

# ADB **REVIEW**

NEWS FROM THE ASIAN DEVELOPMENT BANK

November–December 2003



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Pawnshops Seen  
in New Light

**Cambodia**  
Floating Villages  
Head for Higher  
Ground

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These children live with 130 other squatter families on land that used to be a road in Phnom Penh, Cambodia. Due to inadequate drainage, the settlement sits on stilts above a fetid, black pool of sewage and waste.

Photo by David Kruger

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# Reaching the Poorest

Reducing poverty while maintaining macroeconomic stability—can a balance be struck in poor countries?

By **Omana Nair**

External Relations Specialist

**W**ays to accelerate poverty reduction in low-income countries in the region were the focus of the Second East Asia and Pacific Regional Conference on Poverty Reduction Strategies held in Phnom Penh, Cambodia, in October. More than 150 participants attended from six Asian countries—Cambodia, Indonesia, Lao People's Democratic Republic (Lao PDR), Mongolia, Timor-Leste, and Viet Nam—and five observer countries—Bangladesh, Bhutan, Nepal, Papua New Guinea, and Sri Lanka.

The Asian Development Bank (ADB), International Monetary Fund (IMF), United Nations Development Programme (UNDP), and World Bank sponsored the three-day conference that started on 16 October 2003. Delegations included a mix of government and civil society representatives, parliamentarians, and academics. The first conference was held in Hanoi, Viet Nam, in 2001.

In his opening address, H.E. Samdech Hun Sen, Prime Minister of Cambodia, stated, "For the Royal Government of Cambodia, the war on poverty is not just a policy, but a passion. Poverty reduction defines and drives the substance, the content, the heart and soul, and entire strategy of our Government. Poverty reduction is not just a requirement of social justice, or an action of conscience, but also pragmatic economic management."

The conference was a useful opportunity for partners to get together and discuss how to carry forward the poverty reduction strategy and meet the challenges of implementation. Many countries in the region have completed their first poverty reduction strategies and have achieved important gains in making policies more pro-poor and processes more participatory.

Jan P.M. van Heeswijk, Director General of ADB's Regional and Sustainable Development Department, said in his

opening remarks, "In Asia and the Pacific, optimism and hope have been intermittently clouded by heightened tensions and persistent threats of terrorism amid a slowdown in global economic growth. However, the underlying long-term problems conti-



Reilie del Rosario

nue to be deprivation, lack of opportunity, inadequate participation, inequity, and a sense of powerlessness."

The conference themes—governance and promoting participation, transparency, and accountability; pro-poor growth; widening markets and trade, and the pursuit of regional integration; and the challenges in meeting the Millennium Development Goals and their linkages to poverty reduction strategies—are seen as key to assisting Asia's fight against poverty.

East Asia, home to some 1.8 billion people with vast ethnic diversity and differences, has the most dynamic economy. However, 200 million people in the region still earn less than \$1 a day. The challenges require

each country in the region to strike a careful balance in its policy choices and emphasis on growth, equality, and stability.

Addressing the local media, Mr. van Heeswijk pointed out that the changing nature of the East Asian economic and financial landscape, combined with persistent governance problems in the region, has impacted negatively on the poor.

Brahm Prakash, ADB Director, Poverty Reduction and Social Development Division, told journalists that countries could learn from East Asia's growth-led poverty reduction experience that is unique in the developing world. "In this sense, this conference is not only about building further on the experiences of the last two years but is also about showing the way forward to the developing countries that are lagging behind."

Countries highlighted their success in reducing poverty while maintaining macroeconomic stability, which is essential for pro-poor growth. The need for realistic budget frameworks, with adequate flexibility to help meet shocks, was seen as a key element in successful implementation.

Since the majority of poor people live in rural areas, delegates stressed that investing in rural development and agricultural productivity—roads to markets, schools, health facilities, telecommunications, improved access to technology, and training—is a priority. Delegates explored other ways of taking advantage of trade opportunities. Strong calls were made for rich countries to reduce their barriers to poor countries' exports, and to advance multilateral trade agreements.

Jacques M. Ferreira, ADB Principal Regional Cooperation Specialist, gave a presentation on regional cooperation. He discussed how regional cooperation initiatives contribute to growth and poverty reduction in the developing countries of the region. He cited as a success story the ADB-supported Greater Mekong Subregion Economic Cooperation Program that was established in 1992 (*see story, p. 20*). ■

**“Poverty reduction is not just a requirement of social justice, or an action of conscience, but also pragmatic economic management”**

H.E. Samdech Hun Sen  
Prime Minister of Cambodia



# VIOLENCE AND THE POOR

A study is looking at the rising tide of violence in Asia's cities—and what can be done to stop it

By Graham Dwyer

External Relations Specialist

**W**ith more than half the world's population projected to be living in urban centers by 2020, the dream of a better quality of life is being undermined by an increasing menace—urban violence.

Surveys and poverty assessments show that urban violence has risen by 3%–5% per year over the last 20 years—and the degree of violence has intensified.

This violence ranges from street crime, such as muggings, robberies, and carjackings; to kidnappings, murder, drug-related violence, and organized crime conducted by gangs; to assaults, sexual violence, and personal abuse.

Asia experiences lower rates of violence than other regions. But it is home to an explosive growth in urbanization, which brings a threat of more violence.

“Exposure to violence is psychologically toxic and damaging. It inhibits productivity and income-earning capacity, affects the investment climate, destroys infrastructure, and disrupts delivery of services,” says Gulfer Cezayirli, an Asian Development Bank (ADB) Senior Urban Development Specialist.

However, addressing the problem is constrained by inadequate data and knowledge on the extent, trends, and specific causes of urban violence in Asia.

## Mutually Reinforcing

Most such studies are confined to Africa and Latin America. A few regional urban

poverty assessments allude to urban violence, but have not carried out comprehensive investigations.

To fill this gap, ADB is undertaking a study to strengthen approaches to urban upgrading, poverty reduction, and pro-poor governance by increasing awareness of the link between urban violence, poverty, and ineffective governance.

Funded by a technical assistance grant of \$150,000, the study will analyze the types of and reasons for violence, identify key players and the most likely victims, and draw up common lessons and suitable options to mitigate urban violence and enhance public safety and security in urban areas.

The grant comes from ADB's Poverty Reduction Cooperation Fund, financed by the Government of the United Kingdom.

Previous studies indicate that urban violence, poverty, and ineffective governance are inextricably linked and mutually reinforcing.

"An inadequate urban environment and social and economic exclusion, coupled with inadequate access to safety services, lead to distrust, frustration, and hopelessness, and contribute to circumstances that encourage urban violence," says Ms. Cezayirli.

Conversely, urban violence mostly affects the poor as they live in vulnerable physical conditions, cannot afford protection, and have no access to private security services.

A lack of understanding of the complex nature of the problem and the link between poverty and violence has led to government policies that focus on repression and conventional policing measures, with a predictably limited impact.

### Reducing Violence a Priority

Under the grant, a comparative analysis will be carried out in two Asian cities—most likely Dhaka and Phnom Penh. Three other cities in Asia and Latin America will be studied under a parallel exercise by the World Bank.

With one of the relatively higher violence rates in the region, Phnom Penh's poor, who constitute 25% of the city's population, identify the reduction of violence, crime, and exploitation as among their major needs.

Likewise in Bangladesh, where urban poverty levels are among the highest in the Asia and Pacific region, high levels of insecurity and violence are major problems facing the poor.

Bangladesh also demonstrates the link between weak governance and urban violence. In the slums of Dhaka, the gover-

nance gap—in meeting the basic needs and providing security for the poor—is filled by middlemen who control land allocation and services to poor communities, while being widely engaged in violent acts against the poor, especially women.

"Urban violence and its consequent feeling of insecurity erode the poor's social capital, dismantle their organizations, prevent social and physical mobility, and perpetuate poverty," says Ms. Cezayirli.

"Unless urban violence—and its manifestation of exploitation of the poor—are addressed as part of poverty reduction and governance improvements, programs to improve the lives of urban dwellers will have limited impact."

Sporadic initiatives have been taken to integrate urban social and physical strategies that mobilize effective partnerships led by urban governments. But these have not been replicated.

Innovative approaches are needed to address the multifaceted nature of violence and specific security needs of the urban poor. Without this, the vision of a better quality of life for city dwellers will remain just a dream. ■

**Surveys and poverty assessments show that urban violence has risen by 3–5% per year over the last 20 years—and the degree of violence has intensified**

**VICIOUS CYCLE**  
Urban violence, poverty, and ineffective governance are inextricably linked and mutually reinforcing





**FISH CENTER** New port facilities in Hera will provide a center for handling and distributing fish for Dili and elsewhere

Brigitte de Sousa

# Improved Port Paying Off for Timor-Leste

The development of Hera Port employed 800 workers—and promises to help feed the country

By **Graham Dwyer**  
External Relations Specialist

**HERA, TIMOR-LESTE**

**W**ith limited inshore marine resources that are vulnerable to overfishing, Timor-Leste has long faced the challenge of providing sufficient and affordable animal protein to feed its population.

The biggest obstacle has been the lack of port facilities for larger vessels that could sail offshore to catch small, fast-growing, and abundant fish species, such as sardines and mackerels.

But this is changing, with the help of an Asian Development Bank (ADB)-administered port rehabilitation project inaugurated recently in Hera, about 16 kilometers (km) east of the capital Dili.

The project is funded by a \$1 million grant from the multidonor Trust Fund for East Timor (TFET), which has financed many essential infrastructure projects in the country.

“The project has built excellent faci-

ties that will provide improved mooring and unloading facilities in Hera, and act as a center for the handling and distribution of fish for Dili and elsewhere,” says Helen Baxter, Social Protection Specialist of ADB’s Pacific Department.

“During project implementation, more than 800 workers benefited from various employment opportunities, which also brought benefits to their families and the wider community.”

The project also emphasized local purchase of materials and the lease and hire of equipment from the people of Timor-Leste to help the local economy.

The scope of the project was relatively modest—strengthening and repairing three breakwaters totaling 140 meters (m) in length, and rehabilitating the wharf faces of the harbor basin, totaling about 400 m.

In addition, the harbor basin was dredged, and aprons and side areas paved. Besides facilities for larger boats, the port provides ice, and repair and maintenance for marine engines and other fishing equipment.

“Unskilled workers employed by the project have received useful training in spe-

cial requirements for marine structures construction,” Ms. Baxter points out. “This should ensure that the harbor can be maintained on a sustainable basis in the future.”

Over five years, it is estimated the port will yield an extra 1,360 tons of catch, providing more than half the Food and Agriculture Organization (FAO)-recommended daily per capita consumption of fish. The project is on track to achieve its aim of contributing to the long-term food security of the people of Timor-Leste.

Timor-Leste became ADB’s 61<sup>st</sup> member country on 23 July 2002. Besides the port project, ADB has also been assisting funding agencies in preparing and carrying out TFET grant projects totaling \$52.8 million. These include emergency infrastructure, water and sanitation, and microfinance development projects.

Since 2000, ADB has also committed \$8.6 million for 20 technical assistance grant projects to Timor-Leste. ■

**VALUABLE CATCH** Fish is an important part of the diet of people in Timor-Leste



Ram Cabrera

**Over five years, it is estimated the port will yield an extra 1,360 tons of catch, providing more than half the recommended daily per capita consumption of fish**



**PERSPECTIVE** Pawnshops provide an important financial service to poor and low-income households

# Pawnshops Seen in New Light

Typically associated with desperation and exploitation, pawning is also a useful method of microlending

By **Graham Dwyer**  
External Relations Specialist

**P**awning is probably the oldest method of lending, dating from the days of Babylon, the Bible, and ancient China. But today it is an activity associated with desperation and exploitation that many policymakers and funding agencies would like to see curtailed.

Yet the prejudices against pawning are usually based on unrealistic or incorrect assumptions, according to Nimal Fernando, ADB's Lead Rural Finance Specialist.

In an article in ADB's quarterly newsletter on microfinance, *Finance for the Poor*, Mr. Fernando argues that pawnshops are, in fact, an important source of microcredit in many developing countries, especially in Asia.

He says a fresh look is needed at the activity and cites recent experiences in Indonesia and Sri Lanka.

"Pawnshops provide an important financial service to poor and low-income house-

holds by offering credit at rates that are better than those of informal commercial moneylenders," he writes.

"The clients are able to convert their nonfinancial assets quickly into cash for short periods, whenever needed."

He points out that far from being exploitative, pawning gives poor and low-income households in Asia a chance to take unproductive holdings, such as gold and jewelry, and convert them for productive purposes by pledging them for loans.

Both the clients and lenders benefit from minimal transaction costs. Also, there is no need for the latter to collect and analyze information on creditworthiness, apart from appraising the asset reasonably and carefully. Pawnshops' record keeping and accounting are also simple and low cost.

"Although pawning has its limitations, pawnshops add to the institutional diversity of the microfinance landscape and provide a useful service as microcredit institutions to poor and low-income households in countries where there are no severe legal restrictions on their operations," Mr. Fernando concludes. ■

## PEOPLE

# PRC Country Director Receives Friendship Award



**Bruce Murray, PRC Country Director, receiving the Friendship Award from Vice Premier Wu Yi for ADB's development efforts**

BEIJING, PEOPLE'S REPUBLIC OF CHINA

**T**he Asian Development Bank's Country Director in the People's Republic of China (PRC), Bruce Murray, received a 2003 "Friendship Award" from the PRC Government. The Friendship Award is the highest award presented by the Government to foreign experts.

The Ministry of Finance, which nominated Mr. Murray, cited the contributions that ADB has made toward the PRC's economic and social development.

The State Administration of Foreign Experts Affairs, authorized by the State Council of the PRC, established this state-level annual award in 1991 to recognize particularly significant contributions of foreign experts in diverse fields. To date, 716 foreign experts from 54 nations have received the prestigious award. In 2003, 50 people from 19 countries were selected to receive the Friendship Award from among the 400,000 foreign experts working in the PRC on long-term assignments. ■

By Graham Dwyer

External Relations Specialist

#### LAIWU, PEOPLE'S REPUBLIC OF CHINA

**B**ack in 1992, the Laiwu Iron and Steel Company (LSC) was a relatively small operation, producing low-quality products for the local market in the People's Republic of China (PRC).

Now a little more than 10 years later, after receiving assistance from the Asian Development Bank (ADB), it is the country's 12<sup>th</sup> largest steel-producing company and a world leader in high-quality construction products.

The transformation provides a model for reform and privatization of the PRC's state-owned enterprises (SOEs) and modernization of the steel industry.

It has also proven a shot in the arm for the Laiwu region, in the eastern province

Laiwu Steelworks provides a model for modernizing the PRC's state-owned enter-

# TRANSFORMATION WONDER

of Shandong, which in 1992 was poor and in need of modernization.

The origins of the project date back to the mid-1980s when, during ADB's first country programming mission, the Government requested assistance for a pilot project to expand and modernize an iron and steel complex.

"Because it was close to abundant natural resources and growing local markets, Laiwu was chosen as the most suitable plant for development," explains Richard Simpson, an ADB Principal Evaluation Specialist.

A \$133 million loan with a complementary technical assistance grant was approved in March 1992 to reform and restructure the steel plant and expand an existing iron and steel mill. The project marked the first steel plant to be financed by ADB, chosen because of its potential to reform the sector by introducing best practices and modern management programs.

The total project cost at appraisal was \$328 million, financed by the ADB loan with cofinancing from the Export-Import Bank of Japan, a complementary loan from commercial sources, loans from domestic banks, equity from the province, and the company's internal resources.

#### Alternative Needed

But the project was not commissioned until June 1999, 39 months behind schedule and with a \$190 million cost overrun. Behind the delay and increased cost was a major change in one of the project components.

"It became apparent that there was already a glut of welded pipes in the domestic market. So the planned welded pipe mill became financially and economically unviable," explains Don Jacobson, an international steel expert and ADB consultant.

"An alternative had to be found to utilize the raw steel that would be produced from the expanded steelmaking facilities at Laiwu."

After extensive technical and market research, it was decided to substitute a mill that would make high value-added steel for the construction industry, for which a ready domestic market was projected.

This, however, came at a higher cost because of more expensive equipment and extensive upgrading of facilities. Additional civil works, high domestic inflation, and increased staff costs due to the delay were other factors in the cost overrun.

The change of scope proved to be fortunate, though.

"One of the 'secrets' of LSC's success has been its recognition of the need to focus on a growth market where there were few competitors, in this case larger structural steel sections, and serve that market exceptionally well," says Mr. Jacobson.

"Without the project, as it now stands, the company probably would not have survived," Mr. Simpson adds. "It was able to foresee the rapid changes in the construction industry, and adapt its strategy accordingly"

#### World Leader

Output at the plant was increased from the original capacity of 240,000 tons per annum to about 628,000 tons per annum of finished steel products. The actual plant capacity was due to be about 2.8 million tons by the end of 2002, of which about 2.2 million tons will be produced by the project-related equipment.

As a result, Laiwu now dominates the PRC's production of high-quality construction steel, and is a world leader in its field. Some 10% of production is exported to elsewhere in Asia, including Hong Kong, China; Japan; and Singapore.





Rollie del Rosario (x3)

“With the prospects of providing most of the construction steel needed to build facilities for the 2008 Beijing Olympic Games, Laiwu expects to be ranked among the top 50 international steel companies by 2005.”

#### Largest Employer in Laiwu

Other benefits have included considerable energy savings, with coal gas consumption per ton of steel only about one third of that before the project. This has led to less noise, as well as less air and water pollution.

The savings have been achieved through continuous production processing, modern technology, recycling, reuse of waste gas, and cogeneration. These processes have since been adopted by other steel plants within the PRC.

The impact of such efficiencies goes beyond environmental improvement. The provincial labor department has estimated

that per capita income in the region has tripled since the project began.

The company is the largest employer in Laiwu, the number of employees rising from 11,700 before the project in 1996 to 15,600 in 2002. Additionally, officials estimate that the project created about 10,000 new jobs in the region.

#### An Example to Emulate

Equally dramatic has been the transformation in the Laiwu plant’s own corporate culture. The project has enabled it to function as a modern, publicly listed corporation—a first for a steel company in the PRC.

“One of the key objectives of the project was to introduce modern management practices into the company,” says Mr. Jacobson.

With ADB technical assistance, the plant was listed on the Shanghai Stock Exchange in 1997, when 18% of the shares were listed. Two further issues followed,

**Officials estimate that the project created about 10,000 new jobs in the region**



which increased the public shareholding to 22%. The plant now operates in a free market, without subsidy or protection. It pays taxes and operates like a private company.

As it works toward consolidating its achievements and building better marketing and corporate governance, the plant is looking forward to forming a strategic partnership with a foreign company.

“In transforming a struggling SOE into a successful enterprise with a significant private sector shareholding, the project is seen by government agencies as a model that other SOEs could emulate,” Mr. Jacobson concludes.

“Its example will help promote the ongoing reform and restructuring program, not just in the iron and steel sector, but elsewhere in the economy.” ■

## EVENT

## International Cooperation Festival Attracts Thousands



Keiko Kawazumi

**INTERESTED IN ADB** Tsukasa Maekawa, ADB Principal External Relations Specialist, explains ADB activities to visitors at the ADB booth at the International Cooperation Festival, held on 4–5 October 2003 at Hibiya Park in central Tokyo



Tsukasa Maekawa

**LARGE TURNOUT** About 70,000 people visited the event, which is the world's only festival on international cooperation. Participating in the event were 110 nongovernment organizations and 80 public organizations, including international institutions, embassies, and government aid agencies. ADB's booth was well visited

# Carbon into Cash

Vast potential exists for carbon credits—and income—from Indonesia's unproductive forestland

By Graham Dwyer  
External Relations Specialist

**O**ut of Indonesia's more than 100 million hectares (ha) of forestland—accounting for almost half the forest in Southeast Asia—some 12% is lying idle and unproductive.

Yet potentially, through forestation programs under the Clean Development Mechanism (CDM) of the Kyoto Protocol, these areas could absorb 45–300 tons of carbon dioxide—the main greenhouse gas—per hectare per year.

To help stakeholders in the country better understand the processes, implications, and potential applications of the CDM, a new Asian Development Bank (ADB) technical assistance project will pilot test carbon sequestration project designs. Funded by a \$700,000 grant financed through the Canadian Cooperation Fund for Climate Change and administered by ADB, it is ADB's first technical assistance to address carbon sequestration.

Carbon dioxide accounts for about half the total global warming potential from greenhouse gases, which could cause global average temperatures to rise by 1.4–5.8 °C between 2001 and 2100 if no preventive action is taken.

Such changes in global temperature would reduce the polar ice cover, raise the sea level, and cause unpredictable weather patterns. The most vulnerable to these changes would be the poor, who often live in the marginal lands that are at the mercy of adverse weather, such as floods, droughts, and storms.

Under the Kyoto Protocol, agreed to in 1997 by the Conference of the Parties of the United Nations Framework Convention on Climate Change, participating developed countries and economies in transition have agreed to meet, by 2008–2012, greenhouse gas emission reduction targets.

The countries can meet these commitments in many ways—through domestic action, joint implementation of greenhouse



Pati Patena

**CARBON INTO INCOME** Indonesia's forests can provide resources beyond wood

gas reduction projects, emissions trading, and the CDM, which allows projects in developing countries to earn certified emissions reduction (CER) units for reducing greenhouse gases.

The CER units must be registered with the CDM Executive Board. The project may then sell, save, or barter the CERs, like a commodity through private contracts, auction, or exchange markets, providing additional income. Potential buyers and users of the CERs are industries and governments in developed countries. One way of earning CERs is through reforestation and afforestation of denuded land.

ADB's technical assistance will address some issues, including establishing definitions such as baselines, nonpermanence, leakage, and socioeconomic and environmental impacts, and will apply methodologies acceptable under the Kyoto Protocol for carbon sequestration projects in Indonesia.

The Ministry of Environment, the focal ministry for climate change in Indonesia, will be the executing agency. ■

For more information on the Canadian Cooperation Fund for Climate Change, go to <http://www.adb.org/REACH/canada.asp>. To read about the Clean Development Mechanism Facility, go to <http://www.adb.org/CDMF>

# Community Forestry: Benefits to the Poor

Strategies are being identified to increase the food and livelihood security of smallholder farm families

By **Graham Dwyer**

External Relations Specialist

**M**ost of the Greater Mekong Subregion's 80 million poor live in rural areas, often in or near forests, with some of the poorest belonging to ethnic minorities in remote upland areas. For these people, forests function as both safety nets and an essential source of daily income and food.

For example, many rural communities in the Lao People's Democratic Republic (Lao PDR) derive virtually all their food—except rice—from the forests. Nonwood products provide, on average, more than half the cash income for families living near forests.

These communities are highly vulnerable to, and threatened by, deforestation, which has been accelerating from an average of about 0.7% annually in the early 1980s to almost 2% in the late 1990s. More than 1.1 million hectares of forestland has been lost annually.

"If the environmental challenges facing upland development are not managed, the poverty reduction efforts in these areas will not be sustained and the already vulnerable upland communities, particularly ethnic minorities and women, will be pushed deeper into poverty," says Javed Hussain Mir, an Asian Development Bank (ADB) Senior Natural Resource Specialist. "To give poverty reduction strategies their full impact, particularly in the forest and natural resource sectors, the potential of the Mekong upland forests must be harnessed."

To help achieve this, ADB has approved a technical assistance grant of \$800,000, from the Poverty Reduction Cooperation Fund, financed by the Government of the United Kingdom, to improve the poverty reduction potential of community and industrial forestry in three Mekong countries.

Focusing on Cambodia, Lao PDR, and

Viet Nam—especially provinces that have a high incidence of poverty—the grant will identify strategies to increase the food and livelihood security of smallholder farm families and communities living in or near remote and inaccessible forests. It will also assess the potential of community forestry



Caroline Heider

**Forests function as both safety nets and an essential source of daily income and food**

to reduce poverty in the upland communities of the three countries, and chart the impact of changes in the forest sector and the forest product trade in the Mekong.

"Industrial forestry, which involves large-scale forest resource management and processing, has good potential to create jobs and income provided it is done in a responsible manner," says Mr. Mir.

Interest in community forestry approaches, which require the participation of communities and key stakeholders in all aspects of forest planning and management, has been increasing in recent years. Community and industrial forestry has been developed in accessible areas, primarily to meet the need for revenue and wood.

Some forms of community forestry would involve the use and sale of nonwood forest products for subsistence or the preservation of essential local environmental services. Other forms would need to focus on commercial timber and harvesting of nonwood forest products.

But institutionalizing such approaches has proven difficult because of problems related to tenure and access, sharing of costs and benefits of jointly managed resources, and agreement on the roles and responsibilities of government agencies and communities.

The grant's participatory multistakeholder evaluation of community and industrial forestry initiatives aims to enhance their poverty reduction impact. Equally important will be involving policymakers more in the industrial policy reform agenda to promote sustainable forest resource management to reduce poverty among upland communities.

ADB's grant will be implemented over the next 15 months. A report will be prepared in collaboration with participating communities, line agencies, and key policymakers and project implementers. The proposed action plans for improving the performance and impact of forestry on poverty reduction will be presented and validated

at a national multistakeholder workshop in each country.

The total cost of the grant is about \$1 million, of which the Center for International Forestry Research, the Food and Agriculture Organization of the UN Regional Office for Asia, and participating communities will contribute \$200,000 equivalent. ■

# Floating Villages Head for Higher Ground

An environmental initiative seeks to address poverty and environmental degradation—and provide hope of a brighter future for some of the world's poorest

**Bylan Fox**

Principal Project Specialist (Natural Resources)  
Agriculture, Environment, and Natural  
Resources Division, Mekong Department

## CHONG KNEAS, CAMBODIA

**E**very spring, melting snows in the Himalayas spark off a remarkable chain of events in distant Cambodia that affects the livelihoods of some of the world's poorest people.

As it leaves the Lao People's Democratic Republic (Lao PDR), the mighty Mekong River crashes over the Khon Phapheng Falls, just south of the 4,000 islands of Siphandon where the width of the river spans 14 kilometers (km)—the widest it ever reaches. It then flattens abruptly and meanders for another 500 km through the plains of Cambodia to reach the delta of southern Viet Nam.

Boosted by monsoon rains and with its gradient now too flat to retain the flow within its banks, the river spills out over large parts of Cambodia, where up to 65% of cultivated land is covered each year by floodwater. The Tonle Sap River, which joins the Mekong at Phnom Penh, acts as a safety valve by absorbing part of the excess. It reverses its flow from mid-May to October, massively expanding the volume of the Tonle Sap Lake, 100 km "upstream," close to the famed temple complex of Angkor Wat.

The lake swells from its dry season size of some 2,500 km<sup>2</sup> to about 13,000 km<sup>2</sup>, inundating vast areas of vegetation that serve as feeding and breeding grounds for countless varieties of fish, making the lake one of the richest areas in the world for freshwater fish. In a land as poor as Cambodia, this is a wonderful nutritional bounty, accounting for two thirds of the country's protein.

## Harsh Existence

The annual shifting of the lakeshore by some 6 km has created a highly unusual living pattern for the people in the community of Chong Kneas at the northwestern end of the lake. Some 5,000 people live on houseboats moored within the lake during the dry season and move "inland" along a narrow channel as the waters rise. Other families, who live along the road embankment beside the channel, load their houses onto the backs of trucks to seek higher ground as the water rises. The whole community settles around an isolated hill at Phnom Kraom when the lake is at its highest level.

While the floating villages are a picturesque tourist sideshow for visitors to the nearby temples, for the people who live on the boats and the peripatetic houses, this is a harsh existence. But it is one they have tolerated because of the livelihood they derive from fishing. Some members of the floating population were once farmers who fled to the lake in the 1970s when they lost their land during the Khmer Rouge's reign of terror; but others, many of Vietnamese origin, have been there much longer and have known no other life.

The houseboats and other transportable dwellings have no sanitation and waste disposal facilities, electricity, or drinking water connections. Many houseboats have cages tethered to them in which fish are fattened with the waste products from fish processing and the dwellings themselves. Some risk prosecution by fattening crocodiles in these semisubmerged wooden cages prior to smuggling them to commercial markets for their skins and meat.

## Taking an Integrated Approach

Although Chong Kneas does not have a proper dock, it is the access point from the

lake to the important town of Siem Reap for cargo and tourist traffic. Tourists walk along makeshift planks to board tour boats, and the movement of cargo is difficult. The site is hazardous for passengers, unhygienic for fish handling, and susceptible to oil and fuel spills.

The air is fetid with rotting organic detritus. Nonbiodegradable solid waste litters the shoreline and shallow waters. All kinds of liquid and solid wastes are disposed of in the water alongside the road and become trapped within the channel, which is not naturally flushed. The pollutants accumulate until the water level is sufficiently high to connect all points of the channel with the general body of water in the lake—which in turn becomes more polluted.

Environmentalists throughout the world are increasingly taking an integrated approach to environmental and poverty issues. Management of entire river basins as a single unit can maximize the benefit to people without compromising the ecosys-



**NO MORE HOUSEBOATS**  
Residents say they would prefer to live on the land and have access to clean water and sanitation

tems on which future generations will depend. The Government of Cambodia established the Tonle Sap Biosphere Reserve in 2001 as a focal point for environmental management. In turn, the Tonle Sap Environmental Initiative, fostered by a consortium of multilateral and bilateral development agencies, is undertaking specific actions to address the twin problems of poverty and environmental degradation in the river basin. Chong Kneas has been identified for special attention.

### Learning What the People Want

Any illusions that living on boats was a cultural tradition that people cherish and wish to preserve were shattered when the villagers were consulted about their living conditions. Overwhelmingly they said that they would prefer to live on the land and have access to clean water and sanitation as well as have their children go to proper schools instead of the poorly maintained floating school.

While the status quo is clearly unacceptable, given the lack of income-earning opportunities, high levels of illness, short life expectancy, and generally arduous living conditions of the poor, environmentalists are also anxious to reduce pollution and other forms of human impacts on the lake. Both the national and regional governments also want to see Chong Kneas become a viable boat landing site, serving the commercial and tourism needs of Siem Reap and surrounding areas.

With funding from the Government of

Finland, the Asian Development Bank (ADB) has embarked on a yearlong technical assistance project to explore potential solutions to the unique problems of Chong Kneas. The starting point, initiated earlier this year, was to find out what the people themselves wanted. From workshops and individual visits to families on their houseboats emerged the initial clear message of a desire to move onto the land. At the same time, it is becoming equally clear that the villagers would like to continue fishing as their primary livelihood.

In recent years, resettlement has become one of the most controversial subjects on the development agenda. It has generally been involuntary to make way for

## Chong Kneas is different: the villagers want to move

dams and other infrastructure and, too often, in the past the unfortunately named “oustees” have not been adequately compensated or able to find comparable livelihoods in their new communities.

Chong Kneas is different in that the villagers want to move. The challenge to the Government and its international development partners is to ensure that villagers are treated equitably and, in addition to an improved physical quality of life, have equal or greater earning opportunities.

### More Fulfilling Lives

Current thinking on flooding, whether it be an annual occurrence like that of the Tonle Sap Lake, or an unpredictable result of extreme weather, is toward management rather than control.

Historically the reverse was true. Floods have largely been considered a threat and much money has been spent building costly barriers to keep water inside river channels and out of the way of people and infrastructure. In large urban areas, there is a lot to be said for this approach. But too often these large structural barriers have made the lives of the poor harder, interfering with the ecosystems of wetlands and introducing new risks associated with failure of the high flood protection barriers themselves, often resulting in death and destruction.

At Chong Kneas, the options being considered to improve the welfare of inhabit-

ants of floating villages are likely to involve a more modest, but practical civil engineering solution. Studies currently under way suggest that a new and wider channel should be excavated from the edge of Lake Tonle Sap to the foot of Phnom Kraom, the rocky hill that rises some 140 meters above the otherwise flat terrain. At the end of the channel, proper boat landing and cargo-handling facilities with year-round access will be built to accommodate passenger and cargo boats as well as the fishing boats of the former floating villages.

All of the earth excavated for the channel and boat landing area would be used to build an extensive “platform” beside the existing hill. This could be the permanent

site of the Chong Kneas community, with land allocated for houses and services such as water supply, sanitation, waste collection, electricity, schools,

clinics, markets, and administrative buildings. No longer would children have to drink directly from water beside their boats—water that is a little better than untreated sewage in the dry season. Infant mortality and the high incidence of disease should be greatly reduced. Proper schooling and a host of social services previously denied to the villagers will help them live more fulfilling lives. While fishing will remain their preferred source of income, other employment opportunities associated with fish processing, the new landing facilities, and tourism will all open up to the villagers.

Over the next few months, the process of consultation with the floating villagers will intensify to ensure that they are in the driving seat in determining their future living conditions and livelihoods. It will be important that all voices are heard, especially those of the most vulnerable, such as female heads of households and the ethnic minority population of Vietnamese.

Taken together, the anticipated changes at Chong Kneas will draw the human settlement within the Tonle Sap Biosphere Reserve farther from the lake, eliminate sources of pollution and, above all, provide hope of a brighter future to some of the world's poorest and most deprived people. ■

This article originally appeared in *Gulf News*, Dubai. It is reprinted with permission. <http://www.gulfnews.com>



Eric Sales

# FISH FIX

## Aquaculture holds potential to fill the gap left by declining fisheries in Indonesia

By **Graham Dwyer**

External Relations Specialist

**A** growing population and declining fisheries production have left Indonesia facing a widening gap between supply and demand for fish.

Fish provide two thirds of Indonesians' animal protein. And with catches from marine fisheries in decline, aquaculture could dominate the fishing industry as a major source of sustenance, jobs, and export earnings.

To help the process along, the Asian Development Bank (ADB) is preparing an aquaculture project in Indonesia under a technical assistance (TA) grant of \$800,000 to boost fish production and improve the livelihoods and nutrition of poor fish farmers in Indonesia.

The grant is financed by the Government of the United Kingdom.

"Because of its rich coastal resources and numerous inland water bodies, Indonesia has rich potential for aquaculture development," says Weidong Zhou, an ADB Senior Agriculture and Natural Resources Management Specialist. "The TA will assess the state of aquaculture development, and identify the major problems, opportunities, and strategies to achieve sustainable growth in the industry."

Three main types of aquaculture are practiced: freshwater, brackish water, and mariculture. Farmed species in freshwater systems are carp, tilapia, and gouramy. Brackish water culture has mainly milkfish and prawns. Mariculture operations use rafts, cages, and pens to cultivate species such as grouper, sea perch or barramundi, rabbit fish, seaweeds, and pearl oysters.

There are an estimated 2 million fish farmers in Indonesia, with half of them fishing on a small scale and in freshwater

ponds. In 1997–2001, prawn exports averaged \$800 million, contributing to half the value of all fishery products.

The aquaculture industry covers an area of about 681,000 hectares (ha). Yet this is less than 3% of the total potential area, which is estimated at 26 million ha, comprising coastal waters; rivers, lakes, ponds, and paddy fields; and brackish-water ponds.

The envisaged \$50 million project, in the pipeline for 2004, would rehabilitate management systems for the traditionally cultured freshwater species and develop technologies for other high-value species such as eels and turtles.



Takeshi Ekahara

But aquaculture growth has been hampered by several problems, notably environmental degradation, low growth, and productivity due to poor management, and lack of credit facilities for poor fish farmers and marketing infrastructure.

In 2002, poverty incidence in Indonesia was about 18% of the total population. The provinces of North and South Sumatra, West Java, West Nusa Tenggara, Lampung, and Southeast Sulawesi, the sites for the proposed TA study, account for one third of the rural poor.

As aquaculture is an important alternative livelihood source for poor rural communities, the Government in the last five years has been giving increased emphasis to fisheries and aquaculture development.

It aims to play a catalytic role in developing effective policies for better water management and financial provision for smallholders, and to harness the vast human resources potential, especially at the community level.

ADB, for its part, over the last two decades, has financed seven projects for aquaculture development in Indonesia, four of which are ongoing. However, earlier projects covered a limited coastal area and suffered difficulties in technology adaptation, lack of access to land and water resources, ineligibility for institutional credit, and aversion to risks.

"Lessons learned from previous projects highlight the need to promote an appropriate policy environment and a rigorous assessment of the capacities of executing and participating agencies to deliver support

### Aquaculture is an important alternative livelihood source for poor rural communities

It would also improve management of traditionally cultured brackish-water and marine species and develop technologies for new species such as sea horses and wrasses.

Total aquaculture production in 2002 reached 1.14 million tons, half of which came from brackish-water ponds, accounting for 19% of total fishery production. Together with catch fisheries, the gross value of fisheries output was estimated to reach \$5 billion in 2000, or about 5% of the output of the agriculture sector and 2% of the total economy.

services to beneficiaries," says Mr. Zhou. "The upcoming project will give more emphasis to reducing poverty and regional inequalities, ensuring food security, and promoting environmental management."

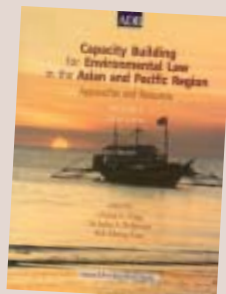
The TA, to be carried out to June 2004, will involve potential beneficiaries and stakeholders in preparing the project and will identify strategies, approaches, and options to reduce poverty and enhance environmental protection.

The total cost of the TA is estimated at \$1.12 million, of which the Government will contribute \$320,000 equivalent. ■

# New Publications

## Capacity Building for Environmental Law in the Asian and Pacific Region: Approaches and Resources (Second Edition)

Edited by Donna G. Craig, Nicholas A. Robinson, and Koh Kheng-Lian  
Volume I: ISBN 971-561-497-3  
Volume II: ISBN 971-561-504-X  
Price: \$50 per volume (hardback)

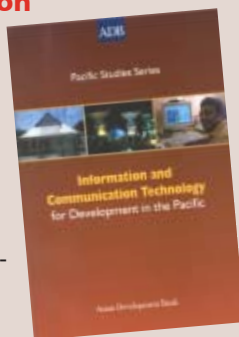


In two volumes, this work adopts a broad view of sustainable development as the basis of modern environmental law, with an emphasis on social justice and equity. This second edition includes a new foreword and updated information, including the contents of the Plan of Implementation adopted at the World Summit on Sustainable Development in Johannesburg, South Africa, in September 2002.

### PACIFIC STUDIES SERIES

## Information and Communication Technology for Development in the Pacific

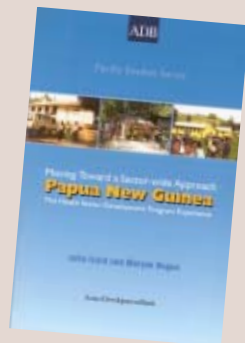
ISBN 971-561-486-8  
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This publication illustrates the positive role information and communication technology can have in assisting governments to reduce poverty and improve socioeconomic development in the Pacific.

## Moving Toward a Sector-Wide Approach Papua New Guinea: The Health Sector Development Program Experience

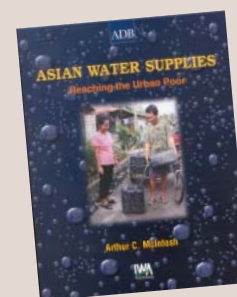
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## Asian Water Supplies: Reaching the Urban Poor

By Arthur C. McIntosh  
ISBN 971-561-380-2  
Price: \$15 (paperback)



This book is a guide and source on urban water supplies in Asia for governments, utilities, consultants, development agencies, and nongovernment organizations.

## Local Government Finance and Bond Markets

ISBN: 971-561-501-5  
Price: \$15 (paperback)



This publication analyzes the bond markets of the People's Republic of China; India; Indonesia; Republic of Korea; Malaysia; Pakistan; Philippines; Sri Lanka; Taipei, China; and Thailand.

Available directly from Palgrave Macmillan, London

## Poverty, Growth, and Institutions in Developing Asia

By Ernesto M. Pernia and Anil B. Deolalikar  
ISBN: 1-4039-1806-6  
Price: £60 (\$100) (hardback)  
Published for ADB by Palgrave Macmillan  
<http://www.palgrave.com/economics/monographs/>

The theme of this book is that while economic growth is key, institutions and other national and subnational attributes matter as well.

## Monetary and Financial Integration in Asia: The Way Ahead

Volume 1: ISBN 1-4039-1882-1  
Volume 2: ISBN 1-4039-2086-9  
£100 (pack of two volumes, hardback)  
Published for ADB by Palgrave Macmillan  
<http://www.palgrave.com/economics/monographs/>

This two-volume set takes up the issue of developing a road map of policy options, both at the regional and country levels, for carrying forward the ongoing efforts in monetary and financial cooperation in East Asia.

For these and other publications, contact the Asian Development Bank Publications Unit  
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# Seeing is Understanding

International journalists on a press tour get a glimpse of ADB's diverse activities in India



**EYE-OPENER** Journalists said the press tour gave them insights into poverty

Omana Nair

By **Omana Nair**

External Relations Specialist

## MYSORE, KARNATAKA, INDIA

**K**uderamala, a 30-year-old slum settlement in Mysore, recently received a special group of visitors: a team of international journalists. The women arranged a ceremonial welcome for 11 journalists who were participating in a weeklong press tour to visit Asian Development Bank (ADB)-assisted projects in India, complete with flowers and much celebration.

Maneuvering a group of foreigners through the alleys of an Indian slum was challenging. Except for the Indian and Filipino journalists, most others—from France, Germany, Indonesia, Japan, Republic of Korea, Switzerland, and Thailand—had never been inside a slum before.

The children, who were extremely friendly, requested the journalists carrying cameras to take their pictures. Many in the group were surprised at being the focus of so much excitement and joy. But then they realized that in a settlement like Kuderamala, receiving guests from faraway places is not a common occurrence.

Organized by ADB's Office of External Relations in collaboration with the India Resident Mission, the objective of the press tour was to showcase to media representatives ADB activities, particularly its efforts

in poverty reduction in India. Apart from resulting in good coverage and exposure, press tours also help foster solid professional relationships between ADB and the media.

Most journalists said the visits to the urban poor areas of Karnataka and Rajasthan were a real eye-opener. "They reminded me of the things I've already learned to take for granted," said Jintana Panyaarvudh, National News Editor at *The Nation* newspaper in Bangkok.

Several journalists were moved by how the human spirit can flourish in such poor physical conditions. "I believe this group has come face to face with a side of India not often penetrated by outsiders. And I believe we will be better human beings for having encountered it," said Setsuko



Omana Nair

**“ Although we journalists report a lot on poverty alleviation, very few of us know what poverty is really all about ”**

Takehiko Kajita, Kyodo News Agency

Kamiya, a journalist from *The Japan Times*.

On the first leg of the tour, the group drove along the Delhi-Jaipur highway, which was financed under an ADB loan, and was briefed by officials of the National Highway Authority of India. In Jaipur, the capital of Rajasthan, the journalists walked through cleaned slum alleys, interviewed project beneficiaries, and visited the historic Chand Pol gate where renovation and conservation works are being done through the Rajasthan Urban Infrastructure Development Project (*see story, p.17*). They also spoke with representatives from the executing agency and participating nongovernment organizations.

From Rajasthan, the group visited components of the Karnataka Urban Infrastructure Development Project in Mysore, in the state of Karnataka. The journalists also visited the Mysore University to interact with the academics and students to get a better understanding of the information and communication technology development in the state. They also met with relevant private sector representatives and officials from the Karnataka Urban Infrastructure Development and Finance Corporation in Karnataka's capital city, Bangalore.

The press tour ended in Chennai in the state of Tamil Nadu, where the journalists visited the state's first tollway project, thermal plant, and two ports: Chennai Port and the newly commissioned Ennore Port (*see story, p. 18*).

"The press tour gave us the opportunity not only to discover the country, but also its people and the changes happening within the fabric of Indian society," said Richard Werly from *Le Temps* newspaper in Geneva. "The experience was fascinating."

Takehiko Kajita, from Kyodo News Agency, said, "Although we journalists report a lot on poverty alleviation, very few of us know what poverty is really all about. Having seen poor Indians' lives, I came away with the feeling that I would be able to approach the issue from a different angle." ■



# Guarding the Past

In a bid to boost tourism, Rajasthan's heritage sites are being restored and public infrastructure built

By **Omana Nair**

External Relations Specialist

JAIPUR, RAJASTHAN, INDIA

**R**ajasthan's rich history is visible in the forts and palaces that dot the arid landscape of the harsh Thar Desert. These monuments are a microcosm of images from the past—and perhaps an indication of great things to come.

In a bid to boost tourism, historical monuments and sites are being restored in Jaipur, the picturesque capital city of Rajasthan, and in Ajmer, the former capital of Rajasthan. But that's only part of the ambitious work plan.

Environmental degradation and lack of basic services previously frustrated the viability of tourism and related opportunities to boost local economies.

"The identified monuments and sites were generally in bad shape and in dire need of repair works," says Manoj Sharma, Project Director for the Rajasthan Urban Infrastructure Development Project.

To make matters worse, encroachments, solid waste dumping, and poor drainage marred the surroundings.

The Urban Environmental Improvements component of the Rajasthan Urban Infrastructure Development Project, with loan assistance from the Asian Development Bank (ADB), is developing sites and improving services, including historical sites in six major cities in Rajasthan—Jaipur, Jodhpur, Udaipur, Ajmer, Kota, and Bikaner. The total project cost is \$362 million, of which the ADB loan component is \$250 million.

Apart from restoring historical monuments and sites, other components include rehabilitating and expanding water supply; improving urban environment through improved wastewater management; and upgrading streets, bridges, and bus terminals to improve urban transportation.

"The restoration works will not only revive the glory of these structures but also the improved facilities will help boost tour-

ism, which will have direct economic benefits to the local residents," Mr. Sharma points out.

The Indian National Trust for Art and Cultural Heritage's Jaipur Chapter and the design and construction consultants prepared detailed plans, drawings, and estimates for restoring the identified heritage buildings and sites. Bylaws were also examined as a basis for proposing necessary regulatory measures and suitable modifications for preserving the heritage character of the "walled city of Jaipur," a unique example of an old planned city.

The Chand Pol Gate is one of the historic monuments being restored—the first major renovation for the gate and its surroundings in 275 years. Conservation works at the Chand Pol Gate include replastering and repainting the surfaces, restoring broken parts, paving the gate structure, and providing ample parking facilities and other public amenities.

"The gates and their envelopes are an integral part of the overall heritage fabric of the walled city of Jaipur. The need for the project is inherent in the attempt to establish a continuum of history to the present and the future generations," explains Poonam Verma, Conservation Architect for the project.

The renovation works must consider the traditional materials, design, style, and techniques and the sensitive addition of congruous materials and design to restore the monument to its former glory. "It is im-



**OPPORTUNITIES** Local people will soon benefit from tourism

## The Chand Pol Gate is receiving its first major renovation in 275 years

"The development of historical sites is being done comprehensively to promote sustainable growth in tourism," says Alex Jorgensen, ADB Principal Urban Specialist, India Resident Mission.

These monuments and their surroundings are now being renovated and given a facelift, with project officials taking great pains to ensure the work is in line with the traditional architecture of Jaipur, for which the project is providing \$11 million for heritage preservation.

perative that the renovation and conservation approach of the structure and its surroundings are carried out with minimal design and functional intervention," explains Ms. Verma.

The project also provides opportunities for students from the local technical institute to work with expert craftspeople.

With the restoration of the monuments, Rajasthan's rich cultural heritage will be preserved and local communities will gain in the process. ■

# PROFITABLE PORTS

Privatization is giving the competitive edge to Indian ports—and increasing competition between them

By **Omana Nair**  
External Relations Specialist

CHENNAI, TAMIL NADU, INDIA

**H**ailed as a landmark development in the maritime map of India, Ennore Port on the Coromandel Coast, 20 kilometers (km) north of Chennai in the state of Tamil Nadu, is the first corporatized port in India. Envisaged as a satellite port to decongest and improve the environmental quality at the bustling Chennai Port, Ennore Port is evolving itself into a full-fledged port with the capacity to handle a wide range of products.

With the commissioning of Ennore Port in 2001, handling thermal coal destined for the thermal power stations owned by the Tamil Nadu Electricity Board (TNEB) was shifted from Chennai Port. The port provides a cheaper option to transport coal from the Talcher coalfields in the state of Orissa for power generation in Tamil Nadu. Since Ennore Port became operational, TNEB has been saving Indian rupees (Rs)100 (about \$2.50) for every ton of coal transported.

Ennore Port, designed as Asia's energy port, has only 16 employees. Operating on a landlord port concept, it is outsourcing all services required for operation and maintenance, and new terminals are being developed with the participation of the private

sector. "Today Ennore is a good example of how synergy of a clear vision, sophisticated technology, and a well-trained workforce can usher in efficiency and profitability to the port functions," says T.K. Arun, Company Secretary, Ennore Port Limited.

## World-Class Port

The 12<sup>th</sup> major port in India, Ennore Port has adequate road and rail links. It has a 560-meter (m) long coal wharf for berthing two Panamax size vessels and fully mechanized systems for handling 16 million tons of cargo a year. Designed as a world-class port, with two breakwaters—one in the north measuring 3,080 m and the other in the south measuring 1,070 m—it has the capacity to develop 22 berths for handling a variety of bulk, liquid, and container cargo.

The development of Ennore Port was partly funded through an Asian Development Bank (ADB) loan of \$285 million for the Coal Ports Project, approved in 1992. Major components undertaken include capital dredging of the approach channel and harbor basin to handle vessels up to 65,000 deadweight ton (dwt), construction of south and north breakwaters, onshore

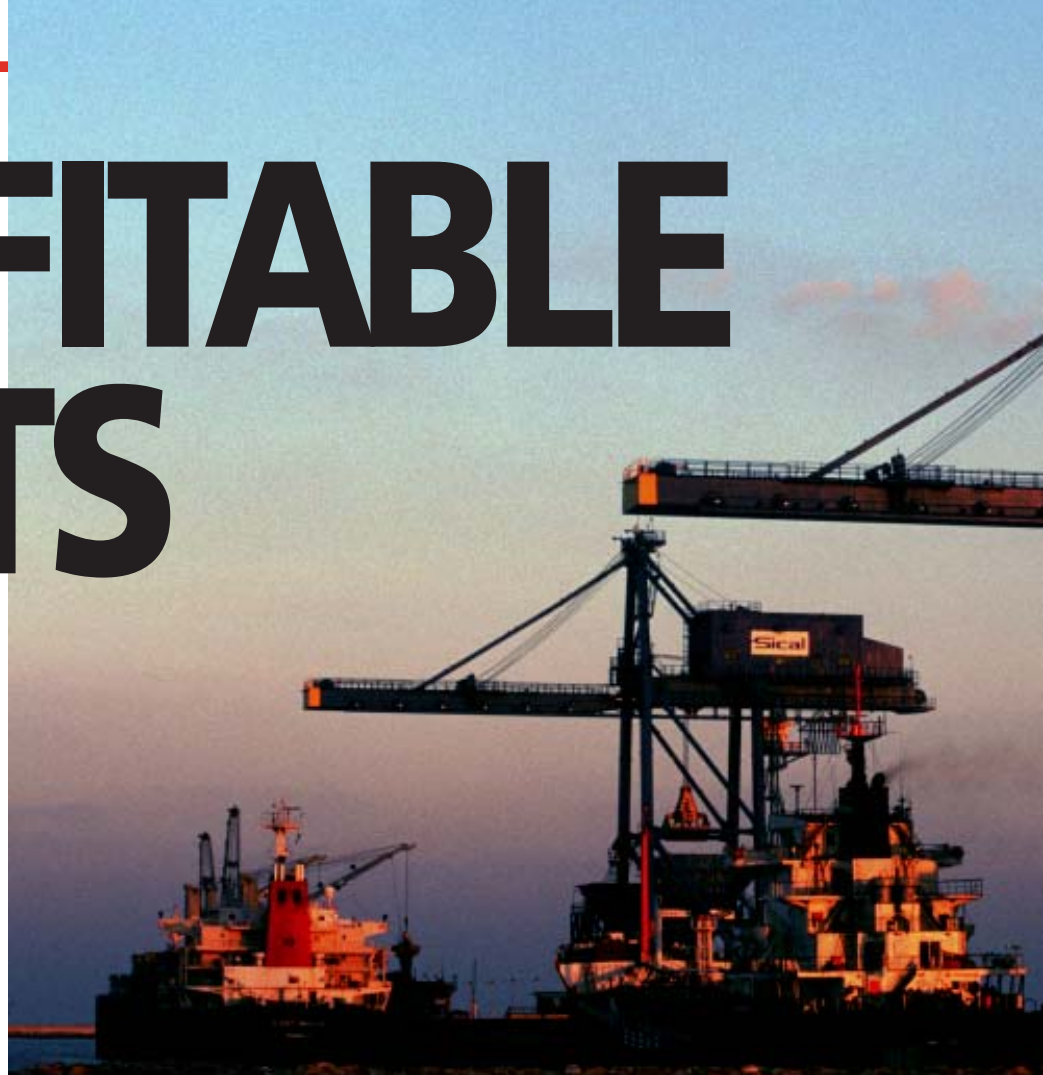
civil works and building facilities, procurement of a tug and pilot launch, and installation of night navigational aids.

ADB's objectives for the project included creating a green field port, undertaking sector reforms particularly to attract private sector participation, and providing a cheaper mode of transporting coal and creating spin-off commercial activities in the region.

Support for private sector development is an integral part of ADB's operational strategy in India. The main emphasis has been on establishing the policy, institutional, and regulatory frameworks for private sector participation in economic development, particularly in the roads and ports, hydrocarbon, and communications sectors and, at the state level, in the power sector.

## Private Sector Keen to Invest

The Government of India, on the other hand, has also initiated various steps to expand the infrastructure and management base of key ports of the country. To encourage private sector participation in developing ports facilities, policies and procedures have been significantly liberalized.





Richie Abrina

Between April and September 2003, Ennore Port handled 80 vessels and 4.5 million tons of coal, says Mr. Arun. "By being an optimally lean, agile, and highly efficient organization, we target to increase this to 10.3 million tons of coal by 2004."

He explains that Ennore as a landlord port would mobilize and invest in creating waterside facilities, such as deepening the approach channel and port basin and associated common user facilities, and perform regulatory functions. "All other capital investments will be made through private capital."

"We have been successful in attracting potential private sector investors who have shown a keen interest in investing about \$190 million in the development of coal, marine liquid, and iron ore terminals that would increase the handling capacity of the port to 40 million tons of bulk cargo per annum by 2006–2007 and trigger substan-

tial commercial activities in the region," Arun adds.

### Thinking Big

The mechanized coal handling system and the dust suppression measures, including water sprinklers, covered conveyor gallery, and a dust extraction system at the coal jetty are ensuring that Ennore Port is operating with minimal disruption to the environment.

"As an environment-conscious corporation, a 15-hectare (ha) area has already been forested and another 50 ha is being planned. The Port is also employing more than 100 local women who have been engaged under the 'green-field port' project," says Mr. Arun.

The overall plans are big: officials want to commission by 2006 a coal berth to handle 8 million tons per annum (MTPA) of cargo, an iron ore berth to handle 12 MTPA of cargo in 200,000 dwt ships, and a multi-purpose berth to handle liquid cargo. "With these developments, Ennore Port is poised to be transformed from a coal port to a vibrant energy port that would meet the challenging needs of the growing economy," says Albab Akanda, Head, Infrastructure and Environment Unit, ADB India Resident Mission.

The port's e-business initiatives cover an extensive range of customer account management services, such as electronic invoices, statements, and bill payments. "Ennore Port's long-term vision is to promote excellence in marine services through focus on customer, technology-driven, value-added services, and concern for safety and environment," says Mr. Arun.

### Focus on Autos

Ennore is also vying to attract foreign automobile makers, which currently use the Chennai Port, to explore the possibility of exporting its cars through Ennore Port, a move that may trigger competition between the two facilities. The proposal, still in preliminary stages, was driven by the ability of Ennore Port to offer vast tracts for the manufacturer to park its export-oriented cars.

The port has the potential to become a major gateway for car exports and is in a position to handle large vessels and volumes, says S. Veeramuthumoni, Ennore Port Director of Operations.

As a result, the transfer of coal to Ennore has made Chennai Port clean. "Chennai Port, which holds 33% stake in the Ennore Port development, now has the additional space for handling other lucrative container cargo and increasing its capacity for the export of cars," said V. Chellappan, Chief Engineer, Chennai Port Trust.

While it was not clear whether the Korean car manufacturer plans to continue car exports through Chennai or make Ennore Port the lone gateway, the proposal comes at a time when Chennai Port is upgrading its facilities.

Chellappan added that a series of plans has already been set in motion to make up for the revenue losses at Chennai Port. Without ruling out the possibility of the port offering fiscal incentives to retain the account of the Korean car manufacturer, he said, "we are expanding the parking lot to accommodate at least 25,000 cars and concretizing the surface at a cost of around \$670,000 to reduce pollution and dust. He also pointed out that a team from Germany's Volkswagen had recently visited the port's facilities.

Other measures include involvement of the private sector, provision of deeper berths, and containerization that would enable the port to attract bigger ships. The port had already succeeded in finding some alternative cargo to coal. With the number of car manufacturing companies located around Chennai, Chellapan was confident that potential exists to increase large-scale car exports through car carrier shipments for Chennai.

Chennai is India's major port for trade with Southeast Asia. Its hinterland covers the states of Tamil Nadu, Andhra Pradesh, and Karnataka. The region has important industries and major exports including minerals such as iron ore and barites. ADB has provided assistance to Chennai Port for its expansion and modernization plan to increase cargo handling capacity of containers and other general cargoes. Further, the project also involved private sector participation in providing container handling equipment and operating container terminal. ■



Richie Abrina

**Ennore Port, designed as Asia's energy port, has only 16 employees**

# Ministers Vow to Speed Up Priority Projects

Mekong River countries vow to increase competitiveness, connectivity, and sense of community

By Tsukasa Maekawa  
Principal External Relations Specialist

## DALI, PEOPLE'S REPUBLIC OF CHINA

To maximize the benefits of regional integration and globalization, ministers of the six Greater Mekong Subregion (GMS) countries vowed in mid-September to strive harder to strengthen competitiveness and connectivity, and enhance their sense of community.

In a drive to attract private sector participation in the GMS Economic Cooperation Program (GMS Program), the ministers held their first meeting with representatives from the private sector at the 12<sup>th</sup> GMS Ministerial Conference.

“The ministers recognized that closer collaboration will be crucial to meet the

challenges and reap the benefits of increasing regional integration and globalization,” said the Joint Ministerial Statement.

The meeting underscored the importance of speeding up priority GMS projects, including transborder road efforts.

The countries—Cambodia, People's Republic of China (PRC—Yunnan Province), Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam—are already reinforcing links through roads, telecommunications networks, and the promotion of power trade.

The GMS Program, assisted by the Asian Development Bank (ADB) since its inception in 1992, aims to create a better integrated, more prosperous, and equitable region. ADB and its partners have financed 15 major infrastructure projects, representing investments totaling over \$2 billion.

All mainland Southeast Asian countries will be landlinked by 2007 when all subregional infrastructure initiatives in the Mekong countries are expected to be completed.

ADB Vice-President (Operations 1) Liqun Jin told the meeting: “The GMS should be prepared to eventually form a fully integrated market as it emerges in Asia and integrates itself into the global development process. So long as we work diligently to achieve connectivity and competitiveness, the region will be very well-placed to play its part in an economic community under a broader framework.”

A major step toward further opening up the borders in the GMS was taken as Myanmar joined the other five countries in reducing nonphysical barriers to the free movement of people and goods across international borders. At the end of the meeting, Myanmar signed the Cross-Border Transport Agreement. Now all six countries have signed the Agreement.

The ministers noted that developing increased competitiveness requires the GMS to focus on an improved infrastructure network, human resource development, and trade facilitation alongside good governance and environmental management.

The ministers welcomed the commencement of the Phnom Penh Plan for Development Management. They saw it as crucial for building high-quality capacity in the GMS.

Other major outcomes of the meeting are as follows.

- The ministers agreed that the GMS Program is well on its way to achieving physical connectivity through a network of road corridors and agreed to explore other air and water transport linkages.
- They acknowledged the important role of cooperation in agriculture in reducing poverty through partnerships with rural communities to promote agriculture trade, food security, and sustainable livelihoods.
- They reaffirmed the importance of promoting the subregion as a single tourist destination and to work toward the possible establishment of a “GMS visa.”
- They warmly welcomed the Lao PDR's offer to host the 13<sup>th</sup> GMS ministerial meeting in 2004 and to the PRC's offer to host the second GMS Summit of Leaders of Governments in 2005. ■

“The GMS should be prepared to eventually form a fully integrated market as it emerges in Asia and integrates itself into the global development process”

Liqun Jin  
Vice-President (Operations 1)



Xurong Yao

# Trade Links Growing

With the PRC and ASEAN countries having forged a free trade agreement, Yunnan Province is positioning itself to be in the center of the action

By Tsukasa Maekawa

Principal External Relations Specialist

**E**ncouraged by the Greater Mekong Subregion (GMS) Economic Cooperation Program's efforts to build cross-country road networks, Yunnan Province of the People's Republic of China (PRC) is making steady efforts to become the country's gateway to Southeast and East Asia.

ADB-assisted GMS road projects in Yunnan are helping the province build all-weather highways from its capital of Kunming to Viet Nam, Lao People's Democratic Republic (Lao PDR), and Myanmar. Most roads have either been completed or are being constructed. The connecting roads in Lao PDR and Myanmar are linked to northern Thailand.

With the PRC and the Association of Southeast Asian Nations (ASEAN) countries having forged a free trade agreement, Yunnan Province officials say that the transport links will help boost trade with the countries in the south as well as trade between other parts of the PRC and neighboring countries.

"In addition to the countries bordering with us, we regard Singapore and Thailand as very important trading partners," says He Xuan, Deputy Director of the Yunnan Provincial Economic Research Center. With the completion of the North-South Transport Corridor—a road link being promoted through the GMS Program—it will be possible to travel by road the 2,000 kilometers between Kunming and Bangkok in just 20 hours.

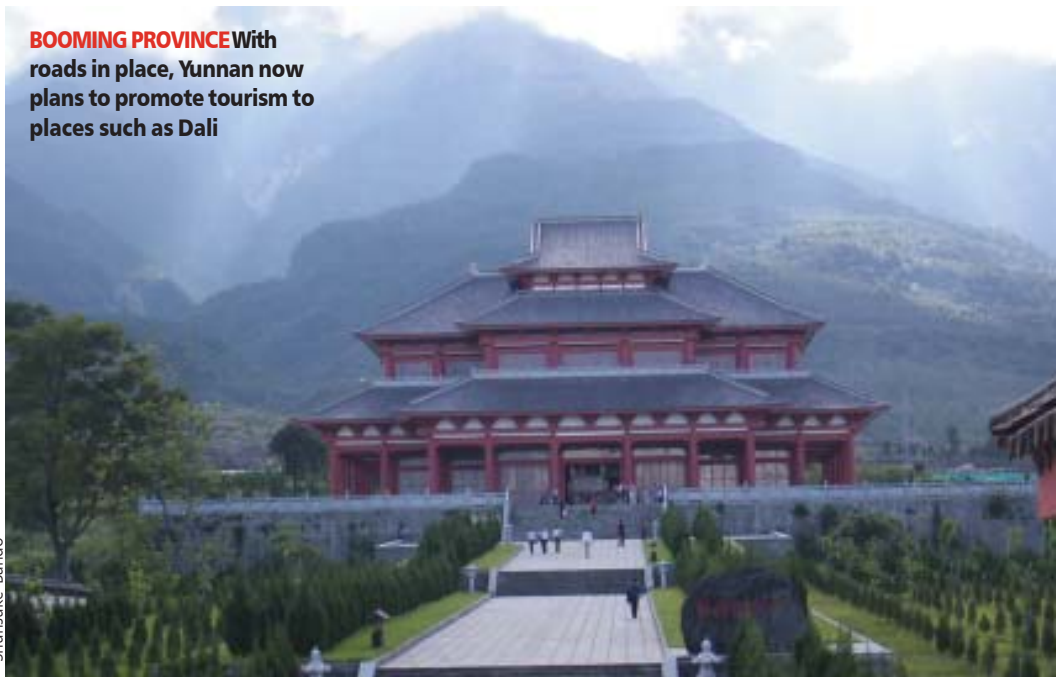
## Promoting Economic Growth, Entrepreneurship

Spurred by already completed highways and prospects of better transport links, the Yunnan economy has grown steadily, posting an average growth rate of about 8% over the past decade.

Yunnan's overall trade has grown by an

annual average of 10.3% since the GMS Program was initiated in 1992. In the first seven months of 2003, trade with Myanmar rose 30% from a year earlier, while trade with the Lao PDR increased by 19% and that with Viet Nam by 34%. Observers say massive amounts of goods are being transported via Myanmar between Thailand and Yunnan Province.

**BOOMING PROVINCE** With roads in place, Yunnan now plans to promote tourism to places such as Dali



**To attract more tourists and expand trade, Yunnan plans to improve and open railway lines, airways, and waterways**

Roads have also helped local economies. "A highway that passes through our county has played a very important role in promoting economic development and reducing poverty," says Zhi Hong, Deputy Governor of Nanhua County. The shortened travel time between the county and Kunming—from 6 hours down to 2 hours—has made shipping fresh products possible. One result is that the market value of mushrooms has increased, with fresh mushrooms now being exported to other Asian countries, such as Japan.

## Promoting Tourism, Expanding Transport Channels

With the roads in place, Yunnan plans to promote tourism. The province is well known for its scenic beauty, with some attractions listed among the World's Cultural and Natural Heritage sites, such as Lijiang, a town famous for its historic buildings.

Luo Mingyi, Director General of Yunnan Provincial Tourism Bureau, says the province expects more tourists from Southeast and East Asian countries. Currently, 35% of overseas tourists to the province are Asians, mainly from Hong Kong, China; Japan; Republic of Korea; and Taipei, China. The rest are from countries outside Asia.

To attract more international and domestic tourists and expand trade, Yunnan plans to improve and open railway lines, airways, and waterways. For instance, the railway from Kunming to Viet Nam will be upgraded in five years to accommodate annual cargo transport of 10 million tons (two ways) against the current 1 million tons. Farm produce, electronic appliances, and minerals are expected to be the main cargoes. Waterway development is currently being negotiated with Viet Nam. ■

# Corporate Governance and Poverty Reduction

Seeking the “right” model for balanced growth poses a challenge to Asian countries

By Arthur M. Mitchell  
General Counsel

**C**orporate governance is at a crossroads. Many developing and emerging economies already recognize that good corporate governance is crucial for sustainable economic development. And many are searching for a new or “right” model to apply to their specific domestic environment.

Over the past decade, focus has been increasing from outside—whether from governments, foreign investors, or multilateral development institutions like the Asian Development Bank (ADB)—on issues related to increased accountability, transparency, and disclosure in corporate governance systems.

Coupled with appropriate management incentives to ensure the discipline required for compliance, a balanced corporate governance system can help distribute wealth to a broader segment of civil society.

While good corporate governance is critical, it is important to realize that it goes hand in hand with public governance reform. Only an integrated approach will ensure a balanced contribution to development. After all, it is not possible to create and run an island of good corporate governance in a sea of poor or underdeveloped public governance.

What influences Asia’s business structures? Social and cultural heritage, through religion and philosophy, stresses loyalty to family. But contemporary Asian legal systems also have roots in western civil and common law legal traditions.

Despite this diversity, however, there are similar challenges. If there is a common denominator, it is the shift away from state-owned enterprises and the monopolies of family-controlled conglomerates to wider ownership; more balanced control; more independent board members; and deeper,

more liquid, domestic capital markets.

Reformers currently face much resistance, mostly in convincing traditional businesses that it is ultimately in their best interests to adopt reforms.

The reason for the resistance is simple. Both major developed nation models—the “bank-centric” system (like those in Germany and Japan) and the “market-centric” system (as in the United Kingdom and the United States)—have shown their weaknesses of late. Relationship capitalism in Japan led to a slew of nonperforming loans and a no-growth decade, while the Enron and Worldcom scandals called the US model into question.

Legal culture has a huge impact on what is ultimately appropriate for a country. And in building the “right” model for corporate governance, perhaps it is better to study what *not* to learn from both bank-centric and market-centric systems.

The key is to ensure that corporate governance reforms in emerging economies do not dampen entrepreneurship, but rather enhance economic development in a more transparent and accountable fashion.

So instead of replicating the financial systems that more prosperous countries developed over many years, Asian countries should focus on several issues.

- While strengthening legal frameworks and institutions, Asian governments must enforce laws equitably, resolving the rule of law deficit (or implementation gap) and build accountable public governance—the precursor to a properly functioning corporate governance regime.

- Bank-centric systems must be reformed to clean up bad debts and nonperforming loans and implement cutting-edge risk management techniques.
- Systemic risks (like the 1997 financial crisis) can be reduced if regulators and investors diversify risks by promoting robust local currency corporate bond markets, among other things, as an alternative to bank financing.

The need remains to convince governments, dominant corporate families, and the traditional “old-boy” domestic business networks that reform must be real and not merely legal lip service to outside pressure or expectations.

They need to be convinced that good corporate governance is truly in their best interests. Good corporate governance expands potential markets, broadens ownership, creates alternate financing options, and—most importantly—will help reduce poverty. ■



**GOOD FOR ALL** Good corporate governance expands potential markets, broadens ownership, and helps reduce poverty

**“It is not possible to create and run an island of good corporate governance in a sea of poor or underdeveloped public governance”**

# Stakeholders Engaged on Information Policies

A new draft policy will be posted on ADB's web site and used as the basis for stakeholder discussions at workshops in early 2004

By **Bart W. Édes**

External Relations Specialist

**T**he Asian Development Bank (ADB) shares information about proposed projects with interested stakeholders to encourage local participation in decision making and promote dialogue on poverty reduction. Experience has shown that such information sharing strengthens community engagement, as well as project implementation and sustainability.

Since the Policy on Confidentiality and Disclosure of Information (Disclosure Policy) was approved in 1994, it has provided for the proactive dissemination of a substantial amount of documentation on operational issues.

The Disclosure Policy is reinforced by the complementary Information Policy and Strategy of ADB (Information Policy), which supports an open and accessible environment in a multilateral development finance institution.

The Information Policy directs ADB to improve understanding among the public and policymakers of its activities, strategies, and objectives; marshal support for its activities; and raise public awareness of development issues.

## Stakeholders Contribute to New Policy

In August 2003, ADB began soliciting stakeholder comments on both policies as part of a comprehensive review leading to the adoption of a new, unified policy on information issues.

ADB has made detailed information about the review available on its Internet site, where visitors are invited to share their opinions (<http://www.adb.org/disclosure>).

More than 2,800 journalists and representatives of government, private sector, professional associations, universities, foundations, community groups, labor networks, and nongovernment organizations (NGOs) with an interest in development were directly advised by ADB of the 90-day comment period. ADB received over 70 sets of comments during this time. See <http://www.adb.org/disclosure/external> for a compilation of the comments received.

Also during this period, ADB Management, Board of Directors, and more than 100 staff members provided feedback on current practice and gave their views on how ADB should amend its current policies.

## External Consultations

The period for public comment ended in mid-November, and a new policy is now being drafted. ADB will make the draft available for public comment, and use it as the basis for discussions with stakeholders in early 2004. The views of government officials, business people, researchers, past requesters of information from ADB, and NGO representatives will be actively sought on the draft.

Workshops will be held in both developed and developing member countries. A tentative workshop schedule has been posted on ADB's web site.

Issues raised and recommendations made at the workshops will be considered in drafting a revised working paper, which will be submitted to ADB's Board of Directors for consideration. ■

For more information about the review process, contact the Office of External Relations at (632) 632-5843, or by e-mail: [disclosure@adb.org](mailto:disclosure@adb.org); or go to <http://www.adb.org/disclosure>.

## NEWS FOR NGOS

### Auditor General Meets with US NGOs on Anticorruption Efforts

ADB Auditor General Peter E. Pedersen met with 12 representatives of US-based NGOs and consultancies to discuss ADB's Anticorruption Policy. Participants included staff of the Bank Information Center, Forest Trends, and Government Accountability Project. The Office of the General Auditor works to ensure that ADB projects and staff adhere to the highest financial and ethical standards. For more information, contact Michael Stevens at [amstevens@adb.org](mailto:amstevens@adb.org).

### ADB Supports Activities of NGOs in India

As part of an ongoing review of its Poverty Reduction Strategy, ADB consulted with stakeholders at its India Resident Mission in late July. Representatives of NGOs and international development agencies remarked that ADB operations have become more pro-poor since implementation of the Strategy began in 1999. An example of this trend is the technical assistance for Integrating Poverty Reduction in Programs and Projects, under which ADB has been financing small-scale grants to NGOs to provide, for example, AIDS counseling, introduce organic farming, and empower women. For more information, contact Sujatha Viswanathan at [sviswanathan@adb.org](mailto:sviswanathan@adb.org).

### Punjab: Toward Millennium Development Goals

ADB approved a \$300,000 technical assistance grant to assist the Government of Punjab in improving and expanding social services for the poor. The focus of the technical assistance will be on relatively low-cost services that are easy to administer and will benefit those in poverty. "Priorities will mirror the Millennium Development Goals," said Marshuk Ali Shah, Country Director, ADB's Pakistan Resident Mission. For more information, contact Vincent De Wit at [vdewit@adb.org](mailto:vdewit@adb.org).



Ram Cabrera

**WHAT'S HER FUTURE?**—For this schoolgirl in India, that's a good question. The challenges of reducing poverty while maintaining macroeconomic stability require countries in the region to strike a careful balance between policy choices and emphasis on growth, equality, and stability (*see story, p. 3*).

## ADB REVIEW

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