POVERTY IN MONGOLIA

Life Under the Streets

Balancing Development
Red Rivers a Danger to Health
Poverty-Fighting Fund Replenished
NGO Praises ADB Work in Cambodia
ADB Approves US$616 Million in First Half of 2000

In the first six months of 2000, the Asian Development Bank (ADB) approved a total of US$616.1 million for lending, equity investment, and technical assistance. Lending for eight projects in seven member countries amounted to US$539.9 million. About 80 percent of the lending was funded by ADB’s ordinary capital resources and the rest by the concessional Asian Development Fund. Five projects received cofinancing of US$293.4 million.

The top three borrowers were Indonesia, Philippines, and Uzbekistan, which received 37 percent, 32 percent, and 11 percent, respectively, of total lending. The agriculture and natural resources sector received 43 percent of the total lending, followed by the industry and nonfuel minerals sector for 37 percent, and social infrastructure sector for 17 percent.

Bank Operations by Sector, First Half 2000

<table>
<thead>
<tr>
<th>Sector</th>
<th>Loans</th>
<th>Technical Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ Million</td>
<td>%</td>
</tr>
<tr>
<td>Agriculture and Natural Resources</td>
<td>231.90</td>
<td>42.95</td>
</tr>
<tr>
<td>Energy</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Finance</td>
<td>15.00</td>
<td>2.78</td>
</tr>
<tr>
<td>Industry and Nonfuel Minerals</td>
<td>200.00</td>
<td>37.04</td>
</tr>
<tr>
<td>Social Infrastructure</td>
<td>93.00</td>
<td>17.23</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Multisector</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Others</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>539.90</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Loan Disbursements, First Half 2000

<table>
<thead>
<tr>
<th>Borrower</th>
<th>OCRa</th>
<th>ADFb</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>0.00</td>
<td>118.53</td>
<td>118.53</td>
</tr>
<tr>
<td>Bhutan</td>
<td>0.00</td>
<td>1.12</td>
<td>1.12</td>
</tr>
<tr>
<td>Cambodia</td>
<td>0.00</td>
<td>15.69</td>
<td>15.69</td>
</tr>
<tr>
<td>China, People’s</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republic of</td>
<td>336.85</td>
<td>0.00</td>
<td>336.85</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>0.00</td>
<td>0.29</td>
<td>0.29</td>
</tr>
<tr>
<td>Fiji Islands</td>
<td>1.47</td>
<td>0.00</td>
<td>1.47</td>
</tr>
<tr>
<td>India</td>
<td>133.23</td>
<td>0.00</td>
<td>133.23</td>
</tr>
<tr>
<td>Indonesia</td>
<td>368.80</td>
<td>7.64</td>
<td>376.44</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>3.07</td>
<td>3.07</td>
<td>6.14</td>
</tr>
<tr>
<td>Kiribati</td>
<td>0.00</td>
<td>0.50</td>
<td>0.50</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>0.00</td>
<td>7.10</td>
<td>7.10</td>
</tr>
<tr>
<td>Lao People’s</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Democratic Republic</td>
<td>0.00</td>
<td>21.59</td>
<td>21.59</td>
</tr>
<tr>
<td>Malaysia</td>
<td>29.12</td>
<td>0.00</td>
<td>29.12</td>
</tr>
<tr>
<td>Maldives</td>
<td>0.00</td>
<td>0.37</td>
<td>0.37</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>0.00</td>
<td>5.94</td>
<td>5.94</td>
</tr>
<tr>
<td>Micronesia,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federated States of</td>
<td>0.00</td>
<td>2.34</td>
<td>2.34</td>
</tr>
<tr>
<td>Mongolia</td>
<td>0.00</td>
<td>18.51</td>
<td>18.51</td>
</tr>
<tr>
<td>Nepal</td>
<td>8.00</td>
<td>54.99</td>
<td>62.99</td>
</tr>
<tr>
<td>Pakistan</td>
<td>163.22</td>
<td>79.16</td>
<td>242.38</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>3.66</td>
<td>2.98</td>
<td>6.64</td>
</tr>
<tr>
<td>Philippines</td>
<td>51.90</td>
<td>14.05</td>
<td>65.95</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>0.00</td>
<td>0.23</td>
<td>0.23</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>5.00</td>
<td>35.28</td>
<td>40.28</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>0.00</td>
<td>0.66</td>
<td>0.66</td>
</tr>
<tr>
<td>Thailand</td>
<td>36.80</td>
<td>0.00</td>
<td>36.80</td>
</tr>
<tr>
<td>Tonga</td>
<td>0.00</td>
<td>1.57</td>
<td>1.57</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>22.58</td>
<td>0.02</td>
<td>22.60</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>0.00</td>
<td>1.97</td>
<td>1.97</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>2.66</td>
<td>74.26</td>
<td>76.92</td>
</tr>
<tr>
<td>Total</td>
<td>1,166.36</td>
<td>467.86</td>
<td>1,634.22</td>
</tr>
</tbody>
</table>

a Refers to ordinary capital resources.
b Refers to Asian Development Fund.

Loan Approvals, First Half 2000

<table>
<thead>
<tr>
<th>Member</th>
<th>US$ Million</th>
<th>Term (years) Including Grace Period</th>
<th>Interest/Service Charge</th>
<th>Date Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>20.00</td>
<td>32 (8)</td>
<td>1.0/1.5</td>
<td>27 Apr</td>
</tr>
<tr>
<td>Indonesia</td>
<td>200.00</td>
<td>15 (3)</td>
<td>variable</td>
<td>16 Mar</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>36.00</td>
<td>32 (8)</td>
<td>1.0/1.5</td>
<td>8 Jun</td>
</tr>
<tr>
<td>Mongolia</td>
<td>9.90</td>
<td>32 (8)</td>
<td>1.0/1.5</td>
<td>25 Jan</td>
</tr>
<tr>
<td>Philippines</td>
<td>15.00</td>
<td>24 (8)</td>
<td>1.0/1.5</td>
<td>22 Jun</td>
</tr>
<tr>
<td>– Grains Sector Development Program</td>
<td>100.00</td>
<td>15 (3)</td>
<td>variable</td>
<td>24 Apr</td>
</tr>
<tr>
<td>– Project Loan</td>
<td>75.00</td>
<td>25 (5)</td>
<td>variable</td>
<td>24 Apr</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>27.00</td>
<td>32 (8)</td>
<td>1.0/1.5</td>
<td>29 Jun</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>57.00</td>
<td>25 (5)</td>
<td>variable</td>
<td>8 Feb</td>
</tr>
<tr>
<td>Total</td>
<td>539.90</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Compiled by Marcia R. Samson, Editorial Coordinator
Senior Staff Appointment and Movements
(18 March—10 July 2000)

Appointment
• Ann Quon—Assistant Chief, Office of External Relations effective 12 May 2000

Staff Movements (by effective date)
• Anthony E.C. Kuek—Senior Economic Advisor, Extended Mission to Indonesia, promotion effective 20 March 2000 and transfer to Indonesia Resident Mission, Programs Department (East) effective 3 April 2000;
• Zhang Yuejiao—Deputy Director, Programs Department (East), promotion effective 3 April 2000;
• Bradford R. Philips—Manager, Agriculture and Rural Development Division East, Agriculture and Social Sectors Department (East), promotion effective 14 April 2000;
• H. Satish Rao—Manager, Energy Division East, Infrastructure, Energy and Financial Sectors Department (East), promotion effective 14 April 2000;
• M. G. Quijabla—Assistant Chief Economist, Economic Analysis and Research Division, Economics and Development Resource Center, on secondment to Asian Development Bank Institute as Senior Advisor effective 8 May 2000;
• Rajat M. Nag—transfer and redesignation from Manager, Financial Sector and Industry Division West, Infrastructure, Energy and Financial Sectors Department (West) to Deputy Director, Programs Department (West) effective 28 May 2000;
• Kunio Senga—transfer and redesignation from Manager, Budget and Management Systems Department to Programs Manager, Division East 3, Programs Department (East) effective 29 May 2000;
• T. L. de Jonghe—Manager, transfer from Pacific Operations Division, Office of Pacific Operations to Budget and Management Services Division, Budget, Personnel and Management Systems Department effective 29 May 2000;
• Thomas Crouch—Manager, transfer from Division East 3, Programs Department (East) to Financial Sector and Industry Division West, Infrastructure, Energy and Financial Sectors Department (West) effective 29 May 2000;
• Jeffry R. Stubbs—Regional Representative, South Pacific Regional Mission, Office of Pacific Operations, promotion effective 1 June 2000;
• Jungsoo Lee—transfer and redesignation from Chief Economist, Economics and Development Resource Center to Resident Representative, Japanese Representative Office effective 21 June 2000;
• Brahman Prakash—transfer and redesignation from Lead Economist, Programs Department (West) to Assistant Chief Economist, Economic Analysis and Research Division, Economics and Development Resource Center effective 26 June 2000;
• Gunter Hecker—Senior Advisor, transfer from Economics and Development Resource Center to Programs Department (East) effective 26 June 2000;

(continued on page III)
Staff Movements
(continued from page II)

- Ping-Yung Chiu—Special Advisor to the President, promotion effective 29 June 2000; currently on secondment to Asian Finance and Investment Corporation, Ltd. (AFIC).
- Jan P.M. van Heeswijk—transfer and redesignation from Manager, Agriculture and Rural Development Division West, Agriculture and Social Sectors Department (West) to Director, Indonesia Resident Mission, Programs Department (East) effective 10 July 2000;
- Bruce Murray—transfer and redesignation from Programs Manager, Division East 1 to Director, People’s Republic of China Resident Mission, Programs Department (East) effective upon assumption of office;
- Robert S. Boumphrey—transfer and redesignation from Lead Financial Specialist, Infrastructure, Energy and Financial Sectors Department (East) to Head, Special Liaison Office, East Timor, Office of Pacific Operations effective upon assumption of office; and
- David Jay Green—Lead Economist, transfer from Office of the Director to Indonesia Resident Mission, Programs Department (East) effective upon assumption of office. ■

Lending Rates Hiked in Second Half of 2000

The Asian Development Bank (ADB) has increased the lending rates on its US dollar loan facility from 6.46 percent to 6.53 percent per annum. The rate on multicurrency loans, on the other hand, has decreased from 5.72 percent to 5.68 percent per annum. The new lending rates apply from 1 July to 31 December 2000.

The interest rates on ADB’s multicurrency and US dollar loans are adjusted on 1 January and 1 July each year. For each facility, the lending rate is determined by adding a spread (currently 0.6 percent per annum) to the preceding six months’ average cost of the respective pools of outstanding ADB borrowings established to fund such loans. ■

Top Recipients of Technical Assistance Grants, First Half 2000

<table>
<thead>
<tr>
<th>Recipient</th>
<th>US$ Million</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>7.03</td>
<td>15.49</td>
</tr>
<tr>
<td>Pakistan</td>
<td>4.90</td>
<td>10.80</td>
</tr>
<tr>
<td>India</td>
<td>4.57</td>
<td>10.07</td>
</tr>
<tr>
<td>East Timor</td>
<td>3.34</td>
<td>7.36</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>3.06</td>
<td>6.74</td>
</tr>
<tr>
<td>Mongolia</td>
<td>2.89</td>
<td>6.37</td>
</tr>
<tr>
<td>Lao People’s Democratic Republic</td>
<td>2.70</td>
<td>5.95</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>2.54</td>
<td>5.60</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>2.02</td>
<td>4.45</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>1.97</td>
<td>4.34</td>
</tr>
<tr>
<td>Other developing member countries</td>
<td>10.37</td>
<td>22.85</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>45.39</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Total 45,393.50

- Type of technical assistance: advisory and operational (AO) and project preparatory (PP).
- To be financed from the Japan Special Fund.
- To be financed by the Government of Australia.
- To be financed from the Asian Currency Crisis Support Facility.
- Attached to a loan.
Cofinancing Arrangements, First Half 2000

<table>
<thead>
<tr>
<th>Member/Project</th>
<th>US$ Million</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan Projects</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Credit and Savings</td>
<td>3.84</td>
<td>Local financial institutions</td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Competitiveness and Small and Medium Enterprise Development Program</td>
<td>200.00</td>
<td>Japan Bank for International Cooperation</td>
</tr>
<tr>
<td>Mongolia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Financial Sector Program</td>
<td>32.00</td>
<td>International Development Association</td>
</tr>
<tr>
<td>Philippines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grains Sector Development Program</td>
<td>0.60</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Secondary Education</td>
<td>57.00</td>
<td>Japan Bank for International Cooperation</td>
</tr>
<tr>
<td><strong>Total Loans</strong></td>
<td>293.44</td>
<td></td>
</tr>
<tr>
<td><strong>Technical Assistance Project</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring and Evaluation of the Social Protection</td>
<td>2.00</td>
<td>Australia</td>
</tr>
<tr>
<td><strong>Total Technical Assistance</strong></td>
<td>2.00</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>295.44</td>
<td></td>
</tr>
</tbody>
</table>

Regional Technical Assistance, First Half 2000

<table>
<thead>
<tr>
<th>Technical Assistance</th>
<th>US$'000</th>
<th>Date Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Study of Nutrition Trends, Policies and Strategies in Asia and the Pacific (Supplementary)</td>
<td>50.00</td>
<td>27 Apr</td>
</tr>
<tr>
<td>First Meeting of the Private Sector Forum on Economic Cooperation in the Eastern South Asia Subregion (Supplementary)</td>
<td>30.00</td>
<td>19 Apr</td>
</tr>
<tr>
<td>Year 2000 Technical Assistance for Special Evaluation Studies of Asian Development Bank Operations in Developing Member Countries–Part I</td>
<td>840.00</td>
<td>9 Feb</td>
</tr>
<tr>
<td>Southeast and East Asia Regional Consultation on the Impact of Large Dams</td>
<td>100.00</td>
<td>11 Feb</td>
</tr>
<tr>
<td>Second Asia Development Forum</td>
<td>200.00</td>
<td>8 Mar</td>
</tr>
<tr>
<td>Seminars on Business Opportunities in 2000–2001</td>
<td>500.00</td>
<td>15 Mar</td>
</tr>
<tr>
<td>Poverty Assessment in Pacific Developing Member Countries</td>
<td>400.00</td>
<td>28 Mar</td>
</tr>
<tr>
<td>Pacific Governance and Public Sector Management Training Program</td>
<td>300.00</td>
<td>31 Mar</td>
</tr>
<tr>
<td>Regional Technical Assistance for the 33rd Annual Meeting: Poverty Reduction: Infrastructure and Governance Dimensions Conference; High-Level Women in Finance and Economics Seminar; Asian Corporate Governance Roundtable in Hong Kong</td>
<td>150.00</td>
<td>4 Apr</td>
</tr>
<tr>
<td>Long-Term Regional Training Program for Members of the South Pacific Association of Supreme Audit Institutions, Phase II</td>
<td>200.00</td>
<td>6 Apr</td>
</tr>
<tr>
<td>Sixth Joint ADB–Organisation for Economic Co-operation and Development Forum on Development Resource Mobilization in the Post-Crisis Period</td>
<td>100.00</td>
<td>11 Apr</td>
</tr>
<tr>
<td>External Advisory Panel on a Long-Term Strategic Framework for the Asian Development Bank</td>
<td>700.00</td>
<td>27 Apr</td>
</tr>
<tr>
<td>Capacity Building to Promote Traditional Environmental Management in the Pacific Developing Member Countries</td>
<td>300.00*</td>
<td>10 May</td>
</tr>
<tr>
<td>Ninth International Congress of the World Federation of Public Health Associations</td>
<td>50.00</td>
<td>11 May</td>
</tr>
<tr>
<td>Establishment of Backbone Telecommunications Networks Project–Phase I</td>
<td>150.00</td>
<td>17 May</td>
</tr>
<tr>
<td>Year 2000 Special Evaluation Studies of Asian Development Bank Operations in Developing Member Countries–Part II</td>
<td>760.00</td>
<td>18 May</td>
</tr>
<tr>
<td>Building a Poverty Database</td>
<td>600.00</td>
<td>25 May</td>
</tr>
<tr>
<td>Study on Potential Use of Biotechnology in Reducing Poverty and Achieving Food Security in Asia</td>
<td>140.00</td>
<td>29 Jun</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,570.00</td>
<td></td>
</tr>
</tbody>
</table>

* To be financed from the Japan Special Fund.

Borrowings in 2000 to Reach US$4.2 Billion

The Asian Development Bank (ADB) will borrow up to US$4.2 billion equivalent from the capital markets, compared with actual borrowings of US$5.2 billion in 1999. Of ADB’s 1999 borrowings, US$4.8 billion was raised in 10 long-term borrowings and the remainder was in the form of euro-commercial paper.

ADB’s lower borrowing requirement for 2000 reflects ADB’s robust liquidity position at the beginning of this year. All borrowings are used for loan disbursements and debt redemption relating to its ordinary capital resource (OCR) operations. All borrowings in 2000 will need to generate (after-swap) US dollar proceeds.

ADB plans to raise US$2 billion through large global and/or benchmark public bond issues in key currency debt markets. An additional US$1.2 billion would likely be raised through opportunistic financing and private placements targeted in a variety of currency markets. Consideration will also be given to structured transactions targeted at the US and Japanese domestic investor base. A further US$1 billion in funding capacity will focus on benchmark public bond issues in regional debt markets, especially where contributions to the development of local-currency domestic bond markets can be achieved.

The borrowing program will be reviewed and possibly adjusted in midyear depending on changes in OCR loan commitment and disbursement projections, exchange rates, and other factors affecting ADB’s funding requirement. If ADB’s proposed borrowings of US$4.2 billion are fully utilized, the overall liquidity ratio at the end of 2000 is projected to be about 45 percent.

“Given the Bank’s current liquidity position, we have the flexibility to ensure that this year’s funding activity is responsive to market opportunities and balanced with the appropriate level of market presence,” according to Peru Balon, Assistant Treasurer and Head of Funding.

ADB Launches US$1 Billion Global Bond Issue

The Asian Development Bank (ADB) launched last May a US$1 billion global bond issue, with the joint lead managed by both Nomura International and Merrill Lynch International. The bonds, with a coupon rate of 7.50 per cent per annum payable semiannually and with a 5-year straight maturity, were priced at 99.582 per cent to yield 92 basis points over the 5-year U.S. Treasury.

The transaction is ADB’s first global bond issue in 2000. ADB launched two US$ global bonds in 1999, a US$1 billion 3-year issue and a US$1.25 billion 5-year issue. Underscoring ADB’s strong commitment to provide investors with a US dollar global bond product on a regular basis, this most recent issue will further develop ADB’s yield curve in US dollar global bonds and further enhance secondary market liquidity. The proceeds of the issue will be part of ADB’s ordinary capital resources and used in its ordinary (nonconcessional) lending operation.
ASIA AND THE PACIFIC

4 MONGOLIA: Life Under the Streets
NGOs are providing homeless people with new dreams—but they need to leave their pipes

5 Tackling Poverty Head On: What ADB is doing

6 Resident Mission Soon to Open in Mongolia

7 PEOPLE’S REPUBLIC OF CHINA: Resident Mission Opens in Beijing Assistance will target poor inland provinces

8 THAILAND: Red Rivers a Danger to Health
A wastewater project will start cleaning up Bangkok’s polluted waterways

11 MICROFINANCE: Big Dividends for the Poor
A new strategy will help the poor help themselves

SRI LANKA: Balancing Development
Life outside Colombo must be attractive if people are to stay put. Can it be done?

PARTNERS IN DEVELOPMENT

14 ECONOMICS: Can Asian Firms Compete?
A study is determining the responsiveness of firms and governments to global changes

15 NEW FUNDS: Japan and Spain establish new funds to fight poverty

16 GOOD NEWS: Good Work Recognized
ADB’s efforts receive international, regional awards

20 ASIAN DEVELOPMENT FUND: Fresh Support for ADB’s Poverty-Fighting Fund
Replenishment exceeds expectations

NGO NOTEBOOK: NGO Praises ADB Work in Cambodia
ADB’s collaborative spirit in reforming land law is cited

23 Japanese NGOs meet with ADB President:
A first meeting results in a meaningful exchange

24 LAW REFORMS: Integrating Insolvency and Secured Transactions Law Reforms
Getting these two areas of commercial law to intersect could bring huge benefits to Asians

DEPARTMENTS

3 NEWS BRIEFS

19 WEB WATCH

25 PEOPLE

27 THE INTERVIEW: SHOJI NISHIMOTO

October-December 2000

EDITOR’S NOTE

Fresh Look Review

When you opened this issue of ADB Review, did you do a double take?

It’s still ADB Review, which has been bringing to readers around the globe development news and information about ADB activities for nearly 33 years—but now with a different look and more content.

Through words and images, we are bringing you face-to-face with the people ADB is helping, providing you with more development news from Asia and the Pacific and information about ADB activities, and connecting you to valuable Internet resources. We are featuring more stories about nongovernment organization collaboration, the environment, lessons learned from project evaluations, human and social development activities, beneficiaries of ADB-funded projects, and efforts to reduce poverty.

In the next issue, ADB Review will feature stories about a personal account of consulting with the rural poor in Sri Lanka, a livelihood project in Cambodia that is changing the lives of thousands, and an integrated pest management project that the New York Times described as a “stunning new result” and “one of the largest agricultural experiments ever.” Other stories include why ADB is opening more resident missions, what’s been happening with relations between ADB and nongovernment organizations, and the evolution of ADB’s inspection function.

Finally, we thank all the readers who responded to the ADB Review survey and provided thoughtful comments. We are implementing many of your suggestions. We hope you like the new ADB Review. Please send any comments or suggestions you may have about ADB Review to review@adb.org.

ABOUT THE COVER: Poverty and the bitter weather leave this family with no alternative but to live in pipes under the streets of Ulaanbaatar, Mongolia.

Cover photo by Rollie del Rosario
Reaching Out to Payatas Victims

Through the Staff Community Fund, ADB employees help people in need in Manila

By Mariam S. Pal
Economist (Social Development) and Chairperson, ADB Staff Community Fund

While the Asian Development Bank (ADB) has made reducing poverty its mission in Asia and the Pacific, ADB employees are working to lessen poverty in our own city through the Staff Community Fund (SCF).

Founded in 1997, SCF supports local charities working with the poor in Metro Manila. During 2000, SCF has raised and donated tens of thousands of dollars to 11 charities working in education, health, shelter for street children, and livelihood training.

One of the SCF’s first donations was to the Vincentian Missionaries Social Development Foundation, which has worked since 1990 with scavengers and squatter families living in the Payatas dump site in Quezon City, Metro Manila. Projects have focused on health and medical services, livelihood development, maternal care, savings and credit, housing, scavengers’ welfare, and day care.

SCF donated money in 1998 to help the missionaries build a small day care facility in Payatas for the preschool children of scavengers. In April 2000, a second donation helped expand the day care center. SCF was impressed with the community commitment to and involvement in constructing and maintaining the day care center, which serves an important need of the Payatas residents. The small center handles 120 children in two-hour shifts, five days a week—and all are welcome for a hot lunch.

On 10 July, after a period of heavy rain, a trashslide occurred in the Payatas dump that claimed the lives of at least 200 people, including many children, who were working as scavengers and sorters in the dump and living in shanties in its shadow.

On hearing about the trashslide, the first thing the SCF did was to find out what had happened to the day care center, which would have been full of children at that time. To our great relief, the center had mercifully been spared. But to our horror, we learned that nearly 90 of the 120 children had lost family members or their homes.

SCF decided that emergency relief, although not one of our usual activities, was called for at that time. Contributions large and small came pouring in from ADB staff members. In only four days, US$14,000 was collected, providing testimony to the generous spirits that inhabit the ADB building. The money was immediately used to buy basic necessities, such as drinking water, clothing, and medicine, and to pay for funeral expenses.

Within a few weeks, the authorities closed the dump site—triggering a different crisis: finding new livelihoods.

NEWS BRIEFS

Turkmenistan Becomes 59th ADB Member

Turkmenistan became the 59th member of the Asian Development Bank (ADB), effective 31 August 2000.

ADB will soon send an economic mission to Turkmenistan to help decide how it can best assist its newest member. ADB expects to focus on giving the poor better access to income-generating opportunities and to basic social services in the country. ADB will also support the Government in reforming the economy.

Social indicators have deteriorated since independence in 1991, with annual per capita income estimated at US$640.

New Office for Philippine Operations

In a move to strengthen its relationship with the Philippines, ADB announced on 1 September that it is establishing a Philippine Country Office at its headquarters in Manila. The Philippine Country Office will be dedicated to ADB’s operations in the Philippines and its 10-strong staff will be the contact point with the Government, the private sector, and civil society for operational purposes.

The new country office—which is now operating—will be headed by Günter Hecker, an economist who has been with ADB for 21 years. Over the next three years, ADB expects to approve projects totaling more than US$1 billion. They will be designed to help the poor in less-developed regions, such as Mindanao.

France Contributes to Technical Assistance Fund

France contributed an additional F30 million (US$4 million equivalent) to the French Technical Assistance Grant Fund administered by ADB.

Established in 1989, the fund is used to finance technical assistance projects involving energy, water treatment, education, health, telecommunications, transport, support for privatization programs, and organization of financial markets.
LIFE UNDER THE STREETS

Homeless people—including many children—live in the pipes under the streets of Ulaanbaatar; NGOs are trying to help them.

We have lived here for more than a year—since I lost my job,” says a middle-aged man as he climbs out of a manhole in Ulaanbaatar. “At least it’s warm.”

He and his family live in one of the many sewer and heating pipes that run under the streets of Mongolia’s capital city. These fetid pipes provide shelter for many people against Mongolia’s bitter winters, during which temperatures can plummet to minus 35 °C or lower. Among them are a substantial number of Ulaanbaatar’s estimated 4,000 street children.

Conditions in these makeshift homes are tough: candles are used for lighting, worn rugs are used to keep the inhabitants warm, and garbage is burned as fuel to cook meals. Flies swarm around leftover food.

Unlike this man’s two sons, many of the underground children are orphaned or separated from their parents. Many live in groups, either with their siblings or other children.

Children Hardest Hit

“Living in such unsanitary places exposes children to many diseases,” says Munkhbat Chilcan, a senior administrator of Peace Winds Japan, a nongovernment organization (NGO) that is providing shelter for homeless children.

The incidences of diseases such as tuberculosis, scabies, and sexually transmitted diseases are high among the children, who typically earn money for food by selling empty bottles, begging, stealing, or being involved in prostitution.

NO CHOICE: Family members coming out of the only home they can afford.
NGO staff members regularly go under the streets at night—when the children are home—to make friends with them and eventually persuade them to go to their shelters. But convincing the children to move is not an easy task.

“I like it here. I can do anything I want,” says a 14-year-old boy, who has lived with his brother in the pipes for a year. “Besides, I do not want to study.” The two say their mother is dead, and they do not know the whereabouts of their father.

**NGOs Providing Hope**
The Peace Winds Japan shelter is one of about 20 shelters in Ulaanbaatar that have been established and funded by NGOs, including World Vision and Save the Children. About 800 children live in NGO shelters, and another 800 live in government-funded shelters. 

More than just a place to sleep, NGO shelters offer children basic education, health care, and food. The NGO workers try to make the shelters into real homes for the children until they can go out on their own.

The Peace Winds Japan shelter, called Sun Children, houses 20 children. It has a full-time manager who helps the children with the daily housework: cooking meals, chopping wood for heating and cooking, and getting drinking water. Three teachers take turns educating the children.

“I am very happy here. My father was always drinking, and he beat my mother. I could not go to school because we did not have proper clothes to wear and school supplies,” says Naymsuren, a 14-year-old girl who used to live under the streets. She adds that when she grows up, she wants to help poor people.

---

**PITCHING IN: Children help with woodcutting chores at the Sun Children shelter.**

---

**Tackling Poverty Head On**

A new assistance strategy is expected to dramatically decrease Mongolia’s poverty within a few years

**By Tsukasa Maekawa**

**Senior External Relations Officer**

Mongolia has been struggling for nearly a decade through its transformation from a centrally planned economy to a market-oriented economy. The country has achieved many successes, including establishing a free and vigorous parliamentary system of democracy and the many institutions needed for a free market economy.

But the economic and social costs of transformation have been massive: Mongolia’s industries were almost completely disrupted, and many became obsolete. Traditional trading links disappeared. Many people lost their jobs. Poverty, family breakdowns, and the school dropout rate increased sharply.

Thirty-six percent of Mongolia’s 2.5 million people are currently estimated to live below the poverty line.

**Agreement to Fight Poverty**

It was against this backdrop that the Asian Development Bank (ADB) and Mongolia worked to develop a new strategy. In March 2000, Mongolia became the first ADB member to sign a Poverty Partnership Agreement, with the aim of reducing by at least half the proportion of the country’s poor by 2005. The agreement also aims to achieve universal primary education and halve the mortality rates for infants and children under five years, also by 2005. Universal access to family planning services is targeted for 2015.

The strategy was developed through a process of extensive consultation between
Resident Mission Soon to Open in Mongolia

The Asian Development Bank (ADB) will open a resident mission in Mongolia’s capital city, Ulaanbaatar. It is targeted to start operating by November 2000, with ADB expecting it to boost policy discussions with the Government, improve project implementation, and strengthen coordination with other funding agencies.

Two expatriate officers and four national officers will staff the mission.

Since becoming a member of ADB in 1991, Mongolia has received ADB loans totaling nearly US$430 million, mainly for programs supporting reforms in finance, industry, agriculture, and education, and for projects to rehabilitate infrastructure.

The Government has shown commitment and capability in implementing difficult policy and sector reforms. Despite economic uncertainty, fiscal constraints, and institutional weaknesses, ADB’s portfolio is performing satisfactorily and implementation is on schedule.

ADB lending to Mongolia in 1999 totaled US$50 million. Annual assistance is expected to remain at about US$40 million plus technical assistance.

The resident mission will promote ADB’s primary goal of reducing poverty and related strategic objectives to achieve long-term sustainable economic growth. It will create stronger partnerships with development stakeholders, including the Government, the private sector, and civil society.

Mongolia became a member of ADB in 1991. It is the 29th largest shareholder in ADB among its regional members. Overall, Mongolia is the 45th largest shareholder.

Cumulative ADB lending to Mongolia as of 31 December 1999 was US$427.5 million for 21 loans.

LIVELIHOODS LOST: Last year’s harsh winter killed more than two million head of livestock, driving many traditional herders and their families into poverty.

key stakeholders in the Mongolian Parliament, civil society, the private sector, and funding organizations. Under the strategy, ADB’s assistance will concentrate on key areas that can greatly contribute to reducing poverty: finance, agriculture, public sector, urban development, education, and health. The rise in poverty was very dramatic during the first half of the 1990s. The situation has since stabilized, but the poverty level is very high. “Our objective now is for every project to have a poverty reduction focus,” says Barry Hitchcock, Senior Programs Officer.

The strategy will support ADB’s projects that are helping reduce poverty and generate employment in the areas of school rehabilitation, vocational training, health sector reforms, social insurance, and pension reforms; and strengthening local governments.

Helping Those in Need

During 2000, ADB plans to approve a program loan to help with reforms in agriculture, which has large potential for generating employment and income. Reforms will include developing updated agricultural strategies and policies to strengthen competitive markets and private sector activity, and reducing price and other distortions to improve resource allocation and efficiency.

The loan is also expected to include a component to mitigate the impact of Mongolia’s severe winter of 1999-2000, which killed more than two million head of livestock, driving many traditional herders and their families into poverty.

ADB is also providing a loan to help the poor by developing social safety nets through improved targeting, coverage, and delivery of social services to those in need. A nationwide public works program will create short-term employment and generate long-term sustainable economic and social benefits for targeted communities. The project will also support activities to protect children and their families in especially difficult circumstances.

Read more on Mongolia at http://www.adb.org/Mongolia/

One third of all Mongolians are impoverished.
Resident Mission Opens in Beijing

Assistance will target poor inland provinces

Minister of Finance Xiang Huaiqiang of the People’s Republic of China (PRC) and Asian Development Bank (ADB) President Tadao Chino hosted a reception at Beijing’s Great Hall of the People to mark the opening of ADB’s Resident Mission in the PRC on 16 June.

Before unveiling the ADB plaque, President Chino said, “The opening of this office marks the beginning of a new era in cooperation between ADB and the People’s Republic of China. It will strengthen our partnerships with the Government, other donor agencies, the private sector, and civil society. It will enable ADB to provide better services to the PRC, which makes excellent use of our loans.”

Earlier in the day, President Chino had welcomed Vice Minister of Finance Jin Liquan to the mission’s new premises in the imposing Beijing International Finance Center, located on an extension of the capital’s main artery, Chang'an Road.

The Beijing office is the third ADB Mission to open its doors this year under ADB’s new resident mission policy of decentralizing operations. The first two were in the Kyrgyz Republic and Lao People’s Democratic Republic. ADB is planning to open resident offices in all of its developing member countries, with the next to be opened in Thailand and Mongolia (see story, p. 6).

The Beijing office is one of ADB’s largest resident missions. It will have an initial staff of 17 officers, including 11 PRC nationals, and up to 20 administrative staff. The mission will include a publicly accessible information office and library.

The PRC is one of ADB’s largest clients, borrowing more than US$1 billion annually. ADB plans to lend the PRC US$3.5 billion over the next three years, says Resident Representative Bruce Murray.

To help the PRC fight poverty, two thirds of ADB’s lending will be targeted in the poor central and western provinces where most of the poor live.

ADB is also helping to develop the social security system. Better pensions, health insurance, and unemployment insurance are powerful weapons in the fight against urban poverty.

ADB is also active in supporting the Government’s efforts to clean up the environment, improve water supply and wastewater treatment in urban areas, and develop the transport and energy sectors. ■

RIBBON CUTTING: Vice Minister of Finance Jin Liquan (left) and ADB President Tadao Chino formally open the new Resident Mission in Beijing.
Ampawa is a young Bangkok-mother who frets about her 10-month-old baby boy, Bang. “Since my baby and I joined my husband here, Bang has had a continually runny nose,” she says. “Before we came here, there was nothing wrong with him.”

“Here” is a soi (lane) off Suksawat Road in Ladluang District on the west bank of the Chao Phraya River, which divides Thailand’s capital.

The reason for her baby’s condition, Ampawa suspects, is the constant flow of putrid chemicals in the klong (canal) beside her home. There is no wall between her dwelling and the canal, as she talks beside her kitchen stove, she points to the water—at present, a vivid red—only a few feet away.

“Sometimes the klong is red, sometimes it is green. It is really disgusting and unhealthy,” says her husband Sarid, who has lived in the house for several years. The cause of this pollution appears to be dye from an upstream factory. Sarid can remember when fish swam in the klong.

Nearby, Sompong, a middle-aged store owner, points to the thick black muck stagnating on both sides of an open drain that runs under his dry goods store-cum-eaternity along Suksawat Road. He too is concerned with the debris that is not only an eyesore but also a health hazard to his family and customers.

“The muck attracts flies and mualangwi (fruit flies) that can get into the food and cause stomach problems,” he says.

On the east bank of the Chao Phraya River, in the country’s industrial heartland, ink-black waste is flowing from a tannery into an open drain that leads into the Gulf of Thailand. After taking photographs of the wastewater, we are approached by a representative of the tannery who politely asks what we are doing. A discussion follows with other tannery officials. It is amicable, though our request to look at the nearby beach—access to which is blocked by a barrier manned by guards—is turned down.

Government scientists say wastewater from the leather-making industry contains high levels of ammonia that threaten marine life.

Cleaning Up the Canals

Thailand’s rapid industrialization—much of it based in Bangkok and the eastern seaboard—has come at a high cost to public health and the environment. Waterways that once were clean enough to swim in are today clogged with industrial, commercial, and residential refuse. As a result, waterborne diseases have been on the rise and fishery yields have fallen.

With pollution at extreme levels, the Government has started remedial measures. Two wastewater treatment plants have recently started operations under the Bangkok Metropolitan Authority. However, the biggest and most ambitious project to fight pollution is the US$700 million Samut Prakarn Wastewater Management Project that will cover a large area, straddling both banks of the Chao Phraya River in southeast metropolitan Bangkok. The scheme, about 30 percent complete, will begin operating in early 2002.

The Samut Prakarn Project, about half of which is financed by the Thai Government and half by the Asian Development Bank (ADB) and the Japan Bank for International Cooperation, will clean up Thailand’s most polluted province to the direct benefit of more than a million residents and workers.
Samut Prakan has more than 5,000 registered factories, and most of their wastewater is discharged into public waterways. Some have in-house facilities to treat wastewater, but many of these are inefficient and do not meet legally required effluent standards. Firms commonly get around the law by persuading inspectors to falsify effluent reports or by using alternative drains that are not open to inspection.

The groundbreaking Project will be Thailand’s largest centralized treatment plant, bringing technical efficiencies and economies of scale in both operations and maintenance. The plant will be able to handle more than half a million cubic meters of wastewater daily.

The Project will also be innovative in implementing the “polluter pays” principle. Recovering costs from polluters and applying the funds toward operation and maintenance is essential to sustain the project. Under the Samut Prakan system, each sector will pay in proportion to the pollution it generates. So industry, which contributes 80 percent of wastewater, will shoulder 80 percent of the cleanup cost. The commercial sector will pay about 12 percent and the residential sector about 8 percent.

**Not All Agree on Approach**

The Government and ADB, which helped design the Project, say Samut Prakan is a win-win scheme for industry and the public alike. More than 75 percent of individual industrial treatment plants will need upgrading in about five years or so, and the Government’s Pollution Control Depart-

**Providing Workable Solutions**

Residents have two specific objections to the project. One concerns the odor, which they fear will be bad. However, the project contractor—an all-Thai joint venture called NVPSKG—says options are being considered to minimize the smell and assures critics this will not be a problem.

Protesters also claim the plant’s outfall in the Gulf of Thailand will add to pollution, and will threaten marine life and the livelihood of fisherfolk. PCD, however, argues that the opposite is true.

“The toxic materials, including heavy metals, presently flowing unchecked into the Gulf of Thailand from the Chao Phraya River and klongs along the eastern seaboard pose a far greater danger to marine life,” says Dr. Yuwarac In-na, PCD’s Director of Water Quality Management. In contrast, the treated wastewater could be of sufficient quality to be reused as irrigation water for agriculture or mangrove swamps.

**RED RIVER:** Ampawa believes chemicals in the canal—running red with dye—cause her baby’s runny nose.

**POLLUTERS PAY:** Under the new system, industries—including this tannery—will shoulder 80 percent of the cost.
Those who claim the Project will affect their livelihood include an estimated 20-40 mussel farmers. They point out that the treated wastewater will be discharged in an area currently occupied by mussel farms. In addition, they say, mussels thrive in seawater, not in freshwater.

To alleviate this problem, PCD says it will create a buffer zone around the outfall that will allow the freshwater effluent to be diluted. “Within 80 meters or so of the outfall, the effluent will have a negligible impact on mussels,” says one of PCD’s technical consultants.

Although the optimum size of the buffer zone is still under study, some mussel farms will have to be moved. The Government is considering compensating the affected fisherfolk, including providing assistance for moving. The Government is also considering compensating Klong Daan residents for the inconvenience of having the plant in the vicinity. One possibility is setting up a research center for fishing and mussel farming.

The Government is confident that it will address the Klong Daan villagers’ concerns, along with those of hundreds of thousands like Ampawa and Sompong who are waiting for the toxic waste to be removed from under their noses.

Available online at the Bangkok Post web site at http://www.bangkokpost.net/240900/240900_Perspective03.html

**TOXIC FLOW:** Choked with debris, Bangkok’s polluted canals are eyesores as well as health and environment hazards.

**SQUALID VIEW:** Homes surrounded by refuse.

**UNDER CONSTRUCTION:** The plant (left), near Klong Daan village, will break down and purify wastewater.
New strategy to bring skills training for women, ethnic minorities, and disadvantaged groups

Ensuring permanent access to institutional financial services for most poor people and their small businesses in Asia and the Pacific is the aim of the Asian Development Bank’s (ADB’s) recently approved Microfinance Development Strategy.

Microfinance includes a broad range of services such as deposits, loans, money transfers, and insurance to poor and low-income households and their microenterprises.

Despite the rapid growth in microfinance over the last two decades, about 95 percent of the 180 million poor households in the region still lack access to institutional financial services. Most rural poor people are subsistence farmers or agricultural laborers. Many others, especially women, are involved in a variety of microenterprises. Most financial institutions do not serve the poor because of the perceived high risks, the high costs involved in small transactions, and the inability of the poor to provide collateral for loans.

Yet providing the poor with improved facilities to save and to have better access to credit and insurance helps them manage risk, build assets, increase income, and enjoy a better life.

“ADB has financed microfinance projects in the past but provided this assistance without a well-defined strategy and, as a result, has not been able to harness the full potential of microfinance for poverty reduction,” says Jan van Heeswijk, Chairperson of ADB’s Task Force on Microfinance. “Microfinance used to be the domain of donors and experimental credit projects—but it has evolved into an industry. This strategy will help us to be more effective and consistent in meeting the diverse requirements of this industry.”

Joining Forces

Given the huge amount of resources needed to improve life for more than 900 million poor people in the region, ADB and other agencies cannot meet the demand individually or as a group. ADB will therefore play a catalytic role and focus on expanding the supply of microfinance and strengthening the capacity of clients to access the services.

To play this catalytic role effectively, ADB will help to
- provide and leverage its assistance to bring about policy reforms essential for developing microfinance;
- develop critical financial infrastructure;
- develop microfinance institutions, which can set in motion a process of commercialization of microfinance services; and
- help the poor become more aware of—and use more—microfinance services.

In many countries, the lack of an enabling policy environment is a major constraint for developing microfinance. ADB will push to reform interest rates for microfinance and to expand the range of microfinance institutions, including the private sector, to take a more active role.

To strengthen the financial infrastructure—and reduce systemic risk—ADB will help improve legal and regulatory systems as well as strengthen information systems and training facilities.

Making Microfinance a Reality

ADB will also help build up institutional capacity so that microfinance institutions can attract deposits and provide products and services to the poor at competitive prices. “We need to build strong microfinance institutions that can grow and operate on commercial principles while offering products and services that are attractively designed and priced for the poor,” says Nimal Fernando, ADB Senior Economist specializing in microfinance.

To help the poor gain better access to microfinance services, ADB will support awareness-building programs; disseminate information on service providers; provide training for women, ethnic minorities, and disadvantaged groups; and assist community-based organizations participate in microfinance markets.

About 95 percent of the 180 million poor households in the region still lack access to institutional financial services.

To implement the strategy, ADB will integrate microfinance into its operations, make better use of its assistance modalities, increase private sector involvement, build up internal capacity, and coordinate with other organizations involved in microfinance.

Finance for the Poor is a new quarterly newsletter aimed at improving access to information about microfinance. Read it online at http://www.adb.org/Documents/Periodicals/Microfinance/
BALANCING DEVELOPMENT

Life outside Colombo must be made attractive if people are to stay in rural areas; a successful project shows what it takes

By Marcia R. Samson
Editorial Coordinator

“Milk for Colombo, cucumber for the villages.”

T
his common Sri Lankan saying—that Colombo enjoys nutritious milk while cucumber, which yields only water, is all that is left for the rest of the country—isn’t about food. Rather, it’s about the unequal distribution of development projects.

“We want to bury this thinking by developing areas outside the greater Colombo area to reduce regional imbalances,” says W. A. Siriwadana, Project Director of the Asian Development Bank’s (ADB’s) Urban Development Sector and former Director of Planning of Sri Lanka’s Urban Development Authority. He believes that these feelings of neglect and deprivation have fanned Sri Lanka’s insurgency movement, which has in turn slowed economic growth.

Promoting growth and dispersing the benefits of development to regions outside metropolitan Colombo is needed now more than ever. The Urban Development Sector Project, which ran from 1993 to 1999, was designed to stem massive urban migration to Colombo—home to one fourth of the country’s 19 million people—by improving the living conditions in secondary towns. It was funded from a US$27 million loan from ADB’s concessional fund resources.

The Project comprised 80 subprojects in 17 of the country’s 51 towns with populations of 10,000–75,000. Poverty, substandard living conditions, and lack of job opportunities in the outskirts have prompted residents to migrate to Colombo. “Improving the standard of living of the less privileged by providing better housing, safe drinking water, electricity, and drainage facilities, and ensuring rights to the land is the main intention of these efforts,” Mr. Siriwadana says.

Creating Employment
Making employment opportunities for people has been one of the Project’s significant achievements. It has directly created 25,000 full-time and seasonal jobs in some of Sri Lanka’s desperately poor areas. Iw Gunawathi is employed as a result of the Project. She is one of 12 workers at a sanitary landfill in the gem-rich district of Ratnapura, where the Project included a solid waste management program. She supports her disabled husband and four children by sorting garbage for Sri Lankan rupees (SLRs) 120 (US$2) a day. Biodegradable materials are composted and sold to the Department of Agriculture for fertilizer.

Affordable Housing
A five-hour drive from Colombo along a scenic coastal road is Matara, the capital of Matara District, Southern Province. It was once a flourishing trade center for elephants and spices, but living conditions in this coastal town deteriorated, with serious flooding paralyzing normal activities and causing health problems. Nupe Ela, a waterlogged area in Matara where hundreds of poor families live, had become notorious for illicit activities, such as smuggling and drug trafficking. Many residents leave Nupe Ela in search of work.

With the help of the National Housing Development Authority, new houses were built for 200 families on 2.7 hectares. The land was filled to avoid further flooding, and

NEW JOBS: Creating work for people where economic opportunities were previously limited helps lessen poverty.
families were provided drinking water, and access to roads, electricity, and a good sewage system.

The former squatters are now proud owners of two-story brick houses, a far cry from their former shanties. Each 42-square meter house costs SLRs427,000 (US$6,100), for a total project cost of US$614,286. The houses, which are subsidized, must be paid off over 20 years at SLRs1,000 (US$14) a month, with a two-year grace period. But even that is too much for some of the owners, who have asked the Authority to allow them to pay only half that amount.

Telma is one of these people. She pays US$7 from her monthly salary of US$40 as a road sweeper. She and seven family members live in one of the houses. Although the home only has three dilapidated chairs and a television set by the kitchen sink, she says that at least the floor on which her children sleep is dry, and they are sheltered during the monsoon season.

“It’s like heaven here,” she says, explaining that the family does not yet have the finances to improve it. “But it is still home to my children and me.”

**Bus Parks Provide More than Rides**

Bus parks have been important projects. In nearby Ambalangoda, Urban Council Chairman M. W. Arana Pradeefa is pleased about the ADB-financed bus park in the town’s center. The bus park has facilitated access to this city in Galle District, a popular tourist destination. Buses from 17 local destinations go through the bus park, which is integrated into a railroad station.

The bus park, which started operations in 1998, is of commercial value to Ambalangoda’s Urban Council, which rents out shops to small retailers and professionals. Mr. Pradeefa says the Council hopes to use the rental revenues to pay off the loan of SLRs25 million (US$357,143).

Through the business opportunities provided by the bus park, the living standard of people is improving. They now have a permanent market for their produce in the bus park, which bustles with activity from early morning to late night. People gravitate toward commercial and professional shops, benefiting both bus firms and businesses.

For G. Wijayaratne, business has been good since transferring his medical laboratory to the bus park. He rents a space for US$21 a month. “I have no regrets about moving here. Commuters see my laboratory, and my regular patients have no problem coming here,” he says.

**Linking People and Opportunities**

In the coastal town of Chilaw—one of the country’s major fishing centers and on the way to ancient temples—an ADB-funded bridge has brought hope of better things to come for more than 50,000 people. They are using the bridge to transport fish and prawns from their island homes to the mainland markets, including those in Colombo.

Karmalin Thamel, 43, owns a retail store in Chilaw by the foot of the ADB-financed bridge that connects the mainland to the island. “My business has been better,” she says. She makes US$4–6 a day now, about twice as much as she did before the bridge was constructed. The bridge covered her hut, but she agreed to move because many people would benefit from the structure and because an elevated platform was constructed—where she built her store.

In Ratnapura, a footbridge over the Kaluganga River was constructed for pedes-

**Improving the living conditions in secondary towns is stemming the massive urban migration to Colombo.**

**Housing Help: “It’s like heaven here,” says Telma of Matara about her home.**

trians and three-wheeled vehicles—despite initial complaints of residents wanting a wider road. But now they vouch that it has saved them the circuitous, 20-minute bus ride—and SLRs2 (US$0.05) per ride. A five-minute walk is all it takes to cross the 200-meter footbridge.

**Making Local Governments Accountable**

While more infrastructure in Sri Lanka’s secondary towns is in place, a greater challenge is sustaining development through proper management, specifically by promoting greater accountability of local governments to improve revenue collection, says Mr. Siriwardena. “Our biggest problem is how to improve the capacity of capital investment out of the funding generated by the local authorities. Sometimes it all seems like a dream, because the revenue and economic bases of local authorities are narrow. Most towns are trading towns or service centers with no industries yet.”

With infrastructure improvements already in place, industrial development will hopefully soon follow. But as Mr. Siriwardena so correctly points out, much remains to be done.

---

*The Sri Lanka Urban Development Sector Study, published in July 2000, provides detailed information on this subject. The study is available at [http://www.adb.org/documents/sector/sri_1030/](http://www.adb.org/documents/sector/sri_1030/) or by sending an e-mail to adbpub@adb.org*
CAN ASIAN FIRMS COMPETE?

A major study is determining the responsiveness of Asian firms—and governments—to the changing global economy.

Are Asian firms losing their competitiveness? Are they responding to changing domestic and international environments? What should government’s role be in supporting private sector growth?

As a result of the 1997 Asian financial crisis and structural reforms, domestic conditions and relationships between firms, banks, and governments are all changing rapidly—affecting private firms’ behavior and strategies. At the same time, the external environment is also changing swiftly. For example, the renewal cycle of product and process technologies is shortening, and the impact of information technologies on industries is more pronounced.

GLOBAL CONTEST: The study will reveal the competitiveness of Asia’s industries.

These changes all require an appropriate response from Asian firms—and governments—if they are to retain their dynamism and provide the basis for sustaining Asia’s recovery through higher manufactured exports.

“All these factors make this an opportune time to focus on the determinants of international competitiveness of Asian firms,” says ADB Senior Economist Rajiv Kumar, who is leading a study to determine the microeconomic and structural factors that contribute to the international competitiveness of enterprises in eight Asian economies: People’s Republic of China; India; Indonesia; Republic of Korea; Philippines; Singapore; Thailand; and Taipei, China.

The study is tapping the expertise of a group of eminent academicians, including Professors Alice Amsden, Massachusetts Institute of Technology; Sanjaya Lall, Oxford University; Linsu Kim, Seoul National University; Shijoru Urata, Waseda University; Professor Emeritus John Dunning, Reading University; and Francis Colaco, formerly of World Bank. Eight well-established researchers are conducting the individual country studies, which will be based on a survey of 50 firms in each of three industries: personal computers, auto components, and garments.

An inception workshop was held in June in Manila to finalize the central research questions and the methodology to be used for the firm surveys and interviews, and to discuss the state of the selected sectors in the individual countries. The interim results from the firm survey will be available by the end of 2000 and draft country studies are expected by March 2001.

For more information, contact Rajiv Kumar at rkumar@adb.org

From Crisis to Opportunity

An international forum attempts to forge a bright future for Asia

By Jeffrey Liang, Senior Economist

Asia needs to complete the far-reaching reforms initiated during the financial crisis. The region also needs to embark on new ones that offer the best opportunities for poverty reduction and sustainable development in the era of globalization and rapid advances in information and communication technology. This was the key message from the second Asia Development Forum, held in June 2000 in Singapore.

“The poor continue to reel from the crisis,” said Asian Development Bank (ADB) Vice-President Myoung-Ho Shin during the opening ceremony. “They are the ones suffering the most and will be the slowest to recover.”

The Forum, which has the goal of helping forge Asia’s future, provided an opportunity for Asia’s development community members to discuss critical policy and structure issues confronting Asia under three broad areas: globalization and regional cooperation; corporate governance and the changing relationships between government and the corporate sector; and the new social contracts among central governments, local governments, citizens, nongovernment organizations (NGOs), and civil society at large.

The Forum was a joint effort of the governments of Japan and Singapore, Institute of Southeast Asian Studies, World Bank Institute, ADB, and ADB Institute. About 400 people participated, including five ministers and other senior officials from developing countries; 23 heads of regional research institutes; distinguished scholars; resource speakers from the World Bank, ADB, and ADB Institute; and representatives of NGOs and other civil society groups.

The Forum is becoming one of the premier networking and interdisciplinary learning events in the Asian development community. The first Forum was held in Manila in March 1998 during the Asian financial crisis. The third Forum will be held in June 2001 in Bangkok.
Japan Finances
New Poverty Fund

Innovative projects to stimulate the poor’s self-help capacity

The Japan Fund for Poverty Reduction has been established to support the Asian Development Bank’s (ADB’s) fight against poverty. Japan is contributing ¥10 billion (about US$90 million) to establish the Fund, which will provide ADB’s developing member countries (DMCs) with grants to support innovative poverty reduction and related social development activities that can add substantial value to ADB projects.

The Fund is expected to support ADB’s poverty reduction strategy, approved in November 1999, which elevates poverty reduction to the main goal of its operations.

Japanese Finance Minister Kiichi Miyazawa announced the proposal of the Fund at ADB’s 33rd Annual Meeting in Chiang Mai, Thailand, 6–8 May 2000. “This Fund aims to provide grants in relation to ADB’s loans to reduce poverty, and also to support capacity-building efforts. By drawing upon this Fund, we hope that the Bank’s loans for poverty reduction will become even more effective,” he said.

ADB approved the Fund’s establishment on 23 May 2000; its objectives are to

■ support well-targeted poverty reduction and social development activities that have a direct impact on the poor and on socially or economically excluded or vulnerable groups,
■ stimulate the poor’s self-help capacities,
■ stimulate widespread stakeholder participation at the community level, and
■ provide a systematic impact on DMCs’ operations and approaches toward sustainable poverty reduction.

Examples of the types of activities the Fund will support include:

■ small-scale, basic economic, and social services for the poor;
■ social development fund activities that channel funding to small-scale projects targeted to benefit the poor;
■ nongovernment organization activities that support poverty reduction and social development; and
■ capacity building for local government, and for community-based organizations for enhancing effectiveness and sustainability of DMCs’ poverty reduction efforts.

OCCUPORTUNITIES NEEDED: Helping people help themselves out of poverty requires collaborative efforts—and funding.
Good Work Recognized
Nonformal education and resettlement projects, web site receive awards

The United Nations Educational, Scientific and Cultural Organization (UNESCO) has cited the Asian Development Bank (ADB)-funded Philippine Nonformal Education Project as a pioneering effort to address poverty by empowering the poor and illiterate. The Project is benefiting 600,000 poor, mainly rural people from 24 provinces.

The Project's executing agency, the Bureau of Nonformal Education of the Philippines' Department of Education, Culture and Sports, is the recipient of this year's UNESCO Noma Literacy Prize. The Project, for which ADB lent US$23 million in 1993, supports efforts to make basic education available to the poor through innovative delivery systems.

The award recognizes the Accreditation and Equivalency (A&E) System, an important component of the Project that enables adults and out-of-school youths to obtain certificates for elementary and secondary education outside the formal school system.

The Project supports the Government's efforts to make basic education available and accessible to the poor, through innovative delivery systems.

"With the high quality of the program, the Government recently recognized graduates of the A&E program as eligible for being recruited into the public service and for enrolling in vocational training and college and university courses," says Thamronsak Moenjak, ADB Senior Project Specialist.

NGO Involvement
A significant feature of the Nonformal Education Project is the extensive involvement of nongovernment organizations (NGOs) and voluntary associations to deliver the components.

"Some of the facilitators use motorcycles, while others walk about 10 kilometers to reach their remote learning sites. What inspires these facilitators is the eagerness of the poor to acquire basic education, even if it means bringing babies to the session," Mr. Moenjak says. "During the Project's peak, we had a thousand people—the poor, school dropouts, and scavengers—attending sessions at a learning site at Aroma, which was formerly the infamous Smoky Mountain dump site."

In a midterm NGO report on the Project, Gloria Jordan, a facilitator from Bayawan, Negros Oriental, was quoted as saying, "Learners are sometimes forced to be absent or leave early to tend to their animals. Sometimes, children crying for food drive embarrassed mothers back home."

The Project, which should have been completed in July 1999, was extended for another 18 months to reach more people in remote areas—an indication of its importance to the Philippines and ADB.
Resettlement Project Wins Canadian Award

By Marcia R. Samson
Editorial Coordinator

The Canadian International Development Association (CIDA) has chosen the Asian Development Bank’s (ADB’s) regional technical assistance project for the Review of National Resettlement Policies and Experience with Involuntary Resettlement Projects as the winner of the Annual CIDA/Manufacturers Alliance Award for “Improvement of Physical Infrastructure or Improvement of Social Infrastructure.”

According to Susanna Price, ADB Senior Social Development Specialist, this pioneering study will result in better resettlement policies and practices for those threatened with displacement by development projects. The study recommends policies that provide not only alternative housing but also sustainable livelihoods to restore the lost income of the displaced, thereby reducing poverty risks. The beneficiaries will include those with or without title to the land from which they were displaced. These include vulnerable groups such as urban squatters, rural landless, and fisher families.

“Resettlement policies will facilitate the implementation of ADB’s projects and will also be useful to other projects funded by international and national agencies,” says Ms. Price.

The study covered resettlement policy and legal frameworks in Bangladesh, People’s Republic of China, Indonesia, Nepal, Pakistan, Philippines, and Viet Nam—chosen for having the most people displaced during 1994–1996 as a result of ADB-funded projects.

Resettlement policies should provide alternative housing and sustainable livelihoods for those displaced.

The study involved analyzing resettlement policies and laws of each country, synthesizing the lessons learned, and reviewing innovative approaches to resettlement. Stakeholder workshops formed an important part of the process and provided an opportunity for government and civil society groups to express their views on National Resettlement Action Plans.

The governments of these countries had welcomed the opportunity to work with ADB and draw on the experience of other countries to seek new resettlement approaches. They gave positive feedback on the study at a regional seminar held at ADB headquarters in Manila in August 1999; some are preparing to adopt the recommendations as national resettlement policies.

In Bangladesh, the Government has committed to adopt a resettlement policy, says Ms. Price. In the People’s Republic of China, work is in progress on the guidelines implementing the 1998 land law. Indonesia and Nepal are reviewing their respective land acquisition acts.

The Government of Pakistan is planning to adopt a national policy. Broad consultations on the resettlement policy are being held in the Philippines, while in Viet Nam a revised decree is about to be signed.

ADB’s Policy on Involuntary Resettlement, approved in 1995, emphasizes the need not just for compensation at replacement rates to restore lost assets, but also for measures to restore living standards and livelihoods so that people are not impoverished by the resettlement.

For the policy, go to http://www.adb.org/documents/policies/involuntary_resettlement/

BEHIND THE SCENES: The Hebei Roads Development Project in the PRC required 380 households to move; ADB made sure things went smoothly.
ADB is Asia’s Best Agency

By Marcia R. Samson
Editorial Coordinator

Among all international development agencies in Asia, the Asian Development Bank (ADB) is the best. This is the assessment of AsiaWeek in its special 25th anniversary issue on Asia’s Best (18–25 August 2000).

For the first time, the newsmagazine has awarded accolades in various categories for achievements made over the past quarter century. In the development field, ADB’s main contenders were the Asian units of UN agencies and the Asia-specific agencies such as the Asia-Pacific Economic Cooperation forum, the Association of Southeast Asian Nations, the South Asian Association for Regional Cooperation, and the Economic and Social Commission for Asia and the Pacific.

Ricardo Saludo, AsiaWeek’s Assistant Managing Editor told ADB Review that, “ADB wins hands down because of its decades of service, the sheer amount of resources it has mobilized and activities it has undertaken, and the greater control Asians wield over its activities, being based in Asia and headed by an Asian, compared with regional units of global agencies like the World Bank and the IMF.”

ADB was selected by AsiaWeek editors, writers, and correspondents, based on their “collective experience and knowledge of the various regional organizations,” according to Mr. Saludo.

The article gives ADB a hefty pat on the back. In its presentation of ADB’s “balance sheet,” AsiaWeek identifies three compelling ADB assets: its funds for infrastructure, its activities aimed at boosting regional identity and promoting state competence and transparency, and its focus on the fight against poverty.

On the liabilities side, it raises questions about efficiency and oversight, argues that ADB has been late in espousing the causes of “soft development” and governance, and worries about stretched coffers and overlap with other institutions.

But the overall assessment is one of great and positive achievement in the service of Asia.

AsiaWeek’s hopes for Asia’s future—through ADB—are high. Says Mr. Saludo, “I hope the citation inspires ADB to do more for the impoverished millions of Asia as well as for the region’s social, environmental, and economic development.”


ARIC Chosen Among Forbes’ Web Picks

Forbes magazine picked the Asia Recovery Information Center (ARIC) as one of its “Best of the Web” sites. Forbes scrutinized 5,000 web sites for design, navigation, content, speed, and customization.

Ten sites were rated as the Best of the Web for each of 90 categories. ARIC was selected in the emerging markets category, along with the Financial Times and S&P’s Emerging Market Data Base.

The magazine credited ARIC with providing “big picture developments” in tracking Asia’s recovery from the financial crisis that hit the region in July 1997. Forbes also highlighted the downloadable daily market briefs—which compares Asian countries’ stock prices, exchange, and interest rates—as among ARIC’s most useful features.

“If you are investing in the Asian recovery, bookmark this site run by the Asian Development Bank,” Forbes says.

ARIC was developed and is currently maintained by ADB’s Regional Economic Monitoring Unit.
Web Site Revamped
Online newspaper look, more content, easier navigation

By Bill Peterson and Penelope Price
Office of External Relations

The Asian Development Bank (ADB) recently launched its newly revamped web site. Designed to reflect users’ needs, the new site provides a comprehensive search function and contains more information than ever before (more than 4,000 documents, reports, and publications) on development in the region.

The home page has been redesigned to give it an online “newspaper” look by highlighting the latest activities of ADB while calling attention to some of the featured content areas within the site and providing direct links to them. The new design also makes navigating the site much easier than before. On the home page, critical development issues are highlighted and links to current information provided. Major events are featured, and conference papers are available often even before the actual conference date. The publications section offers many documents online.

For country-specific information, each of ADB’s developing member countries has a section under Country Operations containing links to all online documents and publications that are country-specific. There are also new sections on Development Topics, Project Activities, Financial Management, and Economics and Statistics as well as subsites for Resident Missions and Representative Offices. Updated daily, there’s always something new.

Spend some time reviewing ADB.org. We welcome you to send your feedback to webmaster@adb.org.

http://www.adb.org

For information, send an e-mail to information@adb.org or go to http://www.adb.org
To explore business opportunities with ADB, go to http://www.adb.org/business/opportunities/
For the latest news releases, go to http://www.adb.org/news/
For publications, go to http://www.adb.org/publications/, or send an e-mail to adbpub@adb.org or a fax to (632) 636-2648

NEW PUBLICATIONS ON ASIAN FINANCIAL MARKETS

The Asian currency and financial crisis had far-reaching effects on the regional economies and their trading partners. These effects have threatened to wash away the region’s significant social and economic advances achieved during the preceding years of rapid growth. The crisis has also unveiled many intricate problems and challenges in macro-economic management, banking and capital markets management, institutional capacity, and governance of the financial systems in the region.

Recognizing the urgency of addressing these problems and challenges, ADB undertook a regional study of financial markets in nine developing member countries.

Rising to the Challenge in Asia: A Study of Financial Markets

- Special Issues (Vol. 2) ISBN: 971-561-241-5; US$15
- People’s Republic of China (Vol. 4) ISBN: 971-561-231-8; US$20
- Pakistan (Vol. 9) ISBN: 971-561-236-9; US$20

For these and other publications, contact Asian Development Bank, Publications Unit P.O. Box 789, 0980 Manila, Philippines Fax: (632) 636-2648 / E-mail: adbpub@adb.org

Asian Development Bank
http://www.adb.org
Fresh Support for ADB’s Poverty-Fighting Fund

Agreement on a US$5.6 billion replenishment of the Asian Development Fund exceeds expectations

By Carola Molitor
Senior External Relations Officer

After almost a year of negotiations, held in Australia, Europe, and Asia, agreement was reached on 7 September in Okinawa, Japan between 25 donor members of the Asian Development Bank (ADB) to replenish the Asian Development Fund (ADF). The agreement guarantees uninterrupted lending to ADB’s poorest members.

The ADF is designed to provide highly concessional loans to ADB’s developing member countries with a low per capita gross national product and limited debt repayment capacity. Its resources consist largely of contributions mobilized under periodic replenishments.

The successful conclusion came after five successive rounds of negotiations in Brisbane (13-14 October 1999), Edinburgh (2-4 February 2000), Chiang Mai (9-10 May 2000), Rome (14-15 June 2000), and Okinawa (6-7 September 2000). Donors finally agreed to contribute US$2.91 billion to the seventh replenishment of the ADF (ADF VIII). The balance of the replenishment (US$2.74 billion) is expected to be met from repayments of earlier ADF loans.

ADB has financed almost one third of its cumulative lending from its soft loan window. At the end of 1999, ADF loans amounted to US$22.7 billion. In 1999 alone, 33 ADF loans amounting to more than US$1.1 billion were approved. Established in 1973, the ADF has been periodically replenished. Typically, a replenishment period is four years. The ADF VIII period will be from 2001 to 2004. The current ADF VII period will end in December 2000.

“An explicit focus on poverty reduction is what will govern the ADF VIII,” noted ADB President Tadao Chino. “The ADF VIII is a time-slice of a longer-term vision for the ADF to contribute to an Asia free of poverty.” The ADF is currently the only multilateral source of concessional assistance exclusively dedicated to the needs of the poorest countries in the Asian and Pacific region. Over the years, the ADF has substantially contributed to sustainable development by tackling poverty through promoting economic growth, supporting good governance, protecting the environment, and addressing gender issues. The ADF, in fact, has become a key weapon in fighting poverty in Asia, where the majority of the world’s poor live.

Funding Critical for Lessening Poverty

More than 900 million Asians—or two thirds of the world’s poor—are still living on less than US$1 a day. By comparison, about 250 million Africans live below the poverty line, and around 200 million people in the rest of the world.

ADB approved a new Poverty Reduction Strategy in 1999, elevating the fight against poverty to the overarching goal of the Bank. The agreement on the ADF VIII was therefore hailed by President Chino: “This is a clear and most welcome indication of donors’ support for ADB’s fight against poverty in the Asian and Pacific region. With the successful replenishment of the ADF, we now have the means to translate our vision into action, and to pursue in a very practical way our poverty reduction strategy.”

The new ADF replenishment of US$5.65 billion compares favorably with loan approvals of US$5.1 billion expected in the ADF VII period which will end on 31 December 2000. “The size of the replenishment is an obvious success given the budgetary problems and the adverse currency movements affecting many donor countries, particularly in Europe,” explained ADB Vice-President John Lintjer who cochaired the ADF VIII negotiations as ADB’s representative. He emphasized that a critical factor to the successful outcome of the negotiations was the continued strong support of regional donors, including Singapore as a first-time donor and an active participant in the dialogue on multilateral development assistance. The other cochair, representing the donors,
was Peter McCawley from the Australian Agency for International Development.

Japan will remain the largest donor of the ADF with a contribution of more than US$1.06 billion to the ADF VIII. The United States has agreed to contribute US$412 million and the 14 European members will make a combined contribution of US$860 million. Australia will pay US$185 million into the Fund. Aside from Singapore, Portugal will also contribute for the first time to the ADF. Portugal is expected to join the Bank this year. Nearly half of the total replenishment will come from developed and developing members from the Asian and Pacific region.

**Keeping the Momentum Going**
During the negotiations, donors reached agreement on a number of operational priorities for the ADF VIII. They included installing a more robust performance-based allocation system for loans, stronger support for good governance in the region, and increased focus on gender equality, environmental protection, and regional cooperation among developing member countries.

Institutional initiatives to be undertaken include the planned establishment of a Development Effectiveness Committee to enhance the impact of ADB’s operations in its developing member countries as well as measures to improve the relationship between ADB management and its shareholders. These institutional initiatives and the operational priorities for the ADF VIII, according to the donors, will enable ADB to remain the premier development finance institution in Asia and the Pacific.

“The satisfactory outcome of these negotiations is to be seen not as a conclusion but as a starting point,” stated Vice-President Lintjé. “It is crucial that, as an institution, we should be able to exploit the momentum created by these successful negotiations and position ourselves in the best way to deliver on our commitments.”

On the demand side, ADB is facing several major ADF challenges. Many ADF borrowing countries are still suffering from secondary effects of the Asian financial crisis and need ADF funds to address its social impacts.

Moreover, new ADF borrowers have emerged in recent years, such as Viet Nam and the Central Asian republics. In fact, Viet Nam has emerged as the largest borrower in the ADF VII period, followed by Bangladesh, Sri Lanka, Pakistan, Kyrgyz Republic, Nepal, and Lao People’s Democratic Republic.

In the ADF VIII period, 25 developing member countries will be eligible to receive concessional loans that carry a 1–1.5 percent interest charge. East Timor and Azerbaijan may become new borrowers of ADF funds.
NGO Praises ADB’s Work in Cambodia
A collaborative spirit proves instrumental in reforming land law

By Carolyn Dedolph
External Relations Officer

In a 17 August letter addressed to the President of the Asian Development Bank (ADB), Shaun Williams, Coordinator, Oxfam GB Cambodia Land Study Project and Secretary to the Nongovernment Organisations/International Organisations Land Law Working Group, complimented ADB’s work in Cambodian land legislation. ADB Review interviewed the people behind the accomplishment.

In Cambodia, where 90 percent of the poor live in rural areas, agricultural growth and rural development are pre-requisites for reducing poverty. But a basic ingredient for productive agriculture—the security of land tenure—has been missing.

Under the Asian Development Bank (ADB) Agriculture Sector Program, the Government began revising the 1992 Land Law in January 1998. But the unstable political situation relating to the general election halted the initiative. It was only at the end of 1998 that the Government discussed the draft of the revised land law at a meeting of the Council of Ministers. ADB subsequently requested the Government to consult a wider range of key stakeholders, including representatives of nongovernment organizations (NGOs) and international organizations (IOs), legal experts, and local administration officials.

“We soon found out that the Nongovernment Organisations/International Organisations Land Law Working Group was the only civil society organization that was seriously concerned about the revised land law from the perspective of the common people,” says Masahiro Otsuka, ADB Senior Project Economist. To open a direct line of communication, ADB joined the NGO/IO Group’s first meeting in December 1998.

“As we knew that revision of the land law was one of the few outstanding conditions to be met before ADB could sign off on a large project that had already suffered serious delays, we were initially a little apprehensive that our input would be seen as just a further hindrance to finalizing the project,” says Mr. Williams.

During the following year, ADB staff members began the process of consulting NGOs and IOs for refining the draft of the revised land law. In an attempt to resolve the points of difference, the Government organized a public forum in April 2000.

“The forum was an effective means of facilitating an open and frank discussion between government officials and representatives of aid agencies and civil society,” says Urooj Malik, ADB Resident Representative for Cambodia.

“We learned to understand their concerns, and they learned that ADB has committed itself to protecting the rights of indigenous peoples as solidly pronounced in its Policy on Indigenous Peoples,” explains Indira Simbolon, ADB Social Development Specialist, who is the indigenous peoples focal person for ADB.

Consultation Critical
Just when things seemed finally to be moving smoothly after the successful public forum, an issue emerged that threatened to stall the entire process again: indigenous people’s collective rights to land. The NGO/IO Group pointed out that the Government’s final draft was substantially scaled down from the suggestions made by the NGOs and IOs during earlier extensive community consultations. So the next challenge became how to get all parties to agree on the articles related to the indigenous peoples’ rights.

Through extensive consultations, wording acceptable to the Ministry of Land Management, Urban Planning and Construction (which is responsible for preparing the revised land law), the NGO/IO Group, and the Japan International Cooperation Agency consulting team (which is helping the Government prepare the civil code) was painstakingly worked out and then confirmed at an early July meeting.

“Our role was that of a mediator, discussing the wording separately with each of the parties involved, thereby helping to pave the way for an agreement on the text that everyone could live with. So there were basically no contentious issues left at the joint final meeting” says Eveline Fischer, ADB’s Senior Counsel.

According to Mr. Williams, His Excellency Sok An, Senior Minister and Minister of Council of Ministers, described this process as “having set a valuable precedent for Government and civil society cooperation in Cambodia.”

SECURE OWNERSHIP: Cambodian farmers will be the big winners once land law reforms are in place.
The Council of Ministers then approved this final draft, which was submitted to the National Assembly in late July 2000, fulfilling a condition for releasing the second tranche of the ADB loan. Although submitting the draft of the revised land law is merely the first step in strengthening a regulatory framework for sustainable growth, it is “an incredibly important step,” Mr. Otsuka says. ADB will continue to monitor the status of the revised land law and will support its implementation.

**Lessons Learned**

ADB learned some important lessons from this experience, where paying attention to the process of how issues are being handled became as important as the issues themselves. Mutual trust with the NGOs and IOs had to be developed, which is a time-consuming, demanding process. Flexibility also helps. “In this case, ADB Management’s judicious patience resulted in the successful agreement,” Mr. Otsuka says.

“This process has been extremely constructive and has set a benchmark for policy and legislative development,” wrote Mr. Williams.

---

**“We have all contributed to taking governance in Cambodia to a higher level.”**

Shaun Williams, NGO/IO Land Law Working Group

“On behalf of our group, I would like to convey our appreciation of the ADB Management’s patience…and our respect for the integrity and skill of all those ADB staff who worked with us on this important endeavor,” he wrote, singling out the efforts of the ADB Resident Representative in Cambodia; the ADB Director responsible for Cambodia, “whose personal involvement greatly expedited closure of the negotiations;” and the ADB Social Development Specialist, whose timely involvement in indigenous peoples’ rights was “particularly useful.”

As a result of this painstaking consultative process, NGOs and IOs, the Cambodian Government, and ADB all have a common ground on which to work—and the mutual interest to cooperate on future land issues. But of even greater significance, the people of Cambodia will someday soon have secure land tenure.

---

**Japanese NGOs Meet with ADB President**

Improving communication, strengthening relations discussed

**By Koichi Ishikura**

Senior Liaison Officer, Japanese Representative Office

During his visit to Fukuoka, Japan to attend the World Economic Forum, Asian Development Bank (ADB) President Tadao Chino took the opportunity to dialogue with nongovernment organizations (NGOs) there. During the past few years, ADB has held two formal consultation meetings with Japanese NGOs and has had frequent contacts with them through the Japanese Representative Office (JRO). This meeting was significant because it was the first time an ADB President talked directly with NGOs in Japan.

Six members of the ADB Fukuoka NGO Forum, including Kenji Ago and Toshiyuki Doi, attended the meeting in early July. Also participating from ADB were Hisashi Ono, Senior Executive Advisor to the President; Jungsou Lee, JRO Director; and myself.

The ADB Fukuoka NGO Forum was organized in 1997 when ADB’s 30th Annual Meeting was held in Fukuoka. Since then, the organization has held occasional discussions with and provided their views on specific projects and development strategies of ADB, World Bank, and Japanese government agencies.

The lively and constructive discussions focused on how to improve communication between ADB and NGOs/local stakeholders and issues related to the Samut Prakan Wastewater Management Project in Thailand (see story, p. 8).

President Chino emphasized ADB’s intention to further strengthen the relationship with NGOs with a view to enhancing the effectiveness of ADB’s operations under the Poverty Reduction Strategy. The President told the group that “ADB would like to utilize its valuable financial resources as effectively as possible to reduce poverty by reflecting the views of NGOs and local stakeholders.”

He then said that after the recent Annual Meeting in Chiang Mai, he had established a committee to prepare a proposal for improving institutional arrangements for cooperation with NGOs. The President also mentioned that the ongoing negotiation for replenishing the Asian Development Fund is very important for reducing poverty in the region.

Responding to the issues raised by the group members, the President explained that ADB had sent a special mission to Thailand in June to review the Samut Prakan Wastewater Management Project and that the report had already been posted on ADB’s web site at http://www.adb.org/documents/profiles/loan/samut.asp.

Attending the meeting were journalists from Asahi, Yomiuri, Mainichi, Kyodo, and Nishinbou, with four of the newspapers printing articles.

For more on ADB and NGOs, go to http://www.adb.org/documents/policies/cooperation_with_ngos/ngo_introduction.asp

---

**LANDMARK MEETING: ADB President talking with Japanese NGO representatives.**
Integrating Insolvency and Secured Transactions Law Reforms

Intersecting two areas of commercial law could bring immense benefits to the region

By Clare Wee
Senior Counsel

In many of the Asian Development Bank’s (ADB’s) developing member countries (DMCs), the system of laws governing the relations between debtors and creditors—such as in the areas of secured transactions and insolvency—has been hampering rather than helping the growth of formal credit markets. The cost has been huge. These DMCs pay an enormous economic and social price in lost opportunities arising from the inability to use tangible and intangible movable property as collateral.

Reforms to secured lending laws can increase the access to credit of the many segments of society currently excluded or forced to rely on high-cost informal credit. But insolvency law reform should not be conducted without considering and reforming secured transactions law—and vice versa.

How Secured Lending and Transactions Can Help
Secured lending and transactions cover the areas of nonpossessory pledges, mortgages, and other security interests. They do not, however, include the registration of land ownership.

Effective secured transactions laws assist the lender of secured credit to recover collateral quickly and efficiently. They help reduce the risk to the secured lender, which in turn reduces the cost of lending through lower interest rates and better terms for the borrower. For many, it means the difference between being included and excluded in the formal credit market. Secured transactions reforms allow all types of movables to be used as collateral, such as accounts receivables, inventory, in progress, future crops, and livestock.

It would be counterproductive for a DMC, on one hand, to encourage secured lending and, on the other hand, reduce the efficacy of secured transactions laws by having in place bankruptcy laws that are unfair to secured creditors. For example, it would be counterproductive for a DMC to introduce a secured transactions registration system while introducing amendments to the bankruptcy law, which have the effect of diluting the rights of secured creditors. If secured credit reforms are to be pursued because of the substantial economic benefits for a country, then insolvency laws must balance the need to protect the interests of secured creditors with the many other goals of bankruptcy. Reforms to one system must, therefore, be carried out with due consideration of the other.

Lenders’ Rights
Lenders want to be repaid in full and on time. So the security and ease in recovering collateral when debtors become financially distressed are key considerations for lenders. The extent of recognition, support, and protection that might be accorded to secured transactions in the insolvency of the person who has provided the security will partly influence the decision of whether to lend.

For the policymaker, these present some distinct policy choices. For example, strong policy arguments can be advanced that a secured creditor’s contract and bargain with the debtor should be recognized. On the other hand, policy arguments can also be made that a secured creditor should share in some equitable way the debtor’s losses and the cost of restructuring with other creditors. Unfortunately, none of the DMCs surveyed in two ADB studies (Insolvency Law Reforms and Secured Transactions Law Reforms) have sought to deal with them as part of a joint reform exercise.

A Winning Combination
For the most part, secured transactions and insolvency do not conflict. A strong legal framework for secured transactions helps to provide much needed commercial transparency and certainty. For example, an effective secured transaction enforcement mechanism contributes significantly to an effective formal and informal insolvency rescue regimes. This is because it helps impose appropriate corporate governance standards on a corporate borrower. It also provides a strong commercial incentive for an insolvent corporation to seek an early collective resolution of its debt problems rather than be subjected to the exercise of individual secured property enforcement rights.

The main area of potential conflict between secured transactions and insolvency arises from the differences in their respective objectives. For example, a principal objective of a developed secured transactions regime is to ensure that an individual secured creditor will be paid in full, while a principal objective of a developed insolvency regime is to ensure that all creditors will be paid as much as possible.

Secured creditors will resist being caught up in a collective insolvency mechanism. However, an insolvency regime will typically want to subject all creditors—including secured creditors—to its terms to avoid fragmenting the property of the insolvent through exercising the enforcement powers of secured transaction creditors.
Although these positions are polarized, an insolvency regime may have to intrude upon secured creditors, particularly to restrain the exercise of secured property enforcement rights in the case of possible rescue or rehabilitation of the debtor. Provided the imposition of some restraint on a secured creditor is not too repressive, there usually will be little effect on the secured creditor and, consequently, no adverse economic effect on the availability and cost of lending. Indeed, the secured creditor may benefit because, by keeping the business and property of the insolvent debtor together, it may be possible to save the business or enable it to be sold as a going concern—and increase the prospect that the secured creditor will be paid in full.

Taking an integrated approach to insolvency and secured transactions law reforms will mean clear and more predictable systems for secured lending and borrowing for Asians. For small- and medium-sized enterprises, it may mean lower borrowing costs and more predictable insolvency risks, as the systems for secured lending and insolvency jointly improve.

For more information, e-mail cvee@adb.org

Read More: Law and Policy Reform

If an insolvency law intrudes too far into secured transaction rights, the danger exists that it could adversely affect both the availability and cost of lending. ADB recently sponsored two conferences during which these and other issues affecting the intersection between secured transactions and insolvency law were discussed.

The outcomes of these discussions and the findings of a study on insolvency law reforms are published in Law and Policy Reform at the Asian Development Bank, 2000 Edition, Vol. 1 (available online at http://www.adb.org/Documents/others/law/ADB). The second volume, to be released before the end of the year, will present the findings of another study on secured transactions law reforms.

Read more at http://www.adb.org/Law/
Send an e-mail to jresurreccion@adb.org to order the publications.
MAKING CITIES WORK
ISBN 971-561-298-9 (paperback); US$15

This book contains the proceedings of an Urban Policy Workshop undertaken in Beijing in September 1999, including the four themes and 14 papers of selected cities in the People’s Republic of China presented at the workshop, as well as keynote speeches. The theme papers cover urban policy perspectives in the context of market reforms, urban management, urban finance, and environmental management.

CORPORATE GOVERNANCE AND FINANCE IN EAST ASIA
ISBN 971-561-295-4; US$10

This publication presents the findings of a regional study on corporate governance and finance in selected developing member countries of the Asian Development Bank (ADB). The study attempts to identify the weaknesses in corporate governance and finance in countries most affected by the 1997 Asian financial crisis, and recommends policy and reform measures to address the weaknesses.

The findings of the study are presented in two volumes. Volume One, A Consolidated Report, presents the framework for analyzing corporate governance and finance, summarizes the major findings of the five country studies, and provides key policy recommendations for strengthening corporate governance and improving the efficiency of corporate finance in ADB member countries. Volume Two, Country Studies, collects the five country reports and is expected to be released soon.

ENVIRONMENTAL PROFILE OF TAJIKISTAN
ISBN 971-561-291-1; US$15

During its postcrisis stage, the economic and social problems faced by Tajikistan are multidimensional. Among others, environmental and ecological deterioration in conjunction with poverty is widespread. To develop programming strategies, one of ADB’s priorities has been to understand the environmental situation in terms of the natural resource base, the impacts on the environment by various economic sectors, and the framework for environmental management. This environmental profile is the first review on the environment for Tajikistan, providing a comprehensive overview of the current environmental situation and trends.

RESETTLEMENT POLICY AND PRACTICE IN SOUTHEAST ASIA AND THE PACIFIC

This publication is based on two related workshops held in Manila and Port Vila that dealt with the policies and practices applicable to development projects and other phenomena when an element of involuntary resettlement or economic and social dislocation takes place.

For these and other publications, contact Asian Development Bank, Publications Unit P.O. Box 789, 0980 Manila, Philippines Fax: (632) 636-2648 / E-mail: adbpub@adb.org

Asian Development Bank
http://www.adb.org
Going Private

With Asia increasingly depending on the private sector for stimulating economic growth, a veteran strategist explains how ADB is responding

By Omana Nair
External Relations Officer

Shoji Nishimoto, Director of the Asian Development Bank’s (ADB’s) Strategy and Policy Department, has played an important role in creating ADB’s new Private Sector Development Strategy. He expands on how the strategy will enable ADB to strengthen the role of the private sector as Asia’s growth engine, and how it is intertwined with ADB’s Poverty Reduction Strategy.

Why did ADB adopt the Private Sector Development Strategy?
It is one way of ensuring the relevance of the private sector in poverty reduction efforts. In the wake of the 1997 Asian financial crisis, appreciation of the private sector’s development role as an engine of growth has been renewed. But private sector projects on their own may not directly benefit poverty reduction efforts. If ADB assistance addresses development challenges through both public and private sector windows, synergistic solutions and greater benefits will result.

Will ADB encourage more privatization projects?
Most definitely. While countries—including India, Indonesia, and Thailand—are moving in this direction, ADB will be paying more attention to reforming the state-owned enterprises, particularly in promoting good financial governance.

How does the Private Sector Development Strategy relate to poverty reduction?
Support for private sector development is an integral part of ADB’s Poverty Reduction Strategy. Developing a strong and dynamic private sector is crucial to long-term, robust economic growth, a necessity for sustained poverty reduction. The private sector, especially small and medium enterprises, has a key role in generating employment. Free movement of skilled personnel and well-designed labor policies will energize the development of industries critical for advancing economies.

Shoji Nishimoto

What does it mean to “think private sector in ADB’s public sector operations” and think “development impact in ADB’s private sector operations”?
Thinking private sector in public operations entails deliberately improving the enabling environment for the private sector and using the experiences from the private sector as inputs. This would also mean disciplined, sequenced examinations of private sector alternatives at key stages of ADB projects. When a project is being prepared, we must determine if the private sector can do some of the work; when a project is completed, we must ask if the private sector can assume management or ownership. As private sector investment does not necessarily mean lower cost, the key is to ensure that all projects benefit consumers in the end.

Thinking development impact means that private sector operations are oriented toward achieving greater development impact, both at the macroeconomic and sectoral levels, and working with government to take deliberate steps to reduce poverty. Given a favorable macroeconomic policy environment, development impact must be considered by enhancing employment opportunities, a cleaner environment, effective competition, and better corporate governance.

Will the Private Sector Development Strategy increase the risk factor in ADB’s lending?
As long as the exposure remains at a single digit percent of the lending portfolio, the risk would not be great. But if it becomes more than 10 percent and performance is poor, ADB’s credit ratings might be affected. More importantly, such a high level of private sector operations would mean a serious shift in the corporate culture and management style of ADB.

Is ADB shifting away from its core business of public sector finance?
I believe ADB will continue to operate predominantly in the public sector, but we can do far more to encourage private sector development through rigorous involvement in the public sector.

How will the new strategy affect ADB’s long-term strategic framework currently being drawn up?
ADB’s overall long-term strategic framework examines bigger issues addressing the region and provides the means to implement the poverty reduction and private sector development strategies concurrently.

Is there a danger that ADB will concentrate too heavily on private sector development?
The relative size of ADB’s exposure and the number of members involved in the effort require careful analysis. With many members liberalizing their investment climates, we needn’t worry much about the concentration factor.

Are the basic internal structures and skills in place to ensure the strategy’s successful implementation?
ADB will be training staff members and exposing them to the opportunities of dealing with the private sector. Experienced private sector development specialists are already in place, and the core team will continue monitoring the implementation process. A private sector development network is being created to prepare a database on activities, provide advice on opportunities, and implement a “private sector scorecard” while preparing projects.

Will ADB increasingly assume a purely private sector focus and become like the International Finance Corporation?
I doubt very much that we would emulate IFC, but we might create a separate entity. On hindsight, a wholly subsidized organization similar to the IFC is an option that still should be considered.

To read the Private Sector Development Strategy, go to http://www.adb.org/Documents/Polices/Private_Sector/default.asp?p=pvtsctr
LOST CHILDHOODS: Poverty steals millions of childhoods, depriving young people of their innocence and destroying their dreams. ADB believes that all children in Asia and the Pacific—including these daughters of garbage scavengers in Metro Manila—should have the opportunity to go to school and to lead healthy, productive, and dignified lives.