



50 YEARS OF ADB: IMPROVING LIVES FOR A BETTER FUTURE

ASIAN DEVELOPMENT BANK
2016 ANNUAL REPORT



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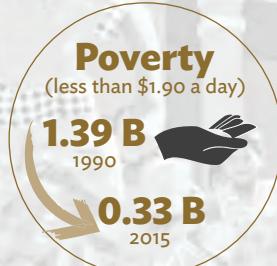
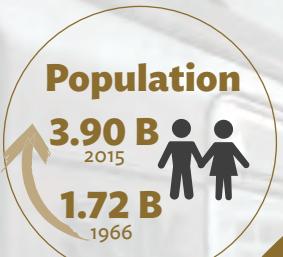
ANNUAL REPORT 2016

FINANCIAL REPORT

OPERATIONAL DATA

ORGANIZATIONAL INFORMATION

ADB MEMBER FACT SHEETS



PRC's Shanghai's Pudong area booms after the opening of ADB-supported \$267 million Shanghai Yangpu Bridge.

A CHANGING REGION

Since ADB's founding in 1966, Asia has transformed from the world's poorest region to a dynamic center of global growth and home to more than half the world's people.



More than 2 million, mostly poor, people in India benefit from 2,000 km of ADB-funded rural roads.



50 YEARS OF Improving LIVES IN ASIA AND THE PACIFIC

WHO WE ARE

ADB is an international development finance institution. Our goal is to reduce poverty and promote sustainable economic growth in Asia and the Pacific. We provide loans, grants, equity investments, and guarantees to our developing member countries. We supplement our financial support with development knowledge and policy advice.

2016's RECORD RESULTS

\$31.70 B

TOTAL OPERATIONS

\$17.47 B

LOAN AND GRANT APPROVALS

\$169 M

TECHNICAL ASSISTANCE

\$14.06 B

COFINANCING

TOGETHER WE DELIVER

Asia has changed a lot in the past 50 years. So has ADB. We have evolved to meet the changing demands of the region, to ensure we continue to produce results that improve people's lives.



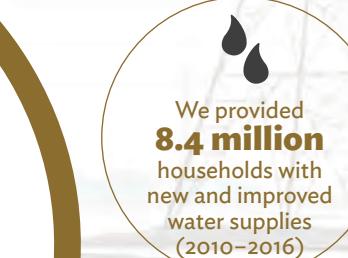
In the midst of the 1997-1998 Asian financial crisis, ADB provides \$7.8 billion to the three hardest-hit economies of Indonesia, the Republic of Korea, and Thailand.



After Typhoon Yolanda (Haiyan) devastates the Philippines in 2013, ADB provides \$900 million for immediate and long-term relief.

ASSISTANCE IN ADVERSITY

From economic shocks to natural disasters, the region has suffered many setbacks. ADB provides emergency funds and advice to help its members through challenging times.



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PRESIDENT'S MESSAGE



The Asian Development Bank (ADB) was created 50 years ago through the collective wishes and collaborative efforts of governments across Asia and the Pacific, and from other countries around the world. The Bank's purpose was clear from the beginning: to foster economic growth and regional cooperation.

Because ADB's founders wanted our organization to be truly multilateral, they encouraged developed nations in North America and Europe to become members. Held on 19 December 1966 in Manila, ADB's opening ceremony celebrated the union of 31 members, with 19 from Asia and the Pacific and 12 from other continents. Today, our membership has more than doubled to 67, including 48 members from Asia and the Pacific.

In the mid-1960s, food was in short supply across poverty-stricken Asia and the region lacked access to development finance. ADB's focus therefore was on technical assistance and loans to agriculture. Half a

century later, the region's economic growth and success in reducing poverty have exceeded even the most optimistic forecasts.

But we cannot be complacent. The fact remains that there are still 330 million people living in absolute poverty across Asia and the Pacific. A lack of infrastructure continues to limit economic growth, inhibit poverty reduction, and restrict improvements to quality of life.

Implementing the Sustainable Development Goals and the climate change actions agreed at the 21st Conference of Parties on Climate Change are also priorities for our region. The private sector needs to be further developed. Gender equality needs strengthening at every level. The challenges of urbanization, aging, and public health must be addressed.

This 50th edition of the ADB annual report provides a fascinating insight into the history of the region and ADB's contribution to it. The report gives a strong account of where ADB now stands as an institution, and I'm pleased with our progress.

The combination of Asian Development Fund (ADF) lending operations and ordinary capital resources (OCR) took effect on 1 January 2017. OCR equity almost tripled, from \$17.3 billion to \$48.1 billion, as \$30.8 billion of ADF



**As ADB celebrates
50 years ... , we will
strive even harder to
meet the changing
needs of our developing
member countries.**

loans and other assets were transferred from the ADF. Assets amounting to \$2.5 billion remained in the ADF to support its grant operations. The newly enlarged OCR window will offer the poorer borrowing countries concessional lending on the same terms and conditions as before, while the ADF itself will provide only grant assistance going forward. This reform is expected to raise ADB annual loan and grant approvals by a targeted 50%—from \$13.5 billion in 2014 to \$20 billion in 2020 (see Special Appendix).

The effects of the combination became evident even before it became effective. In 2016, ADB approved loans and grants to our developing member countries totaling a record \$17.47 billion, compared to \$15.99 billion in 2015. Disbursements also scaled new heights, rising to \$12.26 billion. Our private sector operations amounted to more than \$2.5 billion for the second year running. On the back of strong partnerships with various development stakeholders, we also mobilized cofinancing worth \$14.06 billion—another record. These results pushed our total operations for 2016 to \$31.70 billion, the highest in ADB history.

In May 2016, we also completed a strong replenishment of the ADF 12 for the period 2017–2020. The contributions from our donors will enable a doubling of the minimum allocation for small countries, strengthened support for disaster risk management, and enhanced regional health security.

The increase in our development financing to Asia and the Pacific reflects our strong commitment to improving the lives of the region's people. As ADB celebrates 50 years of providing development assistance, we will strive even harder to meet the changing needs of our developing member countries. In the next 50 years, we should strengthen work in three broad areas of achievement: providing a combination of finance and knowledge for developing countries, promoting good policies, and expanding programs of regional cooperation.

Takehiko Nakao
President and Chairman
of the Board of Directors

MANAGEMENT TEAM



Left to right: Vice-Presidents Stephen P. Groff, Wencai Zhang, Bambang Susantono, Diwakar Gupta, Deborah Stokes, Ingrid van Wees; Managing Director General Juan Miranda; The Secretary Woochong Um.



BOARD OF DIRECTORS

Front, left to right:
Directors Paul Dominguez, Mathew Fox, Koichi Hasegawa, Won-Mok Choi, Maurizio Ghirga, Zhongjing Wang, President and Chairman of the Board of Directors Takehiko Nakao, Directors Bhimantara Widyajala, David Murchison, Philaslak Yukkasemwong, Swati Dandekar, Kshatrapati Shivaji.

Back, left to right:
Alternate Directors Muhammad Sami Saeed, Scott Dawson, Masashi Tanabe, Johannes Schneider, Wenxing Pan, Mario Di Maio, Joar Strand, Philip Rose, Rokiah Hj Badar, Michael Strauss, Sharafjon Sheraliev.

Not in photo:
Director Mario Sander

The Board of Directors provides strategic direction to ADB; approves policies, loans, and grants; and ensures that shareholder guidance is implemented. In 2016, the Board held 43 formal meetings and 49 informal sessions. It approved \$17.64 billion in loans, grants, equity investments, guarantees, and technical assistance projects. It endorsed new country partnership strategies for Bangladesh, the People's Republic of China, Indonesia, Tajikistan, Timor-Leste, and Viet Nam. It also endorsed the Pacific Approach 2016–2020, a strategic framework that serves as the overall country partnership strategy for the 11 smallest Pacific island countries.

MAJOR POLICY INITIATIVES

In 2015, to make more development assistance available to countries most in need, the Board of Directors endorsed the proposal to merge the lending operations of the Asian Development Fund (ADF) with ADB's ordinary capital resources (OCR). To prepare for this merger, the Board in 2016 approved amendments to financial policies on ADF grant operations and OCR operations. The amendments to the OCR financial policies sought to optimize the financial management of the consolidated balance sheet and provide

wider currency choices for recipients of concessional loans.

The Board approved changes to ADB's main crisis lending instrument, the Countercyclical Support Facility. The move refined the facility's access criteria, while strengthening Board consultation, enhancing coordination with other multilateral organizations, and clarifying the difference between crisis lending and policy-based lending. The Board supported the revision of the concessional assistance policy, which consolidated the performance-based allocation policy and the ADF grant framework. To complete the alignment of policies with the ADF-OCR merger, ADB reviewed its investment strategy and authority, broadening its scope to include reputable international credit rating agencies and consider socially responsible investing.

The Board provided guidance in the ongoing review of ADB's capital adequacy framework and proposed reforms to strengthen the staff retirement plan. It approved revisions to ADB's Anticorruption Policy, particularly to promote tax integrity and reduce tax avoidance. The revised policy provides increased support for developing member countries (DMCs) to mobilize domestic resources, and encourages

the inclusion of tax integrity issues in ADB policy dialogue with DMCs, especially when developing country partnership strategies.

During informal sessions, the Board also considered organizational resilience, local currency funding of ADB loans, procurement reforms, the operational plan on regional cooperation and integration, and updates to the review of the ADB Trade Finance Program.

COMMITTEES OF THE BOARD

In 2016, six committees supported the Board: Audit, Budget Review, Compliance Review, Development Effectiveness, Ethics, and Human Resources.

The Audit Committee reviewed and discussed updates on business continuity, disaster risk management, and anticorruption and integrity. The Compliance Review Committee noted the implementation of remedial actions on three cases filed before the Compliance Review Panel. In 2016, the Human Resources Committee discussed the implementation of reforms in recruiting and optimizing staff, managing positions, developing leaders, and promoting diversity and inclusion in the workplace. The committee also discussed ADB staff pension and medical plans.

The Budget Review Committee held extensive budget consultations in light of the scaling up of operations during the first year of the ADF-OCR merger in 2017. It also considered budgetary priorities for organizational resilience and information technology reform.

The Development Effectiveness Committee reviewed independent evaluations on ADB's partnerships, environmentally sustainable growth, private sector operations, engagement with middle-income countries, safeguard implementation in selected countries, and country operations in Sri Lanka.

PARTNERSHIP AND KNOWLEDGE EXCHANGE

The Board puts a premium on exchanging knowledge with ADB members and other development partners. When ADB governors, alternate governors, and other eminent persons visit the ADB headquarters, the Board may convene an informal forum to discuss global and regional developments that might influence ADB operations.

During 2016, the Board hosted informal sessions with, among others, the secretary general of the Pacific Islands Forum Secretariat, the ADB governor for Germany, and the presidents of the New Development Bank and the Asian Infrastructure Investment Bank. These sessions provided opportunities for the Board to engage

in dialogue with ADB partners about Pacific regional programming, technical and vocational education and training initiatives, future partnerships, and cofinancing opportunities.

To fully appreciate the development needs of the region, small groups of Board members undertake group visits to selected DMCs. These visits allow Board members to observe ADB operations and engage in dialogue with government officials, bilateral and multilateral aid agencies, civil society organizations, private sector partners, and project beneficiaries.

In March, Board members visited Timor-Leste and held high-level discussions with various stakeholders regarding the country's prospects for economic diversification. The group also discussed ADB support for transport infrastructure, human capital investment, and municipal services. In June, Board members visited Georgia and Armenia. They witnessed ADB's role in improving roads, basic urban services, renewable energy, the sustainability of infrastructure investments, and disaster resilience in the two countries. In late October and early November, Board members visited Tonga and Nauru to see first-hand ADB projects for climate-proofing school buildings and power lines, establishing broadband connectivity, and supporting port development.



BOARD VISITS NAURU

In November, a small group of ADB directors visited Nauru to congratulate the government on the establishment of its sovereign wealth fund, an initiative that was supported by ADB technical assistance. Meeting with the President of Nauru, Baron Waqa (pictured, center), the country's minister of finance, and representatives of other development partners, participating Board members gained a better appreciation of the unique development challenges faced by microstates such as Nauru.

FINANCIAL HIGHLIGHTS

2016 APPROVALS

\$17.47 B
LOANS, GRANTS, AND OTHERS

\$169 M
TECHNICAL ASSISTANCE

\$14.06 B
COFINANCING INCLUDING
TRUST FUNDS

2016 COMMITMENTS

\$13.31 B
LOANS, GRANTS, AND OTHERS

\$180 M
TECHNICAL ASSISTANCE

\$13.10 B
COFINANCING INCLUDING
TRUST FUNDS

ADB Approvals, 2012–2016, and Commitments, 2016

(\$ million)	Approvals					2016
	2012 ^a	2013 ^a	2014 ^a	2015 ^a	Approvals	Commitments ^b
Loans, Grants, and Others						
By Source						
Ordinary Capital Resources	9,632	10,192	10,342	13,113	14,389	11,015
Loans	9,373	10,015	10,137	12,638	13,797 ^{c,d}	10,708 ^{c,d}
Guarantees	128	35	20	341	515	212
Equity Investments	131	142	185 ^e	134	77	96
Asian Development Fund	2,846	3,850	3,091	2,867	3,073	2,284
Loans	2,180	3,008	2,686	2,514	2,556 ^c	1,803 ^c
Grants	666	843	405	353	518	481
Special Funds^f	4	7	0	7	9	9
Grants	4	7	0	7	9	9
Subtotal	12,482	14,048	13,433	15,987	17,471	13,309
By Operations						
Sovereign	11,127	12,589	11,571	13,362	14,970	11,515
Loans	10,457	11,740	11,166	13,001	13,943 ^c	11,024 ^c
Guarantees	-	-	-	-	500	-
Grants	670	849	405	360	527	491
Nonsovereign	1,355	1,459	1,862	2,626	2,502	1,794
Loans	1,096	1,282	1,657	2,150	2,410 ^d	1,486 ^d
Guarantees	128	35	20	341	15	212
Equity Investments	131	142	185 ^e	134	77	96
Subtotal	12,482	14,048	13,433	15,987	17,471	13,309
Technical Assistance						
Sovereign	146	149	148	136	162	170
Nonsovereign	5	6	11	5	7	11
Subtotal	151	155	158	141	169	180
Cofinancing Including Trust Funds						
Sovereign	2,155	3,714	4,216	6,142	8,225	7,449
Trust Funds Administered by ADB	206	299	147	205	402	399
Bilateral	944	1,753	902	2,232	3,263	3,487
Multilateral	939	1,655	2,733	3,492	4,250	3,480
Others ^g	65	6	434	213	311	83
Nonsovereign^h	6,117	2,933	5,006	4,593	5,836	5,653
Subtotal	8,272	6,647	9,222	10,735	14,061	13,102
TOTAL	20,905	20,850	22,813	26,863	31,701	26,591

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

Note: Numbers may not sum precisely because of rounding.

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

^b Commitment is the financing approved by ADB's Board of Directors or Management for which the investment agreement has been signed by the borrower, recipient, or the investee company and ADB. It is the amount indicated in the investment agreement that may or may not be equal to the approved amount depending on the exchange rate at the time of signing. In the case of official and commercial cofinancing not administered by ADB for which the signed amount is not readily available, the approved amount is used.

^c Includes five project design advances approved in February, June, September, November, and December 2016 in amounts ranging from \$2 million to \$10 million.

^d Includes \$225 million classified as debt securities in financial statements in accordance with accounting standards.

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

^f Special funds other than the Asian Development Fund, such as the Asia Pacific Disaster Response Fund and the Climate Change Fund.

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

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

APPROVALS AND COMMITMENTS

In 2016, ADB approvals including cofinancing totaled \$31.70 billion. Of this total, \$17.47 billion was for sovereign and nonsovereign project approvals financed by ADB ordinary capital resources (OCR), Asian Development Fund (ADF), and other special funds; \$169 million was for technical assistance financed by special funds; and \$14.06 billion was provided by cofinancing partners.

ADB made commitments totaling \$26.59 billion, of which \$13.49 billion was ADB-funded and \$13.10 billion was cofinanced.

DISBURSEMENTS

In 2016, ADB issued \$12.26 billion in loan and grant disbursements (OCR, ADF, and other special funds for grants), an increase of \$37.95 million (0.3%) from 2015.

AVAILABLE RESOURCES

Authorized and subscribed capital stock amounted to \$143.02 billion and \$142.70 billion, respectively. Other resources in OCR—revenue and net realized gains—amounted to \$1.69 billion. Of this total, ADB generated \$1.05 billion from its loan portfolio, \$398.55 million from the investment portfolio, and \$79.24 million from equity investments and other sources. Resources in ADB's Special Funds—contributions and revenue—totaled \$507.86 million. These mainly included the ADF of \$437.34 million, the Technical Assistance Special Fund of \$54.19 million, the Asian Development Bank Institute's \$13.48 million, and the Financial Sector Development Partnership Special Fund of \$2.85 million.

In 2016, ADB raised \$20.60 billion in medium- and long-term funds through public issues (\$18.19 billion) and private placements (\$2.41 billion). Public offerings included four global benchmark bonds denominated in US dollars and worth \$9.75 billion.

Following the launch of the Green Bond program in 2015, ADB issued a dual tranche green bond offering in 2016, raising a total of \$1.30 billion. Total green bonds outstanding as of the end of 2016 was \$1.80 billion. Consistent with its commitment to scale up climate financing, ADB intends to maintain a regular presence in the green bond market.

Resources as of 31 December 2016

(\$ million)	2012	2013	2014	2015	2016
Ordinary Capital Resources					
Authorized Capital	163,512	163,840	154,092	147,547	143,022
Subscribed Capital	163,129	162,809	153,056	147,052	142,699
Paid-in Capital and Reserves	16,420	17,138	16,938	17,446	17,323
Outstanding Debt ^a	64,762	61,615	62,688	66,054 ^b	74,476 ^b
Asian Development Fund	33,346	33,359	31,478	30,784	30,948

^a Includes accrued interest and commission.

^b Includes unamortized premium and/or discounts.

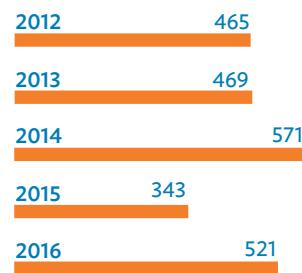
TOTAL DISBURSEMENTS FOR LOANS AND GRANTS, 2012-2016 (\$ million)



BORROWINGS (ORDINARY CAPITAL RESOURCES), 2012-2016 (\$ million)



OPERATING INCOME (ORDINARY CAPITAL RESOURCES), 2012-2016 (\$ million)





IMPROVING LIVES FOR A BETTER FUTURE

Over the past 50 years, the Asian Development Bank (ADB) has worked to transform Asia and the Pacific from a region that was once engulfed by debilitating poverty and hunger. Today, the countries of the region account for one-third of global gross domestic product and contribute more than half of the world's economic growth. The emergence of Asia and the Pacific as an economic force has raised living standards in dramatic fashion for many countries.

ADB has been privileged to serve its developing member countries (DMCs). In partnership with its members, ADB has mobilized \$267 billion in loans and grants to build infrastructure (for transport, energy, ICT and water and other urban infrastructure and services), support agricultural development, particularly in the early years of ADB operations, provide education, improve health outcomes, stimulate business, combat climate change, attract investment, and strengthen regional cooperation and economic integration in Asia and the Pacific.

The region is, however, still confronted by significant challenges and, even as the organization marks half a century of providing assistance, ADB has a lot of work to do.

Among myriad development issues, the region faces the difficulties brought by rapid urbanization, the threat of climate change, and growing demand for water and energy. Poverty and inequality remain widespread. There are still 330 million people, or around 9% of the population of Asia and the Pacific, surviving on less than \$1.90 a day, the threshold of extreme poverty. Another 1.2 billion people live on less than \$3.10 a day, a poverty line more typical of low- and middle-income countries. In addition, the commitments made under the Sustainable Development Goals (SDGs) and the global climate agreement, adopted in



50 YEARS OF THE ASIAN DEVELOPMENT BANK

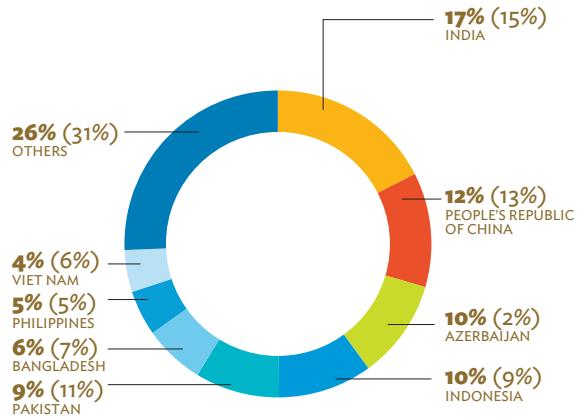


The Asian Development Bank (ADB) opens for business on 19 December 1966. Headquartered in the Philippine capital of Manila, ADB begins operations with 31 members, \$1 billion in capital, and 40 staff.

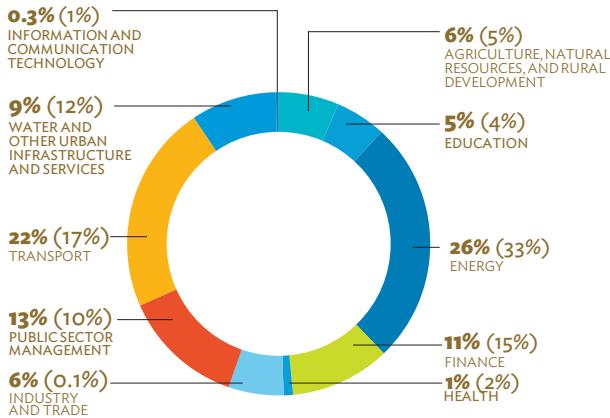
ADB OPERATIONS, 2016

Ordinary Capital Resources and Asian Development Fund Approvals (\$17.47 billion)

BY COUNTRY



BY SECTOR



Numbers in parentheses are from 2015.

2015, set an ambitious international development agenda.

MEETING FUTURE CHALLENGES TODAY

In 2016, to meet increasing demand from its DMCs, ADB's total approved operations reached an all-time high of \$31.70 billion (\$17.47 billion for sovereign and nonsovereign operations from ADB resources, \$169 million for technical assistance, and \$14.06 billion from various cofinancing partners). Of the \$31.70 billion, ADB committed \$26.59 billion as financing operations that have been approved and then signed by the counterparty or borrower during 2016. This record lending reflects the scaling up of operations that has occurred since the decision in April 2015 to merge ADB's Asian Development Fund (ADF) lending operations with its ordinary capital resources (OCR) balance sheet. The merger, effective from January 2017, will increase ADB's financing capacity to \$20 billion by 2020.

In May, ADB welcomed the agreement by donors during the 11th ADF replenishment (ADF 12), to pledge \$3.3 billion for 2017–2020. Through the fund, ADB will, over the next 4 years, increase grant support to its poorest DMCs by 70%

compared with levels provided in 2013–2016. ADF12 will allow ADB to double the minimum allocation for small countries, provide grant and concessional resources to support further disaster risk reduction, and offer greater assistance in regional health security.

In 2016, ADB continued to develop a new corporate strategy that, when completed, will guide ADB's engagement with DMCs until 2030. The strategy is expected to define how ADB operations will align with the SDGs approved in September 2015 and the new global climate agreement confirmed in Paris in December 2015. The strategy is expected to propose ways to strengthen ADB's interaction with middle-income countries as well as deepen support to countries in fragile and conflict-affected situations. Throughout 2016, ADB consulted extensively with various stakeholders—governments, the private sector, development partners, and its own management and staff—on developing the new strategy.

STRATEGIC FOCUS MAINTAINED

Under its current long-term strategic framework, ADB continues to promote three complementary

development agendas: inclusive growth, environmental sustainability, and regional cooperation and integration.

Inclusive growth not only generates more diverse economic opportunities and improved social services, but also allows a broader cross-section of society to access, and benefit from, those opportunities and services. In 2016, ADB fostered inclusive economic growth through a variety of country-based and regional initiatives. This included support for infrastructure development (particularly in lagging areas), education, health, and social protection. In the Philippines, ADB approved \$400 million of additional financing for a project to support social protection and provide more conditional cash transfers to around 4.4 million of the country's poorest families. In Myanmar, ADB approved a \$98.5 million education loan to help disadvantaged youth participate in new economic opportunities, including targeted skills training for 41,000 young people and education workers. To address population aging, ADB approved technical assistance to support care for elderly people in Indonesia, Mongolia, Sri Lanka, Thailand, Tonga, and Viet Nam. In April, ADB approved an action plan to promote inclusive business in Asia and the Pacific.

THEN AND NOW

1967-1976
\$3.4 B



2007-2016
\$140.3 B

TOTAL ADB LENDING,* ASIA AND THE PACIFIC

* Loans, grants, and others.

The plan will support innovative private investment to solve problems particular to poor and low-income countries.

ADB again contributed to **environmental sustainability** with the approval of 81 projects worth \$10.75 billion to support sustainable infrastructure and natural capital, improve environmental governance, and address climate change. ADB remains focused on climate change as one of its strategic priorities, and is on track to meet its target of investing \$6 billion annually in climate change projects by 2020. In 2016, ADB approved \$4.44 billion (including \$700.64 million in external resources) for climate finance, the highest level since tracking of climate finance began 6 years ago. ADB directed \$3.25 billion to mitigate climate change and \$1.19 billion for adaptation. ADB supports the use of advanced technologies to promote energy efficiency and minimize environmental impacts. In Viet Nam, it supported metro rail projects in Ha Noi and Ho Chi Minh City, providing cleaner, more efficient, and better integrated urban transport.

ADB backed bus rapid transit projects for cities in the People's Republic of China (PRC), the Lao People's Democratic Republic (Lao PDR), and Mongolia. Through these projects, ADB is helping to deliver quality infrastructure that is environmentally friendly, with clean vehicles, automated fare systems, intelligent transport systems, and energy-efficient street lighting.

In 2016, ADB approved \$5.4 billion in projects supporting **regional cooperation and integration**. ADB finance allowed work to commence on the 500-kilovolt electricity transmission line between Afghanistan's power import hubs, Pule Khumri and Kabul, with a transmission capacity of 1,000 megawatts. This will enable year-round energy supply from Uzbekistan, Tajikistan, and Turkmenistan to Kabul and other major load centers in southern and eastern Afghanistan. ADB approved \$450 million for the PRC to improve infrastructure and trade between the border areas of Guangxi and northern Viet Nam. It also approved \$370 million for India to enhance the growth and competitiveness of the

industrial corridor from Vishapatnam to Chennai, which will connect India with global production networks. ADB approved a health security project in the Greater Mekong Subregion to improve responses to emerging infectious diseases and other major public threats in selected provinces of Cambodia, the Lao PDR, Myanmar, and Viet Nam. In September, ADB approved its first operational plan on regional cooperation and integration, covering 2016–2020. The plan focuses on strengthening regional connectivity; enhancing competitiveness; and improving regional resources and collective action on issues such as financial and disaster risks, cross-border health, shared natural resources, and climate commitments.

STRONG SUPPORT ACROSS DIVERSE SECTORS

ADB approved \$2.54 billion for renewable energy and energy efficiency projects in 2016, the sixth consecutive year its **clean energy** investment target has been exceeded. This is already approaching the 2020 target of \$3 billion annually for clean energy. Through its 2016



ADB lending is concentrated on energy, agriculture, transport, and finance.



The first global oil crisis cripples many Asian economies. ADB acts swiftly, increasing energy sector financing to develop indigenous energy sources and improve energy efficiency.

HARNESSING A RIVER'S POWER IN PAKISTAN

Residents of the Pakistani town of Besham, in the country's Khyber Pakhtunkhwa province, are among almost 5 million people set to see benefits flow from the mighty Indus River.

For years, Pakistan has experienced power shortages, estimated at over 5,000 megawatts during peak demand. These shortages have led to blackouts and load shedding, in turn causing economic and social turmoil.

Part of the solution is the Indus River, which roars down some of the world's highest mountains and glaciers to sweep across the vast irrigated plains of Khyber Pakhtunkhwa, Punjab, and Sindh provinces.

The Indus River network is estimated to have the potential to generate 60,000 to 70,000 megawatts of electricity, triple the total current demand in Pakistan.

The Ranolia run-of-river hydropower project on the Indus River is part of broader efforts to harness Pakistan's rich potential for clean energy. Ranolia is one of two hydropower projects being built by the Khyber Pakhtunkhwa provincial government under an ADB-supported program to develop renewable energy. The \$510 million program—which is also financing four hydropower plants on irrigation canals in Punjab province—is part of a national plan to generate enough power to service about 600,000 new connections and improve the lives of 4.8 million people.

The Ranolia project has brought significant local benefits, creating over 2,000 jobs during construction. Of those, about 150 were for skilled workers, many of whom will continue to work at the facility. In addition to employment for locals, the project upgraded a key road improving access to schools, a hospital, and markets in the nearby town of Besham.

investments, ADB helped its DMCs pursue their nationally determined contributions under the Paris Agreement on Climate Change, resulting in additional capacity of 2,056 megawatts from renewable energy sources, 4,692 gigawatt-hours in electricity savings per year, and an annual reduction in carbon dioxide emissions of 13.5 million tons.

ADB approved \$4.09 billion in loans and grants for **transport** projects. It approved road projects that will improve rural access and augment road capacity and quality, while addressing road safety and road maintenance. In September,

ADB approved its largest ever rail initiative, supporting the construction of 102 kilometers of new railway line in Bangladesh to improve subregional connectivity and trade for about 2 million people in the Chittagong–Cox's Bazar corridor. In the same month, to enhance knowledge sharing and DMC dialogue on the SDGs in transport, ADB hosted its 5th ADB Transport Forum, with the 2016 subject being Sustainable Transport for All. In October, ADB and eight development partners signed a joint declaration on urban mobility to support the implementation of the New Urban Agenda adopted at

the UN Habitat III Conference in Ecuador.

ADB approved more than \$2 billion for **urban development, water supply, and sanitation** projects that support more livable cities. It increased investment in the Pacific, approving projects valued at \$44 million. ADB promoted advanced technologies and climate resilience, approving \$150 million for the PRC to develop ecological wetland parks for wastewater treatment, and \$275 million for a climate-resilient water supply system in Dhaka, Bangladesh. In September, ADB approved



ADB takes on a broader role, becoming a center of new thinking on development issues in Asia and the Pacific, while expanding its support to include the environment, education, and helping women and girls.

1980s



ADB opens its first resident mission, located in Bangladesh.

1982



\$4.44 B

COMMITTED TO FINANCE
CLIMATE CHANGE

\$500 million to support a regional economic corridor in India. The project will stimulate economic growth and help develop 'smart' cities. In the same month, the Government of Japan provided a grant of \$2 million to support an ADB program on future cities, which aims to identify smart solutions to improve the living standards of urban dwellers, with a particular focus on the poor and women. In November, ADB signed a memorandum of intent with the European Space Agency to use earth observation systems in designing urban development and water projects.

ADB approved \$2.42 billion for **water** projects in 2016. This includes projects related to water supply and sanitation, irrigation and drainage, flood management, water resource management, and hydropower

generation. ADB's Water Financing Partnership Facility supported 14 of the 28 projects approved, with \$1.27 billion. Through these investments, ADB is helping expand access to clean water and sanitation, improve irrigation productivity and efficiency, and enhance overall water security. In August, ADB published the *Asian Water Development Outlook 2016*, which assessed 29 of 48 countries in the region as being water insecure. Responding to the pressing issues of water scarcity and climate variability, ADB has led pioneering work on employing remote sensing technology to determine water availability and usage, and to boost water productivity in irrigation. This work has delivered benefits in Cambodia, India, Indonesia, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam.

In 2016, ADB approved assistance of \$770.8 million to support **education**. This includes investments directly targeting the education sector as well as education components of multisector projects. ADB supported skills training projects to respond to labor market needs in Bangladesh, Cambodia, and the Lao PDR, and made its first-ever education loan for skills training in Myanmar. It also helped fund higher education projects in the Pacific region and the Lao PDR, as well as school reform projects in Nepal and Viet Nam. These investments are estimated to benefit more than 7 million students and train around 200,000 teachers. In April, ADB, in close partnership with relevant donors, initiated the establishment of a global financing facility for education. At the 2016 International Skills Forum held in September, ADB showcased collaborative approaches to



The People's Republic of China joins ADB and India becomes an active borrower as lending operations continue to expand and regional activities grow.



ADB plays a pioneering role in promoting economic cooperation, establishing the Greater Mekong Subregion program. The program has since become a flagship of ADB operations and an example for countries in Central Asia and South Asia to follow.



incorporating skills development into the design and implementation of its education projects.

Total lending approved in the **finance sector** reached \$2.02 billion or 12% of all ADB lending in 2016, with 71% for sovereign operations and 29% for nonsovereign operations. Lending in 2016 was concentrated on financing and leasing for small and medium-sized enterprises, money and capital markets, inclusive finance, and finance sector development. ADB invested in innovative products and advanced technology projects to develop the region's finance sector. One example is the establishment of a \$500 million financing facility at the Punjab National Bank—one of India's largest commercial banks—which will use the funds to onlend to developers and end-users to install rooftop solar systems throughout India.

Over the year, ADB approved \$341.0 million for **health** sector investments. It approved \$175 million to support the health component of a social protection program in the Philippines; \$1 million for the construction of primary health care facilities in Sri Lanka; \$125 million for improving regional cooperation and control of communicable diseases in border areas of the Greater Mekong Subregion, such as financing a joint outbreak investigation; and \$40 million for a public-private partnership on elderly care in the PRC. ADB approved technical assistance for geriatric

nursing in the PRC; health sector governance reforms in the Lao PDR; electronic health care development in Uzbekistan; social health insurance and other health care programs in Viet Nam; and universal health coverage, elderly care, and primary health care in Bangladesh. It also earmarked additional ADF grants to eligible countries to strengthen regional health security.

For **agriculture, natural resources, and rural development**, in 2016, ADB approved \$1.08 billion in sovereign loans and grants, and \$240 million in nonsovereign investments. To improve food supply and quality, ADB increased its investments into agriculture and food value chains, including logistics, quality and safety standards, climate-resilient technologies, and other processes that enhance productivity. ADB is also working to address the dwindling of natural resources and shrinking labor forces in rural areas through the adoption of modern technologies such as satellite-based remote sensing, geographic information systems, drip irrigation, and information and communication technologies.

ADDRESSING GLOBAL ISSUES

Gender. In 2016, 44% of all newly approved projects—notably in education, health, social protection, agriculture, infrastructure, public sector management, industry and trade, and finance—had gender equality components, particularly to

help empower women and girls. ADB also continued to monitor the gender equality results of its completed projects. Across the region, around 727,300 women and girls received training on health care, teaching, banking and saving, entrepreneurship, and the operation and maintenance of irrigation and other civil works. ADB helped around 62,800 women start activities to generate an income or improve their livelihoods, while about 97,400 women participated in local governance and community-level committees and groups. In the Lao PDR, ADB helped give women and children from minority groups access to high-quality health care and treatment. The project saw the proportion of births attended by a skilled nurse increase from 25% to 58% in project areas.

Environment and Climate Change.

ADB organized the first Green Business Forum to highlight the role of the private sector in achieving environmentally sustainable growth. The forum attracted more than 400 participants, including green business leaders, government officials, and other stakeholders looking to share innovative green business solutions, exchange knowledge on clean technologies and sustainable management approaches, and build partnerships. In 2016, ADB also backed country-specific and regional projects to support different aspects of sustainability. In the PRC, it approved \$500 million to establish a dedicated green financing platform to improve air quality in the Greater



The Asian financial crisis strikes. ADB and other international financial institutions rally to help countries stabilize their economies. For Indonesia, the Republic of Korea, and Thailand—the three most affected countries—ADB commits \$7.8 billion in quick-disbursing financing from 1997–1999.

1997



ADB introduces a signature strategy to make poverty reduction its overarching goal.

1999

13

Beijing-Tianjin-Hebei region. In Myanmar, ADB approved a loan of \$75 million to modernize the agriculture sector in the country's central Dry Zone. The loan also supported improved irrigation and district-wide agriculture value chains, with an additional Global Environment Facility grant to improve land management and protect forest reserves. To address climate change, ADB approved a credit enhancement for geothermal energy in the Philippines. This supported the issuance of a certified project climate bond—a first for a single project in an emerging market. Working with the private sector, ADB also approved \$100 million to demonstrate climate-resilient farming systems in the PRC. The Climate Change Fund, capitalized by ADB's own net income, played a pivotal role in managing climate risks in ADB investments. In 2016, ADB was able to secure approval of \$12 million from the Green Climate Fund for the Cook Islands to install energy storage systems and support private sector investment in renewable energy. The Green Climate Fund also approved a grant of \$5 million to support a renewable energy program in the Pacific, which will help the Cook Islands, the Marshall Islands, the Federated States of Micronesia, Nauru, Papua New Guinea, Samoa, and Tonga move away from diesel power generation and toward solar power, hydropower, and wind energy.

Disaster Resilience. In 2016, ADB approved funding for 52 projects that directly reduced disaster risk, integrated disaster resilience measures, or supported disaster response. ADB approved \$200 million to help establish a national disaster risk management fund in Pakistan. It approved its first

disaster contingency loan, providing \$10 million to the Cook Islands. In the wake of Cyclone Winston in Fiji, ADB approved a loan of \$50 million for short-term financing of disaster recovery programs, including infrastructure reconstruction, school rehabilitation, and housing assistance. It also provided humanitarian disaster assistance grants from the Asia Pacific Disaster Response Fund to Fiji, Mongolia, the Marshall Islands, Sri Lanka, and Viet Nam. ADB is increasing efforts to incorporate disaster risk reduction into its projects. It is strengthening tools to screen climate risks and is developing related guidance materials. This will help ADB better integrate disaster risk reduction into country partnership strategies and individual projects.

Governance. In Indonesia, ADB piloted new initiatives to strengthen public service delivery at the local level. It also supported reforms to improve the country's investment climate and strengthen fiscal policies for sustainable development. In Armenia, ADB provided a second phase of support for a program to improve public financial management and utility regulation, leading to better management and enhanced sustainability of the country's road, water, and power assets. In Pakistan, ADB approved a reform program that will introduce new corporate governance rules into 191 federal public sector enterprises.

COLLABORATION DELIVERS GREATER IMPACT

ADB knows that it takes coordinated effort and combined resources to address the enormous development challenges across Asia and the Pacific. In 2016, it

achieved \$31.70 billion in operations by leveraging \$14.06 billion in **cofinancing** (including trust funds administered by ADB). It attracted 60% of cofinancing from official development institutions and other concessional sources, including bilateral and multilateral organizations, other public agencies, national partners, and corporate programs for social responsibility. It drew 40% from commercial cofinancing sources.

During the year, ADB entered into an innovative guarantee agreement with the Swedish International Development Cooperation Agency, which will allow ADB to increase its financing by \$500 million over the next 10 years. ADB also established two new trust funds. The first is the Leading Asia's Private Sector Infrastructure Fund, with \$1.5 billion in equity from the Japan International Cooperation Agency to fill financing gaps and increase access to finance of nonsovereign infrastructure projects in Asia and the Pacific. The second is the Project Readiness Improvement Trust Fund, with an initial contribution of \$7.7 million from the Nordic Development Fund. This trust fund will help countries in Southeast Asia improve project readiness and develop climate-resilient projects. In 2016, ADB finalized new frameworks for cofinancing with the Agence Française de Développement, the Eurasian Development Bank, and the Organization of the Petroleum Exporting Countries Fund for International Development. It also approved its first two projects to be cofinanced with the Asian Infrastructure Investment Bank—one a highway project in Pakistan, the other a natural gas infrastructure and efficiency improvement project in Bangladesh.



ADB mobilizes \$850 million for the Asian Tsunami Fund for tsunami-hit areas of India, Indonesia, the Maldives, and Sri Lanka.



The global financial crisis hits. In the aftermath, ADB responds with massive financial support for its developing member countries, as well as new funding instruments to provide fiscal support to countries in debt distress.



70%

INCREASE TO THE
POOREST COUNTRIES IN
THE NEXT 4 YEARS

ADB and other multilateral development banks continued to partner with commercial banks, project developers, and other financiers to mobilize financing for **private sector** projects. In 2016, ADB-supported nonsovereign projects mobilized \$5.84 billion in financing from external sources. B-loans (where commercial banks lend under ADB's umbrella) and parallel cofinancing contributed \$3.4 billion to this figure. Through its Trade Finance Program and its Supply Chain Finance Program, ADB generated \$1.9 billion to facilitate regional trade. ADB further extended its financial reach with guarantees and risk transfers of \$282 million.

ADB continues to support **public-private partnerships**, with the aim of increasing private sector participation in public infrastructure. It has done so by building the capacity of key public sector agencies in DMCs; by strengthening policy, legal, and institutional frameworks; by supporting project preparation activities; and by financing public-

private partnership projects. To help develop bankable projects, ADB secured five new transaction advisory mandates in 2016, to advise on infrastructure projects totaling approximately \$1.5 billion. It continues to capitalize on donor trust funds, such as the Asia Pacific Project Preparation Facility.

ADB aims to strengthen its credentials as a **knowledge** institution further. It aligns knowledge work with the needs of its DMCs through country knowledge plans and knowledge partnerships, as well as learning across sector and thematic groups. ADB has introduced new tools to focus on client needs and create efficiencies in knowledge management. These tools include a planning tool for knowledge products and services, a repository that promotes the reuse of sector and thematic learning materials, and Development Asia, a proof-of-concept website that uses a digital-first and evidence-based approach to make it easier to create, find, and use content.



The ADB Board of Governors approves the merger of the lending operations of the Asian Development Fund with the institution's ordinary capital resources balance sheet. The move will increase ADB's financing capacity (annual approvals of new loans and grants) to \$20 billion by 2020 and allow greater support for the developing member countries most in need.

2015



WHAT DRIVES FOREIGN DIRECT INVESTMENT?

The role of foreign direct investment (FDI) in stimulating economic growth and development is widely recognized, but its success is not automatic. In December 2015, ADB published the *Asian Economic Integration Report 2016* to explore key determinants of a multinational's decision to invest in Asia and the Pacific. The report assesses credible policy reforms and institution building to maximize the region's chances of attracting productive FDI.



2016

ADB is the region's premier development bank, with 67 members, 48 in the region, and operations totaling \$31.70 billion.

CENTRAL AND WEST ASIA

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

Many of the economies in Central and West Asia experienced another difficult year in 2016.

As revenues from oil and natural gas again dropped significantly over the year, the hydrocarbon exporters—Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan—faced weakened fiscal positions and current accounts. While Kazakhstan undertook a fiscal stimulus program to counteract the effects of sharp inflation, Azerbaijan could not avert a recession in 2016.

The economies of Armenia, Georgia, and Tajikistan were confronted by further reductions in remittances, because the ongoing recession in the Russian Federation and slower growth in Central Asia's commodity-exporting countries meant fewer employment opportunities for migrant workers.

On the other hand, the Kyrgyz Republic joined the Eurasian Economic Union, improving its access to the labor market in the Russian Federation. This contributed to the recovery of remittances received by the Kyrgyz Republic in 2016.

Despite the challenges of ongoing conflict and regional instability, economic growth in Afghanistan was sustained in 2016. In Pakistan, export performance remained weak, but the economy benefited from the combined impact of the government's macroeconomic and structural reform program, along with low global oil prices, which reduced the country's import bill.

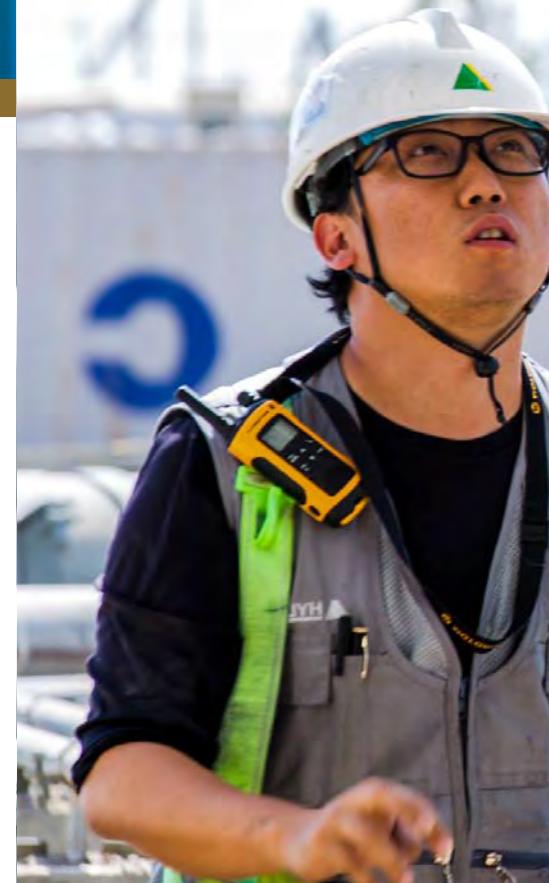
OPERATIONAL HIGHLIGHTS

In 2016, ADB approved \$4.76 billion in loans and grants to improve the lives of people in Central and West Asia, and attracted \$2.18 billion in cofinancing. About \$2.98 billion worth of contracts were awarded, and ADB disbursed about \$3.05 billion.

ADB earmarked three quarters of its lending and grants in 2016 for energy (31%), public sector management (24%), and transport (21%). The remaining quarter was allocated to finance (11%); water and urban infrastructure (7%); and agriculture, natural resources, and rural development (6%).

In the energy sector, ADB approved almost \$1.5 billion and about \$500 million in cofinancing to improve electricity infrastructure and increase the regional production and export of gas. Two projects were approved to rehabilitate more than 3,000 kilometers (km) of distribution lines in Azerbaijan and expand the high-voltage transmission network in Pakistan. In December, ADB committed a nonsovereign loan and a partial credit guarantee to expand the Shah Deniz gas field in Azerbaijan.

ADB supported public sector management with almost \$1.2 billion. In November, it approved the second phase of a program in Armenia to improve the sustainability of the country's road, water, and energy infrastructure. In December, ADB approved a loan of \$500 million for Azerbaijan, the first under the refined Countercyclical Support Facility, to



help ease the recession caused by depressed oil prices and the loss of income from major trading partners.

In the transport sector, ADB committed about \$1 billion in loans and grants, with \$610 million in cofinancing. In Afghanistan, ADB supported two major transport projects. In August, it initiated a feasibility and design study for the rehabilitation and upgrade of the Salang Corridor—one of the few viable land routes linking the north and south of Afghanistan and beyond. In October, it approved a second project to procure and install a comprehensive system to better manage Afghanistan's road assets.



50 YEARS OF ADB
IN CENTRAL AND
WEST ASIA



Afghanistan and
Pakistan join the Asian
Development Bank (ADB)
as founding members.



ADB operations in the region are quite diversified and include projects for the Industrial Development Bank of Pakistan, rice milling, cotton milling and processing, agriculture and irrigation, fisheries, roads, and energy.

GOING THE DISTANCE FOR ENERGY EFFICIENCY

While Uzbekistan is rich in hydrocarbons and has been self-sufficient in power generation since the 1990s, the country faces an unusual energy paradox.

Uzbekistan's southern region, which accounts for 90% of domestic gas production, receives electricity from the northern provinces, where 70% of power generation infrastructure is currently located. This means gas is transported at great cost to the north where it is burned to produce electricity, which is then sent back to customers in the south.

ADB is helping make Uzbekistan's energy production more efficient. Along with \$300 million from the Japan International Cooperation Agency, ADB provided a loan of \$350 million to build two power generation units at the Talimarjan power plant, only 30 kilometers (km) from the Shurtan gas field, in the southeastern province of Kashkadarya.

The new combined-cycle gas turbines—the cleanest and most efficient fossil fuel-burning technology available—are set to improve the plant's efficiency enormously.

"The plant will save 500 million cubic meters of gas per year," says Murod Karimov, the plant's construction manager.

Getting the gas turbines to Kashkadarya Province took more than a year. The two 400-ton turbines traveled over 16,800 km from Kobe, Japan. They were transported by ship to the Caspian Sea port of Kuriyk, in Kazakhstan. From there, the journey continued overland on a specially designed trailer boasting 48 axels and 1,056 tires—and moving at around 5 km per hour.

YOUR SAY:

"The project will provide my family with a constant flow of clean water. We appreciate very much the benefit."

MZIA TSINTSABADZE, on an urban water and sewerage project in Ureki, Georgia

Through a postflood rehabilitation project in Pakistan, ADB will help restore critical transport infrastructure that sustains livelihoods and allows access to markets. This includes repairing 212 km of degraded highway and 33 damaged bridges. ADB approved advances in financing for the project design of two advanced bus networks—one in Karachi and one in Peshawar—that promote rapid and environmentally sustainable commuting.

PROMOTING INCLUSIVE GROWTH

In 2016, ADB strived for more inclusive development in Central and

West Asia by providing basic services, facilitating enterprise, and creating jobs and opportunities for the poor.

In Pakistan, ADB approved a \$325 million results-based lending program in November, to provide electricity to 1,000 remote communities, 23,000 schools, and 2,587 basic health facilities.

In Uzbekistan, ADB committed a loan of \$120 million to improve access to safe, reliable, sustainable, and affordable water for over 260,000 inhabitants in the Kibray and Zangiota districts of Tashkent.

In Georgia, ADB approved an additional \$99 million as part of an



After the fall of the Soviet Union, countries from Central Asia and the Caucasus (Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan) join ADB. This ultimately leads to the creation of the Central and West Asia Department within ADB.

1990s



The region experiences rapid economic growth, particularly in the petroleum-exporting countries, in Pakistan, and in Afghanistan following the demise of the Taliban regime.

Early 2000s

THEN AND NOW

1967-1976
\$490 M



2007-2016
\$35.77 B

TOTAL ADB LENDING,* CENTRAL AND WEST ASIA

* Loans, grants, and others.

ongoing multitranche financing facility for an urban services improvement program. The program is constructing water supply and sewerage systems that will benefit more than 60,000 people in the rural towns of Marneuli, Bolnisi, and Chiatura.

ADB also provided a program loan of \$100 million to help the Government of Georgia better manage debt, fiscal risk, revenue, and public expenditure. The program will help address inequality of income by creating more opportunities for businesses and individuals (with 40% of resources allocated to businesses owned by women).

In Kazakhstan and Uzbekistan, ADB is supporting credit lines to help micro, small, and medium-sized enterprises. In Kazakhstan, ADB will help 5,000 microenterprises (with at least 50% owned by women) and 1,000 small and medium-sized enterprises (with at least 33% owned by women). ADB has allocated 60% of the funds for areas outside Almaty and Astana. In Uzbekistan, ADB will support 6,700 businesses (with at least 20% owned by women), and has allocated 60% of eligible loans to businesses operating outside Tashkent.

In Tajikistan and the Kyrgyz Republic, ADB is working to improve access

GREEN PROJECTS TO BOOST FOOD SECURITY

In 2016, ADB assessed around 40 projects for better management of climate risks in the countries of Central and West Asia. It also approved 24 projects related to environmental sustainability in the region.

In Afghanistan, ADB invested \$76 million to rehabilitate and upgrade irrigation infrastructure, including watershed management. The project will increase agricultural productivity in the Panj-Amu River Basin, improving cropping intensities, irrigated areas, and crop yields across 74,500 hectares.

In October, ADB approved financial assistance of \$30 million—including a combined grant and technical assistance of \$5 million from the Japan Fund for Poverty Reduction—to boost agriculture production and food security in Tajikistan. The project will improve water resource management in the Pyanj River Basin. It aims to modernize and climate-proof irrigation and drainage infrastructure, while enhancing farmers' water-use and farm management skills.

In Azerbaijan, ADB provided support of \$75 million to deliver safe drinking water and improve sanitation services to around 7,000 households in Agdash and Beylagan.

NEW PARTNERSHIPS IN REGIONAL INTEGRATION

The Central Asia Regional Economic Cooperation (CAREC) Program again achieved significant milestones in 2016. In November, Georgia became CAREC's 11th member at the 15th Ministerial Conference in Islamabad. This was a major boost for regional cooperation and integration in Central and West Asia.

ADB approved a loan of \$100 million for a highway project in Pakistan, its first cofinancing venture with the Asian Infrastructure Investment Bank (AIIB). With the AIIB's additional \$100 million and a grant of \$34 million from the United Kingdom, the project will build the remaining 64 km of the highway connecting Shorkot and Khanewal in Punjab province. The road section is a key part of the 1,800 km CAREC transport corridor.

With cofinancing from the European Investment Bank, ADB approved a loan of \$50 million to improve the standard and safety of the region's



ADB plays a key role in establishing the Central Asia Regional Economic Cooperation (CAREC) Program. CAREC has since achieved cumulative investment of \$29.4 billion, with ADB contributing 35% of the total.



While the global financial crisis slows economic growth, several countries in the region are poised to attain upper middle-income status.



M6 Highway. One of the most strategic routes for internal and external trade, the stretch of road runs from Vanadzor in northern Armenia to Bagratashen at the border with Georgia.

The largest regional energy project is 1,600 km of gas pipeline to be laid through Turkmenistan, Afghanistan, Pakistan, and India. In 2016, ADB completed its first advisory mandate. As transaction advisor, ADB helped establish the project company and facilitated agreement among the parties on their shareholding percentages and deployment of their own funds to finance engineering and route surveys, environmental and social safeguard studies, and procurement and financing activities in the next phase.

KNOWLEDGE SHARING BEYOND BORDERS

ADB initiated a flagship study that aims to identify the conditions

needed to create good jobs in Central Asia and the South Caucasus. The study examines current policy frameworks, employment and labor market policies, and the impact of recent external economic shocks. It will provide policy recommendations for strategies that can build skills that are in high market demand and promote greater labor market flexibility. It will also recommend strategies to create employment through private sector development and economic diversification in the region.

In June, ADB published a gender assessment for Tajikistan that reexamined the country's gender barriers to economic opportunities, social services, and leadership positions. The assessment identified entry points for promoting gender equality in agriculture and natural resources, education, energy, entrepreneurship and small business development, and transport.



ADB begins an investment program that, by 2016, helps to build or upgrade nearly 6,500 kilometers of roads across Central and West Asia; deliver new or improved water supply to nearly one million households in Georgia, the Kyrgyz Republic, Pakistan, and Uzbekistan; and rehabilitate over 363,000 hectares of land in the Kyrgyz Republic, Tajikistan, and Uzbekistan.

2010



PROMOTING PRIVATE POWER

In October, ADB hosted the first Central Asia Regional Economic Cooperation (CAREC) Energy Investment Forum in Islamabad, Pakistan. The event was cohosted by Pakistan's Private Power and Investment Board. Governments from countries active in CAREC highlighted existing policies, regulations, and incentives to attract private investment in power generation and distribution. They showcased successful private investments in the region's power sector and presented new projects seeking investors.

2016

ADB's cumulative lending to developing member countries in Central and West Asia reaches almost \$56 billion, with nearly 1,700 projects approved.

EAST ASIA

PEOPLE'S REPUBLIC OF CHINA, MONGOLIA

The economies of East Asia posted contrasting results in 2016.

Economic growth in the People's Republic of China (PRC) averaged 6.7%. The Government of the PRC is making progress in rebalancing the economy from investment-driven to consumption-driven growth. It is endeavoring to make growth less resource intensive and more environment friendly. However, while this rebalancing is desirable, it is putting pressure on specific enterprises, industries, and regions. Developing new engines of growth remains a key economic challenge for the PRC, where income inequality and disparities in regional and urban-rural living standards remain a challenge. In March, the government adopted the Thirteenth Five-Year Plan for 2016–2020, which sets out a comprehensive reform agenda to tackle these challenges. The plan also addresses the need to protect the environment.

The economic slowdown continued in Mongolia and GDP growth stood at 1% in 2016 down from 2.4% in 2015. However, following a surge in mineral prices, growth reached 7.8% in the fourth quarter of 2016, signaling a change in trend. The still modest recovery in foreign direct investment inflows, a strained fiscal stance, and looming debt repayments increased balance of payments pressures. Against this backdrop, the Government of Mongolia sought assistance from the International Monetary Fund and the international community to restore macroeconomic stability in the short

term and place economic growth in a sustainable path in the longer run.

OPERATIONAL HIGHLIGHTS

In 2016, ADB approved \$1.86 billion for 15 sovereign loan and grant projects in East Asia. This assistance, together with \$515.8 million of cofinancing, was allocated to energy (35%), agriculture and natural resources and rural development (30%), transport (13%), water and other urban infrastructure and services (9%), industry and trade (7%), health (3%), public sector management (2%), and finance (1%). In addition, ADB approved \$18.2 million for 43 technical assistance projects.

ADB responded to pressing development needs in the PRC, including severe air pollution and major demographic changes. ADB approved \$500 million in December to improve air quality in the Beijing-Tianjin-Hebei region. The loan will reduce the greenhouse gas emissions from small and medium-sized enterprises by 5 million tons per year by 2024, directly benefitting about 268 million people.

ADB also approved a \$150 million project that will focus on environmental protection, ecological rehabilitation, and climate change adaptation in Qinghai province.

To address the issue of an aging population and promote private participation in service delivery, ADB developed and approved a \$50 million demonstration public-private



partnership (PPP) for improved elderly care services in Hubei province, benefitting 25,000 people.

In Mongolia, ADB is providing economic support during the downturn, with a new technical assistance project approved to provide macroeconomic advice and a \$35 million technical assistance loan to the state-owned enterprise Erdenes Mongol to strengthen its governance and management capacities. This loan will help Mongolia better manage its crucial state assets for the benefit of the country's population of 3.1 million. To prepare disadvantaged Mongolians for work, ADB supported skills



50 YEARS OF ADB IN EAST ASIA



Economic reforms underway in Hong Kong, China; the Republic of Korea; and Taipei, China lay the foundations for the region's dramatic rise.



ADB partners with the People's Republic of China (PRC) to help the country achieve its ambitious development agenda and address economic, social, and demographic challenges.

ADB HELPS NOURISH YOUNG MINDS IN MONGOLIA

Namjilsuren Gombo and her five daughters live in a simple ger (a round hut made of canvas) on a mountainside on the outskirts of Ulaanbaatar, Mongolia.

With an eighth-grade education and earning only a small income, 42-year-old Namjilsuren, who is a single parent, struggled for years to take care of her daughters. Some months, just keeping the children fed meant giving up other necessities.

"Sometimes we didn't have notebooks for them to use in school," Namjilsuren says. "There were times before when I used to cry because I felt helpless."

Today, however, the Gombo family is enrolled in a food-stamp program run by the Government of Mongolia. The program helps Namjilsuren and thousands like her to buy flour, rice, and other basic commodities. Food stamps represent about 10% of average monthly spending for such vulnerable households in Mongolia, and using the stamps frees up money for other necessities.

The food stamp program was, in large part, made possible by an ADB-funded social welfare project on food and nutrition, which played a crucial role in helping the government create the system. As a result of the program, the average daily calorie intake of Mongolia's poorest 20% has increased from 1,728 in 2004 to at least 2,000 calories in 2015.

"With full stomachs, the children are much happier going to school and their grades have improved," Namjilsuren Gombo says. "They never miss school, they are better fed, and they have something to wear. They are happy attending their classes."

YOUR SAY:

"It is much easier and cheaper to receive care near home."

NARANKHUU DONDOD, a 33-year-old accountant, who can now be treated locally thanks to an ADB health project in Khotont County, Mongolia.

development and approved a project to improve access to, and the quality of, Mongolia's education services. In November, ADB signed an operational agreement with UNICEF to improve water, sanitation, and hygiene in schools and dormitories across the country.

Responding to a dzud (a winter disaster resulting in mass livestock deaths), ADB helped Mongolia secure a grant of \$2 million from the Asia Pacific Disaster Response Fund. To prevent and mitigate the impact of disasters including *dzud*, and forest and steppe fires, ADB facilitated a grant of \$3 million from the Japan Fund for Poverty Reduction (JFPR).

MAKING INCLUSIVE GROWTH WORK FOR ALL

ADB promotes gender equality in the PRC, and helps women benefit from access to finance. For example, ADB supported the entrepreneurial activities of rural women from four villages in two counties in Shanxi Province, through a grant that improved women's capacity to choose, produce, finance, and market high-value agricultural products. This initiative established 74 women's production groups, enhanced farming skills, and financed entrepreneurial activities of 191 beneficiaries. Capacity building for 112 local government counterparts aimed to increase awareness about gender



ADB approves its first loan to the PRC for the China Investment Bank.

1987



ADB begins providing loans and technical assistance to support the PRC's environmental protection, river and lake rehabilitation, wastewater treatment, and pollution control.

1988



ADB commences a program of investments totaling \$16 billion for transport in the PRC, starting with railway and port developments.

1989

THEN AND NOW

**1967-1976
\$694 M**



**2007-2016
\$19.23 B**

TOTAL ADB LENDING,* EAST ASIA

* Loans, grants, and others.

issues and facilitate expansion of the model.

In October, ADB approved a rural road project of \$100 million to help reduce poverty in Liupanshan, Ningxia Hui Autonomous Region. The improved roads will broaden access to opportunities for poor people in around 870 villages.

ADB is also helping to bridge regional equity gaps in the PRC. In November, it approved \$150 million for Chongqing municipality to create logistics parks and related infrastructure. Developing the city as a transport and logistics hub will be a major spur to job creation for the city.

Through support for agriculture and rural development in poor regions of Mongolia, ADB helped develop six agribusinesses that produce cashmere, meat, and dairy products. ADB also supports Mongolia's young people through major investments in skills development and higher education. An increased focus on gender equity led to the approval of a new JFPR project to implement stronger national and local gender equity legislation.

ENVIRONMENTAL INVESTMENT EXPANDS

In the PRC, ADB has helped complete 48 medium and large biogas plants,

providing rural communities with increased access to clean energy and helping reduce the use of chemical fertilizers.

In November, ADB approved a loan of \$150 million to establish a financing platform to fund clean energy investments in Shaanxi province. The platform will channel domestic financing into energy efficiency, distributed renewable energy, and environmental improvements. In May, ADB approved a technical assistance project to help propose a road map and policy measures for developing the PRC's biomass heat supply industry.

During 2016, ADB approved \$450 million for integrated water resources and environmental management projects in Henan, Jiangxi, and Shandong provinces, benefitting 40.5 million people. These projects will help redress overexploited groundwater resources, implement pilot initiatives that promote green development, and harmonize flood and environmental management in river basins.

In Mongolia, ADB is helping tackle critical levels of soil pollution caused by lack of sanitation, with a JFPR grant of \$2.8 million approved in November to help manage soil pollution in the ger

areas (traditional tent communities) on the outskirts of Ulaanbaatar. In 2016, a number of ger areas were connected to the central wastewater system, potentially benefitting around 30,000 residents. ADB also approved additional financing of \$19.43 million to help construct four wastewater treatment plants in border towns of the Dornogovi and Omnogovi provinces in Southeast Gobi, benefitting about 94,300 residents.

REGIONAL COOPERATION TO LIFT TRADE

In the PRC, ADB approved \$450 million under the Greater Mekong Subregion program to improve connections between the PRC's relatively poor Guangxi Zhuang Autonomous Region and Viet Nam's northern border provinces of Cao Bang, Ha Giang, Lang Son, and Quang Ninh. The program will strengthen economic partnerships between the two countries.

Under the Central Asia Regional Economic Cooperation program, ADB is helping Mongolia upgrade its sanitary and phytosanitary standards, which are essential to developing agricultural trade and diversifying the economy. In April, ADB approved a complementary loan of \$27 million to



Mongolia joins ADB as a developing member country. ADB begins a program of assistance to implement market reforms, broaden financial markets, establish key infrastructure (especially in transport), develop agribusiness, revitalize secondary towns and cities, and restructure social services, including education and health.



ADB starts actively promoting energy efficiency and renewable energy in the PRC.



improve border services and trade flows at the Altanbulag, Bichigt, and Zamiin-Uud border crossing points. Work is also proceeding on the western regional road corridor, which will connect isolated western Mongolia with the PRC and the Russian Federation, increasing trade and investment opportunities.

GROWTH THROUGH KNOWLEDGE SHARING

In 2016, ADB held events to help address the PRC's economic, social, and demographic challenges. Four technical assistance projects on PPPs provided training workshops to more than 1,000 government officials and produced four knowledge products. In July, an international conference attracted more than 150 participants to Hegang City, Heilongjiang province to discuss opportunities for economic diversification of four cities that have been in economic

decline due to reliance on coal mining. In November, ADB held an international conference on ecocompensation, a tool developed by the Government of the PRC to promote ecological protection. ADB also held its first countrywide workshop on gender equality in the labor market titled "Gender, Labor and Migration in the PRC." Throughout the year, the Regional Knowledge Sharing Initiative, a program jointly established by ADB and the PRC government to facilitate exchange of development-related knowledge among ADB's DMCs, hosted events in the PRC on water resources management, special economic zones, structural transformation, and low carbon technology.

In Mongolia, ADB introduced a macroeconomic database and short-term forecasting model for key stakeholders as another means of helping the government to better develop macroeconomic policy.



In Mongolia, ADB approves \$160 million to develop Ulaanbaatar's informal ger areas, and mobilizing co-financing of €50 million from European Investment Bank.

2013



In the PRC, ADB approves its first results-based loan of \$150 million in Guizhou province to upgrade training facilities, develop a curriculum aligned with the needs of industry, and train teachers and school managers.

2015



CELEBRATING 30 YEARS OF SUPPORT

On 10 November, at a symposium to commemorate 30 Years of ADB-PRC partnership, ADB President Takehiko Nakao gave an opening speech to confirm that ADB, through its finance and knowledge work, stands ready to help the PRC further transform and address economic, social, and demographic challenges. At the symposium, over 200 delegates discussed the PRC's past achievements and future outlook.

2016

ADB's cumulative lending to the PRC and Mongolia reaches, respectively, \$37 billion and \$2 billion.

PACIFIC

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

ADB supports 14 developing member countries in the Pacific. In 2016, eight of these countries enjoyed stronger economic growth, while growth in others slowed due to low commodity prices and the impacts of natural disasters.

Vanuatu experienced a broad economic recovery, driven by cyclone reconstruction initiatives and other infrastructure projects. Repairs to damaged mooring facilities in Nauru allowed phosphate exports to resume late in the year. Strong tourism arrivals helped strengthen growth in Samoa and the Cook Islands. On the back of increased public spending, growth accelerated in the Marshall Islands, Solomon Islands, Timor-Leste, and Tuvalu. In Tonga, the economy continued its robust expansion, although the growth rate was slightly lower than in 2015.

By contrast, ongoing fiscal contraction held back economic activity in Papua New Guinea (PNG), the Pacific's largest economy. Project implementation delays in PNG limited the economic stimulus provided by public investment. In Kiribati, construction of major infrastructure projects wound down, reducing economic stimulus.

Extreme weather events again weighed on economic activity, as Cyclone Winston wrought damage and losses equivalent to 31% of Fiji's gross domestic product. In spite of this, Fiji achieved a seventh consecutive year of economic

growth in 2016. Adverse effects stemming from El Niño also affected Pacific countries, with droughts harming agriculture in the Federated States of Micronesia and tourism in Palau.

OPERATIONAL HIGHLIGHTS

In 2016, ADB approved a record \$596 million for 23 loan and grant projects in the Pacific, along with \$30 million for 31 technical assistance projects. ADB projects also attracted \$223 million in cofinancing.

New approvals were focused on PNG (47%), Fiji (25%), and Timor-Leste (9%), although 19% of total approvals went to the smaller Pacific island countries.

ADB investments were mainly directed to transport (75%), public sector management (13%), and water and other urban infrastructure and services (8%).

In the transport sector, ADB approved a total of \$248 million to help PNG establish a sustainable civil aviation network. In the Highlands Region of PNG, the safe movement of goods and people will be enhanced by a \$129 million investment (combined with \$20 million in cofinancing from the European Union) to improve and rehabilitate over 313 kilometers (km) of roads used by 40% of the country's population. In Solomon Islands, ADB approved a loan of \$21 million in May, with



cofinancing of \$23 million from the Government of Australia, to improve the safety of land and maritime transport systems. In Timor-Leste, ADB approved a loan of \$50 million in November to help upgrade and climate-proof 105 km of national road between Dili and Baucau. Also in November, ADB approved a grant of \$11 million, with cofinancing of \$500,000 from the Least Developed Countries Fund, to improve outer islands maritime infrastructure in Tuvalu, which is critical for providing food, fuel, and other lifeline support to these remote communities.



50 YEARS OF ADB
IN THE PACIFIC



ADB commences operations in the Pacific in December. There is only one ADB developing member country in the region, Samoa.



ADB approves its first loan in the Pacific, a loan of \$2.4 million to Samoa is for the development of the Faleolo Airport and its main connecting road.



FINANCIAL TRAINING SAVES MILES FOR MAINO

Maino Trudi lives in a small village outside the Papua New Guinea (PNG) capital of Port Moresby. She supports a family of five children and eight grandchildren by selling fish and growing tomatoes and corn.

Before Maino participated in financial literacy training, provided with ADB support, she had no choice but to travel many hours to her nearest bank branch.

The training is part of an ADB project to expand microfinance in PNG, aiming to improve financial literacy and provide sustainable financial services across the country. About 85% of PNG's population live in rural areas, and a large proportion of these people have very limited education and low literacy rates. Most people have never used a financial institution.

Thanks to the training, Maino now knows how to access her bank account through her mobile phone, making deposits and transferring money on the spot.

"I can do all my banking without having to leave my vegetable garden," she says.

Another person to benefit from the project is Mathew Simon, from Mendi in the Southern Highlands of PNG. Mathew earns a living by selling about 100 newspapers each day. Through the financial literacy training, Mathew learned how to open a bank account and save his newspaper earnings for the first time.

He now enjoys the flexibility of being able to deposit small amounts of money. "I plan to start my own business when I have sufficient money. I am on the way."

YOUR SAY:

"Business has doubled. We're able to comfortably support our four sons."

ZELIA DOS SANTOS on an ADB microfinance development project in Timor-Leste.

To support fiscal and economic reforms in Nauru, Samoa, Solomon Islands, and Tonga, ADB provided \$18 million in loans and grants, with \$26 million in cofinancing from the World Bank and the governments of Australia and New Zealand.

INCLUSIVE SUPPORT IMPROVES LIVES

ADB investments in the Pacific are delivering results for the people of the region. For instance, the South Tarawa road in the remote atoll nation of Kiribati was completed in 2016. Jointly funded by ADB, the

World Bank, and the Government of Australia, this was the country's largest infrastructure project since World War II. The road has improved transport for 60,000 people, reducing the transit time from one end of the atoll to the other from 2–3 hours to less than 1 hour. Across the Pacific as a whole, ADB has successfully supported the construction of over 850 km of roads in the past 5 years, improving access to markets and services for over 2 million people. Meanwhile, ADB support for microfinance has helped over 500,000 people in PNG gain access to financial services.



Fiji, Papua New Guinea, Tonga, Solomon Islands, Kiribati, and the Cook Islands join ADB.



After gaining independence from France and the United Kingdom in 1980, Vanuatu joins ADB.



ADB opens its first regional office in the Pacific, in Port Vila, Vanuatu.

1970s

1981

1984

THEN AND NOW

1967-1976
\$62 M



2007-2016
\$2.55 B

TOTAL ADB LENDING,* PACIFIC

* Loans, grants, and others.

ADB responded quickly to assist poor Pacific communities affected by disasters in 2016.

Cyclone Winston, the strongest storm ever to make landfall in the Southern Hemisphere, struck Fiji in February and killed 44 people. In response, ADB mobilized an initial \$2 million grant from the Asia-Pacific Disaster Response Fund, which was disbursed within a week of the disaster. ADB followed this with a \$50 million emergency assistance loan—with cofinancing of a similar amount from the World Bank—to help the government reconstruct schools and homes. ADB similarly provided emergency support for drought-affected areas in the Marshall Islands.

In the Cook Islands, ADB agreed to a \$10 million contingent credit facility that can be drawn upon to support short-term economic recovery, while ensuring immediate humanitarian response and restoration of essential services. This is the first time ADB has ever provided a contingent credit line anywhere in the world.

A FOCUS ON CLEANER ENERGY

In 2016, ADB continued to promote environmentally sustainable

growth in the Pacific. It invested in developing renewable energy, climate-proofing of critical infrastructure, and building more sustainable and resilient communities.

The urban population in the Pacific is rapidly growing, and ADB recognizes the need to improve living conditions in the region's urban areas. ADB was able to help Fiji become the first beneficiary of the Green Climate Fund (GCF), with a \$31 million grant approved. Together with financing from ADB and the European Investment Bank, the GCF grant will improve sustainable water supply and sewerage services for more than 290,000 people in Suva, including informal settlers. ADB has also committed to improving water supply and waste management systems in Kiribati, Tonga, and Vanuatu.

ADB continues to lead the shift to renewable energy in the Pacific. It is helping countries improve energy security, transition to low-carbon economies, and expand energy access. In the Cook Islands, Solomon Islands, and Tonga, ADB has approved \$7 million, supplemented by \$10 million in cofinancing from the Global Environment Facility and Strategic Climate Fund, to increase

power generation from renewable sources, expand grid networks, and rehabilitate solar power plants—reducing carbon dioxide emissions by about 2,510 tons per year.

ADB also received approval from the GCF in December 2016 for \$17 million in grant financing for a renewable energy program in the Pacific. Of this, \$12 million is allocated to a renewable energy project in the Cook Islands and \$5 million will be used to build regional capacity on renewable energy.

COOPERATION FOR COMMUNICATION

Regional cooperation and integration allows Pacific countries to better address their common challenges of geographic remoteness, small size, and widely dispersed populations.

ADB has worked closely with the World Bank to improve telephone and internet connectivity in the region. A deepsea communications cable connecting Tonga and Fiji was laid in 2013, halving internet costs and increasing broadband speeds by more than 20 times. ADB has approved funding to link Samoa and the North Pacific to



ADB cumulative lending to the Pacific reaches \$434 million.



The Federated States of Micronesia, the Marshall Islands, Nauru, and Tuvalu join ADB.





high speed broadband, with further investments anticipated for the Cook Islands, Nauru, and Kiribati.

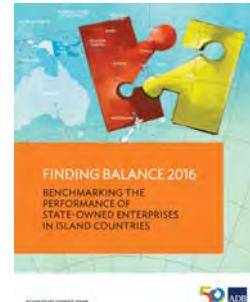
ISLANDS CONNECTED THROUGH KNOWLEDGE

Sharing knowledge remains vital for the small and isolated economies of the Pacific. In 2016, ADB approved financing for the University of the South Pacific (USP), the premier higher education institution in the region, to open a new campus in Solomon Islands. This follows USP's successful expansion in Kiribati, where an ADB-financed campus was opened in 2016. ADB also worked with USP to co-sponsor the annual Pacific Update Conference, held in Fiji in July. Attendees shared critical thinking on climate change and disaster resilience, migration and labor market developments, reform of state-owned enterprises, private sector development,

information and communication technology, fisheries, and managing resource-rich economies.

ADB increased its technical assistance to the Pacific in 2016, providing 31 grants totaling \$30 million. At the regional level, ADB is supporting the Pacific Island Forum Secretariat to ensure a coordinated approach to accessing climate finance, and is working with the Pacific Financial Technical Assistance Centre of the International Monetary Fund.

ADB also helped train ministry of finance personnel from Timor-Leste and Samoa on economic analyses of investment projects.



BENCHMARKING PACIFIC STATE-OWNED ENTERPRISES

Historically, weak governance and poor regulatory frameworks make it difficult for state-owned enterprises (SOEs) to operate on a strict commercial basis. In 2016, ADB assessed the performance of several SOEs in the Pacific, emphasizing that political commitment to reform needs to be a key driver for commercial results. The 10 participating countries demonstrated a willingness to identify and address core issues within their SOEs. The resulting publication was *Finding Balance 2016: Benchmarking the Performance of State-Owned Enterprises in Island Countries*.



Palau joins ADB and is later classified as a developing member country in 2005.

2003



ADB approves Extended Missions in Samoa, Solomon Islands, Tonga, and Vanuatu.

2015

2016

ADB's cumulative lending to its developing member countries in the Pacific reaches more than \$3.6 billion.

SOUTH ASIA

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

Despite global headwinds, South Asia sustained its recent rapid economic growth in 2016, expanding by 6.6%.

India's economy grew an estimated 7.1% to provide impetus for the wider region. Notwithstanding the government's decision in November to remove high-denomination banknotes from circulation, thereby affecting cash transactions, economic momentum is expected to remain robust.

Bangladesh saw gross domestic product grow 7.1%, propelled largely by increased consumption and revived exports. Bhutan's economy grew by 6.4%, supported by strong results in the industrial and services sectors. In Sri Lanka, economic growth tapered to 4% due to weak agricultural and industrial performance. In June, the International Monetary Fund provided support to the country's economic reform efforts. The Maldives' economy recovered slightly to expand 3.4%, up from 2.8% in 2015, mainly due to boosts in construction and tourism. In Nepal, growth of 0.8% reflected lost income and productive capacity caused by the lingering effects of the 2015 earthquakes, a second year of bad weather, and supply disruption from 6 months of protests against specific provisions in the country's new constitution.

South Asia needs to develop further transport connections within and across countries, basic urban infrastructure, and financial systems that provide necessary funds for businesses and households.

OPERATIONAL HIGHLIGHTS

In 2016, ADB approved \$4.4 billion in loans and grants covering 30 projects in South Asia. Grants for technical assistance reached \$54.1 million, of which \$19.4 million came from external funds. ADB awarded new project contracts valued at \$3.57 billion, and disbursed \$2.94 billion. It also raised \$2.36 billion in cofinancing for the region.

ADB supported the areas critical for sustained and inclusive economic growth in South Asia. It directed its investments mainly to transport (40%), energy (18%), finance (16%), and urban services (10%).

ADB invested in transport to promote regional connectivity and increase mobility in rural and urban areas of the region. In June, ADB approved a loan of \$500 million to build India's longest bridge across the Ganges River. The 9.8-kilometer (km) bridge will provide vital transport links between the northern and southern parts of Bihar as well as with neighboring Nepal, benefiting 9 million people. In August, ADB approved \$9.69 million in assistance to the Maldives to construct a passenger and cargo harbor on Kulhudhuffushi Island. The project aims to connect services, markets, people, and harbors, with greater accessibility and affordability for 8,000 residents on the island and 30,000 living nearby. In September, ADB confirmed a \$4.26 million road improvement project for Bhutan. The project will enhance travel and trade opportunities for approximately 100,000 residents of Thimphu.



ADB sought to expand energy access in South Asia and, in September, approved \$200 million to support an energy services company, owned by the Government of India, as the firm begins to make investments in energy efficiency. In November, ADB approved a natural gas project in Bangladesh valued at \$167 million to improve gas production efficiency and expand transmission.

ADB sought to enhance South Asia's financial systems, approving an assistance package of \$252 million in October to develop Sri Lanka's capital markets.

To expand the coverage and quality of basic urban services, in June, ADB approved a loan of \$275 million for



50 YEARS OF ADB
IN SOUTH ASIA



India, Nepal, and Sri Lanka are among 31 founding members of ADB. India is the third biggest shareholder, after Japan and the United States.



ADB support to the region centers largely on investments in agriculture and natural resources.

FLOWER POWER SEES SHAHAN'S BUSINESS BLOSSOM

It was late afternoon and Shahan Ara was working hard to pluck all the flowers in her field in the Jessore district of southwestern Bangladesh. Shahan was aiming to send flowers to the market ahead of the national Independence Day celebration.

In a country where subsistence farming is still common, Shahan Ara is a rarity. Rather than grow rice, she cultivates flowers—a high-value crop that is more complex to farm, but commands higher market prices.

Shahan Ara's shift from traditional farming to high-value cultivation was inspired by her participation in a crop diversification project run by the Government of Bangladesh. The project, financed through an ADB loan of \$40 million, forms part of a broad national effort to expand agricultural productivity and increase farming incomes.

Shahan Ara received training in floriculture and fertilizer and water management. She also received loans and opportunities to visit and learn from other flower farmers. Her business expanded significantly since her involvement with the crop diversification project, leading to a 150% increase in her income.

Since 2012, the project has helped over 250,000 farmers—more than half of them women—to double their income. About 70,000 hectares of land are now devoted to diversified crop farming, and about 200,000 farmers have received more than \$60,000 in loans to help make the transition from traditional crops. The project has introduced and promoted 35 high-value crops. In addition to improving the overall efficiency of farms, and linking them to markets, farmers learn specialized skills to cultivate the often delicate and temperamental high-value plants.

YOUR SAY:

“With electricity, the children can study at night. This will improve their opportunity in life.”

NACHU, an 82-year-old beneficiary of ADB support to expand electrification in rural Bhutan

a water supply project in Dhaka, Bangladesh. Through the project, ADB will help rehabilitate distribution pipelines, with about 5,000 new and regulated connections established in low-income communities. The project aims to deliver 24-hour water supply to an additional 6.5 million people by 2022.

BROADER AVENUES TO INCLUSIVE GROWTH

With inclusive growth as a priority, ADB projects in South Asia are helping to provide broader access to sustainable power, potable water, and quality education, while making travel easier between villages, towns, and cities.

To improve access to markets and job opportunities for remote communities, ADB confirmed \$300 million in April for a project in Uttar Pradesh, one of India's poorest states and home to about 200 million people, to upgrade 430 km of major district roads. In December, ADB also backed a South Asia Subregional Economic Cooperation (SASEC) project of \$186.80 million to rehabilitate and upgrade about 160 km of Nepal's road network.

In September, ADB approved \$60 million in funding for local governments in Sri Lanka to provide safe drinking water in four provinces for people troubled by chronic kidney disease.



Bhutan joins ADB, following Bangladesh (1973) and Maldives (1978). ADB's first field office opens in Dhaka, Bangladesh.



ADB makes its first loan to India, a \$100-million lending facility to the Industrial Credit and Investment Corporation of India for onlending to private enterprises in the industrial sector. While India qualifies to apply for concessional loans, it does not do so to avoid crowding out existing beneficiaries of ADF loans.

THEN AND NOW

**1967-1976
\$368 M**



**2007-2016
\$42.47 B**

TOTAL ADB LENDING,* SOUTH ASIA

* Loans, grants, and others.



To assist households and businesses currently operating without reliable and sustainable power, ADB approved \$238 million in December for the Indian state of Rajasthan's renewable energy program, financing the construction of transmission lines and optical ground wires to connect existing substations.

In Nepal, ADB approved its first results-based loan of \$120 million in November, supporting a development program for schools. The program aims to improve equitable access, quality, and governance in basic and secondary education in the country's 75 districts.

COMMITTED TO A GREENER SOUTH ASIA

By 2020, ADB aims to have doubled its support for environmentally sustainable growth in South Asia, including assistance for developing member countries to tackle the impacts of climate change.

In September, ADB provided \$505 million, guaranteed by the Government of India, for the Punjab National Bank to finance solar rooftop systems on industrial and commercial buildings. The project aims to reduce greenhouse gas emissions by about 11 million tons of carbon dioxide over 25 years. ADB is also assisting a green power development project in

Sri Lanka, which will eventually deliver 300 megawatts of wind power into the country's electricity grid.

In November, ADB and the Government of India signed an agreement to commit \$200 million to continue improvements in the coverage and operation of sewerage, drainage, and water supply services in Kolkata. The project will rehabilitate water supply to 31,800 households in Joka and adjoining areas, reduce water wastage in East Kolkata's 44,700 households, and connect at least 83,400 additional households to the sewerage and drainage network.

In Nepal, ADB continued to back a project to improve the Bagmati River Basin's environment, heritage sites, and water quality. The project involves building a reservoir at the river's source to ensure minimum year-round water flows, as well as providing river bank beautification.

ADVANCING REGIONAL COOPERATION

Cooperation and integration among countries in South Asia intensified in 2016. ADB approved \$1.43 billion toward 9 projects, bringing cumulative SASEC investments to 46 projects, with ADB funding of about \$5.6 billion since 2001.

In June, SASEC countries adopted the program's first comprehensive and long-term operational plan, covering 2016–2025. Defining strategic objectives and operational priorities, the SASEC operational plan identified over 200 potential projects requiring more than \$120 billion in development assistance over the next 5 years. ADB also supported the development of a SASEC vision document to articulate the region's long-term potential as an integrated entity.

In September, ADB approved \$631 million in loans and grants for the Visakhapatnam–Chennai Industrial Corridor in India. As a holistic and multisectoral approach to urban-industrial development, the corridor is expected to play a vital role not only in unifying the large domestic market, but also in integrating the Indian economy into global value chains and opening up trade opportunities with neighboring countries in South Asia. Of the total assistance, \$500 million of a multitranche financing facility will support priority infrastructure investments in the corridor. The second portion, a \$125 million policy-based loan, will support policy reforms and institutional development in the state of Andhra Pradesh. ADB will also manage a \$5 million grant from the multidonor Urban Climate Change Resilience Trust Fund to



ADB begins to expand investment into transport, energy, and urban development.



ADB supports the creation of a new program to increase trade and economic cooperation within South Asia, the South Asia Subregional Economic Cooperation Program.



build climate resilient infrastructure, together with \$1 million in technical assistance to help the government of Andhra Pradesh manage the corridor. Also in September, ADB approved \$1.5 billion to support the Government of Bangladesh in constructing the 102 km Dohazari–Cox's Bazar section of the Chittagong–Cox's Bazar railway corridor, and to strengthen the capacity of Bangladesh Railway. The railway will serve as an alternative mode of transport for about 50% of bus trips—improving road safety and reducing greenhouse gas emissions by more than 10,500 tons in 1 year.

KNOWLEDGE SHARING FOR RESULTS

In 2016, ADB responded to calls by South Asian countries for knowledge work that will result in investments to address ongoing development challenges.

ADB initiated studies on economic corridor development in the region, then held workshops in the Indian

states of Andhra Pradesh, Odisha, Tamil Nadu, and West Bengal, as well as in Bangladesh and Sri Lanka. At these workshops, ADB outlined the concept, framework, and components of the economic corridor model, and then presented the findings of the studies.

In May, ADB launched the book *Scaling New Heights: Vizag–Chennai Industrial Corridor, India's First Coastal Corridor*, which provides policymakers with an overview of the strategic application of economic corridor development principles. In December, ADB published *Challenges in Implementing Best Practices in Involuntary Resettlement—A Case Study in Sri Lanka*, covering experiences in relocating people displaced by transport development in the country's south. In partnership with Oxford University Press (India), ADB also copublished *Bhutan: New Pathways to Growth*, the first publication to take an academic approach to analyzing Bhutan's economic potential.



ADB energy projects in India light up 850,000 households with new electricity connections from 2010 to 2013.

2010



LEARNING THE LESSONS OF DISASTER

In October 2016, ADB and the Government of Nepal, under a \$232 million project for emergency assistance, launched the reconstruction of schools destroyed by the 2015 earthquake. Applying a “build back better” approach, the project will deliver at least 700 spacious schools that are earthquake-resilient, environment-friendly, and equipped for people with disabilities. Through the emergency assistance, ADB is helping Nepal return thousands of children to school and restore vital government services for affected communities.

2016

ADB's cumulative lending to developing member countries in South Asia totals \$65.7 billion.

SOUTHEAST ASIA

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

Economic activity in Southeast Asia expanded in 2016 with mixed results throughout the region. Cambodia, Indonesia, the Lao People's Democratic Republic (Lao PDR), Singapore and Thailand sustained their growth momentum while growth accelerated in the Philippines.

In the Philippines, upbeat investment, household spending, and the government's commitment to infrastructure development, accounted for exceptional economic performance. This was supported by low inflation and robust remittances. Increased public investment and government stimulus for the rural economy lifted growth in Thailand. For Indonesia—the biggest economy in Southeast Asia—robust consumer spending supported growth even as investment slowed. Adverse weather conditions affected growth potential, particularly in the agriculture sector, in Viet Nam and Myanmar. Uncertainties on the country's political transition also limited growth in Myanmar. Meanwhile, sluggish global growth dampened prospects for Malaysia and to a greater extent, Brunei Darussalam.

OPERATIONAL HIGHLIGHTS

In 2016, ADB supported the people of Southeast Asia with \$3.34 billion in loans and grants and \$26.28 million for technical assistance. ADB focused its support on public sector management (45%), education (16%), and transport (14%). It mobilized \$2.82 billion in official cofinancing for loans and grants, and \$37.27 million for technical assistance.

Committed to helping Indonesia address the dual problems of prolonged economic slowdown and rising inequality in household incomes, ADB approved (in June and November, respectively) two policy-based programs, each worth \$500 million. The first program provides support for reforms to improve the country's investment climate. It aims to leverage business regulatory reforms; open up service sectors to foreign direct investment; reduce nontariff trade barriers; strengthen the institutional, policy, and regulatory framework for public-private partnerships in infrastructure; and improve transparency and competition in public procurement. The second program seeks to reduce income inequality by better aligning the public expenditure framework with the government's sustainable development goals (SDGs) in education, health, infrastructure, and social protection. The program also supports SDGs specific to local government, through better targeted fiscal transfers and improved service delivery performance.

In December, ADB approved \$250 million to help the Philippines streamline public expenditure and boost municipal revenue streams to provide better basic services and drive local economic development. In Viet Nam, ADB approved a program of \$200 million to improve public financial management systems and enable the government to provide better infrastructure.

ADB also supported projects and programs to improve access to education in Southeast Asia. In



February, it approved an additional loan of \$400 million to expand the Philippines' flagship conditional cash transfer program. This program provides regular health and education grants to around 4.4 million of the country's poorest households.

To improve transport routes, ADB is contributing \$286 million to construct around 25 kilometers of expressway between Ben Luc and Long Thanh, south of Ho Chi Minh City, a short link to the southern corridor of the Greater Mekong Subregion (GMS). By 2020, the project aims to reduce travel times and transport costs by 20%. Meanwhile, a \$106 million road project in Viet Nam—which will benefit about



50 YEARS OF ADB
IN SOUTHEAST ASIA



ADB approves its first national technical assistance grant (Indonesia, 1967), its first loan (Thailand, 1968), and its first education project (Singapore, 1970).

GREAT BENEFITS FROM GOOD GOVERNANCE

Luningning Catibong, a 32-year-old mother of four, and her husband, Aga, are part of the Mangyan tribal community of Sablayan, in the Occidental Mindoro province of the Philippines.

Luningning and Aga long dreamed that one day their children might have a local school to attend, making the perilous trek to the existing school a thing of the past.

On 2 December 2012, the Inawa Panaynep (meaning “fulfilment of dreams”) Elementary School opened its doors to 144 Mangyan students. The school has a zero dropout rate, and the children achieve good grades using a customized curriculum that also preserves their cultural heritage.

The opening of the school was part of a push by the Municipal Government of Sablayan. In 2011, the municipality earned the Seal of Good Housekeeping, qualifying it for subsidies from the Performance Challenge Fund to improve the standard of living in the area.

The Performance Challenge Fund is one of many innovative and ongoing initiatives included in two ADB-supported governance reform programs. The main goal of the programs is to increase the efficiency and effectiveness of public services delivered by local governments in the Philippines. The programs give these local governments a larger share of tax revenue, and allow them to implement systems to report on finances and measure their performance.

As a result of its strong financial management, the Municipal Government of Sablayan has since received enough funding to provide the community with a better access road, more clean water, and a maternity clinic. The incidence of respiratory illness has also been reduced.

YOUR SAY:

“With the good road, we can take products to markets and sell at a competitive price.”

LAN LEN, a 51-year-old farmer from the Bavel district of Cambodia, on ADB support to reconstruct flood-damaged roads.

225,000 people in five provinces—aims to bolster the flow of goods, travelers, and investment capital, while exploring opportunities for agriculture and tourism.

BROADENING ACCESS TO OPPORTUNITIES

ADB again worked to improve basic services for the disadvantaged of Southeast Asia.

In Viet Nam, ADB designed a secondary education program to expand access to school for about 1.2 million migrant youth and 2,000 young people with disabilities. In the Lao PDR, ADB approved a technical

and vocational education and training project that includes a \$4 million stipend program for around 4,600 poor and disadvantaged youth. In the Philippines, ADB completed a Japan Fund for Poverty Reduction grant project that built 60 modern and well-equipped kindergartens and delivered quality early childhood education to more than 15,000 preschoolers in two of the country’s poorest regions.

ADB will help expand the health system in the Lao PDR through a Japan Fund for Poverty Reduction grant that will finance health equity funds for the poor, and provide free access to maternal and child health care.



With the majority of Southeast Asia's people still living off the land, ADB directs significant support to agriculture. It also supports power projects benefitting over 50 million people in Indonesia, the Philippines, and Thailand.

EARLY 1970S



ADB support helps extend water and sanitation coverage across Southeast Asia, including improved water access for 1.5 million people in Manila. ADB investments also help improve medical care and referral services for more than half of Myanmar's population.

1980s

THEN AND NOW

1967-1976
\$1.75 B



2007-2016
\$37.75 B

TOTAL ADB LENDING,* SOUTHEAST ASIA

* Loans, grants, and others.

With clean and potable water still an issue in many parts of Southeast Asia, ADB approved \$60 million for the Philippines to increase access to safe drinking water for an extra 200,000 people and improve sanitation for another 400,000 people outside Metro Manila. In Cambodia, ADB approved additional financing of \$15 million to support government efforts to achieve universal supply of domestic-quality water in rural areas and provide modern sanitation nationwide.

MORE ENVIRONMENTAL ISSUES ADDRESSED

During 2016, ADB made substantial strides in fostering environmental sustainability in Southeast Asia.

In March, ADB approved a loan of \$123 million to help the Philippines reduce environmental degradation in Metro Manila and address the city's vulnerability to natural disasters. During the first half of 2016, ADB helped conduct a drought analysis for Cambodia, the Lao PDR, and Viet Nam. ADB is also assisting Viet Nam in developing a national water accounting system based on remote sensing of variables, such as rainfall, in a number of river basins.

In September, ADB approved a \$109 million flood management project in Indonesia, including soil and water conservation programs to reduce soil erosion and sediment transfer. ADB also approved a grant to address deforestation and forest degradation in West Kalimantan. In addition, ADB approved a technical assistance project to pilot a carbon capture and storage (CCS) project in Indonesia, the first CCS project in Southeast Asia, providing a foundation for CCS to reduce the region's greenhouse gas emissions.

In November, ADB approved a project to rehabilitate critical irrigation infrastructure to cope with the impacts of climate change in Myanmar's central Dry Zone.

COUNTRIES COOPERATE TO MOVE FORWARD

In 2016, ADB provided \$518 million—and leveraged an additional \$614 million in cofinancing—for regional cooperation and integration in Southeast Asia. This was supported by \$8.5 million for technical assistance projects. The support aims to strengthen integration, promoting the ASEAN Economic Community within individual countries and across Southeast Asia as a whole.

During the first half of 2016, ADB commissioned a study on expanding the network of economic corridors to connect all GMS capitals, major economic centers, and key ports. The study was endorsed by the GMS leaders in December. ADB also helped initiate and prioritize projects to develop a railway network in the GMS. With the launch in December of permits that open up cross-border road transport in the GMS, ADB has enhanced the movement of people, vehicles, and goods in the subregion.

A more mobile population, increasing trade, and intensified interaction between people and animals all heighten the risk of spreading communicable diseases across GMS borders. In November, ADB approved \$132.5 million for Cambodia, the Lao PDR, Myanmar, and Viet Nam to cooperate and exchange information on communicable diseases, improve disease surveillance and outbreak response, and improve the capacity of laboratories to diagnose communicable diseases accurately.

ADB also supported the preparation of action plans for new Green City Initiatives for Medan and Batam in Indonesia, under the Indonesia-Malaysia-Thailand Growth Triangle Program.



Transport connectivity is a top development priority in Southeast Asia, particularly in the landlocked Lao People's Democratic Republic, where projects like the Xieng Khouang road help boost per capita income by 40% and cut poverty by 40%.



ADB supports the launch of the Greater Mekong Subregion Program, helping fund priority infrastructure projects worth \$11 billion.



ADB CENTRALIZES KNOWLEDGE SHARING

In January, ADB launched an innovative technical assistance program titled “Knowledge Development Support for Southeast Asia.” Through the program, ADB has facilitated quick and effective responses to the knowledge requirements of its developing member countries, while reducing administrative costs. The program is currently supporting five country-based knowledge initiatives and seven regional knowledge initiatives.

Among the program’s country-based initiatives, ADB is providing policy support to the new Government of the Philippines. ADB helped prepare thematic studies that framed long-term strategies in the Philippines’ key development areas of health, education, employment, infrastructure, environment, and governance. It is also helping to finalize knowledge products for the government’s long-term development vision. In Viet Nam,

ADB is supporting the marketing, advertising, and customer service development of the Ha Noi Metro rail system to enhance patronage, generate additional revenue, and ensure the system’s sustainability.

The program’s regional knowledge initiatives include studies on logistics and special economic zones in the GMS. In collaboration with leading private sector representatives, ADB helped provide GMS nations with a set of policy recommendations to develop special economic zones further and, ultimately, strengthen the competitiveness of the GMS economic corridors.

Outside the technical assistance program, ADB produced a series of nine reports that recommended a range of transport policy reforms and initiatives for Myanmar. Presented to Myanmar’s new government in April, the reports have helped promote dialogue and identify opportunities for sustainable transport projects.



LIGHTING THE WAY FOR MYANMAR’S DEVELOPMENT

In October, ADB began a technical assistance project to help construct 12 mini-grid solar power systems in remote villages of Myanmar, where access to modern energy services was lacking. The project is improving livelihoods and promoting environmentally sustainable energy across the country. It has also established community-based organizations called village energy committees. The initiative will help formulate guidelines, standards, and regulations for future off-grid renewable energy projects in Myanmar.



ADB helps finance the construction of 100 lower secondary schools benefiting 32,000 students in Cambodia.



After Typhoon Yolanda (Haiyan) devastates the Philippines, ADB swiftly delivers major assistance to restore livelihoods and reconstruct infrastructure.

Early 2000s

2013

2016

ADB’s cumulative lending to developing member countries in Southeast Asia totals more than \$75 billion.



DEVELOPING THE PRIVATE SECTOR

The private sector is the single most powerful catalyst for creating employment and generating economic growth. It is critical to achieving the globally agreed goals of ending absolute poverty and allowing all human beings to fulfill their potential. ADB intends to have private sector support become 50% of its annual approvals by 2020.

In 2016, ADB continued to help its developing member countries (DMCs) improve their business environments and foster competitiveness in the private sector. To generate private investment to fund development needs, ADB further advocated, promoted, and invested in public-private partnerships (PPPs). It also directly provided finance to privately developed infrastructure projects, financial intermediaries, and other priority areas.

ADB approvals of private sector operations in 2016 were slightly lower than the record levels achieved in 2015. ADB approved private sector financing of \$2.5 billion and generated \$5.84 billion in cofinancing, which increased by almost \$1.2 billion compared to 2015. This includes a record \$238 million in official cofinancing to support nonsovereign operations.

SUPPORTING BUSINESS ACROSS ASIA AND THE PACIFIC

Boosting Private Participation in Key Projects

ADB's Office of Public–Private Partnership (OPPP) continued to show strong progress in its second full year of operations. In 2016, OPPP was successful in securing five new transaction advisory mandates in Bangladesh, Kazakhstan, Malaysia, Sri Lanka, and Viet Nam. In addition to delivering much needed transport, energy, and healthcare infrastructure, these mandates are expected to strengthen the capacity of agencies involved, and create a template for future PPPs in individual countries and sectors.



50 YEARS OF ADB IN THE PRIVATE SECTOR



Sovereign support from ADB indirectly helps stimulate the private sector in ADB developing member countries (DMCs).



ADB lending to private enterprise through development finance institutions begins.

YOUR SAY:

“We now have a bank that is serving Afghanistan in difficult times. It has allowed businesses to create more jobs and income.”

BERND LEIDNER, chair of Afghan Credit Guarantee Foundation, which provides loan guarantees to the ADB-supported Afghanistan International Bank for SMEs.

In Sri Lanka, OPPP is advising the Sri Lanka Ports Authority on a PPP structure for a new \$500 million container terminal for an additional 2.4 million 20-foot equivalent units at the port in Colombo, making it a major hub for global shipping. In Malaysia, OPPP is advising Melaka Green Technology—a state-owned enterprise (SOE)—on a project to refurbish over 100,000 road lights using energy-efficient diode lamps, supporting Malaysia’s drive to cut its greenhouse gas emissions by 40% by 2020. OPPP is also advising the Ministry of Health and Social Development of Kazakhstan to build, equip, and maintain a 300-bed multifunctional teaching hospital at the Karaganda State Medical University.

In May 2016, ADB expanded the scope of its transaction advisory services to serve private sector sponsors on a pilot basis. This advisory service was created to help private sector investors structure bankable transactions and raise financing for complex and innovative projects that accelerate the delivery of critical infrastructure.

The Asia Pacific Project Preparation Facility (AP3F), managed by OPPP, officially launched operations after obtaining approval from its donor countries: Australia, Canada, and Japan. To generate awareness for the resources available under AP3F, ADB conducted outreach efforts in 25 DMCs. It approved a total of six applications for technical assistance from Bangladesh, Indonesia, Kazakhstan, Myanmar, and Timor-Leste. AP3F will provide technical assistance for project preparation,

capacity building and policy reform, and project monitoring or restructuring support.

Under AP3F, technical assistance to Bangladesh involves providing legal support to prepare the Dhaka Bypass project, and will generate templates and guidelines that benefit other road PPP projects in the country. Technical assistance to Timor-Leste will provide engineering resources to the PPP and Loans Unit of the Ministry of Finance, helping ensure that their PPP projects meet quality standards. Technical assistance to Myanmar will help restructure existing road concessions suffering from financial distress, lack of investment, or poor performance.

ADB regional departments also worked to accelerate the adoption of the PPP modality across Asia and the Pacific.

In Central and West Asia, ADB successfully completed the transaction advisory mandate for the 1,600-kilometer Turkmenistan-Afghanistan-Pakistan-India natural gas pipeline project. As transaction advisor, ADB helped establish the project company and facilitated agreement among the parties on their shareholding percentages and the deployment of their own funds to finance detailed engineering and route surveys, environmental and social safeguard studies, and procurement and financing activities in the project’s next phase. In Pakistan, ADB is helping the government implement a program to support PPP investments in Sindh Province.

In East Asia, ADB approved a loan of \$50 million to help the Yichang municipal government in the People’s Republic of China (PRC) design and implement a PPP for elderly care services. This is ADB’s first sovereign results-based loan to help local governments undertake PPPs that deliver social services. The total cost of the project is \$128.4 million, with the Yichang municipal government contributing \$55 million and the private sector expected to contribute \$23.4 million.

In the Pacific, ADB continued to support privatization and PPP transactions through the Private Sector Development Initiative. ADB successfully concluded a concession contract for Tonga Forest Products and developed privatization strategies for three SOEs in Samoa. In addition to helping Fiji develop a PPP policy and transaction pipeline, ADB is providing technical assistance for the privatization of the Fiji Electricity Authority and Airports Fiji. In Timor-Leste, ADB developed a PPP strategy for solid waste management in Dili, and is working with the country’s PPP unit to finalize regulations and establish a transaction pipeline. In Papua New Guinea (PNG), ADB is helping PNG Power develop and tender solar generation PPP contracts in off-grid rural centers.

In South Asia, ADB provided capacity and framework support that resulted in Nepal establishing a PPP center in 2016. In Sri Lanka, ADB approved technical assistance, financed by the Clean Energy Fund, that will help the Ceylon Electricity Board develop wind parks and attract private investment in wind power generation. ADB also

THEN AND NOW

1983
\$3.0 M



2015
\$2.5 B

ADB NONSOVEREIGN INVESTMENTS, ASIA AND THE PACIFIC



provided project financing support for PPPs including eight energy projects in India and Bangladesh through intermediaries, four through the India Infrastructure Finance Company and four through the Infrastructure Development Company. In Southeast Asia, ADB provided technical assistance to Cambodia to establish a legal and institutional framework for the development of PPPs. ADB helped develop a PPP project pipeline, including conducting a feasibility study for one pilot project, as well as building institutional capacity in government ministries, and reviewing the country's legal and regulatory environment.

Improving Business Conditions, Country by Country

In Uzbekistan, ADB is supporting a finance project of \$100 million to enable small enterprises to access funding for working capital and fixed-asset investments. In Georgia, ADB approved \$100 million for a program to help the government better manage its debt, fiscal risk, revenue, and public expenditure. The program will help generate domestic savings and attract private investment, while providing broader access to long-

term financing for micro, small, and medium-sized enterprises (MSMEs), with 40% of financing earmarked for MSMEs run by women.

In the Kyrgyz Republic, ADB approved a program to improve access to finance, foster private sector participation in infrastructure, encourage diversified exports and foreign direct investment, increase government transparency through e-procurement, and reduce the tax-related costs of doing business.

In Bangladesh, ADB approved a second project to support small and medium-sized enterprises (SMEs) in the country's rural areas. This includes technical assistance to be funded by the Japan Fund for Poverty Reduction. The project includes a financial intermediary loan of \$200 million for onlending to SMEs outside the metropolitan areas of Dhaka and Chittagong, with \$20 million earmarked for SMEs owned by women. The assistance will also help establish business incubation facilities around the country.

In Sri Lanka, ADB approved a total of \$252 million in loans and technical

assistance to enhance the capacity and expand the size of the country's capital markets. The program aims to transform the Colombo Stock Exchange into a stock corporation with modern governance practices, and help the government list shares in SOEs.

In Bhutan, ADB is providing technical assistance of \$1.5 million to help the government address gender equality issues, while improving access to job opportunities and social services by the poor in selected urban and rural areas.

For India, ADB approved a policy-based loan of \$126 million to enhance business conditions in the state of Andhra Pradesh, aiming to improve the planning of industry centers and encourage good practices for managing economic corridors.

In Indonesia, ADB has backed a program that helps the government invest in climate reforms, PPPs, and public procurement reforms. In 2016, ADB conducted a survey on the ease of doing business in five major cities across Indonesia. The survey will determine whether the government's



ADB introduces nonsovereign operations to further support the economies of its DMCs. Nonsovereign approvals reach \$3 million for the year.



ADB approves its first loan and first guarantee to private companies, and creates a dedicated Private Sector Division.



ADB introduces B-loans to mobilize financing from private sources and foster investments in DMCs. Nonsovereign approvals reach \$163 million by 1990.

ADB SPARKS INVESTMENT IN CAMBODIAN SOLAR

Ever since Cambodia emerged from an era of conflict, ADB has been helping the country transition to a market-oriented economy driven by inclusive and sustainable growth. Annual growth rates in recent years have exceeded 7%, and poverty (defined by those living on less than \$1.90 a day) has plummeted from 47.8% in 2007 to 13.5% in 2014.

Despite this rapid economic development, the legacy of the civil conflict that devastated Cambodia's national infrastructure remains. While access to electricity in the country rose from 20.3% of the population in 2007 to 55% of the population in 2015, the rate is still among the lowest in Southeast Asia.

ADB is helping address this issue by driving private investment in solar power.

While solar power has great potential in Cambodia, it contributes less than 0.1% to the country's energy mix and is not used at utility scale. However, with recent technological advances, utility-scale solar plants can now operate at production costs that compete with traditional energy sources.

To embrace these opportunities, the Government of Cambodia competitively selected the Sunseap Group to install a solar plant with enough capacity to power around 15,000 homes. In December 2015, ADB approved a loan of \$9.85 million to Sunseap and a local partner. In addition to \$3.6 million from ADB resources, the loan mobilizes \$3 million of cofinancing from an international commercial bank and \$3.25 million from the Canadian Climate Fund for the Private Sector in Asia, under the Clean Energy Financing Partnership Facility administered by ADB.

current economic package is having a positive impact and identify possible further policy reforms.

To foster innovation and private sector development in the Greater Mekong Subregion, ADB, together with the Government of Australia, is providing \$10.5 million in technical assistance under the Mekong Business Initiative. ADB has partnered with an impact investment fund and international investor syndicates to launch the Mekong Angel Investment Network. The network has invested in startups and is conducting ongoing due diligence on about \$3 million worth of investments, while mentoring about 275 local angel investors and

entrepreneurs. In Cambodia, ADB has supported the conversion of an offline 'lenders club' into an online peer-to-peer marketplace lending platform that provides short-term working capital to about 300 SMEs. In Viet Nam, ADB helped launch the Saigon Innovation Hub in Ho Chi Minh City, and expand the Da Nang Business Incubator. These innovative business support services leveraged private sector expertise and funding to help over 300 startups in 2016. In Myanmar, ADB helped bring together the government and private enterprise to work together on developing the country's first-ever private sector development framework and action plan. In the Lao People's

Democratic Republic (Lao PDR), ADB is strengthening the capacity of the Lao National Chamber of Commerce and Industry and the Lao Business Women's Association to advocate more effectively on key private sector development policies, including the country's investment promotion law.

FINANCIAL SUPPORT TO SHARE PROSPERITY

In 2016, ADB approved 26 private sector operations. Of these, 12 have climate change and/or clean energy aspects, and 11 are located in low-income or lower-middle-income countries. ADB made eight investments to develop inclusive business, while



ADB establishes a dedicated unit to support its regional departments in establishing private sector projects, and to advise governments on public-private partnerships and the privatization of state-owned enterprises.



ADB approves a strategy emphasizing the importance of capital markets and infrastructure development, as well as providing advice to DMCs to improve their business environments.



six projects included gender equality elements.

Supporting Agriculture

ADB's Agribusiness Investment Team, created in 2015, ramped up its activity in 2016. In June, ADB approved a direct loan of \$62.5 million, with a B-loan for the same amount, to support dairy farming and milk safety in rural areas of the PRC. The project will increase raw milk safety treatment from 220,000 tons to 500,000 tons per year and build biogas plants to process manure into organic fertilizer, reducing greenhouse gas emissions by 66,000 tons each year. In December, ADB approved a loan of \$20 million to Agripacific Holdings and Kunming Hasfarm Flowers to support the livelihoods of farmers in the PRC, Indonesia, and Viet Nam. This project will foster regional integration by strengthening regional markets and cross-border trade, investment, and technology transfer.

Nurturing Small Business

In June, ADB confirmed a \$150 million investment in debt securities for Janalakshmi Financial Services to help expand access to finance by microenterprises in India, with a special focus on businesses owned by women. ADB also approved a loan of \$200 million to IndusInd Bank to double the size of the bank's inclusive finance business by providing loans to individuals or micro enterprises. The investment will be complemented with technical assistance to support financial literacy for women, improve digital loan processing, and introduce new financially inclusive products.

Both ADB loans have a focus on expanding access to finance in India's poorer states.

In Pakistan, ADB approved a loan of \$20 million to Khushhali Bank Limited (KBL) to broaden the reach of agricultural finance and expand the institution's support for MSMEs. The loan will also help KBL increase the proportion of women-owned MSMEs receiving financial support, establish an SME training academy, and strengthen its risk management systems.

In Bangladesh, ADB approved a loan of \$20 million to Eastern Bank to support socially and environmentally sustainable investments in the garment industry. ADB is helping to ensure that textiles and garments comply with recently enhanced fire and safety standards, and to increase the energy efficiency of production facilities.

ADB approved an investment of \$20 million in the Vietnam Investments Fund III. The fund will invest in middle-market companies in Viet Nam, Myanmar, and across the wider Mekong subregion. Through the fund, ADB is supporting health care, education, manufacturing, transportation, and logistics in Southeast Asia, with a focus on increasing the employment of women.

With an equity investment of \$1.5 million in Micro Credit Ratings International, ADB is also supporting the development of microfinance institutions across Asia and the

Pacific. The investment will help the client gain accreditation as a ratings agency for the Indian market and expand its ratings, advisory, and impact assessment services into other Asian markets.

Financing Trade Beyond Borders

Through its **Trade Finance Program** (TFP)

ADB helps close market gaps for trade finance by providing banks with guarantees and loans to support cross-border trade. An ADB study, *Trade Finance Gaps, Growth, and Jobs* was released in September and identified a global market gap for trade finance of \$1.6 trillion, of which \$692 billion was needed in developing Asia. Lower-income countries and SMEs tended to have the highest market gaps and unmet demand. In 2016, the TFP supported 2,079 transactions valued at over \$3 billion (of which \$1.8 billion was cofinanced by banks, private insurers, an export credit agency, and International Enterprise Singapore). Of the total transactions, 1,597 supported SMEs and 368 supported trade between DMCs. Among the 20 countries covered by the TFP, the 6 most active were Armenia, Bangladesh, Mongolia, Pakistan, Sri Lanka, and Viet Nam.

During 2016, the TFP expanded into the Pacific for the first time, signing trade finance agreements with two Samoan banks and one bank in Vanuatu. It also expanded operations in Bangladesh, Kazakhstan, Myanmar, Uzbekistan, and Viet Nam, partnering with 11 new banks. The TFP conducted training and capacity-



building seminars in Cambodia, Mongolia, and Myanmar. It also held regional training in Uzbekistan, drawing 36 banks from 7 Central Asian countries.

In 2016, ADB continued to implement its **Supply Chain Finance Program** (SCFP). The SCFP complements the TFP by supporting domestic supply chains as well as cross-border trade. In 2016, the SCFP supported more than 188 transactions valued at over \$203 million, with 50% of funding cofinanced by partner financial institutions. All SCFP transactions in 2016 supported SMEs.

The Microfinance Risk Participation and Guarantee Program facilitates local currency lending to microfinance institutions across DMCs. It expands access to finance for businesses and people at the bottom of the commercial pyramid. The program partners with local and international banks to share the risk of loan defaults. Since 2010, it has supported more than \$420 million in loans to more than 2.4 million poor borrowers, with cofinancing of over \$220 million. In 2016, Citibank joined the program as a new regional partner. The program is active in Bangladesh, India, and Indonesia, and is planned to expand to Sri Lanka and Myanmar in the coming year.

Attracting Greater Investment

In 2016, ADB significantly expanded its ability to engage in private sector infrastructure projects in various stages of development. It established the Leading Asia's Private Sector Infrastructure Fund (LEAP), seeded with \$1.5 billion from the Japan International Cooperation Agency. ADB manages LEAP, which uses financial products ranging from debt and equity to mezzanine finance.

In December, ADB confirmed \$109 million to develop geothermal steam resources in the South Solok Regency of West Sumatra in Indonesia. The loan comprised \$70 million from ADB's ordinary capital resources, \$20 million from LEAP, and a \$19.5 million loan from the Clean Technology Fund. Through the project, ADB aims to help Indonesia reach its target of gaining a 24% share of global geothermal energy generation.

In Thailand, ADB approved assistance for two innovative solar power projects, with loans of \$47 million and \$45 million to Stumpf Energy and Thai-Sunseap Asset Company, respectively. Each company will install 100 megawatts of solar energy capacity on the rooftops of commercial and industrial buildings, providing competitively priced electricity without relying on the support of feed-in tariffs. When fully operational, the two projects combined will reduce greenhouse gas emissions by 120,000 tons every year.

In Indonesia, ADB approved a \$5 million equity investment in Fluidic. Through this investment, ADB will contribute to the production and deployment of 500 megawatt-hours of energy storage for isolated rural areas with no access or poor access to the electricity grid. These energy storage solutions allow expensive and polluting generators to be replaced by renewable energy sources such as wind turbines or solar systems. In December, ADB also approved \$400 million to help meet Indonesia's rapidly expanding demand for gas. The Tangguh natural gas liquefaction facility, in the Papua Barat Province, is enabling the switch from coal and diesel-based energy production,

and will create 7,000 jobs during construction.

In the PRC, ADB approved a direct loan of \$150 million and a complementary loan to be funded by commercial banks of \$100 million to expand wastewater management and help reduce pollution in lakes and rivers. The project will help treat 2.3 million tons of wastewater and 2,900 tons of sludge every day.

In Myanmar, ADB approved a loan of \$50 million to Irrawaddy Towers Asset Holding and Irrawaddy Green Towers to increase the penetration of mobile telecommunications. ADB also approved a loan of \$35 million and a political risk guarantee of \$15 million to support urban renewal in Yangon. Through the project, which benefits from a B-loan of \$5 million, ADB will help develop environmentally sustainable tourism and commercial real estate.

ADB BRIEFS

2016 TRADE FINANCE GAPS, GROWTH, AND JOBS SURVEY¹

TRADE FINANCE SURVEY LAUDED

ADB's Trade Finance Gap Survey was the first to quantify market gaps for trade finance and the impact on growth and jobs. The survey is frequently cited by the World Trade Organization and was awarded 2016's Best Data and Research Product by Trade Finance Global.

2016

ADB's private sector investments reach \$2.5 billion, with \$5.8 billion in cofinancing, contributing more than a quarter of ADB's annual investment in 2016.



Private sector approvals reach \$1.6 billion.



ADB's Midterm Review of Strategy 2020 sets a target for private sector support to be 50% of annual approvals by 2020.

2010

2014

DELIVERING AN EFFECTIVE ORGANIZATION

POLICY AND STRATEGY OVERVIEW

ADB continues to implement a comprehensive agenda of operational and organizational reforms under its Midterm Review Action Plan. The plan details 192 actions to strengthen ADB's operational efficiency and effectiveness, improve internal capacity, respond to the challenging development environment, and sharpen ADB's strategic focus. Implementation is on track. As of December 2016, of the 192 actions, 147 actions have been fully implemented, 25 are largely implemented, and 14 actions have been partly implemented. Only 6 actions have not yet been implemented. Most of the time-bound actions are expected to be completed within 2017.

In 2016, ADB worked to simplify its documentation and review protocols, and streamline approval processes. Measures to improve disbursement performance resulted in one of the highest recorded disbursement levels for ADB in recent years, reaching \$12.26 billion in 2016. Building on a 10-point procurement reform action plan, ADB has started to implement the second phase of its procurement reforms to increase procurement efficiency and the quality of consultants and contractors. The reforms will further simplify procurement procedures with greater flexibility, faster procurement times, and the use of new and advanced technologies in project design and implementation. ADB also continued to enhance development effectiveness by increasing project readiness and improving project management.

In December, ADB approved the revision of its Anticorruption Policy to respond to global developments and enhance measures for addressing tax secrecy, tax evasion, and legal forms of aggressive tax planning at both the country and project levels.

ADB has been fine-tuning its lending facilities in response to the new needs and demands of its developing member countries (DMCs). In 2016, it reviewed its Countercyclical Support Facility (CSF). The facility was originally launched in 2009 as a short-term instrument to provide financial assistance to governments in the aftermath of the global financial crisis of 2008–2009.



50 YEARS OF THE ASIAN DEVELOPMENT BANK



The first Board of Directors meeting is held on 17 December, 2 days before ADB formally opens.



ADB's annual lending reaches the \$1 billion mark for first time.



ADB has been fine-tuning its lending facilities in response to the new needs and demands of its developing member countries.

The CSF was approved as a permanent lending instrument in 2011. In July 2016, ADB further refined the instrument and clarified its eligibility criteria.

ADB has started the process of modernizing and transforming its existing information technology (IT) systems. New technology will deliver integrated operations, with financial and knowledge platforms that are supported by cloud services for better reporting capabilities and more mobile support services. Several IT reforms were initiated throughout 2016 to improve ADB's disbursements, institutional procurement, treasury operations, nonsovereign operations, and human resources management systems.

ENSURING ADB'S EFFECTIVENESS

Managing for Results

ADB uses a corporate results framework with an annual performance scorecard to measure and manage its performance. The corporate results framework tracks the development progress of the region, ADB's contributions to country outcomes, and its operational and institutional effectiveness. Every year, ADB publishes the scorecard in its annual Development Effectiveness Review (DEfR). The 2016 DEfR report assesses ADB's performance from 2013-2016.

The 2016 DEfR showed that ADB's efforts and reforms are working and performance is improving. The success rates of completed sovereign ADB operations improved considerably compared with 2013, while gender equality results targets were met. The procurement readiness of operations

increased, reaching the 2016 target of 40%. Most of the ambitious development finance targets were met, including direct value-added cofinancing, project development transactions for public-private partnerships (PPPs), and PPP leveraging. However, the 2016 DEfR identified challenges relating to delays in starting up operations, rising but still low levels of sustainability in completed operations, and a lack of progress in promoting women to ADB international staff positions. ADB is addressing these issues.

Meeting a New Global Agenda
ADB has renewed its commitment with United Nations partners for regular Sustainable Development Goals (SDGs) reporting and shared policy analysis of SDG implementation in Asia and the Pacific. ADB is also closely collaborating with other multilateral development banks (MDBs) to expand financing opportunities in areas such as climate finance, and reporting on private financing catalyzed by MDBs.

ADB has initiated work on a new corporate strategy, Strategy 2030, to respond to new global development agendas. At the same time, a review of the ADB results framework is exploring ways to align ADB performance indicators with SDG outcomes that are relevant to Asia and the Pacific and ADB's strategic directions. The enhanced financing capacity, made possible by the merger of the Asian Development Fund (ADF) with ordinary capital resources (OCR), effective January 2017, allows ADB to respond to strong DMC demand to support the SDGs and combat climate change. At the operational level, ADB lending support for the

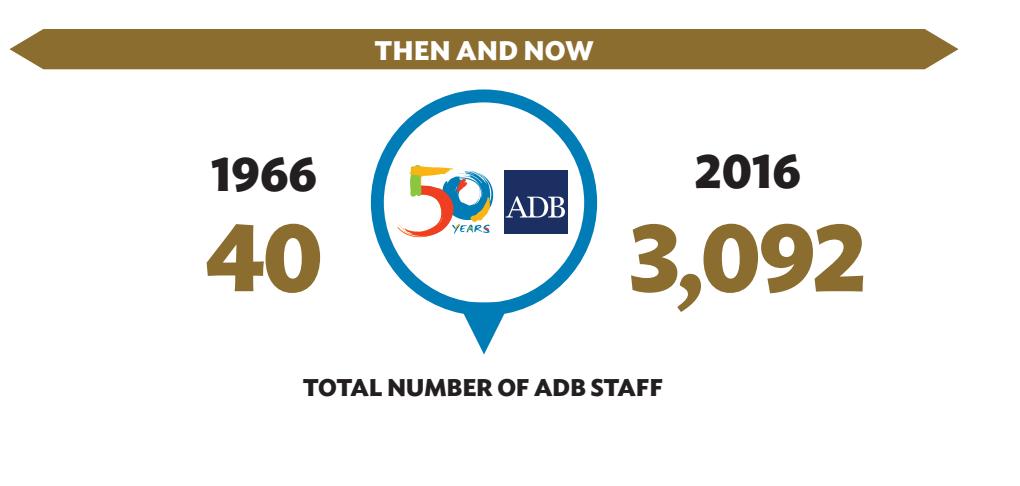
SDGs is being customized to country-specific conditions, in line with the development plans and priorities of individual DMCs.

Ensuring Country Safeguards

Country safeguard systems refer to the laws, regulations, rules, and procedures in the policy areas of environment, involuntary resettlement, and indigenous peoples, and their implementing institutions. In 2016, as required by its Safeguard Policy Statement, ADB assessed all projects for their impact on the environment and their social risks. ADB took appropriate actions to reduce any impacts that were identified. In May, ADB forged a partnership agreement with the World Bank and bilateral agencies in the region to strengthen the policies and capabilities of DMCs to address impacts on the ground. ADB conducted advanced workshops on biodiversity, indigenous peoples, environmental management, and safeguard supervision for staff, consultants, government officials, and financial intermediaries. To encourage South-South knowledge exchange on good practices in safeguards, ADB also organized conferences on subregional country safeguard systems in Tbilisi, Georgia and in Ho Chi Minh City, Viet Nam. In May, ADB launched the first in a series of three distance learning modules on safeguards.

Issue Resolution

The ADB Accountability Mechanism is an independent forum for people adversely affected by ADB-assisted projects to voice complaints and seek solutions to their problems. The Accountability Mechanism is used as a last resort to resolve such



issues. This is done through the special project facilitator (SPF), which handles problem solving, and the Compliance Review Panel (CRP), which handles policy and compliance issues. The mechanism is designed to contribute to ADB's development effectiveness and improve project quality.

In 2016, the Accountability Mechanism received nine complaints: six from Georgia; and one each from India, Pakistan, and Samoa. The details and status of each complaint are available on the ADB website, adb.org. The CRP monitored remedial actions for projects in Cambodia, India, and the Philippines, while the SPF conducted 12 training sessions on complaint handling in 5 DMCs.

ADB hosted the 13th Annual Meeting of Independent Accountability Mechanisms and a civil society organization forum to build better partnerships. The first report on implementation of the Accountability Mechanism was jointly prepared and released by the CRP, the SPF, the Independent Evaluation Department, and the Sustainable Development and Climate Change Department.

Disclosure and Transparency

ADB continues to be one of the top performers in the Aid Transparency Index published by the nongovernment organization, Publish What You Fund. In the 2016 index, ADB scored 84.9%, compared with 83.8% in 2014.

A new ADB disclosure management system was launched in May to simplify the submission of project documents for disclosure. Training of ADB staff and improvements to the information request tracking system continued during the year to improve implementation of the Public Communications Policy (PCP). The PCP governs the release of ADB information and the way ADB communicates with external stakeholders. More than 4,000 documents and reports—including project, institutional, and evaluation documents—were uploaded in 2016. ADB received 3,028 official requests for documents and 95% of requests were responded to within 20 days. In July, ADB began a review of the PCP to assess policy implementation and maintain a high standard of disclosure practices.

DEVELOPING AGILITY AND LEADERSHIP

Human Resources Management

In 2016, ADB posted 572 job vacancies, which generated 49,340 applications from nationals of 65 of ADB's 67 member countries, highlighting the strong demand to work at ADB. Meanwhile, ADB's secondment program hosted 34 secondees, and 25 graduate students entered the internship program.

ADB enhanced its recruitment scope to attract a wider talent pool and refined its human resources processes, putting more focus on transparency, quality, and diversity. This process included the strengthening of protocols for talent management and skills acquisition, allowing ADB to respond more adeptly and comprehensively to the changing occupational structure and skills mix required within an efficient development organization. ADB also introduced new actions for gender equality, including targets for women's representation by 2022. These changes are designed to enhance career progression for capable, motivated, and well-performing ADB staff.



ADB approves a landmark gender policy to ensure that women's needs and roles are considered in lending and operations.



ADB launches the first issue of *Asian Development Outlook*, an annual publication series on the region's economic performance and prospects.



In 2016, ADB implemented an Early Separation Program as part of efforts to rebalance workloads and address the organization's skills needs. The program contributed to ADB reducing staffing levels by 3%.

During the year, ADB improved the efficiency, effectiveness, and affordability of its medical insurance; integrated its health and wellness services; and moved to improve the financial sustainability of its staff retirement plan.

Learning and Development

In 2016, ADB focused on leadership development programs to grow and develop strong leaders, establishing a leadership pipeline for the future.

ADB complemented these programs with the managerial Assessment Development Center, which provides high-potential ADB staff with a clearer leadership pathway. Throughout the year, ADB provided field offices with tailored training in supervisory skills. It made a priority of staff development for a more inclusive workplace, and rolled out workshops on mitigating unconscious bias and strengthening staff management in diverse and multicultural environments.

ADB operates knowledge groups based on particular sectors and development themes. In 2016, these sector and thematic groups implemented 51 learning programs.

These learning programs benefited 900 ADB staff members (687 from ADB headquarters in Manila and 213 from field offices), and 1,536 representatives from DMCs. ADB launched initiatives to better capture highlights and speakers' knowledge, and improve processes for sharing materials with external audiences.

MAKING THE MOST OF ADB RESOURCES

Administrative Expenses

Net internal administrative expenses totaled \$589 million in 2016. This represents a utilization rate of 93% against the budget of \$636 million. ADB achieved savings of \$47 million



Welcome to the Asian Development Bank WWW Server!

ADB creates its first website, www.adb.org and establishes its first representative office in North America.



ADB declares poverty reduction as its overarching goal for the first time.

1995

1999

45



in 2016, through efficiency measures, close monitoring of budgetary resources, favorable external factors, and lower utilization in some budget items due to reprioritization.

The net internal administrative expenses budget for 2017 is \$647 million, a 3% increase on the 2016 budget. The 2017 budget will support the scaling up of operations, improving project and portfolio quality, building organizational resilience, and rolling out IT reforms. The 2017 annual capital budget of \$9.7 million will fund ADB's recurring capital requirements.

Strengthening Risk Management

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

In 2016, ADB paid particular attention to risk management issues associated with the merger of the lending operations of the ADF with the institution's OCR. While this merger will enable ADB to direct greater resources to the countries most in need, it has the potential to increase ADB's exposure to risk. During the year, ADB conducted an advance review of its prudential risk management policies to anchor its AAA credit rating, and prudentially increased developmental lending in anticipation of the ADF-OCR merger.

ADB continued to devote substantial resources to managing its credit, market, and operational risks. It also provided technical assistance

to regional financial institutions to expand their knowledge and capabilities in risk management.

Audit

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

In 2016, the office issued 16 audit reports, covering sovereign and nonsovereign operations, risk management, treasury, IT, and finance and administration. It also completed 11 advisory engagements on financial and operational controls of business units.

In July, the office hosted the inaugural meeting of heads of internal audit from the Association of Southeast Asian Nations' central banks. In August, it released a knowledge brief on an alternative approach to training for internal auditors in the public sector.

In September, the Institute of Internal Auditors (IIA) conducted an external quality assessment of the office to ensure that it conformed to IIA standards, to evaluate its effectiveness in carrying out its mission, and to identify opportunities to enhance its management and work processes. The assessment concluded that the office generally conforms to the IIA's definitions, standards, and code of ethics. Following the assessment, the office received the highest rating that can be given to an internal audit function.

Integrity and Anticorruption Activities

ADB's Office of Anticorruption and Integrity (OAI) conducts investigations, integrity due diligence, project procurement-related reviews, and outreach activities. Through these activities, OAI helps ensure that all ADB funds are utilized for their intended purposes.

In 2016, 138 entities were debarred for violating ADB's Anticorruption Policy. Enforcement of the policy acts as a deterrent to other entities.

OAI completed 7 reviews relating to project procurement and conducted 87 seminars and workshops for over 2,500 participants, as ADB continued to increase the knowledge and awareness of its stakeholders.

ADB updated its Anticorruption Policy to support global tax and financial developments by enhancing its role on tax integrity and helping DMCs meet international standards. This policy helps to safeguard ADB's projects and reputation.

ADB approved the establishment of a Respectful Workplace Unit to ensure a work environment that is considerate, inclusive, and diverse.

Administrative Services

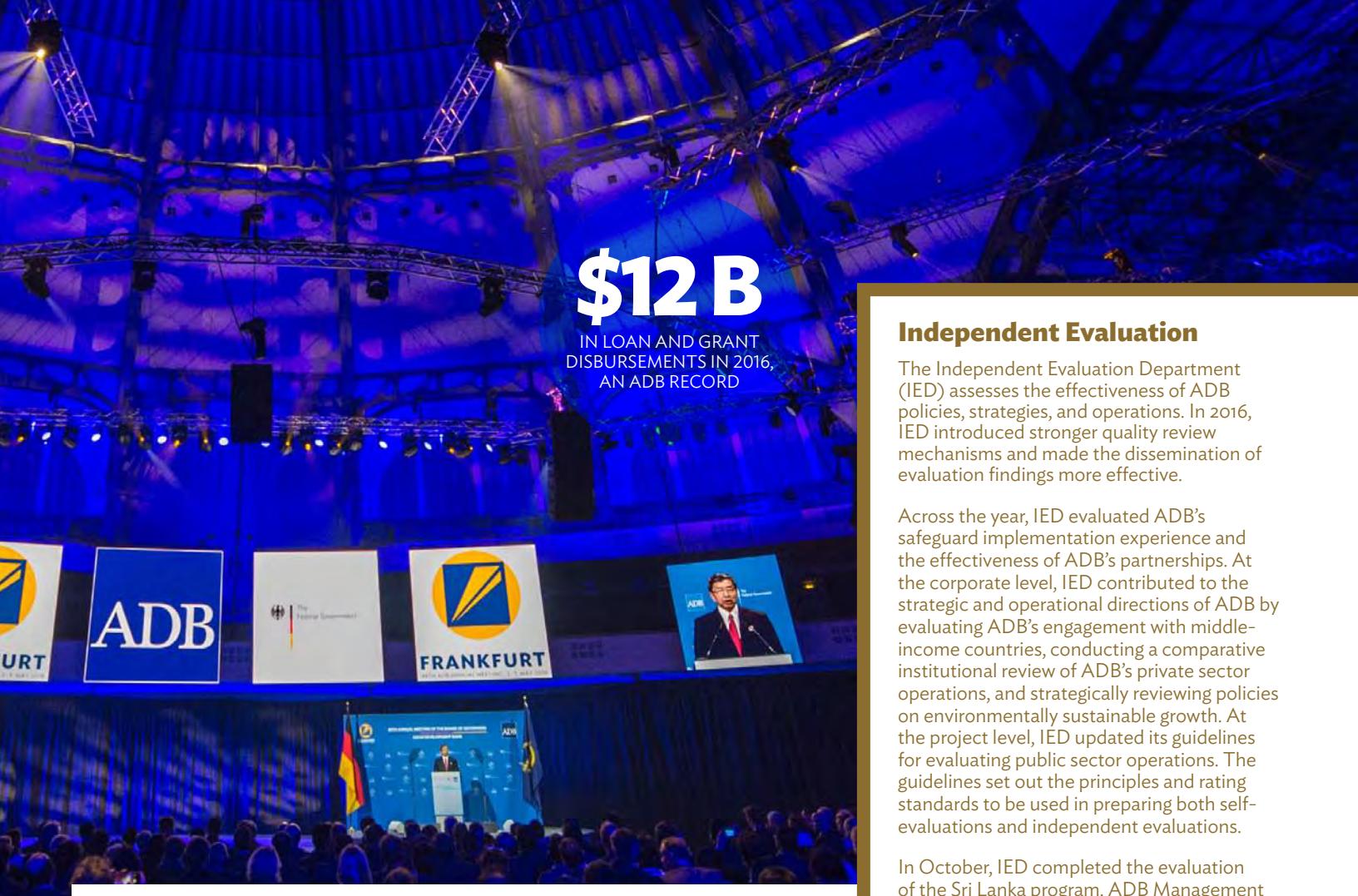
In June, ADB completed a review (with subsequent action plan) to enhance its business travel arrangements and processes. Implementing the action plan will help increase flexibility for travelers and improve the efficiency of travel processes. This will reduce the time



ADB establishes its first NGO center to cooperate with civil society.



ADB's first female Vice-President (Khempheng Pholsena) is appointed.



\$12 B

IN LOAN AND GRANT
DISBURSEMENTS IN 2016,
AN ADB RECORD

Independent Evaluation

The Independent Evaluation Department (IED) assesses the effectiveness of ADB policies, strategies, and operations. In 2016, IED introduced stronger quality review mechanisms and made the dissemination of evaluation findings more effective.

Across the year, IED evaluated ADB's safeguard implementation experience and the effectiveness of ADB's partnerships. At the corporate level, IED contributed to the strategic and operational directions of ADB by evaluating ADB's engagement with middle-income countries, conducting a comparative institutional review of ADB's private sector operations, and strategically reviewing policies on environmentally sustainable growth. At the project level, IED updated its guidelines for evaluating public sector operations. The guidelines set out the principles and rating standards to be used in preparing both self-evaluations and independent evaluations.

In October, IED completed the evaluation of the Sri Lanka program. ADB Management agreed on all recommendations for improving policy reform work in the infrastructure sectors, defining a strategy for inclusive growth, and increasing support for private sector development and the education sector. Over the year, IED also provided validations of country partnership strategy final reviews for Bangladesh, the Lao People's Democratic Republic, Myanmar, and Viet Nam. The findings fed into the preparation and design of country partnership strategies and operational plans.

In July, IED cohosted with the Lee Kuan Yew School of Public Policy an international learning event, held in Singapore, on cities and middle-income countries. The event attracted around 300 participants from 18 countries. Various high-profile speakers, including ADB President Takehiko Nakao, discussed solutions and policy responses to the challenge of rapid urbanization in Asia and the Pacific. In September, IED co-organized with the Asia-Pacific Finance and Development Institute the inaugural Asian Evaluation Week in Xi'an in the People's Republic of China. This event—which will be held again in 2017—highlighted the latest thinking on evaluation, including its use for better results and accountability.

spent by staff on travel arrangement and processing by around 1,000 working days every year.

In July, ADB introduced an organizational resilience framework to allow it to fulfill its core mission if a large disaster—natural or otherwise—occurs in Metro Manila. The framework outlines a set of actions from 2016–2021 to make ADB a more resilient organization. In 2016, ADB established an active disaster recovery site outside the Philippines to replicate key financial processes and data. Staff were trained to operate ADB's remote access capability to improve the organization's capacity to function during crisis. Staff and their families were briefed on preparing for a disaster, and emergency disaster kits were provided to staff at low rates.

In August, ADB initiated a new procurement policy for institutional goods and services. The policy moves from being based on compliance and rules to a risk and principles-

based approach, strengthening internal governance and efficiency. This is essential to modernizing ADB's institutional procurement and delivering IT reforms.

ADB is committed to environmentally sustainable operations and maintains its international certifications in energy management, environmental management, occupational health and safety, and business continuity. In December, ADB headquarters in Manila was recertified as gold standard for Leadership in Energy and Environmental Design (LEED) Existing Buildings Operations and Maintenance (EB+OM), while the India Resident Mission continues to maintain its LEED EB+OM gold standard. In 2017, ADB plans to purchase carbon credits to offset the CO₂ emissions it is unable to avoid.

Information Technology

ADB will soon harness new and creative technology solutions to develop a stronger, better, faster organization.



In 2016, ADB focused on modernizing its IT landscape, putting in motion ‘Real-Time ADB.’ This framework for IT reforms will create a more automated, efficient, productive, and resilient working environment across ADB operations. While implementation is expected to span the next 3 years, significant benefits were already realized in 2016. ADB now has better facilities for traveling staff, easier and expanded remote access to information systems, and use of advanced mobile devices.

IT operations achieved significant efficiency gains in 2016, with an 8% reduction in recurrent IT costs, while increasing fourfold the bandwidth of ADB field offices. Throughout the year, ADB further simplified its automated operation processes. DMCs now greatly benefit from the introduction of a web-based disbursement system, while jobseekers can now access a convenient, cloud-based e-recruitment system. ADB encouraged continued use of videoconferencing and internet-based communications to achieve further cost efficiencies. It also adjusted its financial systems to enable the ADF-OCR merger.



ADB becomes the first multilateral development bank to adopt a corporate results framework.

Mutual Understanding

ADB’s ombudsperson is a neutral, independent, and confidential resource available to all staff to resolve workplace concerns in an informal way. In 2016, more than 220 ADB staff members from headquarters and field offices contacted the ombudsperson to discuss workplace issues.

The ombudsperson provided feedback to ADB Management on workplace trends, visited eight field offices, facilitated numerous group meetings, and developed a forum for administrative staff. The ombudsperson also initiated a ‘blind lunch date’ program to enhance networking and staff information sharing. In September, the ombudsperson commissioned an evaluation of its effectiveness by the Harvard Negotiation & Mediation Clinical Program.

The ombudsperson also made presentations at meetings of the International Ombudsman Association in April, and the Mediators and Ombudsman of the United Nations and Related International Organizations in June.



A NEW BRAND OF LEADERSHIP AT ADB

To enhance the skills of its current and future leaders, ADB launched a suite of leadership development programs relevant to each management level in 2016. To set a benchmark for leadership performance, 24 heads and deputy heads of departments, 38 directors and country directors, and 199 staff with supervisory responsibility participated in tailored leadership training. The development programs will help existing leaders champion sustainable change and transform newer managers into effective leaders.



ADB issues thematic bonds for the first time (water and clean energy).

2016

ADB begins work on a new corporate strategy to guide its operations until 2030.

SPECIAL APPENDIX

IMPACT OF THE ADF-OCR MERGER AND ADB'S FINANCIAL STATEMENTS



COMBINATION OF OCR AND ADF RESOURCES

In 2014, ADB introduced a proposal to enhance ADB's financial capacity in a sustainable manner through more efficient and effective management of its capital resources. The proposal entailed combining Asian Development Fund (ADF) lending operations with ordinary capital resources (OCR) and retaining the ADF as a grant-only operation. ADB would continue concessional lending on the same terms and conditions as currently provided to ADF countries through the OCR window, while the ADF would continue to provide grant assistance.

In April 2015, the ADB Board of Governors adopted a resolution authorizing the termination of ADF's loan operations and the transfer of ADF's loans and other assets to OCR effective 1 January 2017 (the 2015 Resolution). This resolution was further amended in June 2016. Accordingly, on 1 January 2017, ADB transferred ADF loans and other assets totaling \$30,812 million from ADF to OCR. The transferred ADF assets composed of loans including accrued interest totaling \$27,088 million and liquid assets totaling \$3,724 million. The source of funding for ADF came from donor contributions, OCR net income transfer and set-aside resources.

The transfer of these assets was treated as a contribution from ADF to OCR and a return of the set-aside resources from ADF to OCR. This resulted in the recognition of one-time income of \$30,748 million in OCR and a return of the set-aside resources of \$64 million. The corresponding income recognized in OCR has been allocated to ordinary reserves as from 1 January 2017 following the adoption of Board of Governors Resolution No. 387.

Appendix Tables A1 and A2 show the summary effects of the transfer of certain ADF assets on 1 January 2017.

The proportionate interest of ADF donors in the transferred assets as of 1 January 2017, taking into account the value of paid-in donor contributions that have been made available for operational commitments which are deemed by ADB to be applied for the transferred assets, was determined in accordance with Article V of the Regulations of the Asian Development Fund. The value of each donor's paid-in contributions was fixed in US dollars based on the special drawing right value of each donor contribution as of 1 January 2017. This was then used to determine the sources of funds in the transferred assets on 1 January 2017, the date of the termination of the ADF loan operations and transfer of assets to OCR. Under the 2015 Resolution, the proportionate interest of an ADF donor will be taken into account in the event of the withdrawal of that donor from ADB and ADB's repurchase of its shares, and in the theoretical termination of ADB operations and liquidation of its assets. Appendix Table A3 shows the funding sources of the transferred assets.

Table A1: Asian Development Bank—Ordinary Capital Resources
Summary Statement of Effect of Asset Transfer from ADF
(\$ million)

	Balance as of 31 December 2016	Asset Transfer from ADF 1 January 2017	Balance as of 1 January 2017
Due from banks	661	0	661
Investments for liquidity purpose	26,025	3,696	29,721
Securities purchased under resale arrangements	102	12	114
Loans outstanding — Operations ^a			
Sovereign			
Regular	62,413	—	62,413
Concessional	—	27,025	27,025
Nonsovereign	62,413	27,025	89,438
5,186	—	—	5,186
	67,599	27,025	94,624
Equity investments—Operations	814	—	814
Other debt securities—Operations	150	—	150
Accrued interest receivable	387	79	466
Derivative assets	29,143	—	29,143
Other assets	973	—	973
TOTAL ASSETS	125,854	30,812	156,666
TOTAL LIABILITIES	108,640	—	108,640
EQUITY			
Capital Stock			
Subscription installments matured	7,154	—	7,154
Less – capital transferred to ADF and discounts	79	(64)	15
	7,075	64	7,139
Nonnegotiable, noninterest-bearing demand obligations on account of subscribed capital	(676)	—	(676)
	6,399	64	6,463
Net notional maintenance of value receivable	(1,474)	—	(1,474)
Ordinary reserve			
From ADF assets transfer	—	30,748	30,748
From retained earnings	12,211	—	12,211
Subtotal	12,211	30,748	42,959
Special reserve	340	—	340
Loan loss reserve	172	—	172
Surplus	1,065	—	1,065
Cumulative revaluation adjustments account	88	—	88
Net income after appropriation – 2016	(11)	—	(11)
Accumulated other comprehensive loss	(1,576)	—	(1,576)
TOTAL EQUITY	17,214	30,812	48,026
TOTAL LIABILITIES AND EQUITY	125,854	30,812	156,666

— = nil, 0 = amount less than \$0.5 million, ADF = Asian Development Fund.

Note: The undisbursed ADF loan balance as of 31 December 2016 of \$8,444 million was assumed by OCR on 1 January 2017.

^a Including net unamortized loan origination cost, allowance for loan losses and Heavily Indebted Poor Countries debt relief, and fair value adjustment.

Source: ADB Controller's Department.

Table A2: Asian Development Bank—Asian Development Fund
Summary Statement of Effect of Asset Transfer to OCR
(\$ million)

	Balance as of 31 December 2016	Asset Transfer to OCR 1 January 2017	Balance as of 1 January 2017
Due from banks	281	(0)	281
Investments for liquidity purpose	5,726	(3,696)	2,030
Securities purchased under resale arrangements	13	(12)	1
Loans outstanding—Operations ^a	27,306	(27,306)	—
Accrued interest receivable	87	(79)	8
Other Assets	172		172
TOTAL ASSETS	33,585	(31,093)	2,492
TOTAL LIABILITIES	2,637	—	2,637
FUND BALANCES			
Contributions received			
Contributed resources—net of unamortized discount	32,667	—	32,667
Set-aside resources	64	(64)	—
Transfers from OCR and TASF	1,703	—	1,703
	34,434	(64)	34,370
Nonnegotiable, noninterest-bearing demand obligations on account of contributions	(1,633)	—	(1,633)
Accumulated deficit			
From operations	(361)		(361)
From asset transfer to OCR		(31,029)	(31,029)
Subtotal	(361)	(31,029)	(31,390)
Accumulated other comprehensive loss	(1,492)	—	(1,492)
TOTAL FUND BALANCES	30,948	(31,093)	(145)
TOTAL LIABILITIES AND FUND BALANCES	33,585	(31,093)	2,492

— = nil, 0 = amount less than \$0.5 million, OCR = ordinary capital resources, TASF = Technical Assistance Special Fund.

^a Net of allowance for Heavily Indebted Poor Countries debt relief.

Source: ADB Controller's Department.

Table A3. Proportionate Share of Funding of the ADF Assets Transferred to OCR

Source of Funds in ADF	\$ million	%^a	Source of Funds in ADF	\$ million	%^a
Donor Contributions					
Australia	2,213	7.18	Malaysia	24	0.08
Austria	257	0.83	Nauru	0	0.00
Belgium	231	0.75	Netherlands	716	2.32
Brunei Darussalam	17	0.06	New Zealand	157	0.51
Canada	1,889	6.13	Norway	266	0.86
China, People's Republic of	84	0.27	Portugal	79	0.26
Denmark	242	0.79	Singapore	18	0.06
Finland	180	0.58	Spain	432	1.40
France	1,270	4.12	Sweden	436	1.42
Germany	1,679	5.45	Switzerland	359	1.17
Hong Kong, China	93	0.30	Taipei, China	90	0.29
India	24	0.08	Thailand	15	0.05
Indonesia	14	0.05	Turkey	114	0.37
Ireland	79	0.26	United Kingdom	1,440	4.67
Italy	1,099	3.57	United States	4,060	13.18
Japan	11,197	36.34	Subtotal	29,309	95.13
Kazakhstan	4	0.01	OCR Net Income Transfers	1,439	4.67
Korea, Republic of	484	1.57	Set-Aside Resources^b	64	0.20
Luxembourg	47	0.15			
Total				\$30,812	100.00

ADF=Asian Development Fund, OCR=ordinary capital resources

Note: 0 = \$0.3 million and 0.00 = 0.001%.

^a Determined from the special drawing right value of all contributions received, excluding unpaid installments and amounts withheld from pro rata exercise as of 31 December 2016 based on the exchange rate set forth in the relevant authorizing Resolution of the Board of Governors, in accordance with Article V of the Regulations of the Asian Development Fund

^b Based on Article 19.1 (i) of the Agreement Establishing the Asian Development Fund
Source: ADB Treasury Department.

ADB Through The Decades



1960s
Asia's Green Revolution



1970s
Rise of newly industrialized economies ("Four Asian Tigers")

1973
Oil Shock

1975
End of Viet Nam War

1979
Oil Shock

1989
APEC established

1980s
Asia's Miracle in full bloom



1990s
End of Cold War

1997–1998
Asian Financial Crisis



2000s
Emerging India and ascending PRC



2010s
Asia as engine of global growth

1970

1966
ADB established

1972
First ADB HQ inaugurated in Manila

1980

1982
First field office Dhaka

1990

1986
PRC joins ADB

1990
Central Asian Republics start to join ADB

2000

1999
Poverty reduction as overarching goal

2010

2008
Strategy 2020

2014
Midterm Review of Strategy 2020

INSTITUTIONAL



T. Watanabe
1966–1972



S. Inoue
1972–1976



T. Yoshida
1976–1981



M. Fujioka
1981–1989



K. Tarumizu
1989–1993



M. Sato
1993–1999



T. Chino
1999–2005



H. Kuroda
2005–2013



T. Nakao
2013–present

OPERATIONAL

1968
First loan, Thailand



1978
Lending reaches \$1 billion
First program loan, Bangladesh

1983
First direct equity investment, Republic of Korea



1986
First nonsovereign loan, Pakistan



1997–1999
Asian Financial Crisis support \$7.8 billion

1992
Greater Mekong Subregion program

2002
Operations in Afghanistan resume after 23 years



2005
First multitranche financing facility projects for Pakistan

Asian Tsunami Fund

2009
Countercyclical Support Facility

2013
First result-based lending, Sri Lanka



FINANCIAL

1971 GCI I
(General Capital Increase)

1973–1975 ADF I
1974 ADF established
(Asian Development Fund)

1976 GCI II

1976–1978 ADF II

1983 GCI III

1979–1982 ADF III

1983 GCI IV

1983–1986 ADF IV

1987–1990 ADF V

1992–1995 ADF VI

1994 GCI IV

1997–2000 ADF VII

2001–2004 ADF VIII

2005–2008 ADF IX

2009 GCI V

2009–2012 ADF X

2013–2016 ADF XI

2017–2020 ADF 12

1966

\$1 BILLION authorized capital
31 Members



\$143 BILLION authorized capital
67 Members | 31 Field offices

2016

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Every effort has been made to ensure the accuracy of the data used in this publication. Variations in data in ADB publications often result from different publication dates, although differences may also come from the source and interpretation of data. ADB accepts no responsibility from any consequence of their use.

By making any designation or reference to a particular territory or geographical area, or by using the term 'country' in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

In this publication, '\$' refers to US dollars.

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- Growth in Resident Missions and Authorized Staff Positions at Resident Missions

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We have had a long sleep. Asians have been all too ready to rest upon the laurels of a distinguished past ... But the time has come to roll up our sleeves and prepare to cultivate this new era of self-discipline.

Takeshi Watanabe, first ADB President, November 1966

Half a century later, the region's economic growth and success in reducing poverty have exceeded even the most optimistic forecasts. But we cannot be complacent. The fact remains that there are still 330 million people living in absolute poverty across Asia and the Pacific.

Takehiko Nakao, current ADB President, 2016 ADB Annual Report

