

ASIAN DEVELOPMENT BANK

ANNUAL REPORT

2013



PROMOTING ENVIRONMENTALLY SUSTAINABLE
GROWTH IN ASIA AND THE PACIFIC

ADB

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ADB

FIGHTING POVERTY, IMPROVING LIVES in Asia and the Pacific

WHO WE ARE

ADB is an international development finance institution. We provide loans, grants, and expertise to our developing member countries to help reduce poverty and create a world in which everyone can share the benefits of growth.

President
Takehiko Nakao
Headquarters
Manila, Philippines
Founded
1966

67 Members
48 Regional members
19 Nonregional members
32 Field offices
3,062 Total employees

We help to **DEVELOP**
the region and its people
through our support for...



What we promote

- Private sector development/operations
- Good governance and capacity development
- Gender equity
- Knowledge solutions
- Partnerships

Key areas of operation

- Infrastructure
- Environment, including climate change
- Regional cooperation and integration
- Finance sector development
- Education

WHY WE'RE NEEDED

2/3 of the **WORLD'S**
POOR live in Asia

733 MILLION people live on less than **\$1.25** a day

850 MILLION people lack access to safe drinking water

TWO BILLION people lack access to improved sanitation

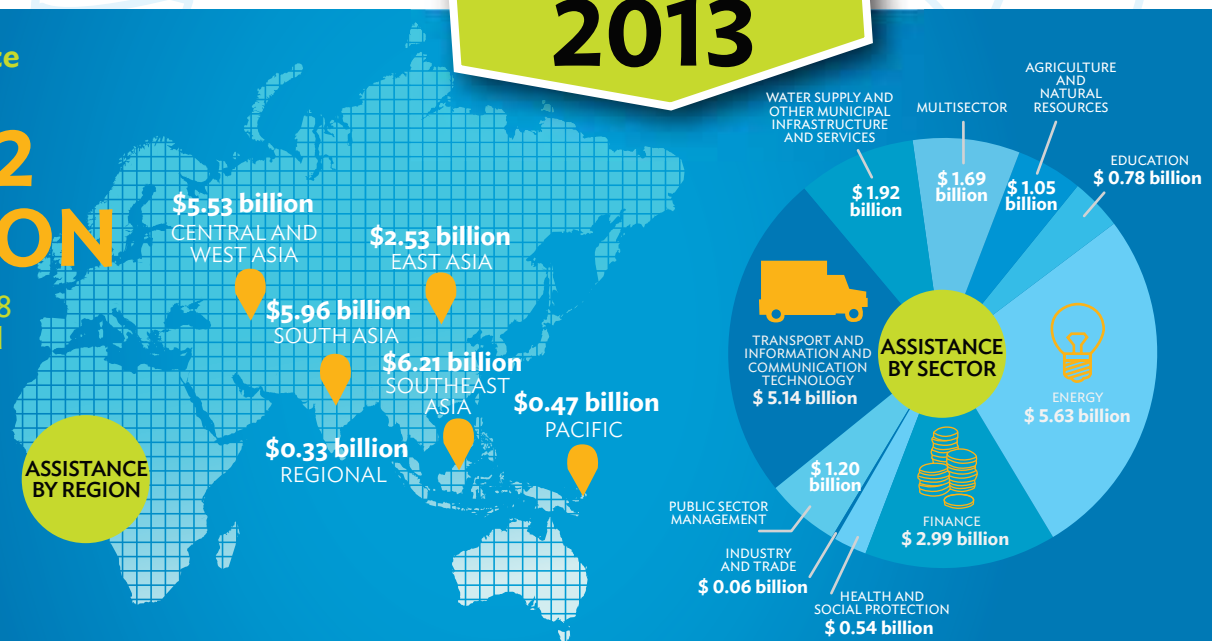
100 MILLION children under 5 are underweight
ONE child in 20 dies before reaching the age of 5

HOW WE HELPED IN 2013

ADB assistance totaled

\$21.02 BILLION

including \$14.38 billion financed by ADB and \$6.65 billion in cofinancing



118,000 KM Roads built or upgraded

32.9 MILLION TONS (carbon dioxide equivalent per year) Reduction of greenhouse gas emissions

2.1 MILLION Teachers trained*

A DECADE OF DEVELOPMENT RESULTS 2004-2013

4.9 MILLION Households connected to electricity

7.2 MILLION Microfinance loans accounts opened / end-borrowers reached

* This indicator was replaced in January 2013 with "Teachers trained with quality of competency standards (number)." Source: ADB's Strategy and Policy Department

ASIAN DEVELOPMENT BANK

ANNUAL REPORT 2013

PROMOTING ENVIRONMENTALLY SUSTAINABLE
GROWTH IN ASIA AND THE PACIFIC



PRESIDENT'S MESSAGE



Asia's development landscape has changed dramatically over the past several decades. Impressive growth has brought equally impressive poverty reduction, and raised many developing member countries of the Asian Development Bank (ADB) to middle-income status. Yet the region has a long way to go on its development journey. An estimated 733 million people still live on less than \$1.25 a day. A large proportion of the region's population lives on less than \$2 a day and remains highly vulnerable to external shocks. While incomes are increasing, so too are inequalities. Demographic shifts are bringing new challenges: Asian countries must find ways to generate good jobs for young people, provide for aging populations, increase women's participation in development, and help cities cope with the intense pressures brought about by rapid urbanization on housing, infrastructure, and public services.

As it continues to grow, Asia must increase its focus on environmentally sustainable development. The Asia and Pacific region is the fastest growing source of new greenhouse gas emissions in the world. Several of its countries are particularly vulnerable to climate change and natural hazards. Urban congestion, waste, and pollution have a serious impact on the health of the region's population. And food, energy, and water security are growing concerns to the region and the world. It is critical that we in Asia and the Pacific respond to these concerns by continuing to adopt "green growth" practices, responding to climate change, and building climate resilience into development projects.

ADB remains committed to supporting the development of Asia and the Pacific as it tackles these evolving challenges. This annual report highlights our contributions to inclusive, sustainable growth in 2013, with a special emphasis on the environment, and regional cooperation and integration. It also highlights ADB's support for private sector development—an increasingly important element in the region's growth.

In 2013, ADB committed a total of \$21.02 billion in development assistance, including \$14.38 billion from ADB and special funds; \$3.85 billion from official cofinancing partners; and \$2.80 billion from commercial cofinancing, public-private partnerships, and private sector operations. Given the region's large need for development finance, we will increase efforts to generate more investments through cofinancing and private sector operations.

At ADB's 46th Annual Meeting in Delhi in 2013, I announced a midterm review of ADB's Strategy 2020. The review has involved extensive consultations with government officials, civil society organizations, private sector institutions, and international development partners on ways that ADB can better meet the challenges of a transforming Asia and Pacific region. The review focuses on improving ADB operations, building skills, and providing better service to client countries. I look forward to working with all our development partners toward a better quality of life for all in Asia and the Pacific.

Takehiko Nakao
President and Chairman
Board of Directors



It is **critical** that we in Asia and the Pacific continue to **adopt green growth** practices, and **build climate resilience** into development projects.

— President Takehiko Nakao

MANAGEMENT TEAM



From top left: (Vice-Presidents) Bindu N. Lohani, Lakshmi Venkatachalam, Stephen P. Groff, Thierry de Longuemar, Bruce L. Davis, Wencai Zhang (succeeded Xiaoyu Zhao on 9 December 2013); (The Secretary) Marie-Anne Birken

POWER LINES CARRYING ELECTRICITY from Uzbekistan to Kabul pass over the high mountains of the Hindu Kush in Afghanistan, which is benefiting from an ADB-supported energy development investment program.

BOARD OF DIRECTORS

The [Board of Directors](#) is responsible for the overall direction of ADB, including the approval of policies, loans, grants, equity investments, and guarantees. As the representative of ADB shareholders, the Board plays a vital role in ensuring their guidance is implemented.

The Board analyzes ADB's annual financial statements, the budget and borrowing program, the work program and budget framework, and the salaries and benefits of staff. It approves the ADB budget and submits the accounts for each financial year for the approval of the Board of Governors at each annual meeting.

The Board meets as often as the business of ADB requires. In 2013, it held 48 formal meetings and 28 informal meetings, seminars, and briefings. The Board approved \$14.38 billion in loans, grants, equity investments, guarantees, and technical assistance. The Board's work is supported by six committees: Audit, Budget Review, Compliance Review, Development Effectiveness, Ethics, and Human Resources.

Board members visit developing member countries (DMCs) to observe ADB operations and to maintain close contact with government officials, other development stakeholders, and people who benefit from projects funded by ADB. In 2013, a group visited the [Lao People's Democratic Republic](#), [Malaysia](#), and [Myanmar](#) from 27 February to 12 March. Another group visited [Papua New Guinea](#) and [Solomon Islands](#) from 5 to 13 June. A third group visited the [Kyrgyz Republic](#) and [Uzbekistan](#) from 2 to 12 September.

Board members conduct additional visits throughout the year to consult with the governments of the countries they represent.

HIGHLIGHTS

In 2013, the Board considered several issues affecting the future strategic direction and resourcing of ADB. These issues included the midterm review of [Strategy 2020](#), ADB's sustainable level of lending, and its budget.

ADB initiated a midterm review of its long-term strategic framework, [Strategy 2020](#), to improve responsiveness and effectiveness. The Board welcomed the opportunity to meet with staff and Management in two informal Board sessions to discuss the review, which concludes in 2014. In addition, it facilitated consultations with its constituencies and participated in a retreat with Management in September for an in-depth discussion on the review findings and proposed strategic directions.

Throughout the year, the Board discussed and reviewed ADB's future lending capacity. Because of the sustained low global interest rate environment, ADB's investment income was lower than had been projected at the conclusion of the last general capital increase. The Board considered a number of measures aimed at enhancing ADB's overall lending capacity, including adjusting ADB's sovereign loan pricing.

Following the 3-year transformation exercise (2010–2012) in which ADB established 500 new staff positions to strengthen and realign its workforce to



RETURNING TO MYANMAR

In response to reforms initiated by the Government of Myanmar in 2012, ADB has begun to reengage with the country. In January, [Myanmar](#) settled in full its arrears owed to ADB since lending stopped in 1988, paving the way for the resumption of ADB involvement. Eleven of the 12 Directors visited the country and, in October, the Board approved the [establishment of the Myanmar Resident Mission](#) in Nay Pyi Taw, the capital, to deepen ties with the government and maximize the effectiveness of ADB operations.



From left to right: (front row, Directors) Micheline Aucoin; Anthony Baker; Jérôme Destombes; Siraj S. Shamsuddin; Umesh Kumar; Robert M. Orr; Kazuhiko Koguchi; Yeo Kwon Yoon; Bhimantara Widyajala; Maliami bin Hamad; Mario Sander; Zhongjing Wang; (back row, Alternate Directors) Christina Wedekull; Richard Sisson; René Legrand; Gaudencio Hernandez, Jr.; Iqbal Mahmood; Michael Strauss; Hideo Fukushima; M P D U K Mapa Pathirana; Dominic Walton-France; Khin Khin Lwin; Richard Edwards; Guoqi Wu.

implement [Strategy 2020](#), it is now in a more constrained budget environment. The Board and Management considered measures to improve ADB's effectiveness and to optimize the use of its limited resources. Board inputs helped to guide new measures adopted by Management to contain 2014 administrative expenses and maximize efficiencies, including reforms to business travel arrangements.

To support ADB's efforts to sharpen its corporate performance, the Board approved revisions to ADB's results framework—a performance management tool adopted in 2008 to achieve the goals of [Strategy 2020](#). It also approved a new results-based lending modality to support government-owned sector programs and link disbursements directly with the achievement of program results.

The Board endorsed ADB's Work Program and Budget Framework 2014–2016, and the 3-year rolling work program and 2014 budget of the ADB Institute.

As part of the discussions on the 2014 budget, the Board sought a more integrated

approach for reviewing ADB's lending capacity, operations, budget, and salaries and benefits. As a result, the President will introduce an iterative financial operations and budget planning process in 2014 to allow the Board to analyze these issues more comprehensively.

Country Partnership Strategies

The country partnership strategy maps out ways for ADB to assist most effectively its developing member countries, given each country's challenges and priorities. It also enables ADB to evaluate its development performance over the strategy period. In 2013, the Board endorsed country partnership strategies for [India](#), the [Kyrgyz Republic](#), [Nepal](#), and [Thailand](#), and provided guidance on the draft strategy for [Azerbaijan](#).

Typhoon Yolanda

In November, Typhoon Yolanda (internationally called Haiyan), killed and injured thousands, displaced over a million, and destroyed homes and infrastructure in the Philippines. ADB responded swiftly. The Board promptly approved a \$20 million

grant from the [Japan Fund for Poverty Reduction](#) to provide emergency support, an immediate \$3 million grant from the [Asia Pacific Disaster Response Fund](#) to help restore life-saving services, a loan of \$500 million for rehabilitation and reconstruction, and an additional loan of \$372.1 million to restore basic social services in severely affected areas. (See [Swift Response to Super Typhoon](#), page 14.) ■

FINANCIAL HIGHLIGHTS

APPROVALS BY FINANCING SOURCE, 2013

ORDINARY CAPITAL RESOURCES

\$10,363 MILLION

SPECIAL FUND RESOURCES

\$4,012 MILLION

DIRECT VALUE-ADDED COFINANCING

\$6,648 MILLION

FINANCIAL OPERATIONS

In 2013, ADB's operations totaled \$21.02 billion, of which \$14.38 billion was financed by ADB's ordinary capital resources (OCR) and Special Funds resources and \$6.65 billion by cofinancing partners.

Sovereign operations, including official and technical assistance cofinancing, totaled \$16.48 billion. Nonsovereign operations, including cofinancing, totaled \$4.54 billion. Disbursements totaled \$8.54 billion, a decrease of \$49.98 million (0.58%) from 2012.

(\$ million)	2009 ^a	2010 ^a	2011 ^a	2012 ^a	2013
Sovereign	16,911	14,813	14,970	13,432	16,482
Loans	12,778	10,410	10,580	10,461	11,768
Equity	–	–	150	–	–
Grants ^b	924	952	614	670	849
Guarantees	–	200	–	–	–
Technical Assistance	191	171	137	146	150
Direct Value-Added Cofinancing ^c	3,019	3,081	3,489	2,155	3,715
Official Cofinancing	2,958	2,933	3,279	2,009	3,438
Technical Assistance Cofinancing	61	148	210	146	277
Nonsovereign	3,421	3,472	5,794	7,862	4,541
Loans	438	815	1,250	1,007 ^d	1,425
Equity	220	235	64	131	142
Guarantees	–	190	267	403	35
Supply Chain Finance ^e	–	–	–	200	–
Trade Finance Program	850	–	–	–	–
Technical Assistance	12	2	9	5	6
Direct Value-Added Cofinancing ^c	1,901	2,230	4,205	6,117	2,933
Official Cofinancing	–	–	–	19	135
Commercial Cofinancing	1,900	2,229	4,204	6,097	2,797
B loans	220	200	200	200 ^f	220 ^f
Parallel Loans	417	479	1,623	3,341	109
Trade Finance Program	1,263	1,549	2,381	2,344	2,279
Cofinancing	–	–	–	–	–
Guarantee Cofinancing ^g	–	–	–	87	75
Risk Transfer ^h	–	–	–	126	113
Technical Assistance	1	1	1	0	1
Cofinancing	–	–	–	–	–
TOTAL	20,332	18,285	20,764	21,294	21,023

– = nil, 0 = less than \$500,000.

Note: Totals may not add up because of rounding.

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

^b Refer to investment grants.

^c In 2011, the definition of direct value-added (DVA) commercial cofinancing was clarified by providing detailed criteria for qualification of DVA cofinancing. The figures for 2009–2013 reflect the new definition.

^d Includes \$35 million investment in debt securities.

^e Supply Chain Finance is a program that provides guarantees and loans (both without government guarantee) through partner financial institutions to support payments to suppliers and distributors of goods in ADB's developing member countries.

^f Includes US dollar and local currency complementary loans.

^g For loans provided by third parties and not fully guaranteed by ADB such as partial credit guarantees or partial risk guarantees, the portion of loans that is not guaranteed by ADB is considered as net DVA cofinancing and reported in the year of signing the guarantee agreements.

^h This refers to the amount of ordinary capital resources allocation relief as a result of risk transfer arrangements, whereby a third party assumes risk under a guarantee or loan provided by ADB. The amount of allocation relief depends on the risk rating and nature of the counterparty.

AVAILABLE RESOURCES

Authorized and subscribed capital stock amounted to \$163.84 billion and \$162.81 billion, respectively. Other resources in OCR in the form of revenue and net realized gains amounted to \$1.23 billion, of which \$645.73 million was generated from the loan portfolio, \$351.43 million from the investment portfolio, and \$231.59 million from equity investment and other sources. Resources in the form of contributions and revenue in ADB's Special Funds totaled about \$4.46 billion. These mainly included the [Asian Development Fund](#) of \$4.04 billion, the Technical Assistance Special Fund of \$380.86 million, the Asian Development Bank Institute Special Fund of \$13.57 million, the Regional Cooperation and Integration Fund of \$6.03 million, the Climate Change Fund of \$9.06 million, and the Financial Sector Development Partnership Special Fund of \$7.14 million.

ADB also raised \$11.98 billion in medium- and long-term funds through public bond issues and private placements in

10 currencies. Public offerings amounted to \$10.08 billion and private placements totaled \$1.90 billion. Of the public offerings, \$5.50 billion was raised through three US dollar global fixed rate benchmarks, the remainder through issuance across various markets including Australian dollar, Brazilian real, New Zealand dollar, pound sterling, and US dollar floating rate notes. Among its private placement offerings, ADB continued to issue thematic bonds, raising \$233.85 million from its sale of clean energy bonds and \$119.19 million from its sale of water bonds, bringing the cumulative thematic bonds issuance to date to about \$1.88 billion equivalent. ADB also issued a Singapore dollar-denominated bond under the Asian Currency Note Programme amounting to \$500 million (\$402.45 million equivalent) at 1.027% due 2018. In addition, ADB raised \$2.52 billion of short-term funds under its Euro-Commercial Paper (ECP) Program. At the end of 2013, only \$750 million of ECP borrowings remained outstanding. ■

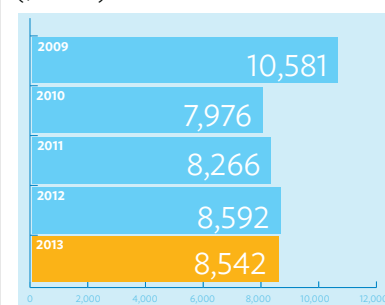
(\$ million)	2009	2010	2011	2012	2013
Ordinary Capital Resources					
Authorized Capital	166,179	163,843	163,336	163,512	163,840
Subscribed Capital	60,751	143,950	162,487	163,129	162,809
Paid-in Capital and Reserves	15,176 ^a	15,878	16,534	16,420	17,138
Outstanding Debt	42,063	51,822	58,257	64,762 ^b	61,615
Asian Development Fund	31,973 ^c	32,651	33,055	33,346	33,359

^a Includes reclassification relating to Due from Members of \$142 million as of 31 December 2009 from Assets to Capital and Reserves under Nonnegotiable, Noninterest-Bearing Demand Obligations on Account of Subscribed Capital.

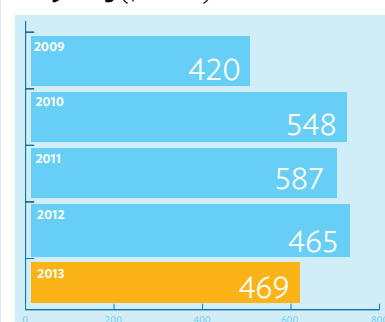
^b From 2012 onward, amount includes accrued interest and commission.

^c Includes reclassification relating to Due from Contributors of \$2,186 million as of 31 December 2009 from Assets to Fund Balances under Nonnegotiable, Noninterest-Bearing Demand Obligations on Account of Contribution.

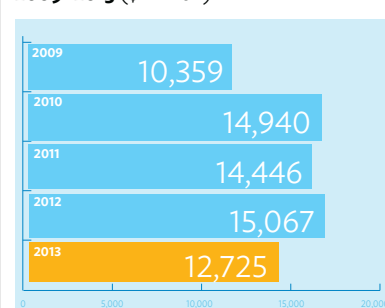
Total Disbursements, 2009–2013
(\$ million)




Operating Income (Ordinary Capital Resources), 2009–2013 (\$ million)



Borrowings (Ordinary Capital Resources), 2009–2013 (\$ million)



A young boy and a woman are looking at a water tap. The boy is smiling and looking at the camera, while the woman is looking down at the water. The water is flowing from the tap. The background is blurred.

We thank ADB for its timely assistance in transport, energy, agriculture, and the social sectors, which has **helped reduce our people's isolation** and improve access to electricity, water supply, and social services. The government values its partnership with **ADB**, which is based on **trust and respect**.

— Matlubkhon Davlatov, First Deputy Prime Minister in 2013,
Government of Tajikistan

RESPONDING TO THE NEEDS OF ASIA AND THE PACIFIC

The Asia and Pacific region contributes about one-third of global output and over half of global economic growth. Growth in the region is forecast to grow moderately at an average of 6.3% in 2014–2015.

While fast growth has helped substantially in reducing income poverty and propelled most ADB developing member countries (DMCs) into middle-income status, the region remains home to about two-thirds of the world's poor. Despite early achievement of the first Millennium Development Goal target of halving the number of people in extreme poverty, 733 million in the region still live on less than \$1.25 a day, while 1.6 billion survive on less than \$2 a day. Inequality, as indicated by disparities in access to basic services and other factors, is increasing.

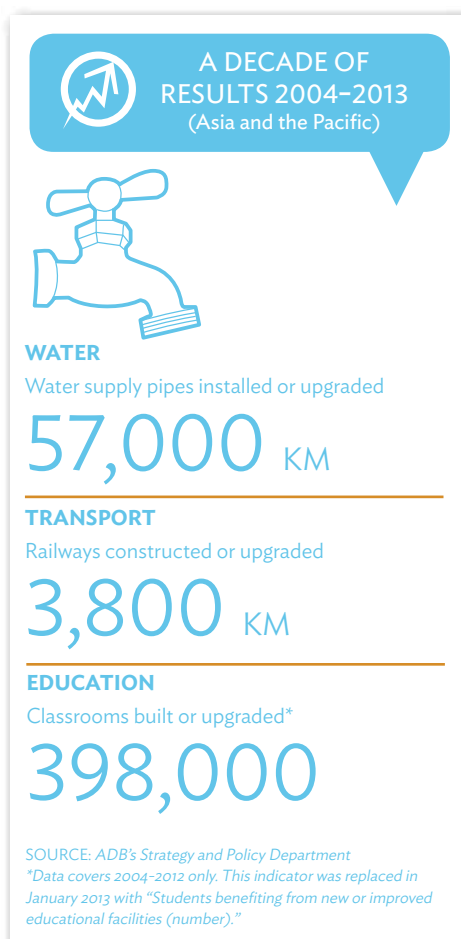
ADB's long-term strategic framework, *Strategy 2020*, adopted in 2008, focuses on promoting inclusive economic growth, environmentally sustainable growth, and regional integration. ADB operations are concentrated in *Strategy 2020*'s five core areas: infrastructure, environment, regional cooperation and integration, finance sector development, and education. Selective operations in other areas such as health, agriculture, and disaster and emergency are conducted in close partnership with other agencies.

STRATEGIC FOCUS

In 2013, ADB strengthened its approach to support **inclusive economic growth**. It revised its corporate results framework to include several new indicators to measure its contribution to the three pillars of inclusive economic growth: high and sustainable growth to create and expand economic opportunities, including jobs; broader access to economic opportunities; and the provision of adequate social protection for the poor and disadvantaged. It issued guidelines for stronger integration of inclusive economic growth into country partnership strategies (CPSs). The CPSs approved in 2013 for [India](#), the [Kyrgyz Republic](#), [Nepal](#), and [Thailand](#) incorporated inclusive growth indicators.

ADB's financing operations also increased their emphasis on inclusive economic growth. Infrastructure investments focused primarily on the first two pillars of inclusive growth. They helped to create and expand economic opportunities, including jobs, and improved access to basic services, including electricity, water supply and sanitation, and education and health.

ADB operations, particularly in the infrastructure sector, continued to emphasize **environmental sustainability**, the theme of this report. A new operational



AFFORDABLE ENERGY FOR THE POOR: A TRIPLE CHALLENGE

To address the triple challenge of supply security, environmental sustainability, and affordable access, developing Asia must contain its rising energy demand, aggressively explore new supply sources and technology, and progressively integrate regional energy markets and infrastructure. *Asian Development Outlook 2013: Asia's Energy Challenge* has been one of ADB's most-read publications. Read it at adb.org/publications

plan, ADB's environment operational directions (2013–2020), approved in 2013, clarified ADB's strong commitment to this strategic priority.

In continuing its strong support for **regional cooperation**, ADB operations focused primarily on infrastructure development, financial cooperation, and regional public goods. Investments in transport were complemented by initiatives in trade facilitation.

SECTOR HIGHLIGHTS

In supporting **clean energy** investments in 2013 (see *Enhancing Support for Green Growth*, opposite), ADB provided its first loans to privately owned power distribution companies in [India](#) to develop renewable and clean power. And in [Armenia](#), it promoted the use of natural gas as a cleaner fuel and helped rehabilitate a hydropower station.

[Facility](#) provided \$52 million for 25 projects that included 1 guarantee, 9 technical assistance grants, 8 investment grants, and 7 direct charge activities. These investments are expected to deliver greater coverage and access to improved infrastructure and services in drinking water, sanitation, transport, and solid waste management for about 200 million people.

In the **water** sector, ADB approved \$2 billion in projects relating to water and sanitation, irrigation and drainage, and river basin management. In 2013, ADB entered into a partnership with the Bill and Melinda Gates Foundation to establish the \$15 million Sanitation Financing Partnership Trust Fund under the [Water Financing Partnership Facility](#), to scale up investment in non-sewered sanitation management.

Through its nonsovereign operations, ADB provided a loan for water supply in [Indonesia](#) to help produce and distribute clean water. It also provided several nonsovereign loans in the [PRC](#) to build, repair, or rehabilitate water distribution facilities and to finance technology to reuse wastewater. This will benefit close to 10 million people.

In the **education** sector, investments in 2013 amounted to \$644 million, of which 35% financed technical and vocational education and training and skills development initiatives, including new projects in the [PRC](#) and [India](#). ADB also launched a major partnership initiative for innovation in education in the region, and approved its first results-based lending program—Sri Lanka's Education Sector Development Program.

In the **finance** sector, 2013 operations focused on infrastructure finance in [Bangladesh](#) and [India](#), and expanded access to finance in [Kazakhstan](#), [Mongolia](#), and [Tajikistan](#). ADB also provided financial intermediation loans to private banks to expand access to finance for small and medium-sized enterprises in [Azerbaijan](#), [Cambodia](#), [Georgia](#), [Mongolia](#), and [Sri Lanka](#), and supported \$4 billion of trade through its ongoing trade facilitation program. With regard to regional activities, ADB continued to support the development of a regionally standardized bond issuance framework in the [Association of Southeast Asian Nations \(ASEAN\)](#), the [PRC](#), Japan, and

FAST FACT

ADB's clean energy investments reached **\$2.35 billion** in 2013

In the **transport** sector, a number of ADB operations included road programs that benefit lagging areas such as rural districts in [India](#), [Indonesia](#), and [Sri Lanka](#). Transport operations included a renewed emphasis on road maintenance. ADB also reviewed road asset management practices and initiated work on a knowledge product to share cross-regional lessons from the review. It emphasized the environmental quality and social sustainability of road investments, while targeted technical assistance in South Asia and Southeast Asia included an increased focus on road safety.

ADB provided its first nonsovereign loan for clean transportation, supporting financial leasing companies in the [People's Republic of China \(PRC\)](#) in providing leases for energy-efficient buses.

Urban operations focused on promoting green, competitive, and inclusive cities. ADB provided \$140 million for the Urban Climate Change Resilience Trust Fund to strengthen resilience in secondary cities in Asia. The [Urban Financing Partnership](#)



PROMOTING
ENVIRONMENTALLY
SUSTAINABLE
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THE PACIFIC

ENHANCING SUPPORT FOR GREEN GROWTH

ADB's *Environment Operational Directions 2013–2020* identifies four mutually supportive operational directions: promoting a shift to sustainable infrastructure, investing in natural capital, strengthening environmental governance and management capacity, and responding to climate change.

In 2013, ADB's clean energy investments reached \$2.35 billion. They will provide 1,390 megawatts of renewable energy generation capacity, save 1.987 terawatt-hours of electricity and 4,691 terajoules in fuel per year, and reduce annual greenhouse gas emissions by 7.06 million tons of carbon dioxide equivalent. Its first urban transport project, the Lanzhou bus rapid transit system, commenced in the People's Republic of China.

ADB continues to be a partner in regional cooperation initiatives on sustainable management of critical ecosystems. For example, it initiated assessments such as forest-cover mapping and land-use modeling in the Greater Mekong Subregion to help decision makers understand the economic value of natural resources. Under an initiative to protect reefs and fisheries in Southeast Asia's Coral Triangle, technical assistance projects helped local communities to manage marine-protected areas.

ADB supported activities that strengthened country safeguard systems in 15 developing member countries and worked with the Asian Environmental Compliance and Enforcement Network and the Asian Judges Network on Environment to help implement environmental laws in the region. It prepared good practices guidance on air quality monitoring in Asian cities in partnership with Clean Air Asia.

ADB established a comprehensive framework for managing climate risks in infrastructure projects and continued to help build a regional climate projections consortium and data facility that will deliver robust climate data and projections.

It also approved four new Global Environment Facility (GEF) grants in 2013. Under an ADB-led sustainable transport and urban development program, the GEF approved a \$2.5 million grant for sustainable transport in Jiangxi Province.

ADB delivered a variety of knowledge products and services on building resilience, accelerating energy efficiency, and examining the economics of climate change in East Asia. It issued its fourth *Sustainability Report*. ADB also launched the flagship regional knowledge sharing course for its developing member countries, Asia Leadership Program on Sustainable Development and Climate Change, which included environmental sustainability as a key component. With several partners, it held regional knowledge-sharing events that included workshops on scaled-up climate financing, the 8th Asia Clean Energy Forum, the Second High-Level Workshop on Inland Waterway Transport, the Third Asia-Pacific Climate Change Adaptation Forum, and the Asia Low Emission Development Strategies (LEDS) Partnership Forum – Putting LEDS into Practice.



A DECADE OF RESULTS 2004–2013 (Asia and the Pacific)

FINANCE

Small and medium-sized enterprise loan accounts opened / end borrowers reached

453,000

WATER

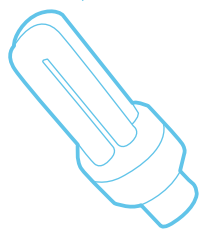
Land improved through irrigation services, drainage, and flood management

15.9 MILLION HECTARES

ENERGY

Transmission lines installed or upgraded

31,000 KM



SOURCE: ADB's Strategy and Policy Department

the Republic of Korea ([ASEAN+3](#)); the establishment of a regional infrastructure bond fund; and integration of ASEAN banking and capital markets.

In 2013, **health** sector operations included initiatives to extend health services to ethnic, poor, and marginalized populations in the [Lao People's Democratic Republic](#) (Lao PDR), [Mongolia](#), [Myanmar](#), [Pakistan](#), [Tajikistan](#), and [Viet Nam](#). ADB launched its first private sector operation in health, establishing a Health Equity Fund to encourage further development of the sector. In addition, ADB established the Regional Malaria and Other Communicable Disease Threats Trust Fund under the new [Health Financing Partnership Facility](#), with the first contribution from the United Kingdom.

ADB supported the **agriculture** and natural resources sector through \$694.62 million in loans, \$183.32 million in grants, and \$36.48 million in technical assistance. Projects focused on improving agricultural infrastructure, managing watershed and water resources, conserving biodiversity, developing agribusiness, and building climate resilience. ADB supported rural financial inclusion in [Azerbaijan](#) and helped improve access to credit for rural dairy farmers in [Pakistan](#). It also provided loans for cold chain infrastructure in [India](#) and food processing facilities in [Kazakhstan](#).

Given the region's growing population, volatile food prices, scarce resources, and climate change challenges, ADB

sector (2014–2020) to address these challenges.

ADB approved a **social protection** development project in [Pakistan](#) to expand cash transfers to poor households, including those led by women, and developed a new Social Protection Index to help DMCs monitor their expenditure on social protection programs, and the programs' impact. It also approved a new social protection operational plan to guide its investments and knowledge work on social protection, and provided grants to assist communities affected by Typhoon Yolanda (Haiyan) in the Philippines. (See *Swift Response to Super Typhoon*, page 14.)

ADB extended technical assistance for a new pilot initiative in [Bangladesh](#)—a crop insurance scheme to protect small farmers—and interventions to improve the capacity of social workers on social assistance in the [PRC](#), and strengthen Mongolia's health insurance system.

In 2013, ADB provided assistance to reduce disaster risk and support the recovery and reconstruction of disaster-affected communities. Its post-disaster assistance included grants totaling \$6.5 million to [Cambodia](#), the [Marshall Islands](#), [Palau](#), and the [Philippines](#) under the [Asia Pacific Disaster Response Fund](#); a loan of \$8.21 million to [Samoa](#) under the [Asian Development Fund](#) Disaster Response Facility; and a comprehensive package to the Philippines for Typhoon Yolanda (Haiyan) recovery work.

THEMATIC HIGHLIGHTS

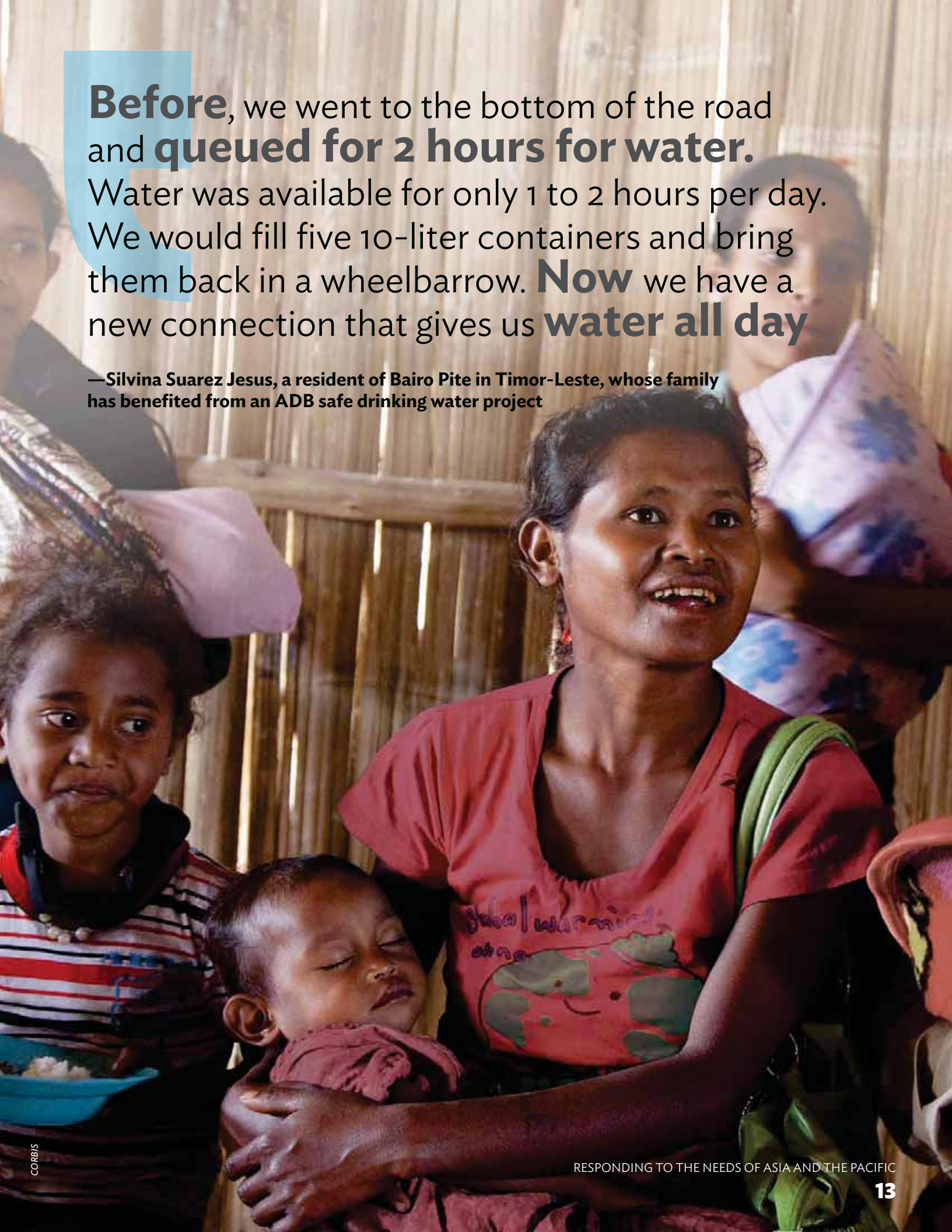
Launched in 2013, ADB's **Gender Equality and Women's Empowerment Operational Plan, 2013–2020** aims to deliver better gender equality results from its operations. About 55% of all operations and 59% of [Asian Development Fund](#) projects were gender mainstreamed.

These initiatives helped support access to secondary and technical vocational education and training in the [PRC](#), [India](#), and [Nepal](#); cut women's "time poverty" through the provision of basic infrastructure such as clean water, sanitation, and rural infrastructure across the region; and expanded economic opportunities for women in [Indonesia](#),

FAST FACT

In 2013, ADB reviewed its **agriculture strategy** to strengthen its commitment to regional **food security**

reviewed its strategy for agriculture to ensure its continued strong contribution to inclusive growth and food security. It prepared an operational plan for the agriculture and natural resources

A photograph of a woman in a red t-shirt smiling and holding a sleeping baby. To her left, a young girl in a striped shirt looks towards the camera. The background is a wooden structure.

Before, we went to the bottom of the road and **queued for 2 hours for water.**

Water was available for only 1 to 2 hours per day. We would fill five 10-liter containers and bring them back in a wheelbarrow. **Now** we have a new connection that gives us **water all day.**

—Silvina Suarez Jesus, a resident of Bairo Pite in Timor-Leste, whose family has benefited from an ADB safe drinking water project



SWIFT RESPONSE TO SUPER TYPHOON

One of the most powerful storms on record, Typhoon Yolanda (Haiyan), struck the Philippines on 8 November, claiming over 6,000 lives, inflicting catastrophic damage and gaining widespread international attention. The typhoon caused over \$13 billion of infrastructure and agricultural losses in the central and southern regions. Three weeks earlier, a 7.2 magnitude earthquake in the central region killed over 220 people, injured nearly 1,000, and damaged or destroyed thousands of buildings.

ADB provided nearly \$900 million in assistance for immediate recovery efforts and long-term reconstruction and rehabilitation. ADB's assistance will help rebuild critical social infrastructure such as schools and clinics, as well as restore different sources of income in rural communities. It will also build the capacity of local governments to implement risk-sensitive land-use planning and disaster preparedness in anticipation of future calamities. ADB also supported the government in assessing damages, losses, and needs across various sectors. ADB's work is centered around Reconstruction Assistance on Yolanda, the government's strategic plan for recovery and reconstruction, which coordinates assistance from all its partners.

Kazakhstan, the [Lao PDR](#), [Nepal](#), [Uzbekistan](#), and [Viet Nam](#).

ADB projects also reduced women's vulnerability to climate change, crises, and other risks in [Cambodia](#), the [PRC](#), [Indonesia](#), [Nepal](#), and [Tajikistan](#); and increased women's influence in decision making in [Bangladesh](#), [Cambodia](#), [India](#), the [Lao PDR](#), the [Philippines](#), and [Sri Lanka](#).

ADB continued to increase its support for **private sector development** and private sector operations in 2013, including promotion of public-private partnerships in its operations. The support included capacity development and training, policy advice, preparing and developing projects for private participation, and delivering financial assistance to targeted sectors. (See *Developing the Private Sector*, page 37.)

LEVERAGING ADB RESOURCES

To maximize its development impact, ADB increased its efforts to boost investments through cofinancing and private sector operations. Guided by [Strategy 2020](#), ADB has been intensifying its efforts to ensure cofinancing exceeds the value of its own project financing. It has also been increasing its nonsovereign operations, so that by 2020 they will account for 25% of ordinary capital resource approvals. In 2013, ADB's own funding of \$14.38 billion leveraged \$6.65 billion of direct value-added cofinancing. This was made up of 42% commercial cofinancing and 58% official cofinancing.

Official cofinancing. Despite fiscal strains in many donor countries, ADB received a record level of commitments in 2013 for grants and concessional loans, totaling \$3.85 billion from development partners to cofinance 45 investment projects and 163 technical assistance projects. In cooperation with Canada and the United Kingdom, and the Bill and Melinda Gates and Rockefeller foundations,

ADB established five new trust funds to promote integrated regional disaster risk management, private investment in climate mitigation and adaptation, innovative sanitation solutions, health initiatives, and urban climate change resilience. Framework agreements signed by ADB with the [Eurasian Development Bank](#) and [Agence Française de Développement](#) will make available \$2 billion for cofinancing ADB projects in 2013–2016.

Commercial cofinancing, public-private partnership, and private sector operations. ADB continued to support financial intermediaries to advance financial inclusion, and to finance private sector projects emphasizing renewable and clean energy. ■



ECONOMICS OF CLIMATE CHANGE IN EAST ASIA

Launched in October 2013, the book examines how strategies for adapting to climate change up to 2050 can be combined with measures to reduce greenhouse gas emissions, and estimates costs for mitigation options in various sectors and policies including regional carbon markets. The book was then launched in Beijing, Seoul, Tokyo, and Ulaanbaatar, and presented at a United Nations conference on climate change in Warsaw. Read it at adb.org/publications



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SUPPORTING CLIMATE-FRIENDLY INVESTMENTS

In helping developing member countries address the causes and consequences of climate change, ADB mobilized finance for capacity building, knowledge development, enabling plans and policies, and climate-smart investments.

In 2013, ADB approved \$3.4 billion of climate financing, with its own resources providing \$2.9 billion and external resources contributing \$435 million. External resources included multilateral funds such as the Climate Investment Funds and the [Global Environment Facility](#), and ADB-managed trust funds including the [Clean Energy Financing Partnership Facility](#) and carbon funds.

Of the approved financing, \$2.4 billion is expected to contribute to mitigating climate change and \$966.6 million to adaptation. Approved mitigation projects include solar and wind power generation, energy efficiency, waste-to-energy, rail, urban mass transport, forest conservation, and watershed management. Adaptation finance will support flood and drought management, climate-proofing infrastructure, and mainstreaming climate resilience in planning. Pilot programs for climate resilience are being implemented in [Bangladesh](#), [Cambodia](#), [Nepal](#), [Papua New Guinea](#), [Samoa](#), [Tajikistan](#), [Tonga](#), and the Pacific region.

ADB also continued to mobilize private capital for climate-friendly investments. About \$670 million of its mitigation investments in 2013 supported private sector clean energy projects. It also established the \$81.5 million [Canadian Climate Fund for the Private Sector in Asia](#) that will blend concessional resources with ADB's private sector operations for both mitigation and adaptation.

Additional concessional financing raised by ADB for adaptation through the [Urban Climate Change Resilience Trust Fund](#) and [Integrated Disaster Risk Management Fund](#) will provide about \$140 million from the Department for International Development of the United Kingdom and the Rockefeller Foundation, and \$9.7 million from the Government of Canada. ADB replenished its own [Climate Change Fund](#) with \$9 million.

CENTRAL AND WEST ASIA

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

The region's economic outlook stayed broadly favorable in 2013. Inflationary pressures remained subdued, largely as a result of stable international food and fuel prices. Economic growth reflected the performance of the region's main trading partners—the eurozone, the People's Republic of China (PRC), and the Russian Federation. Meeting energy needs remains a major concern for the region, as ongoing electricity shortages in Pakistan and Tajikistan demonstrate.

Some countries recorded relatively strong economic performance on the back of higher public investment, stronger gold production, and robust remittance inflows. Azerbaijan, whose economy expanded by 4% in 2013, benefited from good results in the non-oil sector and public investment. The Kyrgyz Republic grew at 7.5% compared with -0.9% in the previous year, while Tajikistan's growth rate remained comparatively high at 7%, stimulated by remittances.

Many member countries continue to face challenges linked to an overreliance on commodities and an economic base that needs diversification. Azerbaijan and Kazakhstan, for instance, have oil- and gas-based economies, while the Kyrgyz Republic relies heavily on gold. Policy challenges include maintaining macroeconomic stability, strengthening competitiveness and

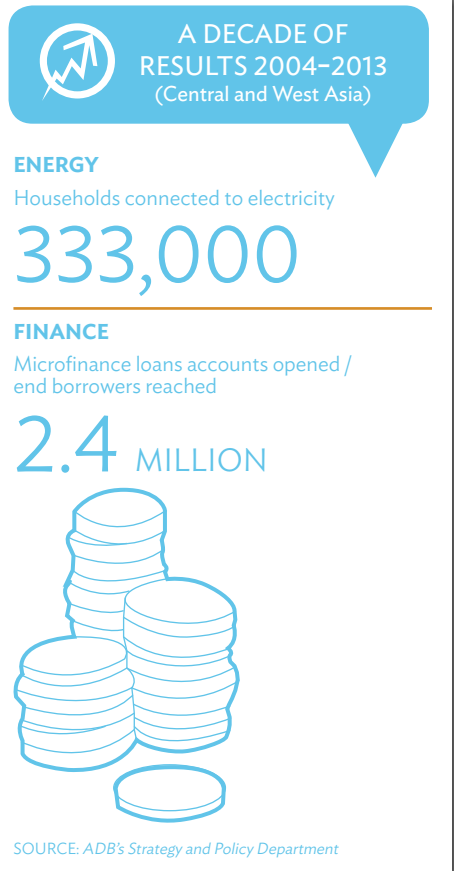
integration with the global economy, and promoting reforms to strengthen growth across larger parts of the economy.

To help ensure that the benefits of inclusive, environmentally sustainable growth are widely shared, ADB continued to support the region's efforts to improve energy security and efficiency, increase connectivity, upgrade irrigation facilities, expand urban and municipal infrastructure, improve the health of mothers and children, and encourage entrepreneurship among women.

OPERATIONAL HIGHLIGHTS

In 2013, new lending assistance to the region reached \$4.13 billion, comprising \$3.56 billion in ADB financing and \$567 million in cofinancing from development partners. Technical assistance totaled about \$34.89 million to provide advisory services and support capacity development, regional cooperation and integration, research and development, and project preparation.

ADB priorities included improving connectivity, especially in landlocked countries, promoting regional cooperation, facilitating trade, and helping the private sector become more competitive. Investments in power infrastructure directly contributed to a better outlook for energy efficiency and security.



BUILDING A BRIGHTER FUTURE IN CENTRAL ASIA

The Kyrgyz Republic has led the region in market reforms and was the first country in the Commonwealth of Independent States to be accepted into the World Trade Organization. But it faces ongoing development challenges, including the need to recover from the internal and external shocks of recent years and attract more private investment. *The Kyrgyz Republic: Building a Brighter Future in the Heart of Central Asia* discusses solutions to these issues and reviews ADB's contribution to development and fighting poverty in the country. Read it at adb.org/publications



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In [Pakistan](#), ADB approved two electricity-generation projects totaling \$1.07 billion. These projects are Jamshoro Power Generation Project for \$900 million and Power Distribution Enhancement Investment Program–Tranche 4 for \$167.2 million. In [Afghanistan](#), it supported the reconstruction of a 106-kilometer (km) section of the Kabul–Jalalabad road, 50 km of the Sharan–Angoor Ada road, 33 km of the Lashkar Gah–Gereshk road, and 75 km of the Doshi–Bamyan road. These programs will provide better connectivity, create jobs, and facilitate the movement of goods.

ADB approved the third tranche of a \$500 million multitranchise financing facility for [Armenia](#) in 2013 and will support reconstruction and widening of a 46 km two-lane road between Talin and Gyumri.

Reducing poverty through inclusive growth is the goal of the [Kyrgyz Republic](#) country partnership strategy 2013–2017, which the Board endorsed in August 2013. ADB continues to support energy sector reforms, rehabilitate generation and transmission infrastructure, and upgrade roads.

ADB supports the development of the Kyrgyz Republic's Integrated Tax Administration System, which is expected to reduce the burden for businesses that have low risk of noncompliance.

SHARING LESSONS LEARNED

ADB must share lessons learned from its development projects to ensure it makes long-term progress in reducing poverty.

In April 2013, ADB and the Central Bank of [Armenia](#) held a seminar in Tsaghkadzor, [Armenia](#), which drew 28 government officials from eight countries. Regulatory experts shared practical techniques for evaluating enterprise risk management and analyzing the financial strength of a consolidated organization.



ADB INCORPORATES THE PRINCIPLES of environmental sustainability in investments across the region.

EMBRACING SUSTAINABILITY IN ALL PROJECTS

ADB shares knowledge on climate change adaptation and mitigation across the region, and incorporates the principles of sustainability, energy efficiency, and pollution reduction in its investments. In 2013, it approved eight projects to promote the more efficient use of resources and environmentally sustainable growth.

Among these was a \$150 million loan to upgrade water supply and sewerage systems in Aghjabedi and Nakhchivan, [Azerbaijan](#), while in [Georgia](#), a \$73 million urban transport project will boost the efficiency and reliability of urban transport services in greater Tbilisi and Anaklia. In [Tajikistan](#), a \$10 million green finance project will provide credit for households and microenterprises for energy-efficient and environment-friendly homes, and a \$21.6 million project will increase Pyanj River Basin communities' resilience to climate vulnerability and change.

Three projects were approved for [Uzbekistan](#): \$110 million in financing for a 100-megawatt solar power plant in Samarkand Province, a \$42 million water supply and sanitation services project in Fergana Province, and a \$69 million solid waste management improvement project in the city of Tashkent. These initiatives will help increase renewable energy generation in Samarkand; ensure a safe, reliable, and sustainable sewerage system in Fergana; and improve solid waste management in Tashkent.

Also in [Uzbekistan](#), a \$64 million land improvement project in Kashkadarya, Navoi, and Bukhara provinces, approved in 2006, has reduced soil salinity and increased land productivity by rehabilitating the drainage system.

A \$115 million renewable energy development sector investment program in [Pakistan](#) will increase the production and use of clean energy by installing four small and medium-sized hydropower stations in rivers or canals in Punjab and two hydropower stations in the province of Khyber Pakhtunkhwa.

ADB supported workshops in [Azerbaijan](#) and [Kazakhstan](#) on policies and technologies to reduce greenhouse gas emissions and to show decision makers how to estimate their costs.



1,600 HOMES IN THE KYRGYZ REPUBLIC REBUILT TO BETTER STANDARDS

Community violence in the Osh and Jalal-Abad regions of the [Kyrgyz Republic](#) in 2010 left 1,900 houses damaged or destroyed. ADB provided a \$28 million emergency assistance program to aid recovery and reconstruction. In 14 months, more than 1,600 houses such as this one were rebuilt to higher quality standards than before.

FAST FACT

Trade among CAREC countries is growing at **double-digit** rates

In Tashkent, [Uzbekistan](#), in August 2013, ADB piloted a series of training modules on supply chain management and logistics. Members of the [Central Asia Regional Economic Cooperation \(CAREC\) Federation of Carrier and Forwarder Associations](#) designed and delivered the courses, in which lecturers from five member associations shared their knowledge and experience with participants from the 10 CAREC member countries.

In November 2013, the [ADB Institute](#) helped organize a workshop in Tokyo to assist participants from CAREC member countries in understanding global supply chains and production networks.

REGIONAL CONNECTIVITY INITIATIVES BOOST TRADE

Trade among CAREC member countries has grown at double-digit rates during the last decade, and ADB and the [CAREC Program](#) again made steady progress in priority sectors. Road construction exceeded targets, rail construction continued to assume a larger share of the portfolio, trade links continued to improve, and countries simplified their trade regimes and shared knowledge.

[Tajikistan](#) became a member of the [World Trade Organization \(WTO\)](#) in 2013, while [Afghanistan](#) and [Kazakhstan](#) have come closer to accession. The WTO participated as an observer for the first time at the

reducing carbon dioxide emissions. About 7 million people have benefited from the completed project.

More must be done to boost trade for regional growth. Logistics facilities such as inland container depots are needed to reduce clearance time for goods at borders. CAREC corridors must be aligned to new routes, and long-distance multimodal transport services combining road and rail must be developed.

To this end, the refined CAREC Transport and Trade Facilitation [Strategy 2020](#) calls for a more integrated approach to improving transport and logistics infrastructure and services.

ADB provided \$18 million through the [CAREC Program](#) to improve border services in the [Kyrgyz Republic](#) and [Tajikistan](#), to reduce border-crossing times and associated costs, thus further helping to increase trade. Technical assistance approved in 2013 will help modernize border-crossing points in [Pakistan](#) in Chaman and Torkham, at the border with [Afghanistan](#), and in Wagha, at the border with [India](#).

In the energy sector, ADB worked with governments and development partners to establish multiple power interconnections between Central Asia and South Asia through [Afghanistan](#). Investment in energy since 2003 has amounted to \$4.15 billion, 10.7% of which was for three ADB initiatives in 2013: a north-south transmission project and an energy sector development program in [Afghanistan](#), and the \$136 million Golovnaya hydropower plant rehabilitation project in [Tajikistan](#).

LIFTING LIVING STANDARDS THROUGH INCLUSIVE AND ENVIRONMENTALLY SUSTAINABLE GROWTH

ADB promotes inclusive and environmentally sustainable growth by supporting women in starting and running their own small businesses, expanding access to energy for the poor, and developing climate resilience in infrastructure.

In [Tajikistan](#), a \$10 million ADB grant for a “green finance” project will help families nationwide increase their access

18th Trade Policy Sector Coordinating Committee meeting in Almaty, [Kazakhstan](#) in June 2013, and agreed to partner with CAREC through WTO’s Institute for Training and Technical Cooperation.

In the transport sector, an ADB-supported railway has boosted trade between Mazar-e-Sharif in [Afghanistan](#) and Hairatan in [Uzbekistan](#) by reducing transport costs by \$0.08 per ton/km, cut travel time by an hour, and reduced heavy-vehicle traffic on the alternative road by 35%,

to electricity and support the more efficient use of energy by financing “smart” solutions such as energy-efficient roofs and doors, double-glazed windows, insulated ceilings and floors, advanced water pumps, and solar water heaters.

ADB approved a project to assist women micro-entrepreneurs in the [Kyrgyz Republic](#), financed by ADB’s Japan Fund for Poverty Reduction. It aims to improve living standards for women in rural areas and small towns by giving them access to a variety of new financial services.

More than 100,000 people in [Tajikistan](#) will benefit from an ADB climate resilience project, approved in 2013, aimed at reducing the expected adverse effects of climate change in 59 villages in the Pyanj River Basin. This plan will increase communities’ access to water services and provide them with affordable financial resources to develop more efficient agricultural practices. ■

With the help of **ADB** loans, we have **renovated** more than **5,400 locations** in Navoi Province in just 6 months. As a woman, I am happy that we will be healthier and the water canals will create **jobs for women**.

—Uzbekistan water-supply company employee Ohyon Chulieva, discussing a program to boost sanitation services



EAST ASIA

The People's Republic of China, Mongolia

After 3 decades of rapid economic expansion (over 9% annual average over the past decade) and having significantly reduced poverty and lifted living standards, the People's Republic of China (PRC) has transformed itself into an upper middle-income country. Its landlocked neighbor, Mongolia, is also growing rapidly, at over 10% annually in the past 3 years. Despite their economic expansion, both countries confront significant development challenges, many of which are associated with economic restructuring, inequality, regional and rural-urban disparity, and environmental degradation.

In the PRC, growth moderated to 7.7% year-on-year in 2013, partly as a result of government policies designed to reduce excess production capacity and deepen structural reforms. Along with this strategic policy shift, the economy is moving from credit-fueled and investment-driven growth to market-oriented expansion based on domestic consumption and services. Ongoing development issues in the PRC include the need to protect the environment, modernize the fiscal system, improve local government finances, liberalize the finance sector, encourage private investment in state-owned enterprises, and tackle income and regional inequality by boosting social services. These issues were a key focus of a blueprint for reforms adopted at the Third Plenum of the 18th Central Committee of the Communist Party of China in November 2013.

Mongolia is the fastest growing economy in East Asia, expanding at 11.5% year-on-year as a result of expansionary fiscal and monetary policies and the start of copper production at the Oyu Tolgoi mine. Yet, foreign direct investment (FDI) fell by 46.8% in 2013, and increasing balance-of-payment pressures caused central bank reserves to fall and the togrog to depreciate. FDI is expected to improve after the enactment of a new law on FDI. However, significant investment in human capital and infrastructure is needed to diversify the economy, reduce its vulnerability to external shocks, strengthen cross-border links, and improve access to public services such as health, drinking water, and sanitation.

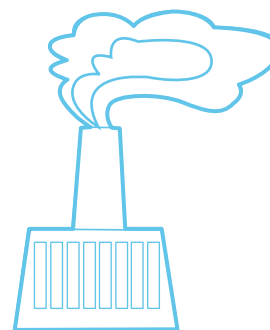
OPERATIONAL HIGHLIGHTS

In the PRC, ADB operations are evolving with the rapidly changing needs of the client, supporting initiatives with special focus on innovation, value addition, and maximized development impact. In 2013, ADB's lending assistance to the PRC totaled \$1.54 billion, comprising 12 projects across four priority sectors: natural resources and agriculture, energy, transport, and urban and social sectors. ADB's cofinancing partners included the Export-Import Bank of China for \$75.58 million, the China General Nuclear Power Corporation for \$96.68 million, and the Global Environment Facility for \$3.65 million.

The transport projects are strengthening connectivity between and within provinces



A DECADE OF
RESULTS 2004-2013
(East Asia)



ENERGY

Reduction of Greenhouse Gas Emissions

21.5 MILLION TONS
(carbon dioxide equivalent per year)

WATER

Land improved through irrigation services, drainage, and flood management

11.9 MILLION HECTARES

SOURCE: ADB's Strategy and Policy Department



PLANNING THE PRC'S CITIES OF THE FUTURE

Strategic Options for Urbanization in the People's Republic of China: Key Findings examines the People's Republic of China's many and unprecedented urbanization challenges, and suggests ways to improve the urban environment through changes in the design, financing, administration, and social integration of cities. The report, comprising four parts, is based on a policy study for a cities plan that will set out development policies and guidelines over the coming decade. Read it at adb.org/publications



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and rural and urban areas, and supporting improved road maintenance. ADB is helping to introduce climate-friendly public transport and reduce rural-urban inequalities, and is proposing initiatives to encourage sound natural resource management. Urban infrastructure projects, along with expanded support for technical and vocational education and training, are supporting inclusive development and the creation of new jobs for migrant workers. ADB has helped initiate tariff reforms for water and sanitation and prepare public-private partnership projects that are financially viable for lenders. It is also supporting a concentrated solar thermal plant, among the first in the country.

In [Mongolia](#), ADB approved \$90 million in loans for three projects in 2013, which include \$50 million to improve municipal services in underdeveloped areas of Ulaanbaatar, \$20 million for a project to increase access to finance for the poor by modernizing payment systems, and \$20 million for a food stamp program and a better social welfare and health insurance system. These efforts will help to improve the targeting of social welfare benefits, link social welfare beneficiaries to employment services, and update the database of poor households. ADB was also instrumental in establishing the foundation for public-private partnerships by supporting policy and law reforms and transaction advisory services for a combined heat and power plant. Cofinancing partners in [Mongolia](#) included the European Investment Bank and the Urban Environmental Infrastructure Fund under the [Urban Financing Partnership Facility](#) and the Japan Fund for Poverty Reduction.

SHARING DEVELOPMENT EXPERIENCES

Knowledge sharing is a particularly important component of ADB's support for the [PRC](#) as it addresses the challenge



ADB SUPPORTS THE PROMOTION AND DEVELOPMENT of waste-to-energy plants using clean technology in various locations in the PRC.

ADDRESSING THE REGION'S ENVIRONMENTAL CHALLENGES

ADB is actively supporting the People's Republic of China (PRC) and Mongolia to reduce their reliance on fossil fuel, contribute substantially to the global fight against climate change, and address the environmental challenges arising from rapid economic growth and urbanization. This assistance includes the promotion of cutting-edge clean energy technology, integrated rural-urban environmental protection and conservation of natural resources, and low-carbon urban public transport.

A \$150 million ADB loan will fund in Qinghai Province the first state-of-the-art renewable energy technology—for concentrated solar thermal power—to generate electricity. This is the first concentrated solar power plant to be piloted in a cold climate and is expected to have wider application in the PRC and other developing member countries. It will support the PRC's goal of increasing the renewable energy share in total energy consumption to 15% by 2020. The project will produce 197 gigawatt-hours of clean electricity annually by 2017.

In the urban sector, ADB has extended support for integrated rural-urban environmental protection projects. These incorporate new systems for wastewater, sludge, and solid waste management; flood management with early warning systems; and groundwater protection. ADB is also helping develop an improved policy and regulatory framework for sewage and household solid-waste management in rural areas in the PRC.

In 2013, ADB introduced climate change impact assessments in a number of its projects to promote the development of climate-resilient infrastructure in the [PRC](#) and [Mongolia](#).

In Yichang City in the PRC's Hubei Province, ADB is supporting a climate-friendly rapid bus transit system. The successful operation of rapid transit buses in Lanzhou City in Gansu, PRC, has helped raise awareness of this system as a model for sustainable urban transport. In addition, ADB promoted green transport through a private sector loan for clean bus leasing.

After years of policy support and pilot-testing of market-based instruments for conserving natural resources and protecting the environment in East Asia, ADB is supporting the establishment of a regional knowledge hub in Beijing for systematic sharing of experiences in green growth among developing member countries.



CONVERTING A CITY'S WASTE INTO ENERGY

The [People's Republic of China](#) produces 220 million tons of municipal solid waste annually, and treating it has become a challenge for many cities. In Suzhou, a waste-to-energy plant supported by ADB burns all the city's 3,500 tons of garbage daily. After incineration, liquid and slag residue are safely treated and recycled. The plant, which has steam generators, produces 350 million kilowatt-hours of electricity a year to light homes and businesses.

of transformation from an upper middle-income to a high-income country. In [Mongolia](#), much knowledge sharing is aimed at helping the country manage its natural resources more effectively. ADB produced 58 knowledge products and services and initiated 59 knowledge-sharing activities in the [PRC](#) and [Mongolia](#) in 2013.

A significant publication in 2013, *Economics of Climate Change in East Asia*, examines how strategies for adapting to climate change can be combined with measures to reduce greenhouse gas emissions in the [PRC](#), Japan, the Republic of Korea, and [Mongolia](#). The book was launched in Beijing, Seoul, Tokyo, and Ulaanbaatar, and presented at a United Nations conference on climate change in Warsaw.

The Regional Knowledge Sharing Initiative, launched in 2012 by ADB and the PRC's Ministry of Finance, played a major role in disseminating development experiences among developing member countries (DMCs). In 2013, at the fifth PRC-ADB Knowledge Sharing Platform on Technical and Vocational Education held in Beijing, more than 80 participants from 10 DMCs shared their experiences on matching skills with jobs as a way of generating employment for the disadvantaged.

BOOSTING CROSS-BORDER CONNECTIVITY

Since 2006, ADB has supported regional cooperation between the [PRC](#) and [Mongolia](#) under the [Central Asia Regional Economic Cooperation \(CAREC\)](#).

a regional road under CAREC in 2013, linking [Mongolia](#) to the Asian Highway Network and the [PRC](#) at the border town of Zamyn-Uud, will further facilitate trade and diversify Mongolia's economy. Other activities in 2013 included refinement of the CAREC Transport and Trade Facilitation Strategy and action plan, development of an operational manual for implementing a Mongolia-PRC road transport agreement, the launch of a joint control initiative for transboundary animal diseases, and further strengthening of joint customs control through the electronic exchange of cargo manifests. The latter has reduced clearance time at border-crossing points and improved compliance in customs declarations. ADB facilitated signing of a memorandum of understanding between the [PRC](#) and [Viet Nam](#) on jointly developing cross-border economic zones. Implementation of the memorandum is expected to boost cross-border trade and investment, contributing to development of the Greater Mekong Subregion's North-South Economic Corridor.

PROMOTING INCLUSIVE GROWTH FOR THE POOR

ADB supports inclusive growth by creating economic opportunities through projects to improve transport links, integrated rural-urban infrastructure and social services, and technical and vocational education and training. In particular, it seeks to expand economic opportunities for the poor and migrant workers. Social protection is another critical element of ADB's support for inclusive growth.

In the [PRC](#), new transport projects, approved in 2013 totaling \$610 million, will improve energy-efficient rail connectivity in the less-developed southwest region (Chongqing Municipality and Guizhou Province), introduce a high-quality urban public transport system in Hubei, support road development in the Inner Mongolia Autonomous Region, and establish a sustainable road maintenance system in Yunnan Province.

Two ADB technical and vocational education and training projects in Hunan Province and Guangxi Zhuang Autonomous Region, approved in 2013,

FAST FACT

ADB **trained** migrant workers to **meet** the PRC's **growing demand** for skilled labor

[Program](#), focusing on customs, transport, and coordinated development of border areas and towns to improve cross-border connectivity. The completion of

represent a significant shift of ADB assistance to the social sector. In particular, an improved vocational education system and training of migrant workers will help meet the growing demand for skilled labor as the economy becomes more urbanized and services-oriented.

In Mongolia, the multiyear investment program, approved in 2013, will help improve infrastructure and municipal services in the capital city's less-developed areas. It will include the expansion of roads, water supply, and wastewater treatment and heating systems. A \$20 million new project will support social welfare reforms, improve the food stamp program, and broaden the coverage of and improve access to health insurance through information and communication technology.

In the PRC, ADB will provide policy and advisory support for reform of the urban pension system to address challenges associated with an aging population. ■

I'm **a driver**, and the new well-constructed road will **save me time** and reduce the cost for vehicle repair. In 2013, I and 20 other people from our *soum* worked at the **road construction** . . . we thank ADB for **providing these jobs** and supporting us and our families.

—Mongolian truck driver Banzragch Bat-Erdene, commenting on a road project linking his country to the PRC and the Russian Federation



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

In 2013, resource-rich countries in the Pacific experienced a slower pace of growth than is usual due to lower commodity prices and weak global growth. Agriculture, mineral, and forestry export earnings of the region's economies fell, contributing to a decline in government revenues. However, several smaller developing member countries (DMCs) benefited from rising returns from their fisheries, enabled by regional cooperation around access to resources. Tourism has also continued to grow.

Development is particularly challenging in Pacific island countries, which have small populations, limited resources, and weak capacity. Growth levels of 1%–2% are common in these nations, and finding a way to create jobs and provide social services has long been a concern. Agriculture and tourism continue to be the stronger performing sectors—but scale and isolation pose severe constraints. Many of ADB's fragile and conflict-afflicted states are in the Pacific, where climate change remains a serious threat, and a critical development issue.

ADB has focused on increasing connectivity within the Pacific, and to countries outside the region, through its investments in ports, airports, roads, information and communication technology infrastructure, and efforts to facilitate trade. Improving connectivity remains key to overcoming isolation and will enable these island countries to seize

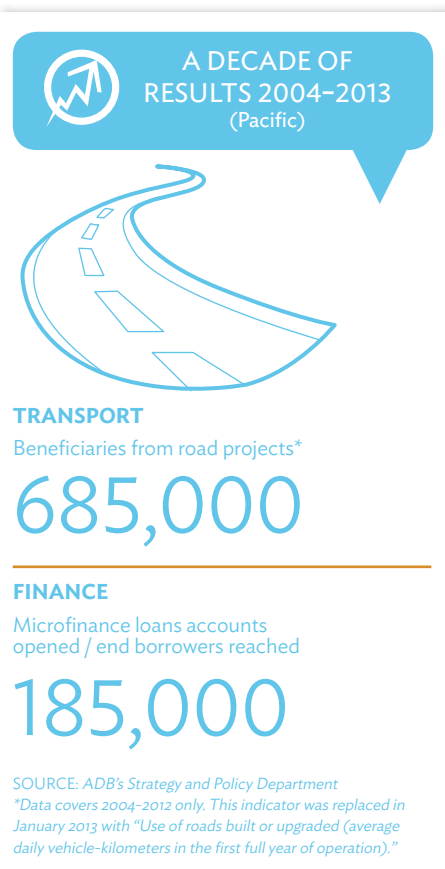
opportunities provided by their fast-growing neighbors in Asia.

Managing limited financial resources effectively is a critical development challenge and key to more rapid and sustained growth in the Pacific. In 2013, ADB and development partners put particular emphasis on public financial management. ADB has helped build capacity in managing public finances, promoted essential reforms, and supported the sharing of useful knowledge. Its wide support for renewable energy projects can improve the fiscal position of Pacific island countries by reducing their reliance on fuel imports to generate power.

These projects demonstrate Pacific DMCs' commitment to addressing climate change and promoting environmentally sustainable growth. ADB plans are in place to support adaptation to climate change, and to ensure that ADB-financed roads, bridges, water supply systems, and buildings are climate proofed.

OPERATIONAL HIGHLIGHTS

ADB assistance to the Pacific region totaled \$437.8 million for 15 loan and grant projects (including the [Asia Pacific Disaster Response Fund](#)) and \$62.6 million in technical assistance for 33 projects. Lending and grant assistance, supplemented with \$24.8 million of cofinancing, were mainly for transport (63%), energy (22%), water supply and sanitation (6%), and public sector management (5%). The most support



COUNTING THE COST OF CLIMATE CHANGE

This ADB study, *Economics of Climate Change in the Pacific*, quantifies the costs of the adverse impacts of climate change on island nations. It draws on regional and sector models to discuss the effects in selected economies and industries—including agriculture, fisheries, tourism, coral reefs, and human health. It presents policy recommendations to mitigate these impacts. Read it at adb.org/publications



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went to [Papua New Guinea \(PNG\)](#), which received \$305.7 million, followed by [Timor-Leste](#), which received \$50 million.

ADB's strategic focus, set out in its Pacific Approach 2010–2014, aims to support inclusive and environmentally sustainable growth, good governance, and regional cooperation and integration. In line with this approach, its operations in 2013 continued to help Pacific DMCs develop robust, sustainable, and climate-resilient infrastructure; increase their capacity to improve their fiscal positions; and manage public investments more efficiently.

Transport connections are critical in remote and mountainous areas of PNG. ADB approved a \$130 million civil aviation investment program, which will ensure all-weather access for passengers and businesses to air transport services at 14 domestic airports. The work will include improving infrastructure such as terminals and providing fire trucks and standby power supplies. It will also upgrade navigational and communication systems to international standards.

Another ADB-supported initiative in PNG, a \$109 million roads investment program, will improve maintenance arrangements for 500 kilometers of national roads to help make them more accessible and safe. ADB is promoting good governance through policy-based operations in [Samoa](#), [Solomon Islands](#), and [Tonga](#) to strengthen their fiscal positions and improve delivery of public investment and services. Based on a common policy matrix, these operations are led by governments and supported by other development partners. In [Samoa](#), a program approved in 2013 aims to boost long-term fiscal stability by enhancing the economic contribution of state-owned enterprises and strengthening public financial management systems.

ADB's Private Sector Development Initiative has contributed to improving



ADB IS HELPING GOVERNMENTS to ensure buildings and other infrastructure can withstand natural hazards.

INVESTING IN RESILIENT INFRASTRUCTURE

The small, isolated islands that make up the Pacific developing member countries are vulnerable to the impacts of natural hazards and climate change. Their economies and key industries such as agriculture, forestry, fisheries, and tourism depend heavily on the environment. Systems and procedures to protect the environment are therefore critical for their development.

In 2013, ADB promoted environmentally sustainable growth by investing in renewable energy, climate-proofing of critical infrastructure, building more sustainable and resilient communities, and capacity building for sustainable development in 2013. Technical assistance grants are strengthening country safeguards and staff skills in environment ministries, assisting them to apply environmental impact assessment and monitoring to investment projects in [Kiribati](#), [Papua New Guinea](#), and [Solomon Islands](#).

In Yap state, [Federated States of Micronesia](#), an ADB-supported project will reduce fossil fuel consumption by converting 22% of power generation into renewable energy through wind and solar power connected to the grid, and through better supply-side efficiency. In [Tonga](#), a new solar power plant on Vava'u and solar mini grids on outer islands will replace half a million liters of diesel fuel annually and provide clean energy to 400 households. In [Samoa](#), new run-of-river hydropower schemes will produce energy with minimal environmental impact. The six schemes to be developed in [Samoa](#) will replace the use of 3.6 million liters of diesel per year.

ADB is also helping governments to ensure that public facilities such as government buildings, schools, health centers, roads, bridges, and water supply systems can withstand the effects of climate change and natural hazards. In [Solomon Islands](#), ongoing projects incorporate adaptation measures such as raising road levels, sealing more roads, installing coastal protection, and building larger and stronger bridges and wharves.

In [Timor-Leste](#), ADB is supporting the design and construction of roads that are able to withstand more frequent and intense weather events. A regional program for climate resilience covering 11 Pacific countries, and a strategic program to boost climate resilience in [Tonga](#), both fully financed by the ADB Strategic Climate Fund, will build capacity to adapt to climate change and manage disaster risks in the region.



BOOSTING HEALTH SERVICES FOR PAPUA NEW GUINEA'S POOR

Though 9 in 10 of its people live in the countryside, the rural health system in [Papua New Guinea](#) has been in decline since the 1980s. An estimated 40% of rural health facilities have closed or are not fully functioning. An ADB-supported rural primary health services project in Milne Bay aims to make a difference. When complete, the project's first community health post will provide new medical facilities for the local Bubuleta community as well as staff housing and vehicles.

FAST FACT

ADB has **significantly expanded** its operations in the **Pacific**, with a **presence** in almost all DMCs

governance in the Pacific. For example, it supported the update of the Companies Act Regulations in [Samoa](#) in 2013 and helped procure and install of the country's electronic business registry. It approved the third phase of the initiative with \$30.5 million, supported by cofinancing from Australia and New Zealand.

ADB has refined its approach to Pacific operations by incorporating lessons from its experience in the region. Recommendations of the ADB–Australian Aid high-level forum on Building Resilience to Fragility in Asia and the Pacific, held in June 2013, are informing its operations in fragile and conflict-affected countries.

OVERCOMING CONSTRAINTS ON REGIONAL LINKS

Gaps in the network of regional infrastructure, especially in transport, energy and communications, and unsuitable legal, institutional, and regulatory frameworks, continue to impede the economic growth of small, isolated Pacific islands.

Key areas of ADB support for regional cooperation and integration include pooling provision of government services such as auditing, across several countries; harmonizing the business environment by updating and standardizing laws; creating regional and extra-regional transport and communication networks; and forming partnerships with academics and donor organizations to analyze key regional issues.

ADB is helping strengthen trade links and crucial lifelines for isolated DMCs

through investments in port, aviation, and information and communication technology. It is making sound progress in the project to upgrade Lae Port in PNG. In August 2013, the ADB-supported [Tonga](#) submarine broadband project

was completed, allowing access to faster internet speeds.

Regional cooperation can help overcome capacity constraints. ADB's support in 2013 for a team of auditors from [Kiribati](#), [Nauru](#), and [Tuvalu](#) is helping these countries conduct timely government audits while building the capacity of national auditors.

SUSTAINED GROWTH TO BENEFIT ALL

ADB's operations focused on removing key development bottlenecks to help countries boost growth and reduce poverty.

Some projects improve health indicators of the poor and women, and develop safety net programs for vulnerable people. The Koror–Airai Sanitation Project in [Palau](#), approved in 2013, will improve health outcomes as well as enhance the tourism potential of the country. Water supply projects in [Fiji](#) and [Timor-Leste](#) are increasing the availability of safe drinking water in underserved areas and reducing the incidence of waterborne diseases.

In education, ADB supports the provision of technical education and vocational training, including nontraditional skills for women. It also invests in increasing the regional reach of the University of the South Pacific, headquartered in Suva, [Fiji](#), through the expansion of its country campuses. It approved technical assistance to build the university's strategic planning capacity in 2013.

In the northern Pacific (the [Federated States of Micronesia](#) and the [Marshall Islands](#)), ADB provided technical assistance in 2013 that will enhance the national capacity to plan and manage education services and provide jobs and training opportunities for young people. ■

For a long time, our **village members** have wanted to establish a **marine protected area** in our coastal fishing grounds but we had no experience to learn from . . . now, we **have** the **basic knowledge**, skills, and inputs to become better stewards and **ensure a bright future**.

—Village official Marcelo Soares discussing an ADB initiative to protect local fishing grounds in Timor-Leste



SOUTH ASIA

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

ADB operations in South Asia were affected by continued economic difficulties around the world, exacerbated by volatility in several emerging markets. This was aggravated by a slowdown in reforms, persistent fiscal and current account deficits, and heightened political uncertainty surrounding general elections. The region grew at 4.7%, down from 5.1% the previous year. While inflation declined, price pressures continued due to currency depreciation and rising energy and food costs. Infrastructure finance remains a challenge. The infrastructure deficit in the region affects productivity and competitiveness, which in turn affect investment, trade, jobs, welfare, and social inclusion.

ADB approved several key transactions in 2013. One of these is a credit facility to the India Infrastructure Finance Company Limited, which targets energy, transport, and other infrastructure projects led mostly by the private sector. ADB funding will support both brown field and green field investments, as well as takeout financing and subordinated debt to help local banks increase their capability to fund new investments. ADB also financed several transport projects aimed at improving connectivity within and between countries. Hard infrastructure investments were accompanied by outlays in “soft” infrastructure, such as customs modernization and trade facilitation.

OPERATIONAL HIGHLIGHTS

ADB has an existing project pipeline in the region valued at \$13 billion, which includes \$6 billion from its concessional funds. Grants for technical assistance total \$210 million, which is used to train people, prepare and execute projects, and deliver knowledge products. In 2013, new approvals reached close to \$4 billion. Grants for technical assistance amounted to nearly \$55 million. The value of new contracts awarded to implement projects was nearly \$3 billion, and disbursements during the year exceeded \$2 billion.

Infrastructure represented 87% of the total business plan. Education reached 11%. ADB also raised \$1.5 billion from third parties for projects it invested in, sourced mainly from bilateral agencies.

ADB invested nearly \$1 billion in the energy sector through transactions in hydropower and renewable energy, and on the modernization and expansion of transmission and distribution networks. A key project completed in 2013 is an interconnection transmission line to supply electricity from [India](#) to [Bangladesh](#). This is a first in regional cooperation, and a precursor for other projects of this nature. A Rajasthan renewable energy transmission investment program, with ADB funding of \$300 million, was assisted by \$200 million in cofinancing from the Clean Technology Fund. A new 140-megawatt hydropower project at Tanahu in [Nepal](#), to which ADB contributed \$150 million, will mitigate that



A DECADE OF
RESULTS 2004–2013
(South Asia)

ENERGY

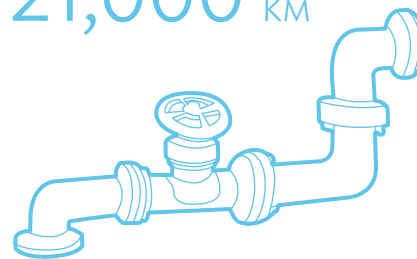
Households connected to electricity

4 MILLION

WATER

Water supply pipes installed or upgraded

21,000 KM



SOURCE: ADB's Strategy and Policy Department



BHUTAN'S HYDROPOWER FACILITY RECOGNIZED

An ADB green energy project in [Bhutan](#) was recognized in the US Treasury's 2013 Development Impact Honors. The awards recognize exceptional development projects and initiatives undertaken by multilateral development banks. The 126-megawatt Dagachhu hydropower facility delivers clean energy to [India](#) through a public–private partnership and brings electricity to rural houses in [Bhutan](#). It demonstrates how clean energy generation can benefit the region and pave the way for cross-border trade in other renewable power projects. Read more at adb.org/news



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country's electricity supply shortage and provide access to electricity. ADB also fast-tracked \$200 million in emergency assistance to the state of Uttarakhand in response to the floods and landslides that affected almost a million people.

ADB funded a number of innovative projects in the areas of natural resources, urban services (water and sanitation), and education and skills. The education sector continues to expand as an acute skills shortage affects jobs and productivity. ADB approved a first project in this area for the Indian state of Meghalaya. Likewise, it approved a \$20 million skills development project for [Nepal](#), and a new \$500 million facility for a program to overhaul secondary education in [Bangladesh](#). In [Sri Lanka](#), it approved a \$200 million program to support teaching innovations in secondary education. This loan was provided through the results-based lending modality, the first of its kind in ADB.

ADB approved two new country partnership strategies (CPSs) in 2013. The CPS for [India](#) (2013–2017) supports the government's vision of faster, more inclusive, and sustainable growth and emphasizes the building of robust infrastructure, job creation, regional connectivity, and environmental sustainability. The new CPS for [Nepal](#) (2013–2017) will achieve accelerated, inclusive, and sustainable economic growth.

The opening of a country office in Thimphu, [Bhutan](#), reinforces ADB's strategy to work more closely with government by delegating operational authority. It will strengthen ADB's 3-decade partnership with the Government of Bhutan.

Sharing operational knowledge was another priority during the year. The first publication in the South–South Learning Series, [Developing South Asia: Lessons and Insights](#), summarizes practices and lessons learned from eight successful



ENVIRONMENTAL SUSTAINABILITY is incorporated in infrastructure initiatives in the region such as the wastewater management system established in Jaipur under the Rajasthan Urban Infrastructure Development Project in India.

MORE SUSTAINABLE INFRASTRUCTURE, CLEANER ENERGY

ADB's assistance to developing member countries in South Asia helped create sustainable infrastructure, promoted cleaner energy, and provided safe and clean drinking water. It emphasized climate resilience, environmental sustainability, and disaster risk reduction throughout its economic and social infrastructure initiatives.

In [Bangladesh](#), ADB helped to restore roads and bridges damaged by floods to reduce their vulnerability to natural hazards. The project provided access for the poor to markets, health and education facilities, and benefited 25 million people.

In Jaipur, [India](#), ADB financed its first metro rail project with a loan of \$176 million. This is expected to reverse the rising shift to private vehicles by delivering a mass rapid transit system expected to carry over 100,000 passengers every day in its first year of operation. This development will save an estimated 54.3 tons of carbon dioxide equivalent per day.

In Rajasthan, [India](#), an ADB urban infrastructure development project improved water supply for 7 million residents, reducing their dependence on groundwater, and upgraded wastewater management, leading to a significant reduction in the incidence of water- and vector-borne diseases. In Kolkata, a \$400 million environmental improvement project is also expected to provide poorer communities with greater access to reliable water and sewerage. It will establish sewerage connections to 27,000 homes, at least 15% of which will be vulnerable households or households headed by women.

In Dhaka, [Bangladesh](#), an ADB loan will establish a 500-million liter-per-day water treatment plant. And in [Nepal](#), an integrated water resources management plan, including two complementary ADB-supported projects, will ensure improved water management and a healthier river environment in the Bagmati River Basin, connecting 1.96 million people to wastewater management networks.

ADB's support for the supply of renewable energy and for boosting energy efficiency continues to reduce the environmental impacts associated with power generation using fossil fuels in [Bangladesh](#), [India](#), the [Maldives](#), and [Nepal](#). An ADB hydropower project in Tanahu, [Nepal](#), approved in 2013, will provide the country with reliable hydropower.



GRID LINKUP BENEFITS BANGLADESH

Through \$112 million in [Asian Development Fund](#) loans, ADB has supported [Bangladesh](#) in connecting its electrical grid with India's. The interconnection project facilitated an initial power flow of 500 megawatts from [India](#) by December 2013, with a provision to expand to 1,000 megawatts. It will help [Bangladesh](#) lower its reliance on rented generation facilities and provide a more reliable supply of electricity to industry.

ADB projects in the region. In partnership with the [South Asian Association for Regional Cooperation](#), ADB published [Development of Capital Markets in Member Countries of the South Asian Association for Regional Cooperation](#). It also shared insights on new ways to support the participation of women in development projects and programs through 17 in-country and 2 regional workshops.

ACCELERATING REGIONAL PRIORITY PROJECTS

The ADB-assisted [South Asia Subregional Economic Cooperation](#) (SASEC) Program has accelerated the implementation of priority projects in transport, trade facilitation, and energy. Five regional projects accounted for over \$270 million in 2013, continuing an upward trend of investing since 2011.

New investments in 2013 that will boost regional connectivity include Nepal's SASEC Road Connectivity Project and the second tranche of India's North Eastern States Road Investment Program. Nepal's Project Preparatory Facility for Energy seeks to help the country develop hydropower projects and an electricity transmission project for future power export to the subregion.

Various ADB road, rail, and air investments that make up the SASEC transport corridors continue to strengthen regional

The launch in October 2013 of the ADB-assisted Bangladesh–India Electrical Grid Interconnection Project—South Asia's first high-voltage direct current interconnection—will improve the stability of the national grids, as well as provide greater opportunities for regional power interconnection and trade. Bhutan's Dagachhu hydropower plant—the world's first cross-border Clean Development Mechanism project—under an ADB-financed green power development project will allow [Bhutan](#) to increase power exports to [India](#). The project received the US Treasury Department's Development Impact Honors awards in 2013.

ACCESS TO OPPORTUNITY FOR ALL

Many of ADB's interventions in the region in 2013 were designed to reduce social inequalities, improve access for the poor and vulnerable to productive assets and resources, and empower women. Operations also helped to bridge infrastructure gaps and improve the overall quality of infrastructure.

In [India](#), ADB provided six new loans totaling \$1.5 billion. Highway projects in Bihar provided farmers in remote villages with access to larger markets and better prices for their produce. And over 20,000 women-led entrepreneurs stand to benefit from regular, better quality power resulting from a feeder separation technique developed in Madhya Pradesh under an energy efficiency improvement investment program.

In [Nepal](#), ADB helped to raise the net enrollment rate in primary education (grades 1–5) from 92% in 2008–2009 to 95.3% in 2012–2013, and in basic education (grades 1–8) from 73% to 87.5% in the same period by engaging with eight other development partners. Under a “skills for employment” project, almost 60,000 marginalized people (women, Dalits, and others) were provided with short-term basic vocational skills training relating to trade, construction, agriculture, and services. The project met the target of placing at least 50% of trainees in jobs within a year of finishing their training.

In [Bangladesh](#), ADB has supported a water supply sector development program in

FAST FACT

In 2013, ADB spent almost
\$1 billion on **renewable
energy** projects in South Asia

cooperation and integration in [Bangladesh](#), [Bhutan](#), [India](#), and [Nepal](#). The SASEC Trade Facilitation Program in [Bangladesh](#), [Bhutan](#), and [Nepal](#) is helping [Bhutan](#) establish a national trade facilitation committee and [Nepal](#) to develop an e-customs master plan.

Dhaka, which has provided legal water connections to 30,000 residents living in the poor neighborhood of Korail. The residents now have 24-hour access to reasonably priced water, and ADB aims to replicate this success in other poor areas. A multi-donor supported primary education development program led by ADB in [Bangladesh](#) benefited about 25 million students (half of them female) by providing new or improved facilities in schools, and built 40,870 classrooms, 23,182 toilets, and 17,275 tube wells to provide safe drinking water to children.

In [Sri Lanka](#), a [Japan Fund for Poverty Reduction](#) project to give poor communities in the Ampara District of Eastern Province access to clean and renewable energy provided electricity connections to nearly 2,200 households. In the [Maldives](#), ADB increased access to finance for micro, small, and medium-sized enterprises by providing the Bank of Maldives with a line-of-credit facility on a pilot basis. ■

We can now **access the port** from Chittagong City more easily, bypassing the city traffic through the **newly constructed** port access **road**.

— Sharifuzzaman Chowdhury, who works at the Chittagong port, referring to an ADB-supported port trade facilitation project in Chittagong



SOUTHEAST ASIA

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

Most people in Southeast Asia live in emerging middle-income countries, where ADB operations in 2013 were largely focused on addressing growing income and social service disparities, enhancing resource management, investing in innovation, and responding to requests for emergency support.

Economic and social inequities in developing member countries (DMCs) are at the forefront of the region's development challenges. Meanwhile, the increased consumption demands of an expanding middle class is leading to competition for finite natural resources and contributing to environmental degradation.

Many countries faced ongoing fiscal concerns during the year. [Indonesia](#) and [Malaysia](#) cut fuel subsidies to prevent widening deficits, and the [Lao People's Democratic Republic](#) (Lao PDR) experienced revenue shortfalls. The budget deficit in the Philippines may increase due to emergency spending following the catastrophic typhoon in November and the earthquake in October, but will likely remain within the full year deficit ceiling of 2% of gross domestic product as a result of increased tax revenue.

Indonesia's financial markets weakened as a result of rising inflation from higher fuel prices, the current account deficit, and a drop in foreign reserves in June and July. In response, the government unveiled a package of measures in August 2013 to contain the deficit and curb inflation,

both of which have started to decline. ADB increased the size of a loan to help further address medium-term effects on Indonesia's financial markets.

In [Myanmar](#), where economic growth accelerated in 2013, reengagement with the international community opened the way for ADB to approve its first loan to the country since the 1980s. The funding will support wide-ranging economic and social reforms.

[Viet Nam](#) has maintained macroeconomic stability. However, inefficiently operating state-owned enterprises and the weak banking sector continued to pose challenges. In response, ADB provided the government with policy advice and capacity development support.

Ongoing development priorities for ADB in Southeast Asia include programs to support the finance sector, environmental protection, access to education, health services, job opportunities, sustainable growth, regional connectivity, power transmission, and natural resource management.

OPERATIONAL HIGHLIGHTS

Operations in the region have been guided by ADB's [Strategy 2020](#), which emphasizes environmentally sustainable and inclusive economic growth, and regional cooperation and integration. In Southeast Asia, ADB managed 141 projects (\$16.6 billion) in a sovereign portfolio and 257 (\$571.23 million) technical assistance projects.



A DECADE OF
RESULTS 2004-2013
(Southeast Asia)

FINANCE

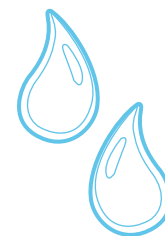
Small and medium-sized enterprise loan accounts opened / end borrowers reached

182,000

WATER

Land improved through irrigation services, drainage, and flood management

2 MILLION HECTARES



SOURCE: ADB's Strategy and Policy Department



CARBON CAPTURE OPTIONS EXPLORED

The September 2013 report, [Prospects for Carbon Capture and Storage in Southeast Asia](#), presents a comparative financial analysis of candidate projects, including details of incentive schemes for financing them, and provides a road map for such projects in Southeast Asia. One of its key findings is that carbon capture and storage can help balance economic growth and continued use of fossil fuels with emissions reduction. Natural gas processing and power plants are identified as being the best sources for capture in the region. Read it at [adb.org/publications](#)



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ADB GRANTS help improve the climate resilience of agriculture in Southeast Asia.

Total new lending to the public sector reached \$3.18 billion in 2013, supported by \$1.37 billion in cofinancing and \$153.77 million in technical assistance. The primary sectors receiving ADB lending support were public sector management (50%), transport (15%), and energy (10%). ADB provided emergency assistance to the [Philippines](#) in the aftermath of Typhoon Yolanda (Haiyan), which accounted for 27% of lending support. Contract awards and disbursement levels reached \$2.1 billion and \$2.7 billion, respectively.

ADB approved a new country partnership strategy (CPS) with [Thailand](#) for 2013–2016, with a focus on knowledge, private sector development, and regional cooperation and integration. Compared with the previous CPS, the approved CPS emphasizes a shift toward a knowledge-based partnership and increasing private sector financing.

A \$15 million finance sector program in [Cambodia](#) will provide access to credit for over 15% (from 9% in 2010) of the country's people by 2017, with at least 60% of beneficiaries being women.

In [Indonesia](#), ADB approved a \$400 million inclusive growth program that aims to stimulate economic activity and cross-border trade through reduced transport and logistics costs. A \$224 million project will provide 220 kilometers of transmission lines from Java to Bali, reducing outages and helping ensure Bali's projected power demand will be met. This is the first infrastructure project cofinanced by the ASEAN Infrastructure Fund.

Approved projects in the [Lao PDR](#) focused on agricultural infrastructure development, water supply and sanitation management, private sector development, and governance. For example, a \$35 million program will provide 155,000 urban residents by 2021 (from 65,000 in 2013)

MANAGING NATURAL RESOURCES MORE SUSTAINABLY

ADB successfully integrated the principles of environmental sustainability into many infrastructure projects in the region in 2013. A [Greater Mekong Subregion \(GMS\) corridor towns development project](#) spanning [Cambodia](#), the [Lao People's Democratic Republic](#), and [Viet Nam](#) will provide new environmental infrastructure, including wastewater treatment and solid waste management facilities that will reduce the towns' carbon footprint and make them cleaner and more livable. A GMS flood and drought management project will reduce the vulnerability of at least 500,000 people in the Lower Mekong Basin from the impact of floods and droughts by establishing national early warning centers; improving irrigation, drainage canals, and flood control embankments; and strengthening communities' disaster preparedness and capacity to adapt to climate change.

A \$300 million loan in the Philippines will replace 100,000 gasoline-powered tricycles with energy-efficient electric vehicles (E-Trikes) by 2017, reducing carbon dioxide emissions by 260,000 tons.

In [Cambodia](#), \$86 million in ADB grants will support investments to improve the climate resilience of water resources, agriculture, and rural infrastructure, and enhance the capacity of the country's institutions to factor climate resilience into their development planning. Cofinancing from the [Global Environment Facility](#) is helping strengthen the environmental management of protected areas in Central Viet Nam. In [Myanmar](#), environmental impact assessment procedures and environmental quality standards have been incorporated into the new Foreign Investment Law, supported by ADB technical assistance.

ADB has also provided significant institutional and knowledge support to address environmental degradation across the region. A \$154 million sector loan for natural resources and environmental management in the Philippines is supporting watershed management, focusing on four river basins across 23 watersheds and covering 1.13 million hectares. A program in [Indonesia](#) to rehabilitate, protect, and manage coral reefs and associated ecosystems has led to the formulation of national, provincial, and district plans on coral reef management resulting in a 9.4% average annual growth rate of live coral cover in project sites.



CLEANER CITIES, BETTER LIVES

When the Nguyen Du reservoir in Tam Ky City in Central Viet Nam was built in 2010, yearly floods that brought misery to thousands of local people came to an end. The construction of the reservoir, supported by ADB and [Agence Française de Développement](#), was part of a larger project to prevent flooding and improve sanitation. Today in Tam Ky City, 334 families have been provided with low-interest loans to build toilets and biogas tanks, and 90% of households have access to clean water.

FAST FACT

ADB's country **knowledge plans** are highly valued and often used to support government planning

in targeted small towns with access to safe water, and a \$60 million project in the [Greater Mekong Subregion \(GMS\)](#) East–West Economic Corridor will benefit 72,000 farmers through improved agricultural infrastructure.

In [Myanmar](#), ADB approved \$575 million in support for economic and social reforms and debt relief. It also approved the first [Asian Development Fund](#) lending project for the country after its reengagement, providing \$60 million to improve distribution and reliable, efficient supply of electricity in the Magway, Mandalay, Sagaing, and Yangon regions.

In [Viet Nam](#), about half of ADB concessional lending focused on improving rural infrastructure and health services in the Central Highlands. A \$410 million project approved in 2013 in the Central Mekong Delta region, cofinanced by the Government of Australia and the Government of the Republic of Korea, is providing two bridges and 26 kilometers of connecting roads that will carry 20,000 motor vehicles including 4,000 goods vehicles daily.

LOAN PROGRAMS EMBRACE KNOWLEDGE PLANS

Knowledge and learning is an integral part of ADB operations in Southeast Asia. It places special emphasis on identifying the potential lessons learned from its lending and nonlending operations, and

systematically includes knowledge and communication plans in its technical assistance and loan projects. Sector assessments, strategies, road maps, and thematic studies continued to inform the preparation of country partnership and

knowledge solution strategies tailored to each country during the year.

DMCs in the region recognize the value of country knowledge plans, which they use to support government planning. These plans have been prepared for [Indonesia](#), [Thailand](#), and [Viet Nam](#). The [Thailand CPS](#) depends heavily on knowledge solutions, serving as a knowledge priority framework for middle-income countries.

SUBREGIONAL INITIATIVES CONTINUE TO SUPPORT INTEGRATION

ADB stepped up activities supporting regional cooperation and integration, especially those that support the [Association of Southeast Asian Nations \(ASEAN\) Economic Community](#), which aims to become a common market by 2015. ADB has been working closely with Southeast Asian countries in strengthening links and related software through subregional initiatives: the GMS, the [Brunei Darussalam–Indonesia–Malaysia–The Philippines East ASEAN Growth Area](#), and the [Indonesia–Malaysia–Thailand Growth Triangle](#). All support greater [ASEAN](#) integration.

ADB assisted GMS countries in formulating a regional investment framework endorsed by the 19th GMS Ministerial Conference in December 2013. The framework identifies investment and technical assistance projects for the third decade of the subregion program.

A project approved in 2013 to strengthen the Indonesian power grid will build a cross-border transmission line linking West Kalimantan with Sarawak in [Malaysia](#), providing clean, green hydroelectricity for the Indonesian province. About 8,000 households will be added to the grid.

A GMS project approved in 2013 will regenerate, replace, and upgrade underdeveloped or outdated irrigation infrastructure and rural roads to help boost growth in the GMS East–West Economic Corridor.

NEW PROJECTS TO BOOST INCOMES FOR RURAL PEOPLE

ADB's operations in 2013 continued to promote inclusive growth by helping

expand economic opportunities and improve livelihoods. In [Cambodia](#), a \$55 million project to commercialize “climate-resilient” rice is expected to increase the availability of quality seed, improve rural water management on farms, and boost crop yields by 25% by 2019. Additional financing for a rural energy project will increase access to efficient, reliable energy supply for 8,000 rural households by December 2014.

In the [Lao PDR](#), ADB’s support continued for education, the development of teachers’ skills, tourism, and the private sector, helping to further inclusive growth of the predominantly rural-based communities. Formal education outreach and skills enhancement programs will improve the rural population’s employment opportunities and livelihood from sustainable tourism development. Meanwhile, expanding the number of small and medium-sized enterprises in the formal sector by 100% will provide further job opportunities.

In [Myanmar](#), a program aimed at boosting the incomes of rural people, supported by a \$12 million grant from the [Japan Fund for Poverty Reduction](#), will fund small-scale infrastructure improvements and livelihood projects to teach local communities useful skills—ranging from initiatives to improve cash crops to aquaculture. At least 700,000 villagers are expected to benefit. ■

The road has **made my life better**. Now, I’m making **more money**, and I hope I can expand my **business**.

—Deouk Yukheng, pictured, roadside vendor, on the new ADB-supported Prey Veng detour road in Cambodia





ADB provides steady and **long-term financing support** for the development of our environmental protection business . . . through a **transparent** bilateral cooperation and **mutual trust**, [we] are dedicated to the creation of a hospitable **living environment**.

—Chen Xiaoping, chief executive officer of China Everbright International, which invests in water and alternative energy businesses

DEVELOPING THE PRIVATE SECTOR

ADB's [Strategy 2020](#) emphasizes the importance of private sector development and private sector operations, recognizing that the private sector plays a critical role in creating employment opportunities that support inclusive and environmentally sustainable growth. ADB's [Public-Private Partnership \(PPP\) Operational Plan 2012-2020](#) guides its approach to private sector development, articulating how ADB must leverage resources and promote private sector investment and commercial financing to meet the huge development needs of Asia and the Pacific.

ADB's capabilities in private and public sector operations allow it to deliver comprehensive solutions for developing member countries (DMCs), tailored to respective country strategies. ADB's regional departments are taking leadership roles in advocating for private sector participation and strengthening assistance to DMCs to develop the overall enabling environment for private investment. ADB directly provides advisory services, financing, and support for better preparation and development of projects that will attract private participation and investment. The Private Sector Operations Department directly supports commercial finance providers, companies, and projects through ADB's own financing and through the much larger pool of financing that it harnesses from the market.

ADB's private sector development and financing supports the core infrastructure

sectors of energy (particularly renewable energy), transport, water, and information and communication technology. In addition, ADB is active in the financial services sector, seeking to expand access to finance for micro, small, and medium-sized enterprises (MSMEs). Other important private sector industries supported by ADB include agribusiness, education, and health.

FAST FACT

50% of ADB's annual operations must **support private sector** development and operations by **2020**

Across its private sector-related assistance, whether with government or in its own investment and lending operations, ADB promotes corporate social responsibility in relation to the environment, and social protection through technical support for its clients. Its specialists ensure that environmental and social safeguards requirements are met and that clients adopt principles of good governance.



PRIVATE SECTOR OPERATIONS ASSESSED

In Asia and the Pacific, much of the recent success in reducing poverty has been due to robust economic growth stimulated by the private sector. Released in July 2013, the [Development Effectiveness Report 2012: Private Sector Operations](#) presents the fourth annual assessment of the contribution of private sector operations to ADB's development agenda, and identifies action required to improve results. Read it at adb.org/publications

Indirectly, the implementation of ADB's safeguards policies helps to improve the environmental practices of client companies.

SUPPORTING BUSINESS AND BOOSTING SKILLS

ADB's support for the private sector continued to grow in 2013, with 41% of total approvals by number of projects, or 35% of [Asian Development Fund](#) and ordinary capital resources approvals by volume, contributing to private sector development.

Capacity Development

Implementation and capacity constraints are challenges for governments in developing their private sectors. ADB seeks to enhance the capacity and skills of officials in the public sector as well as those of its own Management and staff.

sharing of lessons learned across their operations.

Improving the Business Environment

ADB promotes efforts to improve the business environment for private companies in developing member economies through support for policy and regulatory reforms, including better and more transparent business regulations, and simpler tax and trade policies.

For example, with ADB's assistance, [Mongolia](#) drafted a new investment law. Enacted in October, it provides tax and non-tax investment incentives and introduces "stabilization certificates" through which investors can stabilize rates for specific taxes for up to 18 years. ADB also helped the Government of Mongolia to draft a law in January 2013 that led to the creation of the Deposit Insurance Corporation of Mongolia. The Parliament adopted the Law on Insurance for Bank Deposits, which establishes a mandatory insurance scheme for the protection of bank deposits.

In [Myanmar](#), ADB is providing advice to the government on the establishment of a national PPP management framework. It is engaged with the Ministry of Electric Power to establish principles of competitive bidding and commercial contracting for power generation.

In [Thailand](#), with ADB assistance, the Private Investments in State Undertaking Act was enacted in April 2013. The act aims to streamline the project approval process. In [Viet Nam](#), France's international development agency, Agence Française de Développement, supplied \$10 million in cofinancing in August 2013 toward a project development facility.

The Private Sector Development Initiative in the Pacific has been ADB's main instrument for promoting such development in this region. The success of the initiative's first two phases resulted in ADB, Australia, and New Zealand agreeing to fund \$30.5 million for a third phase, approved in June 2013. This initiative provides support in five areas: access to finance and financial services, business law reform, competition policy, state-owned enterprise reform and PPPs, and the economic empowerment of women.

FAST FACT

41% of ADB projects supported **private sector development** in 2013

In addition, ADB continues to provide training programs and share private sector client solutions to development challenges. It developed a training program, PPPs for Development Results, which aimed to ensure that public sector officials are well versed in the fundamentals of PPPs as well as their planning, budgeting, implementation, monitoring, and the evaluation implications. In coordination with the World Bank Institute and the Republic of Korea, ADB hosted the Heads of Public-Private Partnership Units Forum in Seoul to discuss creative solutions and to promote private sector participation.

In October 2013, ADB signed a memorandum of understanding with 25 international financial institutions to monitor a common set of development results indicators for private sector operations. The institutions involved agreed to monitor 32 indicators across several sectors to compare development results more effectively, facilitating the

Preparing and Developing Projects for Private Participation

ADB's provision of transaction advisory services to help DMCs develop private sector investment opportunities is at an early stage, and is an important potential benefit for select public infrastructure projects.

In November 2013, ADB was appointed by state-owned entities to identify a commercial consortium leader to build, own, and operate the planned 1,800-kilometer [Turkmenistan–Afghanistan–Pakistan–India](#) natural gas pipeline in the four countries concerned. ADB's support will include establishing the pipeline company, undertaking due diligence on the feasibility of the project, and managing the bidding for and selection of the consortium leader.

In [Bangladesh](#), ADB signed a memorandum of understanding with the government for the provision of transaction advisory services for forthcoming projects.

IMPROVING WATER SUPPLY IN THE PRC

A successful large-scale project in northeastern People's Republic of China (PRC) is building urban water supply and wastewater treatment plants through a public-private partnership. The ADB-supported project is an important catalyst for economic growth and environmental improvement in the PRC, particularly in the underdeveloped Songhua Basin, the third-largest river catchment in the country. It exemplifies the effective use of private capital to develop such programs.

The first phase of the loan facility was approved in 2010 to assist the Longjiang Environmental Protection Group, a pioneering private sector operator in Heilongjiang Province, to build, acquire, upgrade or expand, and then operate wastewater treatment plants and water supply utilities in the basin. That assistance totaled more than \$126 million. As of 2012, the intervention had funded more than 1.3 million tons per day (tpd) of new wastewater treatment capacity.

In 2013, the second phase was approved, with support comprising a loan of \$98.8 million to the Longjiang Group. While phase one focused on capacity expansion, phase two will finance sludge treatment and disposal subprojects with an estimated combined capacity of 1,300 tpd, and upgrades to existing wastewater plant facilities with an estimated combined capacity of 200,000 tpd to meet higher environmental standards. The project will help reduce pollution and address acute water stress in the Songhua Basin.



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THE PACIFIC





CIVIL AVIATION ENHANCEMENT IN ARMENIA

A loan of \$40 million to Armenia International Airports for the second phase of an expansion project at Zvartnots Airport represents ADB's first involvement in civil aviation in the country. Since the country is landlocked, [Armenia](#) significantly depends on air transport for its connectivity. The project has resulted in the airport registering 12% more passengers and aircraft movements and 9% more cargo tons per month on average.

ADB approved technical assistance projects in [Cambodia](#) to develop enabling conditions for private participation in infrastructure, with a view to providing a \$30 million loan to develop a pipeline of projects in 2015. In [Indonesia](#), it approved a sustainable infrastructure assistance program, with \$20 million provided by the Government of Australia in May 2013.

Australia and Canada cofinanced a technical assistance project to strengthen PPPs in the Philippines, bringing the total funding amount to \$50.5 million. This program aims to improve the enabling environment for private investment, and management of a sustainable project development and monitoring facility. The facility supports the preparation and transaction of 27 such projects.

In the Pacific islands, ADB provided ongoing support to four private sector projects in various stages of development. The Port Moresby and Lae airport expansions in Papua New Guinea (PNG) and the Dili water supply system in [Timor-Leste](#) are at pre-feasibility stage. In PNG, the government has engaged ADB to develop infrastructure finance options for the operation and further expansion of the new Lae Port.

DELIVERING FINANCIAL ASSISTANCE TO TARGETED SECTORS

Nonsovereign operations, representing state-controlled enterprises operating in the private market and privately controlled commercial entities, are a core part of ADB's [Strategy 2020](#) and its Finance++ approach. Under Finance++, in addition to providing direct financing, ADB supports private sector clients with financial leveraging, brings about higher standards in operations, and introduces new technologies and other innovations (finance plus leverage plus knowledge).

ADB's strategic objective for nonsovereign operations is to increase the flow of capital into and within targeted industry sectors in DMCs through leadership, best practice, and innovative financing. In 2013, ADB approved 22 new projects in 12 countries, with direct investment support amounting to \$1.60 billion and cofinancing support of an additional \$2.93 billion.

New Sectors and Initiatives

ADB sought fresh ways to make a difference in 2013, with private sector operations entering new markets and introducing new ways of delivering financial assistance to targeted sectors. The year saw approval of ADB's first assistance dedicated to privately owned power distribution companies, with loans of \$40 million and \$80 million to electricity distribution firms in Akmola, [Kazakhstan](#), and Delhi, [India](#), respectively. These companies aim to lower power distribution losses and improve access to power.

An equity investment of \$60 million in the OrbiMed Health Care Fund was ADB's first support for a fund in the health sector. This fund invests in end-to-end health care solutions, from diagnostics and drug development to hospital care.

ADB provided support for clean transportation in the [People's Republic of China](#) by approving loans of up to \$275 million to up to five financial leasing companies. The funding will facilitate leases for "clean" buses, which run on alternative fuel or are energy efficient.

In addition, ADB significantly expanded its support for private sector activities in agribusiness, approving three new interventions in this rapidly emerging industry.

Capital Markets and Financial Services

Improving access to finance for MSMEs continues to be a main thrust of ADB operations in the finance sector. In 2013, its support in this sector included a \$50 million loan to TBC Bank in [Georgia](#), a \$15 million loan to Nations Trust Bank in [Sri Lanka](#), and, in Mongolia, a \$30 million loan to XacBank and a \$10 million loan to the TenGer Financial Group for onlending to XacLeasing in support of the nascent leasing sector in that country.

ADB supported rural financial inclusion for MSMEs with a \$50 million loan to AccessBank in [Azerbaijan](#) to increase its operations and branches outside the capital, Baku, and a \$75 million loan to ACLEDA bank in [Cambodia](#) for MSMEs, which is expected to be utilized primarily in rural areas.

In addition, ADB approved an innovative \$35 million partial credit guarantee facility

to expand access to finance for rural dairy farmers in [Pakistan](#). Under its Microfinance Risk Participation and Guarantee Program, it approved 13 new microfinance institutions (MFIs) (2 in [Bangladesh](#), 1 in [Indonesia](#), 1 in the [Philippines](#), and 9 in [India](#)) and issued 5 guarantees in [India](#) totaling \$6 million. ADB provided \$15 million in risk participations with a partner financial institution in the amount of \$15 million for three MFIs in [India](#). In 2013, through these programs in [India](#), ADB was able to provide 300,000 new loans, almost exclusively to women living on less than \$3 a day.

ADB's Trade Finance Program (TFP) fills market gaps by providing guarantees and loans through banks to boost trade, supporting \$4 billion in trade in 2013. Of this amount, \$2.3 billion was cofinanced with commercial banks, insurance, and other partners, while \$1.8 billion was for ADB's own account.

The TFP supported 2,120 transactions in 2013, of which 352 were between DMCs. It supported 1,806 small and medium-sized enterprises, up from 1,577 in 2012. The TFP, which began the process of expanding to [Myanmar](#), operated in 18 countries, with its most active markets being [Bangladesh](#), [Pakistan](#), [Sri Lanka](#), [Uzbekistan](#), and [Viet Nam](#). Over 97% of the TFP's 2013 transactions were in countries eligible for ADB's concessional funds.

Infrastructure

Through strong partnerships with private companies, ADB continued to support infrastructure development in the energy, water and wastewater, and agribusiness sectors, and maintained its strong support for renewable energy. In [Thailand](#), it approved an \$87 million loan for Solarco Company Limited to build a 57-megawatt (MW) solar power plant in Nakhon Pathom and Suphanburi provinces. In [India](#), it used a corporate finance approach to provide

equity investments of \$30 million to NSL Renewable Power Private Limited and \$50 million to Welspun Renewable Energy Limited. NSL aims to install 75 MW and 100 MW of wind power and hydropower, respectively, by 2016, while Welspun intends to install 300 MW of solar and wind power capacity by 2015.

A \$2 million equity investment will provide growth capital to Simpa Networks, a

of the existing Dahej Liquefied Natural Gas terminal in [India](#). And it provided a \$25 million loan to International Energy Corporation in [Armenia](#), to help rehabilitate the Sevan–Hrazdan hydropower system.

Continuing its support for the water sector in [Indonesia](#), ADB approved a \$45 million loan to Aetra Air Jakarta to supply water to East Jakarta. This project complements

FAST FACT

22 projects in 12 countries
were approved, with support
amounting to **\$1.6 billion**

company offering an innovative mobile phone-based, pay-as-you-go metering system for rooftop solar systems in [India](#). The project will increase access to clean electricity in areas not reached by the power grid and will benefit inclusive growth. This technology is offered to solar micro-grid developers as a flexible prepaid metering, customer, and revenue management solution.

In [Indonesia](#), ADB approved a loan of \$250 million to construct, operate, and maintain three geothermal power generation units in the Sarulla concession area with a total capacity of about 320 MW. The units will be powered by steam, providing a reliable renewable energy source.

To provide an alternative to energy from coal and oil, ADB again strongly promoted the use of natural gas, a cleaner fuel, by its approval of a \$150 million loan to Petronet LNG Limited for the expansion

support for a water supply project in West Jakarta, completed in 2012.

ADB provided a \$200 million loan to China Water Affairs Group Limited and Shanghai Silver Dragon Investment Limited to build, repair, or rehabilitate water distribution facilities in urban and rural areas. And a \$240 million loan to Beijing Enterprises Water Group Limited finances technology to reuse wastewater.

ADB's private sector operations first supported agribusiness in 2012 and added two more projects in this sector in 2013. In [Kazakhstan](#), ADB provided a \$40 million loan to LLP RG Brands Kazakhstan to improve the storage facilities and transport of ultrahigh temperature milk and juice production facilities in the Kostanay and Aksengir regions. In [India](#), an \$18 million loan to Champion Agro Limited will assist in developing cold storage facilities to prolong the life of horticultural products. ■



LEARNING FROM LATIN AMERICA

ADB and the Inter-American Development Bank have jointly produced a report, *Working Together in Pursuit of Inclusive Business: Sharing the Latin American and Caribbean Experience with Asia and the Pacific: A Retrospective*. Released by the presidents of the banks in Tokyo in November 2013, it summarizes opportunities and suggests ways in which ADB can learn from Latin America in pursuing inclusive business. Read it at adb.org/publications



To retain our relevance, ADB **must evolve** to address the **concerns and challenges** of countries as they increasingly reach **middle-income status**.

— President Takehiko Nakao, speaking at the 2013 Global Meeting of the Emerging Markets Forum in Virginia, US

DELIVERING AN EFFECTIVE ORGANIZATION

POLICY AND STRATEGY

In 2013, ADB continued to review and revise its policies, procedures, and structure to improve service delivery to developing member country (DMC) clients and ensure that it used resources efficiently and delivered results.

Midterm Review of Strategy 2020

In 2013, ADB initiated a midterm review of its long-term strategic framework, [Strategy 2020](#). The review analyzes lessons learned, key achievements and areas for improvement, and emerging development challenges. It considers future strategic directions to deepen and rebalance ADB's relationship with DMCs.

The midterm review is guided by a steering committee made up of heads of departments. Drafts were posted on ADB's website for comment and discussed with the Board, Management, and key stakeholders, including representatives from 31 member countries, and suggestions were also received online through a dedicated website. The review is expected to be completed in 2014.

Uniform Approach to Sector and Thematic Operational Plans

Operational plans help ensure that ADB operations are aligned with [Strategy 2020](#). In 2013, ADB introduced new business processes to ensure it adopts a results-based approach when developing these plans. It also approved new operational plans for the environment, fragile and conflict-affected situations, gender equity and women's empowerment, urban development, and social protection.

Revised ADB Results Framework

ADB's corporate results framework was revised in 2013. It rates progress toward

[Strategy 2020](#) goals using indicators with targets. Corporate performance is reported in the annual [Development Effectiveness Review \(DEfR\)](#). New indicators measure progress in priority areas, including inclusive economic growth, gender equality, climate change, public-private partnerships (PPPs), project implementation, outcomes and sustainability.

Managing governance and fighting corruption

The strategic framework for action which guides ADB's governance and anticorruption work is provided by its governance and anticorruption policies and [Second Governance and Anticorruption Action Plan \(GACAP II\)](#). In 2013, ADB conducted a review of GACAP II's implementation. ADB made notable progress in implementing governance risk assessments and risk management plans in its operations in 34 DMCs since 2006. The review reinforced the message that ADB should continue to strengthen the mainstreaming of governance in its operations. This includes building governance interventions into country partnership strategies (CPSs), sector road maps, and operational plans.

ADB also reviewed procurement governance to improve its responsiveness and efficiency. Training was introduced to ensure staff take a risk-based approach to procurement. Measures were taken to improve cost estimations and procurement plans. It also streamlined procurement review processes for lower-risk projects. In addition, it initiated a regular assessment of procurement practices and began work on a system for managing complaints. The procurement accreditation skills scheme for staff and training for DMC clients were expanded.

ENSURING ADB DELIVERS RESULTS

Piloting Results-Based Lending for Programs

Results-based lending (RBL) for government-owned sector programs was piloted in 2013. It links disbursements to the achievement of program results. Assessments of government-owned sector programs will help to guide the design of RBL programs. During the year, ADB approved the first RBL program—to support the education sector in [Sri Lanka](#).

Managing for Development Results

To meet the 80% success target for projects under the [DEfR](#), ADB strengthened measures to monitor the readiness of infrastructure projects during the year. It also reviewed modalities to support the preparation of projects.

core principles of the Fourth High Level Forum on Aid Effectiveness (the Busan principles) into its policies and strategies and reinforced good practices in its operations. The Busan principles promote ownership of development priorities by developing countries, focusing on results, broader development partnerships, and transparency and accountability. Working closely with the [Global Partnership for Effective Development Cooperation](#), ADB and a number of its DMCs participated in a 2013 global monitoring exercise to measure progress in implementing the Busan commitments through a set of global indicators. ADB is also working with other multilateral development banks in supporting preparation of the first Ministerial Meeting of the Global Partnership in Mexico in April 2014.

Accountability and Compliance

The Compliance Review Panel (CRP) investigates alleged noncompliance by ADB with its operational policies and procedures. The CRP submitted its report to the Board on the Indonesia Integrated Citarum Water Resources Management Investment Program—Project 1 and completed its draft report on the Cambodia Rehabilitation of the Railway Project. The Board approved the recommendations made by the CRP in the Citarum case to ensure future tranches under this loan would comply with ADB's safeguards. The CRP submitted a report to the Board on the eligibility of the complaint on the India Mundra Ultra Mega Power Project. It also submitted the first monitoring report on the Philippines' Visayas Base-Load Power Project.

The year marked the completion of the ADB Accountability Mechanism's 10th year of operation, and a year since launch of the new [Accountability Mechanism Policy](#). Activities in 2013 were focused mainly on reaching out to stakeholders—through the channeling and forwarding of complaints, more inclusive investigation of cases, and implementing of remedial action in consultation with stakeholders.

The Office of the Special Project Facilitator (OSPF) is responsible for the problem solving function of ADB's Accountability Mechanism. People who believe they have been adversely affected by an ADB-assisted project can use the function. In

FAST FACT

93% of stakeholders see ADB as having a **positive impact** on the lives of the poor

ADB provided three training sessions on Managing for Development Results (MfDR) to 67 staff, and two in-country sessions for 8 government officials and 5 ADB staff in [Armenia](#), and 17 ADB staff in [Cambodia](#). It helped prepare results frameworks for nine CPSs including the four CPSs approved in 2013.

As part of its ongoing focus on delivering results in DMCs, the ADB-supported Asia-Pacific Community of Practice on Managing for Development Results introduced new approaches on how to manage decentralization—through an interregional forum in Mexico, and for PPPs through two regional events. ADB also supported MfDR training and forums in [Cambodia](#), the [Kyrgyz Republic](#), and the [Philippines](#).

Progress on Global Partnership for Effective Development Cooperation (Aid Effectiveness Agenda)

ADB remains committed to effective development cooperation. It has institutionalized and mainstreamed the

2013, OSPF completed an investigation into small infrastructure works related to the railway project in [Cambodia](#). Five complaints received were determined ineligible for investigation, though a solution was mediated in each case.

Transparency and Disclosure

ADB continued to implement its [Public Communications Policy](#) by boosting efforts to ensure staff compliance with the policy. It established a disclosure group to provide advice on disclosure issues related to information technology (IT) infrastructure and business processes. In addition, it implemented a new disclosure monitoring system to ensure consistent compliance with policy disclosure requirements. The Public Disclosure Advisory Committee handled the first public interest appeal under the policy. In September 2013, ADB hosted the annual meeting of the working group on disclosure and stakeholder engagement among international financial institutions.

2012 ADB Perceptions Survey Findings

The third ADB Perceptions Survey of external stakeholders was published in August 2013. Results show that most stakeholders (93%) in member countries continue to see ADB as having a positive impact on the lives of the poor. An overwhelming majority of respondents think ADB is a trusted, competent, reliable, and transparent development partner. It is considered to be an excellent source of knowledge on development issues.

Respondents cited some weaknesses, including perceptions that ADB is bureaucratic and slow to make decisions. It received lower performance ratings relative to other [Strategy 2020](#) priority areas for its work in education, promoting gender equality, and mobilizing resources to develop the private sector. Respondents suggested ADB could be more innovative.

Promoting Effective Implementation

In 2013, ADB strengthened its fiduciary oversight and support function by merging portfolio management, procurement, and financial management into a single department. This allowed it to enhance its portfolio management support, increase staff delegation, and improve due diligence and capacity development.



NEW MEASURES INTRODUCED IN 2013 will result in faster, more efficient awarding of contracts and disbursements, reducing delays in project implementation.

MANAGING PROJECTS

ADB strengthened its project management offices by improving coordination among project managers and implementing agencies, and boosting the mix of skills among its staff. Field offices recruited experts in implementing complex, multisector projects and resolving procurement issues, and introduced measures to retain talent.

ADB activated a procurement network comprising project administration staff and procurement specialists at headquarters and field offices to promote more effective knowledge sharing and support in addressing procurement issues.

In addition, ADB introduced proactive measures to solve problems and address medium-term challenges in project implementation. It actively participated in special country portfolio reviews and meetings with governments and stakeholders to resolve implementation issues and develop solutions. It closed, canceled, or restructured nonperforming projects on a continuing basis, and applied project readiness filters to new pipeline projects. It also encouraged the use of a project design facility to help developing member countries prepare detailed designs before project approval.

Collectively, these measures will result in faster, more efficient awarding of contracts and disbursements, reducing delays in the implementation of projects.

To speed up contract awards and disbursements, ADB implemented the recommendations of the [Procurement Governance Review](#) report. This work includes developing a risk-based approach to procurement, including the development of new thresholds for international competitive bidding, and a streamlined Procurement Committee process. To improve efficiency further, ADB placed more procurement specialists in regional

departments, introduced an automated system for creating procurement plans and monitoring and evaluation of procurement packages, and revised its project administration instructions to streamline disbursement and withdrawal procedures.

Procurement Accreditation Skills Scheme (PASS) workshops were held, with 32 staff accredited for consultant recruitment and 35 for procurement, enabling ADB to



INDEPENDENT EVALUATION reviewed ADB's performance, examining ways in which operations could be made more efficient.

INDEPENDENT EVALUATION FOR DEVELOPMENT EFFECTIVENESS

Independent Evaluation assesses ADB policies, strategies and operations to ensure that they meet development effectiveness criteria, and has been implementing changes to make its work more relevant and responsive. In 2013, it updated its Operations Manual and focused its efforts on higher-level evaluations (corporate, thematic, country, and sector), researched emerging issues, and improved knowledge sharing and evaluation capacity among ADB staff and officials from developing member countries (DMCs).

The Board discussed the [2013 Annual Evaluation Review](#) in June 2013. The review reflected on the performance of ADB operations, and the need to pay greater attention to sustainability issues in infrastructure operations.

The 2013 thematic evaluation study on ADB's support for the Millennium Development Goals (MDG) found that in 2002–2011, ADB provided \$32 billion in sovereign financing (37% of the total) for direct MDG support. Programs aimed at reducing income poverty and promoting environmental sustainability comprised the major share, while support for human development was less prominent. The evaluation recommended that ADB consider rebalancing its support to health and education, and provide more direct MDG support for the most lagging DMCs.

Another study assessed the contribution of private sector operations (PSOs) to inclusive and environmentally sustainable growth, recommending that ADB further increase the inclusiveness of PSOs by working directly with private sector promoters on inclusive business models, removing impediments to private investments in social infrastructure, and increasing PSOs in poorer countries and disadvantaged regions.

Independent Evaluation also reviewed ADB's operational performance and decentralization progress, and examined ways in which operations could be made more efficient. It recommended that ADB give field offices more operational work, taking advantage of their proximity to clients and local knowledge.

evaluate procurement documents more quickly. In addition, 160 and 164 staff passed the final exams for consultant recruitment and procurement, respectively.

To address procurement delays from the DMC client side, the first Capacity Building Program for Executing and Implementing Agencies on Successful Project Design and Implementation Forum provided training to 62 representatives of ADB-financed projects on ADB's project cycle. The training explored key issues that typically arise during project design, implementation, monitoring, and completion.

STRENGTHENING STAFF CAPACITY

Learning and Development

ADB's staff development framework, policies, and programs are anchored in [Strategy 2020](#) and the [Our People Strategy](#). To improve staff capacity in delivering services to DMC clients, ADB delivered 177 training programs attended by 2,922 staff. The programs focused on the project cycle—project design and management; financial management and analysis of projects; project cost estimates; procurement, using guarantees to finance projects; mission leadership; and public–private partnership. It also offered 10 courses to support development of new and potential managers, mission leaders and/or members, with 278 attendees. Staff benefited from more eLearn courses and delivery of training at field offices.

Communities of Practice (CoPs) continued to drive ADB's sector and thematic training programs. In 2013, CoPs delivered 56 programs (with 131 participants), an increase of about 60% over the previous year. The increase confirms the higher demand for sector and thematic training programs, the capacity of CoPs to implement these programs given adequate financial and operational support, and the benefits of CoPs working in collaboration with centers of excellence and other knowledge partners.

Safeguards

ADB continued to support projects that helped improve DMCs' legal frameworks for involuntary resettlement and environmental assessment, strengthen institutional capacity to implement national laws and regulations on safeguards, and



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promote knowledge management and South–South cooperation on country safeguard systems. Some 106 projects were screened and reviewed for potential impacts related to the environment, involuntary resettlement, and indigenous peoples. Of these projects, 77 (73%) were deemed to have potential environmental impacts, 58 (55%) to have potential involuntary resettlement impacts, and 20 (19%) to have potential impacts on indigenous peoples.

ADB is one of 10 [Global Environment Facility](#) (GEF) agencies and the only one assessed as meeting all of the GEF's minimum requirements on environmental and social safeguards. ADB implemented three safeguard orientation courses and an advanced environmental management course for the Joint Safeguards Practitioners CoP. They were attended by 96 participants from the executing agencies, and development partners.

MAKING THE MOST OF ADB RESOURCES

Human Resources Management

During 2010–2012, ADB implemented a 3-year workforce plan, allocating 500 new positions (a 20% increase compared to 2009). The implementation of the plan has strengthened in-house skills in core operational areas defined in [Strategy 2020](#) by about 48% compared with 2009 in terms of staff positions. The positions were primarily in operations departments and field offices, aimed at increasing staff capacity in project administration and portfolio management. The human resources function was reorganized to improve accountability and governance mechanisms for human resources management, providing managers better access to higher value and strategic human resources-related advice and a more efficient delivery of routine services.

To ensure a strong mix of high-performing staff whose skills are aligned with the needs of stakeholders, ADB implemented various talent management initiatives in 2013. These included measures to strengthen existing performance management processes, and the introduction of renewable fixed-term contracts for senior positions. Building on the success of gender action programs, ADB implemented the

POWER USAGE, WASTE REDUCED

ADB promotes a safe workplace and actively reduces its carbon footprint. By December 2013, it had reduced electricity consumption by 3.3% from the previous year, against a target of 1%, reduced paper consumption by 7.9% against a target of 2%, and solid waste by 15.2% against a target of 2%. In 2013, the resource conservation program was made available to all field offices.

ADB follows green procurement initiatives when sourcing, recycling, and disposing of goods. It sources 100% of its energy needs from renewable sources (geothermal and solar) and 55% of base ingredients in food offerings from the local market for the headquarters building. Eserve, a requisition and management system, is being progressively rolled out from 2013 and will reduce paper consumption for forms and orders. The expansion of ADB headquarters in Manila continued, with energy and water-efficient technologies, construction materials with recycled content, low-embodied carbon façade, and building-integrated solar power to be activated in 2014.

diversity and inclusion framework under which gender diversity and inclusiveness will continue to be prioritized.

Administrative Expenses

Resources required at ADB have been largely stabilized through the combination of the transformation exercise and the continuing efforts to implement efficiency and cost-reduction measures. Actual net internal administrative expenses (IAE) for 2013 totaled \$561.33 million. This includes the administrative expenses for Independent Evaluation as well as \$35.31 million in budget savings transferred to the Staff Retirement Plan. The total represents a utilization rate of 97.4% against the original budget of \$576.60 million. Savings against the original budget were realized mainly from underspending in salaries, business travel and staff consultants, and depreciation.

The net IAE budget for 2014 is \$598.39 million. The increase of \$22.58 million or 3.9% over the 2013 budget is fully attributed to price increases. The 2014 budget also includes an annual capital budget of \$8.5 million to fund cyclical capital expenditures.

Enhancing Field Presence

ADB continued to enhance its field presence in 2013, establishing new resident

missions (field offices) in [Bhutan](#) and [Myanmar](#). The Special Office in [Timor-Leste](#) was renamed a resident mission. It allocated 12 new positions to absorb core functions performed by contractors. The number of resident missions increased to 29 from 28 in 2012 and authorized staff positions grew to 694 (22.7% of ADB staff) from 680 (22.3% of ADB staff) in 2012.

Strengthening Risk Management

ADB's risk management framework is designed to support a risk-aware culture and implement business processes that allow departments and offices to monitor, mitigate, and manage a variety of risks.

While increasing its financing for private sector development, ADB has strengthened its ability to manage credit risks associated with private sector lending. In 2013, it devoted substantial resources to improving the credit process for private sector transactions through a new credit risk management technology platform. It also continued to provide support to DMC financial institutions to strengthen their risk management capacity. For example, a technical assistance workshop in [Kazakhstan](#) was conducted to strengthen the risk management capacity of financial institutions lending to small and medium-sized enterprises. ADB's AAA credit rating

was reaffirmed by the three major credit rating agencies.

Audit

ADB's Office of the Auditor General (OAG) issued 24 audit reports in 2013, covering sovereign, nonsovereign, risk management and treasury operations, finance and administration, and information systems and technology activities. It monitored the implementation status of audit recommendations and validated the actions of business units to mitigate risks.

\$864 million) to ensure that funds were used for their intended purposes.

In addition, ADB enhanced its due diligence processes for detecting and reviewing integrity breaches, money laundering, and the financing of terrorism concerns in potential projects. Forty-nine integrity-focused training events were conducted for ADB staff and stakeholders, including executing agencies and supreme audit institutions. ADB also strengthened its cross-border anticorruption efforts through partnerships with other multilateral development banks and cofinanciers.

Information and Communication Technology

ADB continuously implements new and innovative IT solutions, and designs and implements information and communication technology (ICT) for development initiatives under its portfolio. The establishment of effective IT controls, security, quality, risk management, governance, and compliance are priorities reinforcing its IT investment.

During 2013, ADB continued to implement the second ICT strategy (2004–2014), which aimed to modernize the information systems and enhance connectivity of headquarters with field offices for ADB operations.

The third ICT strategy (2013–2018), approved in early 2013, aims to provide integrated communication, mobility, and IT-enabled business processes. Aligned with the [Knowledge Management Action Plan 2013–2015](#), this will help transform ADB's IT environment and deliver improved channels for disseminating information to staff. The strategy will deliver unified voice, video, and text; cohesive data systems for analysis and decision making; and further improve IT system performance. It will also enable collaboration with DMCs and other external stakeholders. ■

It reviewed the financial and administrative activities of seven field offices and suggested improvements to strengthen risk management. It provided advisory support to address donors' and cofinanciers' audit requirements, and completed four advisory engagements on several internal processes.

To promote the professional development of staff, in 2013, OAG established a 3-year training plan for professional auditors. OAG also completed the process for selecting ADB's external auditor for the fiscal year 2014–2018 financial statement audits.

Integrity and Anticorruption Activities

In 2013, ADB debarred 61 entities and cross-debarred 324 entities for integrity violations. Project procurement-related reviews were conducted on sample contracts for seven projects (totaling

FAST FACT

ADB's AAA credit rating

was reaffirmed by the three major credit rating agencies



DELHI ANNUAL MEETING EXPLORES PEOPLE'S EMPOWERMENT

Dr. Manmohan Singh, Prime Minister of India, was among the guests who addressed nearly 5,000 participants at ADB's 46th Annual Meeting of the Board of Governors in Delhi from 2 to 5 May 2013. The meeting's theme was "Development through Empowerment." Participants included finance ministers, bankers, business leaders, civil society organizations, and the media. Multilateral agencies like ADB need more financial resources to help developing countries reach their development potential, Dr. Singh said. Read more at adb.org/annual-meeting/2013

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To respond to the climate challenge and **advance green growth** in Asia and the Pacific, more innovation is required. We need to build smarter infrastructure that is both **less polluting and more resilient**. We must find solutions to provide clean energy, healthy food, and **clean water for all** in an increasingly resource-constrained world. And we have to **equip people with the knowledge** and tools they need to be able to adapt to a rapidly changing environment.

—Takehiko Nakao, ADB President

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