56.4	(2000)	7.1	0.32
Lao PDR	38.6	26.9	41.0	(1997–1998)	5.7	0.36
Malaysia <sup>e</sup>	8.1	3.8	13.2	(1999)	12.3	0.49
Maldives	43.0	20.0	50.0	(1998)	...	...
Marshall Islands	...	...	...		...	...
Micronesia, Fed. States of <sup>f</sup>	39.5	...	...	(1998)	...	0.41
Mongolia	35.6	34.1 <sup>g</sup>	32.6	(1998)	...	0.35
Myanmar	...	...	...		...	...
Nauru	...	...	...		...	...
Nepal	42.0	23.0	44.0	(1996)	5.9	0.37
Pakistan <sup>e</sup>	33.5	...	...	(1999–2000)	7.1	0.40
Papua New Guinea	21.7	...	...	(1996)	12.6	0.51
Philippines	40.0	25.0	54.4	(2000)	12.6 <sup>h</sup>	0.45
Samoa <sup>e</sup>	48.0 <sup>i</sup>	...	...	(1997)	17.0	...
Singapore	...	...	...		...	...
Solomon Islands	...	...	...		...	...
Sri Lanka <sup>e</sup>	26.7	13.4	28.7	(1995–1996)	11.4	0.48
Taipei, China	0.6 <sup>j</sup>	...	...	(1999)	5.5	0.33
Tajikistan	83.0	...	...	(1999)	...	...
Thailand <sup>k</sup>	12.9	1.5	17.2	(1998)	9.3 <sup>l</sup>	0.44
Tonga	...	...	...		...	...
Turkmenistan	...	...	...		4.7	0.41
Tuvalu	...	...	...		...	...
Uzbekistan	22.0 <sup>m</sup>	...	...	(1996)	...	...
Vanuatu	...	...	...		...	...
Viet Nam	37.0	9.0	45.0	(1998)	5.5	0.35

... Data not available.

a Refers to headcount ratio or proportion of the population falling below the poverty line (in each country) to total population unless otherwise specified.

b Refers to income or expenditure.

c Refers to the same year as that of the Income Ratio and calculated based on income or expenditure. A value of zero implies perfect equality while a value of 1 implies perfect inequality.

d Urban areas do not include Phnom Penh where poverty incidence in 1999 was 9.7%.

e Data on population in poverty refer to percentage of poor households.

f ADB estimate. Government may have its own estimate.

g Refers to Ulaanbaatar (capital city) only. Poverty incidence in aimag (provincial) capitals is 45.1%.

h Refers to 1997.

i Refers to food poverty.

j Defined as percent of low-income population to total population.

k Urban and rural areas refer to municipal areas and villages, respectively. Poverty incidence in sanitary districts is 7.2%.

l Data collection period was from January to June 2000.

m Based on weighted calculation using equivalence scales.

Sources: Country sources; United Nations Development Programme web site (<http://www.undp.org>); and World Bank, *World Development Indicators 2001*.

**Table 46**  
**HUMAN DEVELOPMENT INDICATORS**

	Adult Literacy Rate <sup>a</sup> (%)				Gross Enrollment Ratio (%)							
	1985 <sup>b</sup>		2000 <sup>c</sup>		Primary School		Secondary School		1985 <sup>b</sup>		2000 <sup>c</sup>	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Afghanistan	8	37	22	52	13	27	32	64	5	11	12	32
Azerbaijan	...	...	100	100	...	...	105	108	...	...	81	73
Bangladesh	20	44	43	59	52	72	82	88	11	27	...	...
Bhutan	19	46	28	56	...	...	...	...	...	...	...	...
Cambodia	...	...	61	83	...	...	104	123	22	37	17	31
China, People's Rep. of	61	83	76	92	114	132	123	123	33	46	66	74
Cook Islands	...	...	94	93	...	...	100	100	...	...	49	42
Fiji Islands	83	90	91	95	122	122	90	...	52	51	35	37
Hong Kong, China	78	94	90	96	105	106	100	100	73	68	79	74
India	29	59	45	68	80	111	83	101	26	48	39	59
Indonesia	66	83	82	92	114	120	110	115	35	47	77	77
Kazakhstan	96	99	...	...	...	...	100	100	104	102	80	80
Kiribati	...	...	91	94	...	...	78	76	...	...	47	42
Korea, Rep. of	93	98	96	99	98	96	99	99	91	93	98	97
Kyrgyz Republic	96	99	98	99	122	123	97	100	107	111	84	82
Lao PDR	33	60	59	82	100	121	101	123	19	28	23	34
Malaysia	68	84	83	91	100	101	101	101	53	53	69	59
Maldives	92	91	99	99	...	...	131	134	...	...	84	74
Marshall Islands	...	...	97	97	...	...	79	78	...	...	51	47
Micronesia, Fed. States of	...	...	66	77	...	...	83	82	...	...	43	45
Mongolia	68	84	98	98	102	99	104	103	95	87	72	60
Myanmar	72	87	81	89	96	101	117	122	22	24	...	...
Nauru	...	...	95	95	...	...	95	96	...	...	37	32
Nepal	9	34	24	59	50	108	106	141	12	38	30	48
Pakistan	18	42	37	61	30	56	79	99	10	24	24	35
Papua New Guinea	52	74	57	72	60	71	74	87	8	15	19	26
Philippines	91	92	95	95	107	108	113	115	65	64	78	77
Samoa	...	...	96	96	107	102	94	93	71	63	75	66
Singapore	79	94	88	96	106	110	97	98	61	63	...	...
Solomon Islands	...	...	20	39	71	86	89	103	14	24	18	30
Sri Lanka	82	92	89	94	101	104	108	110	66	60	78	72
Taipei, China	85	96	92	99	100	99	101	100	91	89	100	98
Tajikistan	97	99	99	100	...	...	94	97	...	...	74	83
Thailand	85	93	94	97	97	100	...	...	28	30	...	...
Tonga	...	...	99	99	...	...	91	90	...	...	71	64
Turkmenistan	...	...	100	100	...	...	49	51	...	...	...	...
Tuvalu	...	...	95	95	...	...	88	87	...	...	35	31
Uzbekistan	96	99	99	99	85	88	85	86	97	117	...	...
Vanuatu	...	...	30	37	...	...	70	73	11	17	18	26
Viet Nam	83	93	91	95	100	106	111	116	41	44	46	48

... Data not available.

a Adult literacy rate refers to population of 15 years old and over.

b Data may refer to a year from 1980 to 1989 other than, but nearest to, the reference year.

c Data may refer to a year from 1990 to 2000 other than, but nearest to, the reference year.

d Data refer to the most recent estimates reported by the national authorities, and which were not adjusted for underreporting or misclassification of maternal deaths.

e Data refer to the most recent year available during the period specified.

Sources: Country sources; Economic and Social Commission for Asia and the Pacific, *Asia-Pacific in Figures 2000* and past issues; United Nations Development Programme, *Human Development Report 2001*; United Nations Educational, Scientific and Cultural Organization web site (<http://www.unesco.org>); United Nations Children's Fund, *The State of the World's Children 2001*; World Bank, *World Development Indicators 2001* and World Bank, *World Development Indicators* database web site (<http://www.devdata.worldbank.org>).

Life Expectancy at Birth (years)				Mortality Rates (per 1,000 live births)		Maternal Mortality Ratio <sup>d</sup> (per 100,000 live births) 1980–1999 <sup>e</sup>	Contraceptive Prevalence Rate (%) 1995–2000 <sup>e</sup>	Births Attended by Trained Health Personnel (% of total) 1995–2000 <sup>e</sup>	
1985 <sup>b</sup> Female	1985 <sup>b</sup> Male	2000 <sup>c</sup> Female	2000 <sup>c</sup> Male	Infant	Under 5				
41	40	47	46	165	257	...	...	...	Afghanistan
...	...	75	69	35	45	43	...	100	Azerbaijan
55	56	59	59	58	89	440	54	13	Bangladesh
49	46	63	60	80	107	380	...	...	Bhutan
47	45	59	64	86	122	470	22	34	Cambodia
70	68	73	68	33	41	55	91	67	China, People's Rep. of
68	68	74	71	26	30	...	...	...	Cook Islands
71	67	71	67	18	22	38	...	...	Fiji Islands
79	74	82	77	3	...	...	...	...	Hong Kong, China
56	55	63	62	70	98	410	...	...	India
58	54	68	64	38	52	450	55	56	Indonesia
73	62	71	60	35	42	70	66	98	Kazakhstan
54	52	65	59	53	72	...	...	...	Kiribati
73	65	78	71	5	5	20	...	...	Korea, Rep. of
71	64	71	63	55	65	65	60	98	Kyrgyz Republic
48	45	61	57	93	111	650	...	...	Lao PDR
72	68	75	70	8	9	39	...	96	Malaysia
56	58	71	72	20	...	350	17	...	Maldives
62	59	69	66	63	92	...	...	...	Marshall Islands
64	62	67	64	20	24	...	...	...	Micronesia, Fed. States of
60	58	65	61	61	80	150	42	93	Mongolia
55	51	58	54	79	112	230	33	56	Myanmar
62	62	62	55	25	30	...	...	...	Nauru
47	49	58	58	75	104	540	30	9	Nepal
54	54	66	64	84	112	...	24	19	Pakistan
53	51	57	55	79	112	370	26	53	Papua New Guinea
65	61	72	66	31	42	170	47	56	Philippines
64	62	73	66	21	26	...	30	...	Samoa
76	72	80	76	4	4	6	...	...	Singapore
62	60	66	64	22	26	550	...	...	Solomon Islands
71	67	75	69	17	19	60	66	...	Sri Lanka
76	71	78	73	6	...	8	...	...	Taipei, China
70	70	70	65	54	74	65	...	79	Tajikistan
67	63	72	68	26	30	44	72	...	Thailand
64	61	71	65	18	22	...	...	...	Tonga
...	...	69	63	52	71	65	...	96	Turkmenistan
59	59	70	64	40	56	...	...	...	Tuvalu
71	65	73	68	45	58	21	56	98	Uzbekistan
57	55	67	64	37	46	...	...	...	Vanuatu
66	62	70	66	31	40	160	75	77	Viet Nam

# APPENDIXES

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## Appendix 1

**RESOLUTIONS OF THE BOARD OF GOVERNORS ADOPTED IN 2001**

Resolution No.	Subject	Date Adopted
277	Procedures for the Election of Directors at the Thirty-Fourth Annual Meeting	10 May
278	Place and Date of the Forthcoming Annual Meeting 2003	10 May
279	Financial Statements and Independent Auditors' Reports	11 May
280	Allocation of Net Income	11 May
281	Election of President	15 September

## Appendix 2

**BOARD OF GOVERNORS**  
*(as of 31 March 2002)*

<b>SATU HASSI</b> (Finland) (Vice-Chairperson)	<b>XIANG HUAICHENG</b> (People's Republic of China) (Chairperson)	<b>ISMAIL SHAFEEU</b> (Maldives) (Vice-Chairperson)
MEMBER	GOVERNOR	ALTERNATE GOVERNOR
AFGHANISTAN	Hedayat Amin Arsala <sup>1</sup>	Sami Wali <sup>2</sup>
AUSTRALIA	Peter Costello	Chris Gallus <sup>3</sup>
AUSTRIA	Karl-Heinz Grasser	Thomas Wieser
AZERBAIJAN	Avaz Alekperov	Vadim Khubanov
BANGLADESH	M. Saifur Rahman <sup>4</sup>	Anisul Huq Chowdhury <sup>5</sup>
BELGIUM	Didier Reynders	Gino Alzetta
BHUTAN	Lyonpo Yeshey Zimba	Sonam Wangchuk
CAMBODIA	Keat Chhon	Ouk Rabun
CANADA	William Graham <sup>6</sup>	Bruce Montador
CHINA, PEOPLE'S REPUBLIC OF	Xiang Huaicheng	Jin Liqun
COOK ISLANDS	Terepai Maoate	Kevin Carr
DENMARK	Carsten Staur <sup>7</sup>	Ove Ullerup <sup>8</sup>
FIJI ISLANDS	Jone Yavala Kubuabola	Savenaca Narube
FINLAND	Satu Hassi	Pertti Majanen
FRANCE	Laurent Fabius	Jean-Pierre Jouyet
GERMANY	Uschi Eid	Rolf Wenzel <sup>9</sup>
HONG KONG, CHINA	Antony Leung Kam Chung <sup>10</sup>	Joseph Yam
INDIA	Yashwant Sinha	C. M. Vasudev <sup>11</sup>
INDONESIA	Dr. Boediono <sup>12</sup>	Syahril Sabirin
ITALY	Antonio Fazio	Lorenzo Bini Smaghi <sup>13</sup>
JAPAN	Masajuro Shiokawa <sup>14</sup>	Masaru Hayami
KAZAKHSTAN	Mazhit Yessenbayev <sup>15</sup>	Arman Dunayev <sup>16</sup>
KIRIBATI	Beniamina Tinga	Tebwe Ietaake <sup>17</sup>
KOREA, REPUBLIC OF	Nyum Jin	Chol-Hwan Chon
KYRGYZ REPUBLIC	Bolot Abildaev <sup>18</sup>	Kurmanbek Ukulov <sup>19</sup>
LAO PEOPLE'S DEMOCRATIC REPUBLIC	Soukanh Mahalath <sup>20</sup>	Phoupheth Khamphounvong

<sup>1</sup> Appointed in March 2002.<sup>2</sup> Appointed in March 2002.<sup>3</sup> Succeeded Kay Patterson in November 2001.<sup>4</sup> Succeeded Shah A.M.S. Kibria in November 2001.<sup>5</sup> Succeeded Ayub Quadri in December 2001. Ayub Quadri succeeded Masihur Rahman in November 2001.<sup>6</sup> Succeeded John Manley in January 2002.<sup>7</sup> Succeeded Ellen Margrethe Loj in May 2001.<sup>8</sup> Succeeded Torben Brylle in September 2001.<sup>9</sup> Succeeded Michael Röskau in May 2001.<sup>10</sup> Succeeded Donald Tsang in May 2001.<sup>11</sup> Succeeded Ajit Kumar in November 2001.<sup>12</sup> Succeeded Rizal Ramli in August 2001. Rizal Ramli succeeded Prijadi Praptosuhardjo in June 2001.<sup>13</sup> Succeeded Mario Draghi in October 2001.<sup>14</sup> Succeeded Kiichi Miyazawa in June 2001.<sup>15</sup> Succeeded Zhaxybek Kulekeyev in February 2002.<sup>16</sup> Succeeded Erbolat Dosayev in February 2002.<sup>17</sup> Succeeded Bureti Williams in December 2001.<sup>18</sup> Succeeded Temirbek Akmataliev in January 2002.<sup>19</sup> Succeeded Urkaly Toktomovich Isaev in June 2001.<sup>20</sup> Succeeded BounNhang Vorachith in April 2001.

## CONTINUED

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
MALAYSIA	Dato Seri Dr. Mahathir bin Mohamad <sup>21</sup>	Tan Sri Dr. Samsudin bin Hitam
MALDIVES	Ismail Shafeeu	Riluwan Shareef <sup>22</sup>
MARSHALL ISLANDS	Michael Konelios	Amon Tibon
MICRONESIA, FEDERATED STATES OF	John Ehsa	Lorin Robert
MONGOLIA	Chultemii Ulaan	Ochirbat Chuluunbat
MYANMAR	Khin Maung Thein	Soe Lin
NAURU	Aloysius Amwano <sup>23</sup>	Alexander Deiye <sup>24</sup>
NEPAL	Ram Sharan Mahat	Bimal P. Koirala
THE NETHERLANDS	Gerrit Zalm	Eveline L. Herfkens
NEW ZEALAND	Michael Cullen	Alan Bolland
NORWAY	Olav Kjørven <sup>25</sup>	Age Grutle
PAKISTAN	Shaukat Aziz	Nawid Ahsan
PAPUA NEW GUINEA	Mekere Morauta	Robert Igara <sup>26</sup>
PHILIPPINES	Jose Isidro N. Camacho <sup>27</sup>	Rafael Buenaventura
SAMOA	Misa Telefoni Retzlaff	Hinauri Petana
SINGAPORE	BG Lee Hsien Loong <sup>28</sup>	Lim Siong Guan
SOLOMON ISLANDS	Laurie Chan <sup>29</sup>	Shadrach Fanega <sup>30</sup>
SPAIN	Rodrigo de Rato y Figaredo	Juan Costa Climent
SRI LANKA	K. N. Choksy <sup>31</sup>	Charitha Ratwatte <sup>32</sup>
SWEDEN	Gun-Britt Andersson	Gunilla Olsson <sup>33</sup>
SWITZERLAND	Oscar Knapp	Rudolph Dannecker
TAIPEI, CHINA	Fai-nan Perng	Chun Chen
TAJIKISTAN	Gulomjon Babaev <sup>34</sup>	Iskandar Davlatov <sup>35</sup>
THAILAND	Somkid Jatusripitak	Somchainuk Engtrakul
TONGA	Siosiua T. T. 'Utoikamanu	Aisake Eke
TURKEY	Faik Öztrak	Aydin Karaöz
TURKMENISTAN	Enebay Geldiyevna Atayeva <sup>36</sup>	Seitbay Kandymov
TUVALU	Saufatu Sopoanga <sup>37</sup>	Solofa Uota <sup>38</sup>
UNITED KINGDOM	Clare Short	Hilary Benn <sup>39</sup>
UNITED STATES	Paul H. O'Neill	Alan P. Larson
UZBEKISTAN	Rustam Azimov <sup>40</sup>	Mamarizo Nurmuratov <sup>41</sup>
VANUATU	Joe Bomal Carlo <sup>42</sup>	Jeffery Wilfred
VIET NAM	Le Duc Thuy	Duong Thu Huong

21 Succeeded Tun Daim Zainuddin in June 2001.

22 Succeeded Ibrahim Mohamed in July 2001.

23 Succeeded Kinza Clodumar in April 2001.

24 Succeeded David Adeang in March 2002.

25 Succeeded Sigrun Møgedal in November 2001.

26 Succeeded Koari Tarata in December 2001.

27 Succeeded Alberto G. Romulo in June 2001.

28 Succeeded Richard Hu Tsu Tau in December 2001.

29 Succeeded Michael Maina in March 2002. Mr. Maina succeeded Snyder Rini in December 2001.

30 Succeeded Leslie Teamo in May 2001.

31 Succeeded Chandrika Bandaranaike Kumaratunga in December 2001.

32 Succeeded P. B. Jayasundara in December 2001.

33 Succeeded Lennart Bage in May 2001.

34 Succeeded Murotali Muhammadievich Alimardonov in October 2001.

35 Succeeded Maruf Saifiev in October 2001.

36 Succeeded Orazmurad Begmuradov in February 2002.

37 Succeeded Lagitupu Tuilimu in December 2001.

38 Succeeded Afelee Falema Pita in July 2001.

39 Succeeded Chris Mullin in June 2001.

40 Succeeded Bakhtier S. Khamidov in May 2001.

41 Succeeded Rustam Sadikovich Azimov in May 2001.

42 Succeeded Stevens Morking Iatika in November 2001.

### Appendix 3

#### **BOARD OF DIRECTORS AND VOTING GROUPS (as of 31 March 2002)**

DIRECTOR	ALTERNATE DIRECTOR	MEMBERS REPRESENTED
Kh. Zaheer Ahmed <sup>1</sup>	Cayetano W. Paderanga, Jr. <sup>2</sup>	Kazakhstan, Maldives, Marshall Islands, Mongolia, Pakistan, Philippines
Jusuf Anwar	John Austin	Cook Islands, Fiji Islands, Indonesia, Kyrgyz Republic, New Zealand, Samoa, Tonga
(vacant) <sup>3</sup>	Chantale Yok-Min Wong	United States
Uwe Henrich	Frank Black <sup>4</sup>	Austria, Germany, Turkey, United Kingdom
John S. Lockhart	Miranda Rawlinson <sup>5</sup>	Australia; Azerbaijan; Cambodia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Solomon Islands; Tuvalu
P. G. Mankad <sup>6</sup>	(vacant) <sup>7</sup>	Bangladesh, Bhutan, India, Lao People's Democratic Republic, Tajikistan
Othman Jusoh	Ram Binod Bhattacharai	Malaysia, Myanmar, Nepal, Singapore, Thailand
Julian H. Payne	Maarten Verwey <sup>8</sup>	Canada, Denmark, Finland, The Netherlands, Norway, Sweden
Patrick Thomas	Pascal Gregoire <sup>9</sup>	Belgium, France, Italy, Spain, Switzerland
Osamu Tsukahara <sup>10</sup>	Yasuro Narita	Japan
Jeung-Hyun Yoon	S. L. Seneviratne <sup>11</sup>	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu; Viet Nam
Zhao Xiaoyu	Ju Kuilin <sup>12</sup>	People's Republic of China

1 Succeeded Cayetano W. Paderanga, Jr. on 1 July 2001. Mr. Paderanga succeeded Patricia Z. Riingen as Director on 1 April 2001.

2 Succeeded Kh. Zaheer Ahmed on 1 July 2001.

3 N. Cinnamon Dornsite resigned on 5 October 2001.

4 Succeeded Cahit Akinci on 1 July 2001.

5 Succeeded Stephen Baker on 12 March 2001.

6 Succeeded C. Ramachandran on 1 July 2001.

7 M. Faizur Razzaque resigned on 31 December 2000.

8 Succeeded Erik Johnsson on 1 September 2001.

9 Succeeded Jose Miguel Cortes on 1 August 2001.

10 Succeeded Naoyuki Shinohara on 11 July 2001.

11 Succeeded Barry Holloway on 1 July 2001.

12 Succeeded Li Buqun on 1 January 2002.

## Appendix 4

**COMMITTEES OF THE BOARD OF DIRECTORS**  
*(as of 31 December 2001)*

<b>STANDING COMMITTEES</b>	
<b>AUDIT COMMITTEE</b>	<b>BUDGET REVIEW COMMITTEE</b>
Patrick Thomas (Chairperson)	Jeung-Hyun Yoon (Chairperson)
John Austin	P. G. Mankad
Othman Jusoh	Julian H. Payne
Cayetano W. Paderanga, Jr.	Patrick Thomas
Miranda Rawlinson	Osamu Tsukahara
	Zhao Xiaoyu
<b>DEVELOPMENT EFFECTIVENESS COMMITTEE</b>	
Zhao Xiaoyu (Chairperson)	INSPECTION COMMITTEE
Jusuf Anwar	John S. Lockhart (Chairperson)
Uwe Henrich	Kh. Zaheer Ahmed
P. G. Mankad	Ram Binod Bhattacharai
Osamu Tsukahara	Frank Black
	S. L. Seneviratne
	Maarten Verwey
<b>WORKING COMMITTEE</b>	
<b>WORKING GROUP ON THE 2001 ANNUAL REPORT</b>	
Cayetano W. Paderanga, Jr. (Chairperson)	
Jusuf Anwar	
Frank Black	
Pascal Gregoire	
Yasuro Narita	
Miranda Rawlinson	
S. L. Seneviratne	

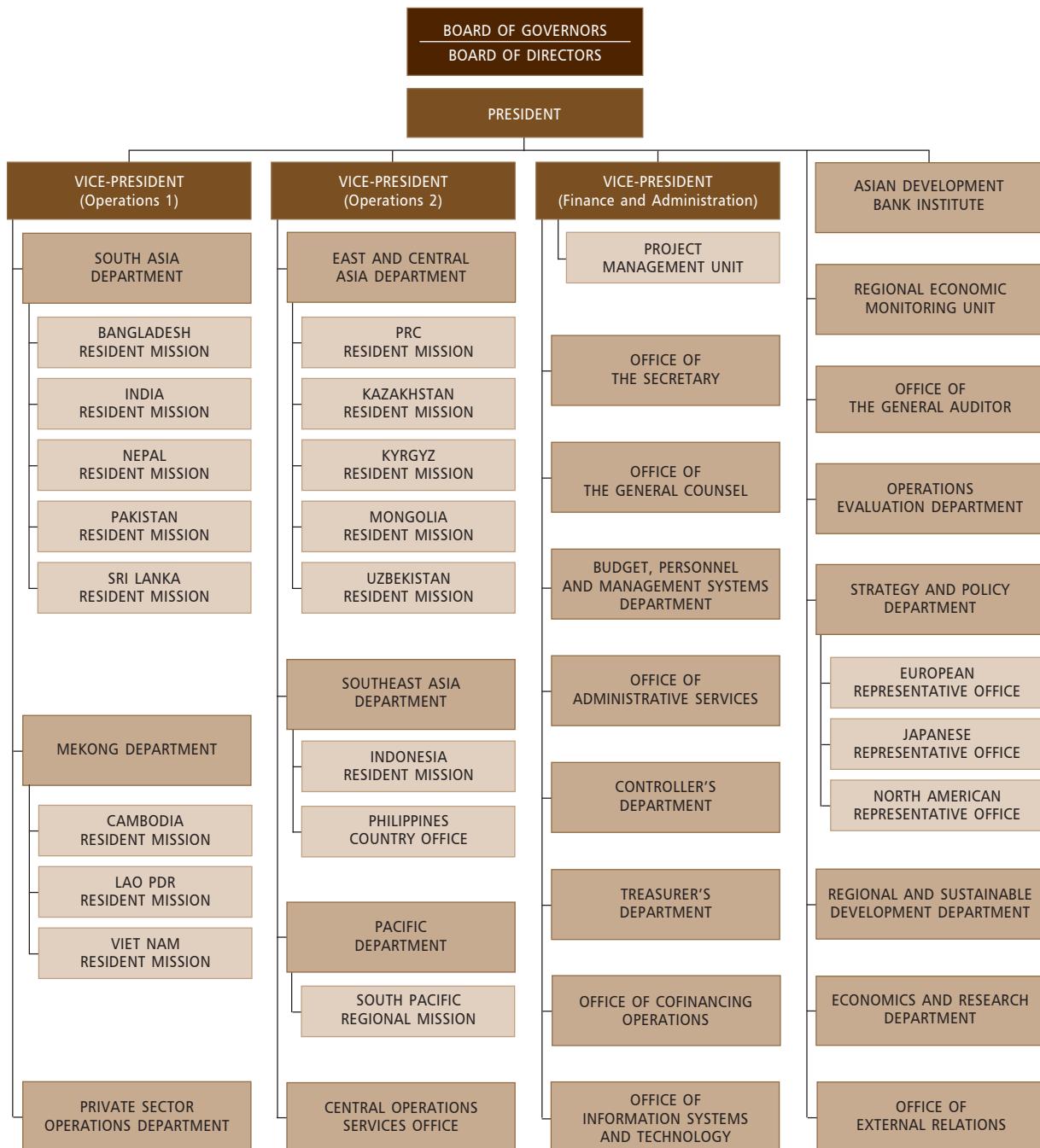
## Appendix 5

**ADB INSTITUTE ADVISORY COUNCIL**  
*(as of 31 December 2001)*

Magnus Blomström	Sweden
Ronald Duncan	Australia
William P. Fuller	United States
Yuijiro Hayami	Japan
Y. Venugopal Reddy	India
Zhang Xiao Qiang	People's Republic of China
Chief Economist	Asian Development Bank

## Appendix 6

**ORGANIZATIONAL STRUCTURE**  
*(as of 1 January 2002)*



## Appendix 7

**MANAGEMENT, SENIOR STAFF, AND RESIDENT/COUNTRY DIRECTORS**  
*(as of 31 March 2002)*

OFFICE OF THE PRESIDENT	
President	Tadao Chino
Special Counselor to the President	Hans-Jürgen Springer
Special Advisor to the President	J. Antonio M. Quila
Head, Regional Economic Monitoring Unit	Yoshihiro Iwasaki
Director, Regional Economic Monitoring Unit	Pradumna B. Rana
OFFICES OF THE VICE-PRESIDENTS	
Vice-President (Operations 1)	Myoung-Ho Shin
Vice-President (Operations 2)	Joseph B. Eichenberger
Vice-President (Finance and Administration)	John Lintjer
Director, INTEGRA Project	Silvio R. Cattonar
Project Director, Project Management Unit	Yoo Jin Yoon
OFFICE OF THE SECRETARY	
The Secretary	B. N. Lohani
Assistant Secretary	Amarjit Singh Wasan
OFFICE OF THE GENERAL COUNSEL	
The General Counsel	Gerald A. Sumida
Deputy General Counsel	Eisuke Suzuki
Assistant General Counsel	Richard Eyre <sup>1</sup>
Assistant General Counsel	Philip Daltrop
Assistant General Counsel	Eveline Fischer
OFFICE OF THE GENERAL AUDITOR	
General Auditor	Peter Egens Pedersen
Director, Financial, Administrative, and Information Systems Division	Rakesh Gupta
OPERATIONS EVALUATION DEPARTMENT	
Director General	Vladimir Bohun
Director, Operations Evaluation Division 1	Graham M. Walter
Director, Operations Evaluation Division 2	David Edwards
STRATEGY AND POLICY DEPARTMENT	
Director General	Shoji Nishimoto
Director, Strategic Planning, Policy, and Interagency Relations Division	Christopher MacCormac
Director, Management Support Division	Shyam P. Bajpai
Resident Director, European Representative Office	Keon-Woo Lee
Resident Director, Japanese Representative Office	Jungsoo Lee
Resident Director, North American Representative Office	Karti Sandilya
REGIONAL AND SUSTAINABLE DEVELOPMENT DEPARTMENT	
Director General	Akira Seki
Chief Compliance Officer and Deputy Director General	Rolf Zelius
Senior Advisor	Anita Kelles-Viitanen
Director, Environment and Social Safeguard Division	J. Warren Evans
Director, Poverty Reduction and Social Development Division	Brahm Prakash
Senior Director, Governance and Regional Cooperation Division	Cedric D. Saldanha
Senior Director, Finance and Infrastructure Division	Asavin Chintakananda
Director, Agriculture, Natural Resources, and Social Sectors Division	Bradford R. Philips
Advisor for Governance (Public Administration and Management)	Jak Jabes
ECONOMICS AND RESEARCH DEPARTMENT	
Chief Economist	(vacant)
Senior Economic Advisor	(vacant)
Assistant Chief Economist, Macroeconomics and Finance Research Division	Jean-Pierre A. Verbiest
Assistant Chief Economist, Development Indicators and Policy Research Division	V. N. Gnanathurai
Assistant Chief Economist, Economic Analysis and Operations Support Division	Xianbin Yao

<sup>1</sup> Mr. Eyre will leave the service of ADB on 1 April 2002.

## CONTINUED

<b>OFFICE OF EXTERNAL RELATIONS</b>	
Principal Director	Robert H. Salamon
Director	Ann Quon
<b>SOUTH ASIA DEPARTMENT</b>	
(Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka)	
Director General	Yoshihiro Iwasaki
Deputy Director General	Jin Koo Lee
Director, Operations Coordination Division	Sultan H. Rahman
Director, Infrastructure Division	Tadashi Kondo
Director, Agriculture, Environment, and Natural Resources Division	Frederick C. Roche
Director, Social Sectors Division	Edward M. Haugh, Jr.
Director, Governance, Finance, and Trade Division	Klaus Gerhaeusser
Country Director, Bangladesh Resident Mission	Toru Shibuichi
Country Director, India Resident Mission	Frank J. Polman
Country Director, Nepal Resident Mission	Richard W. A. Vokes
Country Director, Pakistan Resident Mission	Marshuk Ali Shah
Country Director, Sri Lanka Resident Mission	John R. Cooney
<b>MEKONG DEPARTMENT</b>	
(Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam)	
Director General	Rajat M. Nag
Deputy Director General	Zhang Yuejiao
Senior Advisor	Philippe Benedic
Director, Operations Coordination Division	Kazu Sakai
Director, Infrastructure Division	Khalid I. Rahman
Director, Agriculture, Environment, and Natural Resources Division	C. R. Rajendran
Director, Social Sectors Division	Arjun Thapan
Director, Governance, Finance, and Trade Division	(vacant)
Country Director, Cambodia Resident Mission	Urooj Malik
Country Director, Lao Resident Mission	Paul V. Turner
Country Director, Viet Nam Resident Mission	John Samy
<b>PRIVATE SECTOR OPERATIONS DEPARTMENT</b>	
Director General	(vacant)
Director, Private Sector Operations Division	Bruce A. Purdue
Director, Infrastructure Finance Division	Alfredo E. Pascual
<b>EAST AND CENTRAL ASIA DEPARTMENT</b>	
(Azerbaijan; People's Republic of China; Hong Kong, China; Kazakhstan; Republic of Korea; Kyrgyz Republic; Mongolia; Taipei, China; Tajikistan; Turkmenistan; Uzbekistan)	
Director General	Geert van der Linden
Deputy Director General	M. E. Tusneem
Director, Operations Coordination Division	Kunio Senga
Director, Infrastructure Division	H. Satish Rao
Director, Agriculture, Environment, and Natural Resources Division	Katsuji Matsunami
Senior Director, Social Sectors Division	William M. Fraser
Director, Governance, Finance, and Trade Division	Shamshad Akhtar
Country Director, People's Republic of China Resident Mission	Bruce Murray
Country Director, Kazakhstan Resident Mission	Hong Wang
Country Director, Kyrgyz Resident Mission	J. C. Alexander
Country Director, Mongolia Resident Mission	Barry J. Hitchcock
Country Director, Uzbekistan Resident Mission	Peter C. Darjes

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<b>SOUTHEAST ASIA DEPARTMENT</b>	
(Indonesia, Malaysia, Philippines, Singapore)	
Director General	K. H. Moinuddin
Senior Advisor	Asad Ali Shah
Director, Infrastructure Division	Patrick C. Giraud
Director, Agriculture, Environment, and Natural Resources Division	Muhammad A. Mannan
Director, Social Sectors Division	Peter L. Fedon
Director, Governance, Finance, and Trade Division	Ayumi Konishi
Country Director, Indonesia Resident Mission	Jan P. M. van Heeswijk
Country Director, Philippines Country Office	Thomas Crouch
<b>PACIFIC DEPARTMENT</b>	
(Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu)	
Director General	Jeremy H. Hovland
Director, Pacific Operations Division, Area A	Robert Y. Siy, Jr.
Director, Pacific Operations Division, Area B	Peter N. King
Country Director, South Pacific Regional Mission	Jeffry R. Stubbs
<b>CENTRAL OPERATIONS SERVICES OFFICE</b>	
Principal Director	James E. Rockett
Director, Consulting Services Division	Sarojkumar Thuraisingham
Director, Project Coordination and Procurement Division	Ferdinand P. Mesch
<b>BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT</b>	
Director General	Masakazu Sakaguchi
Deputy Director General	(vacant)
Director, Budget and Management Services Division	T. L. de Jonghe
Director, Compensation and Benefits Division	Roger A. Burston
Director, Human Resources Division	Robert L. T. Dawson
<b>OFFICE OF ADMINISTRATIVE SERVICES</b>	
Director General	Zhang Zhixiang
Director, Facilities Management Division	Farrokh E. Kapadia
Director, General Services Division	Normin S. Pakpahan
<b>CONTROLLER'S DEPARTMENT</b>	
Controller	Ping-Yung Chiu
Assistant Controller, Accounting Division	Ronny E. Budiman
Assistant Controller, Loan Administration Division	Byung-Wook Park
<b>TREASURER'S DEPARTMENT</b>	
The Treasurer	(vacant)
Deputy Treasurer	Ifzal Ali
Assistant Treasurer, Risk Management Division	Philip C. Erquiaga
Assistant Treasurer, Funding Division	Juanito Limandibrata
Assistant Treasurer, Investment Division	Jelle C. Mann
Assistant Treasurer, Treasury Services Division	David R. Parker
Advisor (Financial Policy)	Hinahon L. Domingo
<b>OFFICE OF COFINANCING OPERATIONS</b>	
Principal Director	Zhu Xian
Director	Woo Chull Chung
<b>OFFICE OF INFORMATION SYSTEMS AND TECHNOLOGY</b>	
Principal Director	Pamela G. Kruzic
Director	Christian E. Perez

## Appendix 8

**FORMER ADB PRESIDENTS AND VICE-PRESIDENTS**  
*(as of 31 December 2001)*

<b>PRESIDENTS</b>	
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
<b>VICE-PRESIDENTS</b>	
C.S. Krishna Moorthi	19 December 1966–31 March 1978
A.T. Bambawale	1 April 1978–28 October 1985
M. Narasimham	1 November 1985–31 July 1988
S. Stanley Katz	1 April 1978–28 September 1990
In Yong Chung	1 August 1988–31 July 1993
William R. Thomson	1 October 1990–30 June 1994
Günther G. Schulz	1 April 1983–30 June 1995
Bong-Suh Lee	1 August 1993–31 July 1998
Pierre Uhel	1 July 1995–24 November 1998
Peter H. Sullivan	6 July 1994–20 September 2000

## Appendix 9

**SUMMARY OF BUDGET FOR 2002**  
**Internal Administrative Expenses**  
*(*\$ thousand*)*

	2001			2002 Budget
	Budget	After Transfers <sup>a</sup>	Actual	
I. BOARD OF GOVERNORS <sup>b</sup>	808	808	785	696
II. BOARD OF DIRECTORS	8,781	8,781	8,558	9,611
III. OPERATIONAL EXPENSES	176,967	176,967	175,500	185,316
Salaries	93,284	93,284	93,189	99,085
Benefits	46,229	46,229	46,033	47,858
Staff Development	2,300	2,300	2,012	2,350
Relocation	3,224	3,224	3,208	3,493
Consultants	14,400	16,072	16,072	15,700
Business Travel	17,200	15,528	14,717	16,500
Representation	330	330	269	330
IV. ADMINISTRATIVE EXPENSES	38,102	38,102	35,816	41,993
Communications	6,195	6,195	6,020	6,467
Office Occupancy	8,312	8,800	8,800	9,001
Library	914	914	880	914
Office Supplies	1,845	1,845	1,420	1,860
Office Equipment	2,836	3,440	3,440	4,236
Contractual Services	6,393	6,966	6,966	8,034
Insurance	557	557	340	440
Depreciation	10,792	9,127	7,708	10,724
Miscellaneous	258	258	242	317
V. TOTAL BEFORE GENERAL CONTINGENCY	224,658	224,658	220,659	237,616
VI. GENERAL CONTINGENCY	2,247	2,247	—	2,376
<b>TOTAL</b>	<b>226,905</b>	<b>226,905</b>	<b>220,659<sup>c</sup></b>	<b>239,992</b>

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 to conform with generally accepted accounting principles: (i) provisions for future liabilities with respect to severance pay (\$2,258,000), accumulated compensated absences (\$1,101,000), and accrued resettlement/repatriation allowances (\$1,449,000); (ii) adjustments of actuarially determined assessment of benefit obligations with respect to pension costs (-\$14,213,000) and postretirement medical benefits (\$14,120,000); and (iii) bank charges pertaining directly to Asian Development Fund (ADF), Japan Special Fund (JSF), and Japan Scholarship Program (JSP) (\$46,000). Total administrative expenses, as shown in the financial statements, amounted to \$225,420,000. This amount, after deducting \$579,000 directly charged to the Trust Fund for East Timor (\$309,000), JSP (\$79,000) and Japan Fund for Poverty Reduction (\$191,000), has been distributed as follows: ordinary capital resources (OCR)—\$59,039,000 (Ref. OCR-2) net of \$34,793,000 as front-end fee offset against loan origination costs and recognized as a reduction in administrative expenses, ADF—\$129,517,000 (Ref. ADF-2), and JSF—\$1,492,000 (Ref. JSF-2).

# ADB PUBLICATIONS: RECENT TITLES<sup>1</sup>

## Economic Growth

- Achieving Financial Stability in Asia (copublished with Organisation for Economic Co-operation and Development) (2000)
- Asian Development Outlook (annually)<sup>2</sup>
- Basic Statistics (annually)
- Developing Best Practices for Promoting Private Sector Investment in Infrastructure (volumes on Power, Water Supply, Roads, Ports, Airports, and Air Traffic Control) (2000)<sup>3</sup>
- Economics and Development Resource Center Briefing Notes
- Evaluation Highlights of 1998 (1999)
- Financial Liberalization in Asia (1999)
- Fiscal Transition in Kazakhstan (1999)<sup>3</sup>
- Government Bond Market Development in Asia (2001)<sup>3</sup>
- Handbook for the Economic Analysis of Health Sector Projects (2000)<sup>3</sup>
- Investing in Asia (1999)
- Growth and Change in Asia and the Pacific: Key Indicators (annually)<sup>2</sup>
- Mortgage-Backed Securities Markets in Asia (2000)<sup>3</sup>
- Policy Briefs  
(No. 1: Is Growth Good Enough for the Poor?; No. 2: India's Economic Reforms; No. 3: Unequal Benefits of Growth in Viet Nam; No. 4: Is Volatility Built Into Today's World Economy?; No. 5: What Else Besides Growth Matters to Poverty Reduction?; No. 6: Achieving the Twin Objectives of Efficiency and Equity: Contracting Health Services in Cambodia)
- Rising to the Challenge in Asia: A Study of Financial Markets  
(Vol. 1: Overview; Vol. 2: Special Issues; Vol. 3: Sound Practices; Vol. 4: People's Republic of China; Vol. 5: India; Vol. 6: Indonesia; Vol. 7: Republic of Korea; Vol. 8: Malaysia; Vol. 9: Pakistan; Vol. 10: Philippines; Vol. 11: Thailand; and Vol. 12: Socialist Republic of Viet Nam) (2000)<sup>2</sup>
- The Role of Central Banks in Microfinance in Asia and the Pacific (Vol. 1: Overview; Vol. 2: Country Studies) (2000)<sup>3</sup>
- Rural Asia: Beyond the Green Revolution (2000)<sup>2,3</sup>  
Vol. 1: Transforming the Rural Asian Economy: The Unfinished Revolution (2000); Vol. 2: The Growth and Sustainability of Agriculture in Asia (2000); Vol. 3: Rural Financial Markets in Asia: Policies, Paradigms, and Performance (2000); Vol. 4: The Quality of Life in Rural Asia (2001); Vol. 5: The Evolving Roles of the State, Private, and Local Actors in Rural Asia (2001)

## Environment

- Bangladesh: Toward an Environment Strategy (Country Environment Review) (2001)<sup>3</sup>
- Development of Environment Statistics in Developing Asian and Pacific Countries (1999)<sup>3</sup>
- The Environment Agenda of the Asian Development Bank (1999)
- Environment and Economics in Project Preparation (1999)<sup>3</sup>
- Environmental Management of Maldives: An Overview (1999)<sup>3</sup>
- Environmental Profile of Tajikistan (2000)<sup>3</sup>

- Environments in Transition: Cambodia, Lao PDR, Thailand, Viet Nam (2000)<sup>3</sup>
- Fire, Smoke, and Haze: The ASEAN Response Strategy (2001)<sup>3</sup>
- India: Mainstreaming Environment for Sustainable Development (2001)<sup>3</sup>
- Integrated Economic and Environmental Planning at the Subnational Level in Asia (2001)
- Mobilizing Broader Support for Asia's Biodiversity (1999)<sup>3</sup>
- Reform of Environmental and Land Legislation in the People's Republic of China (2000)<sup>3</sup>
- Sustainable Development in Asia (2000)<sup>3</sup>

## Human Development

- Agricultural Biotechnology, Poverty Reduction, and Food Security (2001)<sup>3</sup>
- Asian Cities in the 21<sup>st</sup> Century: Contemporary Approaches to Municipal Management (Vols. 1, 2, and 3; 1999); (Vol. 4; 2000); (Vol. 5; 2001)<sup>3</sup>
- Development and Management of Cities: Networking and Cooperation (1999)<sup>3</sup>
- Effectiveness of ADB Approaches and Assistance to Poverty Reduction (2000)<sup>3</sup>
- Financing Immunization in Cambodia, Lao PDR, and Viet Nam (1999)<sup>3</sup>
- Handbook on Resettlement: A Guide to Good Practice (1998)<sup>3</sup> (Bahasa Indonesia, Chinese, English)
- Health Sector Reform in Asia and the Pacific (1999)<sup>3</sup>
- Human Capital of the Poor in Viet Nam (2001)
- Human Development Brochure
- Immunization Financing in Developing Countries and the International Vaccine Market (2001)<sup>3</sup>
- Integrating Poverty Impact into Project Economic Analysis (2000)
- Lao People's Democratic Republic: Education Sector Development Plan Report (2000)<sup>3</sup>
- Making Cities Work: Urban Policy and Infrastructure in the 21<sup>st</sup> Century (2000)<sup>3</sup>
- The New Social Policy Agenda in Asia (2000)<sup>3</sup>
- Perceptions of the Poor: Poverty Consultations in Four Districts in Sri Lanka (2001)<sup>3</sup>
- Philippine Education for the 21<sup>st</sup> Century (1999)<sup>3</sup>
- Resettlement Policy and Practice in Southeast Asia and the Pacific (2000)<sup>3</sup>
- Social Development (1999)
- Sri Lanka National Immunization Program Financing Assessment (2001)<sup>3</sup>
- Sri Lanka Urban Development Sector Study (2000)
- Supporting Growth with Equity in Pakistan (2000)<sup>3</sup>
- Urban Indicators for Managing Cities: Cities Data Book (2001)<sup>3</sup>
- Urban Sector Strategy in Cambodia (1999)

## Improving the Status of Women

- Women in Bangladesh (2001)<sup>3</sup>
- Women in Malaysia (1999)<sup>3</sup>
- Women in Republic of Maldives (2001)<sup>3</sup>
- Women in Nepal (1999)<sup>3</sup>
- Women in Pakistan (2000)<sup>3</sup>
- Women in Sri Lanka (1999)<sup>3</sup>

Women in Tajikistan (2000)<sup>3</sup>  
 Women in the Republic of Uzbekistan (2000)<sup>3</sup>

## Law and Policy Reform

Combating Corruption in Asian and Pacific Economies (2000)<sup>3</sup>  
 Corporate Governance and Finance in East Asia (Vol. 1, 2000; Vol. 2, 2001)<sup>3</sup>  
 Governance, Corruption and Public Financial Management (2000)<sup>3</sup>  
 Key Governance Issues in Cambodia, Lao PDR, Thailand, and Viet Nam (2001)<sup>3</sup>  
 Law and Policy Reform at the Asian Development Bank (annually)  
 Law and Policy Reform at the Asian Development Bank (2000)<sup>3</sup>, Vol. 1: The Need for an Integrated Approach to Secured Transactions and Insolvency Law Reforms; and Vol. 2: Secured Transactions Law Reform in Asia: Unleashing the Potential of Collateral  
 Law and Policy Reform Bulletin (annually)  
 Managing Government Expenditure (1999)<sup>3</sup>  
 Progress in the Fight Against Corruption in Asia and the Pacific (2001)<sup>3</sup>  
 Simplification of Customs Procedures (1999)<sup>3</sup>  
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## Pacific Studies Series

Financial Sector Development in Pacific Island Economies (2001)<sup>3</sup> Vol.1: Regional Report; and Vol. 2: Country Reports  
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 Tuna: A Key Economic Resource in the Pacific (2001)<sup>3</sup>  
 Vanuatu Agriculture and Fisheries Sector Review 2000 (2001)<sup>3</sup>

## Regional Cooperation

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 Second Workshop on Economic Cooperation in Central Asia: Challenges and Opportunities in Energy (1999)<sup>3</sup>  
 Sustainable Development: Asian and Pacific Perspectives (1999)

## Framework: Policies and Strategies

Anticorruption Policy (1998)<sup>4</sup>  
 The Bank's Cofinancing Strategy (1995)  
 The Bank's Policy on Agriculture and Natural Resources Research (1995)  
 The Bank's Policy on Fisheries (1997)

The Bank's Policy on Forestry (1994)  
 The Bank's Policy on Gender and Development (1998)<sup>4</sup>  
 The Bank's Policy on Indigenous Peoples (1999)<sup>4</sup>  
 Cofinancing: A Guide to ADB's Official and Commercial Cofinancing Operations, 2001  
 Commercial Cofinancing and Guarantees, 2001  
 Cooperation Between Asian Development Bank and Nongovernment Organizations (1998)<sup>4</sup>  
 Energy 2000: Review of the Energy Policy of the Asian Development Bank (2000)<sup>4</sup>  
 Establishment of an Inspection Function (1995)  
 Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank (1999)<sup>4</sup>  
 Governance: Sound Development Management (1995)<sup>4</sup>  
 A Graduation Policy for the Bank's DMCs (1998)  
 Information Policy and Strategy of the Asian Development Bank (1994)<sup>4</sup>  
 Involuntary Resettlement (1995)<sup>4</sup>  
 Medium-Term Strategy, 2001–2005 (2001)  
 Microfinance Development Strategy of the Asian Development Bank (2000)<sup>4</sup>  
 Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long-Term Strategic Framework of the Asian Development Bank, 2001–2015 (2001)<sup>4</sup>  
 A Pacific Strategy for the New Millennium (2000)  
 Policy for the Health Sector (1999)<sup>4</sup>  
 Policy on Confidentiality and Disclosure of Information (1994)<sup>4</sup>  
 Political Risk Guarantee Policy (2001)<sup>4</sup>  
 Private Sector Development Strategy (2000)<sup>4</sup>  
 Program Lending Policies (1999)  
 Project Profiles for Commercial and Export Credit Cofinancing, 2002  
 Resident Mission Policy (2000)<sup>4</sup>  
 Social Development (1999)  
 Social Protection Strategy (2001)  
 Urban Sector Strategy (1999)  
 Water for All: The Water Policy of the Asian Development Bank (2001)<sup>4</sup>

## Newsletters

ADB Review  
 News from Bangladesh  
 News from European Representative Office  
 News from India  
 News from Japanese Representative Office  
 News from Kazakhstan  
 News from Nepal  
 News from North American Representative Office  
 News from Pakistan  
 News from Sri Lanka  
 News from Uzbekistan

## Videos

Central Asia's Hidden Hunger (2001)<sup>5</sup>  
 Children of Asia (available in both DVD and video) (2001)<sup>5</sup>  
 Digital Dividends (2001)<sup>5</sup>  
 Fighting Poverty in Asia (2000)<sup>5</sup>  
 Fragile Promise (2001)<sup>5</sup>  
 Lessons from Life (2001)<sup>5</sup>  
 Poverty in Asia: The Challenge Ahead (2000)<sup>5</sup>

- Reducing Poverty in Asia and the Pacific (2001)<sup>5</sup>  
 Resettlement: Improving the Lives of People Affected by Projects (2000)<sup>5</sup>  
 Turning Grief into Courage (2001)<sup>5</sup>

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  - Partnership Issues in the Social Sector
  - Poverty Reduction Issues
  - PPMEP Module 3: Managing Programs, Projects and People
  - PPMEP Module 4: Leadership and the Management of Change
- Public Expenditure Management: Local Program Conducted by Pakistan Administrative Staff College
- Public Expenditure Management: Training-of-Trainers Program
- Public-Private Partnerships in Health Recovery Phase
- Reforming Pension Systems in South Asia: Part 1—Policy Conference
- Reforming Pension Systems in South Asia: Part 2—Training Workshop
- Regulatory Differences between Banks and Securities Markets: Implications for Crisis Prevention and Management
- Skill Development for Industry
- Social Safety Nets Seminar
- Tokyo Roundtable on Capital Market Reform in Asia
- Tokyo Seminar on Securities Market Regulation
- Trade Policy Emerging Issues
- Urban Poverty Reduction Issues

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- Designing a Financial Market Structure in Post-Crisis Asia—How to Develop Corporate Bond Markets
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### Notes

- 1 For list of publications, see <http://www.adb.org/publications>. Copies of these publications may be obtained/purchased from the Publications Unit, Office of External Relations, Asian Development Bank, P.O. Box 789, 0980 Manila, Philippines. Orders may also be sent by fax to (632) 636-2648 or E-mail at [adbpub@adb.org](mailto:adbpub@adb.org). Publications other than those listed with footnotes are free but applicable handling/shipping fees are charged. ADB Institute publications should be ordered directly from ADB Institute.
- 2 Priced publication, also available directly from Oxford University Press offices, associated companies, and agents worldwide.
- 3 Priced publication.
- 4 Available in CD-ROM.
- 5 Priced video.

# ABBREVIATIONS and ACRONYMS

ACCSF	Asian Currency Crisis Support Facility	LBL	LIBOR-based loan
ADB	Asian Development Bank	LIBOR	London interbank offered rate
ADF	Asian Development Fund	LTSF	Long-Term Strategic Framework
ARIC	Asia Recovery Information Center	MBL	market-based loan
ASEAN	Association of Southeast Asian Nations	MDB	multilateral development bank
BIMP-EAGA	Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area	MTS	Medium-Term Strategy
BOO	build-own-operate	NGO	nongovernment organization
BOT	build-operate-transfer	NPL	nonperforming loan
CAREC	Central Asian Regional Economic Cooperation	OCR	ordinary capital resources
CARS	Central Asian republics	ODA	official development assistance
CDF	comprehensive development framework	OECD	Organisation for Economic Co-operation and Development
CFA	channel financing arrangement	PAPR	Partnership Agreement on Poverty Reduction
CFS	complementary financing scheme	PPIAF	Public-Private Infrastructure Advisory Facility
CPI	consumer price index	PCG	partial credit guarantee
CSP	country strategy and program	PCR	project completion report
CSPU	country strategy and program update	PMAP	portfolio management action plan
DMC	developing member country	PMCL	pool-based multicurrency loan
ECA	export credit agency	PMU	project management unit
ECP	Euro-commercial paper	PPA	participatory poverty assessment
EIA	environmental impact assessment	PPAR	project/program performance audit report
FAS	Financial Accounting Standard	PPIAF	Public-Private Infrastructure Advisory Facility
FDI	foreign direct investment	PRC	People's Republic of China
FY	fiscal year	PRG	political risk guarantee
GAD	gender and development	PRGF	Poverty Reduction and Growth Facility
GDIF	Global Debt Issuance Facility	PSCL	pool-based single currency loan
GDP	gross domestic product	REMU	Regional Economic Monitoring Unit
GEF	Global Environment Facility	RLR	reserve:loan ratio
GMS	Greater Mekong Subregion	SASEC	South Asia Subregional Economic Cooperation
GNP	gross national product	SDR	special drawing right
ICR	interest coverage ratio	SME	small- or medium-sized enterprise
ICT	information and communication technology	SOE	state-owned enterprise
IMF	International Monetary Fund	TASF	Technical Assistance Special Fund
IMT-GT	Indonesia-Malaysia-Thailand Growth Triangle	TCR	technical assistance completion report
IPA	interest payment assistance	TPAR	technical assistance performance audit report
JFICT	Japan Fund for Information and Communication Technology	UN	United Nations
JFPR	Japan Fund for Poverty Reduction	UNDP	United Nations Development Programme
JSF	Japan Special Fund	US	United States
JSP	Japan Scholarship Program	WTO	World Trade Organization
Lao PDR	Lao People's Democratic Republic		

# GLOSSARY

**ACCSF:** Asian Currency Crisis Support Facility, established in March 1999 as an independent component of the Japan Special Fund for countries in the region most affected by the Asian financial crisis; its modalities comprise interest payment assistance, technical assistance grants, and guarantees

**ADF:** Asian Development Fund, ADB's soft-lending window for members with low per capita gross national product and weak debt repayment capacity

**ARIC:** Asia Recovery Information Center, a clearinghouse for information relating to recovery from the Asian financial crisis

**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

**contract award ratio:** the ratio of contracts awarded during the year over the value available for contract awards at the beginning of the year

**credit line:** government-guaranteed loan provided to selected financial intermediaries in DMCs for onlending to small and medium private enterprises

**CSP:** country strategy and program, ADB's most important planning and programming document at the country level, prepared every 5 years to identify the country's development needs, priorities, and strategies

**disbursement ratio:** the ratio of total disbursements during the year over the net loan amount available at the beginning of the year plus the loan amounts of newly approved loans that have become effective during the year; excludes private sector loans

**DMC:** developing member country, refers to a member of ADB and does not imply any view on the part of ADB as to the member's sovereignty or independent status

**INTEGRA:** integrated financial management and human resource management information system; an integrated web-enabled computer system

**JFICT:** Japan Fund for Information and Communication Technology, established in July 2001 to harness the potential of information and communication technology and bridge the growing digital divide in Asia and the Pacific

**JFPR:** Japan Fund for Poverty Reduction, established in May 2000 to support ADB-financed projects with innovative poverty reduction and related social development activities on a grant basis in line with ADB's poverty reduction strategy

**JSF:** Japan Special Fund, established in March 1988 and administered by ADB to help its DMCs restructure their economies and broaden the scope for new investments by recycling funds

**JSP:** Japan Scholarship Program, established in 1988 to provide an opportunity for well-qualified citizens of DMCs to undertake postgraduate studies in economics, management, science and technology, and other development-related fields at selected educational institutions in Asia and the Pacific

**LTSF:** Long-Term Strategic Framework, addresses the major long-term challenges and identifies the strategic agenda for 2001–2015 to strengthen ADB as an effective development partner for DMCs

**MTS:** Medium-Term Strategy, addresses the medium-term needs and challenges of the region, which ADB will undertake for 2001–2005

**OCR:** ordinary capital resources, the interest-bearing window for ADB's ordinary lending operations

**PAPR:** Partnership Agreement on Poverty Reduction, an agreement signed between ADB and governments of DMCs that specifies targets and measures for reducing poverty, and ADB's support toward achieving these objectives. Also known as poverty partnership agreements and poverty reduction partnership agreements.

**PCR:** project completion report, certifies the completion of an ADB project

**PPA:** participatory poverty assessment, a product of consultations with the poor to understand better the nature of poverty and to help formulate poverty reduction programs

**PPAR:** project/program performance audit report, provides an assessment of the long-run development effectiveness of a project/program

**program loan:** loan provided to support DMCs' efforts to improve the policy, institutional, and investment environment of sector development and help meet short-term costs that policy adjustments entail

**project loan:** loan provided to finance a specific project

**REMU:** Regional Economic Monitoring Unit, established in 1999 to support the Association of Southeast Asian Nations in its surveillance of economic developments and to provide inputs relating to the Asian financial crisis through the Asia Recovery Information Center

**sector development program loan:** a lending modality that combines program lending, sector/project lending, and technical assistance under a single assistance window to foster an integrated and long-term approach to sector needs

**sector loan:** loan provided to develop a specific sector or subsector; finances a large number of subprojects in a single sector or subsector

**TASF:** Technical Assistance Special Fund, the principal vehicle for providing technical assistance grants from ADB's own resources

## 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.*

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# MEMBERS, CAPITAL STOCK, and VOTING POWER

(as of 31 December 2001)

	YEAR OF MEMBERSHIP	SUBSCRIBED CAPITAL <sup>a</sup> (% of total)	VOTING POWER <sup>b</sup> (% of total)		YEAR OF MEMBERSHIP	SUBSCRIBED CAPITAL <sup>a</sup> (% of total)	VOTING POWER <sup>b</sup> (% of total)
<b>REGIONAL</b>				<b>NONREGIONAL<sup>c</sup></b>			
Afghanistan	1966	0.034	0.366	Austria	1966	0.347	0.616
Australia	1966	5.892	5.053	Belgium	1966	0.347	0.616
Azerbaijan	1999	0.453	0.701	Canada	1966	5.327	4.600
Bangladesh	1973	1.040	1.171	Denmark	1966	0.347	0.616
Bhutan	1982	0.006	0.344	Finland	1966	0.347	0.616
Cambodia	1966	0.050	0.379	France	1970	2.370	2.235
China, People's Republic of	1986	6.562	5.588	Germany	1966	4.405	2.863
Cook Islands	1976	0.003	0.341	Italy	1966	1.840	1.811
Fiji Islands	1970	0.069	0.394	The Netherlands	1966	1.045	1.175
Hong Kong, China	1969	0.555	0.783	Norway	1966	0.347	0.616
India	1966	6.447	5.497	Spain	1986	0.347	0.616
Indonesia	1966	5.546	4.776	Sweden	1966	0.347	0.616
Japan	1966	15.893	13.053	Switzerland	1967	0.594	0.814
Kazakhstan	1994	0.821	0.996	Turkey	1991	0.347	0.616
Kiribati	1974	0.004	0.342	United Kingdom	1966	2.080	2.003
Korea, Republic of	1966	5.130	4.443	United States	1966	15.893	13.053
Kyrgyz Republic	1994	0.305	0.583	<b>Subtotal Nonregional</b>		<b>36.326</b>	<b>34.485</b>
Lao People's Democratic Republic	1966	0.014	0.350	<b>TOTAL</b>		<b>100.000</b>	<b>100.000</b>
Malaysia	1966	2.773	2.557				
Maldives	1978	0.004	0.342				
Marshall Islands	1990	0.003	0.341				
Micronesia, Federated States of	1990	0.004	0.342				
Mongolia	1991	0.015	0.351				
Myanmar	1973	0.555	0.783				
Nauru	1991	0.004	0.342				
Nepal	1966	0.150	0.459				
New Zealand	1966	1.564	1.590				
Pakistan	1966	2.218	2.114				
Papua New Guinea	1971	0.096	0.415				
Philippines	1966	2.426	2.280				
Samoa	1966	0.003	0.342				
Singapore	1966	0.347	0.616				
Solomon Islands	1973	0.007	0.344				
Sri Lanka	1966	0.591	0.811				
Taipei, China	1966	1.109	1.226				
Tajikistan	1998	0.292	0.572				
Thailand	1966	1.386	1.448				
Tonga	1972	0.004	0.342				
Turkmenistan	2000	0.258	0.545				
Tuvalu	1993	0.001	0.340				
Uzbekistan	1995	0.686	0.888				
Vanuatu	1981	0.007	0.344				
Viet Nam	1966	0.348	0.617				
<b>Subtotal Regional</b>		<b>63.674</b>	<b>65.515</b>				

Note: Figures may not add due to rounding. For other details, see tables on pages 142 and 143.

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

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

c Portugal was admitted as the 60<sup>th</sup> member of ADB on 2 April 2002.

# ASIAN DEVELOPMENT BANK

The Asian Development Bank (ADB) was established in 1966 through a multilateral agreement ratified by 31 countries.<sup>1</sup> It has 60 members, as of 2 April 2002, of which 43 are in Asia and the Pacific.

ADB has its headquarters in the Philippines, and has 22 overseas offices, including resident missions in Bangladesh, Cambodia, People's Republic of China, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Mongolia, Nepal, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam; and a country office in the Philippines. ADB also maintains a regional mission for the South Pacific in Vanuatu, extended missions in Gujarat, India and Papua New Guinea, and a Special Office in East Timor. It has representative offices for Europe (based in Frankfurt), for Japan (Tokyo), and North America (Washington, DC). A special liaison office in Kabul, Afghanistan is being organized.

## Objective: reduce poverty

ADB's vision is an Asian and Pacific region free of poverty. Its mission is to help its developing member countries (DMCs) reduce poverty and improve their living conditions and quality of life. Its strategic agenda includes sustainable economic growth, inclusive social development, and governance for effective policies and institutions. Three crosscutting themes broaden and deepen the impact of the core areas of intervention—promoting the role of the private sector in development, supporting regional cooperation and integration for development, and addressing environmental sustainability.

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

ADB offers a range of lending modalities and terms; all loans involve conditionalities aimed at improving development performance. About 72% of ADB's cumulative lending comes from its ordinary capital resources (OCR). These comprise paid-in capital, reserves, funds raised through borrowings, and accumulated retained income. In 2001, ADB introduced LIBOR-based loan (LBL) products, with maturity ranges from 15 to 25 years. Effective 1 July 2002, LBLs will be the only choice for borrowers. 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. The Asian Development Fund (ADF) is a

special window for loans on concessional terms to members with low per capita gross national product and weak debt-repayment capacity. The ADF is financed by periodic voluntary contributions from donors.

Other Special Funds are the Technical Assistance Special Fund; Japan Special Fund; and ADB Institute Special Fund. Other funds managed by ADB are the Japan Scholarship Program; Japan Fund for Poverty Reduction; Japan Fund for Information and Communication Technology; and channel financing of grants provided by bilateral donors to support technical assistance and soft components of loans, including the Canadian Cooperation Fund on Climate Change, Governance Cooperation Fund (initial contribution by Canada), Danish Cooperation Fund on Renewable Energy and Energy Efficiency in Rural Areas, Cooperation Fund for the Formulation and Implementation of National Poverty Reduction Strategies and Cooperation Fund on Water Sector (both with initial contributions from The Netherlands), and United Kingdom Cooperation Fund for Technical Assistance (Poverty-Focused) in India.

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

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

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

## Organizational structure

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

### Note

<sup>1</sup> The term "country," as used in the context of ADB, refers to a member of ADB and does not imply any view on the part of ADB as to the member's sovereignty or independent status.

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# ADB ANNUAL REPORT READER SURVEY

Dear Reader,

We seek your comments on how to get our message across so you may have a better understanding of ADB's work. Thank you for completing this questionnaire.

1 Where do you belong?

- 1.1 Civil society (professional organization)
- 1.2 Financial institution
- 1.3 Government
- 1.4 International organization
- 1.5 Library
- 1.6 News media
- 1.7 Nongovernment organization
- 1.8 Private sector
- 1.9 University/college
- 1.10 Others \_\_\_\_\_

2 What sector do you represent?

- 2.1 Agriculture and Natural Resources
- 2.2 Energy
- 2.3 Finance
- 2.4 Industry and Nonfuel Minerals
- 2.5 Social Infrastructure
- 2.6 Transport and Communications
- 2.7 Others \_\_\_\_\_

3 What section of the Annual Report do you refer to most often? Check one or more.

- 3.1 Operational and Financial Overview, 2001
- 3.2 2001 in Review: Board of Directors' Report
- 3.3 Special Theme
- 3.4 Operational Priorities
- 3.5 Operations
- 3.6 Country Reports
- 3.7 Strategic Planning and Support Activities
- 3.8 Institutional Matters
- 3.9 Management's Discussion and Analysis
- 3.10 Statistical Annex
- 3.11 Appendices

4 How can we improve the Annual Report's presentation?

- 4.1 Charts  
\_\_\_\_\_
- 4.2 Content  
\_\_\_\_\_
- 4.3 Photos  
\_\_\_\_\_
- 4.4 Tables  
\_\_\_\_\_
- 4.5 Writing Style  
\_\_\_\_\_
- Other Comments  
\_\_\_\_\_

5 On which areas of ADB operations would you like more information?

- 5.1 Economic growth
- 5.2 Environmental protection
- 5.3 Gender and development
- 5.4 Globalization
- 5.5 Governance
- 5.6 Human development
- 5.7 Information and communication technology
- 5.8 Law and policy reform
- 5.9 Poverty reduction
- 5.10 Private sector development
- 5.11 Regional cooperation
- 5.12 Social protection
- 5.13 Trade
- 5.14 Urban development
- 5.15 Others \_\_\_\_\_

6 What is your most preferred version of the *Annual Report*?

- 6.1 CD-ROM
- 6.2 Print
- 6.3 Web site

Why? \_\_\_\_\_  
\_\_\_\_\_

7 Do you still want to receive the printed form of the *Annual Report*?

- 7.1 Yes
- 7.2 No
- 7.3 If no, why? \_\_\_\_\_  
\_\_\_\_\_

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Please tear off and mail this form to the Asian Development Bank, Publications Unit, P.O. Box 789, 0980 Manila, Philippines, or fax to (63-2) 636-2648.

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