

# ADB REVIEW

NEWS FROM THE ASIAN DEVELOPMENT BANK

January-March 2001

Hope for Street Girls  
A Chance to Challenge  
Have Skills, Can Work  
Rice: It's All in the Mix

*POVERTY IN SRI LANKA*

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**ABOUT THE COVER**

To understand the lives that lie behind official poverty statistics requires one-on-one consultations with people like this man from the village of Hangiliella, Sri Lanka (p. 4).

Cover photo by Larry Ramos



**OFF THE STREETS:** Indonesian female street children find refuge (p. 18)



Can you spot the artist?

Ram Cabrera

**D**evelopment is often a process of recognizing and releasing the hidden resources of individuals and communities. With this in mind, the Asian Development Bank will be bringing together in April 500 street children from Metro Manila to help them discover their hidden artistic potential.

Many of these children may have difficulty completing their formal education; however, in a world where creative, fast-on-your-feet thinking is increasingly valued, their artistic talents may be a valuable resource to overcome their extreme poverty.

In an upcoming issue of *ADB Review*, we will be sharing the artwork as well as some of the artists' stories. ■



# Connecting the Rural Poor

Information and communications technology can help reduce poverty, but the poor need access

By Motilal Sharma

Senior Education Specialist

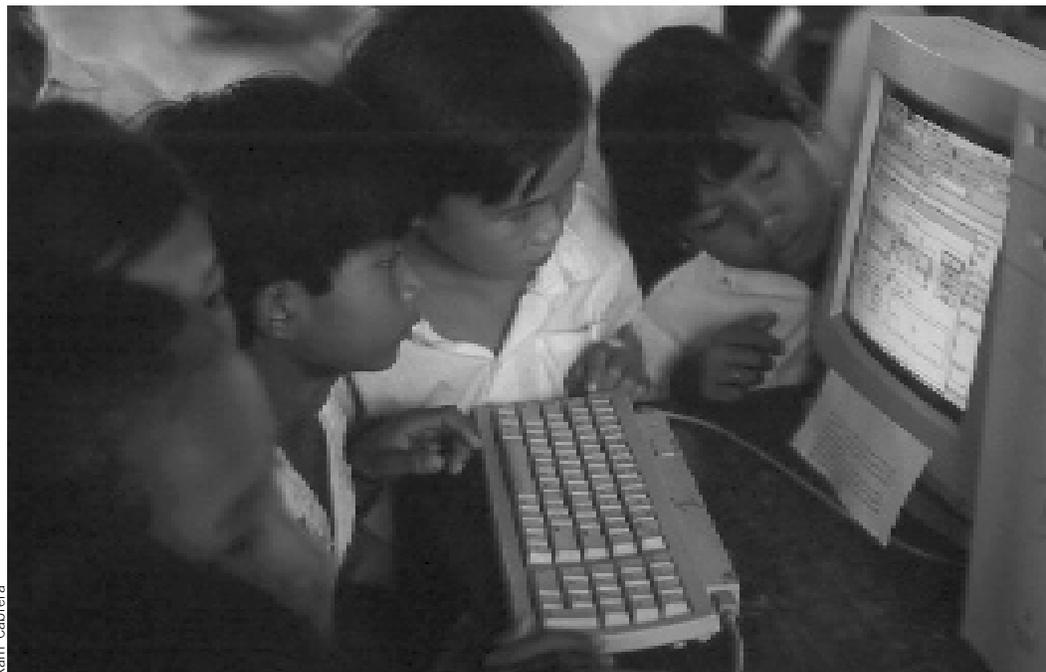
**W**ith nearly one in three Asians classified as poor, overcoming poverty remains the single greatest challenge facing the region. But without access to basic services—such as primary education and health care—the poor will have little opportunity to improve their lives and contribute to economic growth.

The poor need access to high-tech opportunities to empower them with knowledge and equip them with productivity skills—and directly help reduce poverty. While the world's affluent people suffer from an unprecedented overflow of information, the vast majority of people in developing countries still have inadequate access to information, technology, expertise, and resources. Digital technology-based telecenters can provide the disadvantaged in rural areas with access to telephone and fax services, electronic mail, the Internet, databases, and libraries.

Information and communications technology (ICT) offers an exciting possibility for overcoming poverty, but this potential will remain vastly unexplored if left to market forces. The public and private sectors have so far failed to use ICT to deliver improved basic services to the poor in rural areas and equip them with the necessary information and skills to become productive partners of globalization. A regional mechanism—such as an Asian institute of information and communications technology for poverty reduction—is needed to coordinate existing ICT-based systems and experiments and develop the means for replicating the strategies around the region.

## Community-Based Telecenters

The availability of satellite facilities and mobile connections facilitate the expanded movement of information to even the most remote villages. Using the community approach, the costs can be shared to ensure sustainability and investments in ICT-based human development at the grassroots level. It becomes viable because the village makes its own workstations.



ICT can help empower the rural poor by equipping them with education and providing market data and health information. Their participation in governance can be improved, and they can become involved directly in e-commerce for selling products to outside customers. Learning could take place through exercises addressing local social issues.

## Expanding the Open Learning Systems

Many “open learning systems” have been set up around Asia. If these systems are to seriously contribute to reducing poverty by providing a mechanism for both the rural and urban poor to take advantage of educational opportunities, a catalytic agent is needed to stimulate and restructure these systems beyond their present capacities to serve the poor, which comprise the largest market for these universities.

In the beginning, large amounts need not be spent on hardware. Community information centers could be set up by making use of the thousands of “obsolete” computers sitting in the offices of government agencies and private businesses, underused or not used. This equipment

**CONNECTION:** Rural children may someday enjoy access to ICT.

could be moved to rural areas to form the heart of community information centers, which could be set up in existing buildings, such as schools and community centers.

Through distance education, local leaders could be trained in using basic hardware, software, and electronic mail, and in accessing the Internet. Communities could design their own information agenda. Through the institute, pilot experiments

**The public and private sectors have so far failed to use ICT to deliver improved basic services to the poor in rural areas.**

could encourage and enable the staff of participatory agencies to apply new and innovative approaches based on ICT to reduce poverty through direct intervention and as support to the projects and programs of

various agencies.

If left to the market forces of the digital economy, the poor will be light-years behind, potentially leading to massive social unrest. ICT can open a corridor of opportunity—and it is the key to empowering the poor to obtain the information they need to help shape their own destinies. The proposed institute could play a role in realizing this goal. ■



# FACE TO FACE

Through one-on-one consultations, the voices of the rural poor in Sri Lanka are being heard

**By Mariam S. Pal**

Economist (Social Development)

**Photographs by Larry Ramos**

Former ADB photographer

**I** have always believed that to help the poor, one has to understand their lives and the challenges they face. Statistics tell one story, but meeting people and seeing their families, homes, and workplaces gives an entirely different perspective. This story of three villages in Sri Lanka's Uva Province is about poor people's lives—their sorrows, hopes, and dreams. It is also a story about how ADB staff members went to these villages and spent some time learning about their lives, the poverty they face, and how ADB's activities can have real impact on them.

## **A Special Fund for Participatory Work**

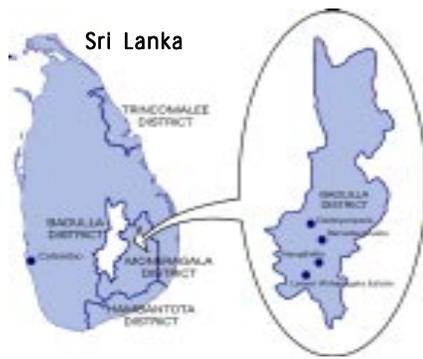
In early 2000, a special fund was created to support participatory activities in the Asian Development Bank (ADB) programs and projects, especially those relating to poverty reduction. I applied to this fund for support to carry out a series of consultations with the poor in several of the poorest districts of Sri Lanka. I wanted to identify major issues that would not normally be identified from analyzing secondary material, such as the current statistical database or existing poverty literature. The consultations provided unique qualitative data on the situation of the poor. The Poverty Impact Monitoring Unit (PIMU), a Sri Lankan research organization specializing in poverty analysis, worked with us.

## **What We Did and How We Did It**

We decided to study four districts. The first,

Badulla District in Uva Province, was where we would do a pilot test to ensure we had the right approach. A six-hour drive south-east of Colombo, Badulla is one of Sri Lanka's poorest districts when measured in terms of access to basic social services. Poverty there is 27 percent compared with the national average of 21 percent.

While much of Badulla is flat, the part we visited is mountainous. Tea is a major crop, as are rice and vegetables. Nireka Weeratunga, a PIMU anthropologist who had done her dissertation fieldwork in Badulla, proved a wonderful guide and researcher in helping us learn and understand the dimensions of poverty in this part of Sri Lanka. Dharini Rajasingham, also an anthropologist, and Shakila Jabbar, a research assistant, accompanied us, as did Soo-Nam Oh, who is ADB's Country Economist for Sri Lanka.



## Sri Lanka Facts

**Population:** 18.8 million · **Population Growth Rate:** 1.2 percent per annum · **Life Expectancy:** 73.0 years · **Adult Literacy:** 91 percent · **Child Malnutrition** (% of under age five): 38 percent · **Population with Access to Safe Water:** 58 percent · **Human Development Ranking:** 90<sup>th</sup> out of 174 countries

Source: Country Assistance Plan for Sri Lanka 2000-2002

We used a participatory approach for the consultations. The first thing we did was request one person to draw a map of the village, indicating things such as the major topographical features, houses, school, health center, water supply, road, and stores. We also asked for the locations of the poorer areas of the village and how the livelihoods of those households differed from those of the rest of the villagers.

Next we asked the group to assist in completing a general questionnaire to collect any missing information on issues such as population, employment, agriculture, and access to infrastructure and education. Following this, we visited individual households to find out more about how people live and work—and to learn about their dreams. Toward the end of the day, we met with the village as a whole to gain a better appreciation of how the people viewed poverty and its solutions.

### Can a Boulder Increase Poverty?

Our first destination was the remote village of Dadayampola in Badulla District. After driving on a secondary road, we got out of our van by a school and started walking along a path. Initially manageable, the path quickly revealed dangerous sections. At one point, a large protruding boulder blocks the path. We inched our way around

it, gingerly holding on to the rock itself and some shaky tree roots. To our horror we later learned that three small children have plunged into the valley below from this very spot. My body was shaking as I made my way around the boulder on the way out of the village.

Dadayampola has about 150 people in 30 households. We met with a group of villagers and then visited five houses. This may not sound arduous, but sometimes it was a half-hour walk up and down the steep hillside between houses. Farming is the main livelihood. Three of the residents are in the army, and one is working in the Middle East—meaning their families are receiving regular incomes. The village does not have electricity or running water, and only about one fourth of the people have access to pit latrines.

Getting medical attention is another issue: the nearest health center is 18 kilometers (km) away. Some villagers have died because they were too sick to make the journey to the road. Going to school is easier, with the nearest one only 2.5 km away. The journey to school can be risky during the monsoon season, so some parents keep their children at home.

Their biggest constraint, they said, is a lack of infrastructure. Every person we talked with mentioned the narrow, treacherous footpath to the secondary road. The big rock blocking the path clearly makes it difficult to bring out produce to sell at the local market.

We also asked people about their possessions that could indicate wealth, such as a television, radio, fan, or sewing machine. To our surprise, none of the households had these items—but almost all had a wall clock.

### Does a Road Mean Less Poverty?

The next day we ventured about an hour's drive from Banadarawella to Hangiliella Village. We again walked on a path, but this was only a 15-minute uphill climb. Some of the people drew us a map and then, after finding out answers to some general questions, we broke into two groups

of three and went to talk with people.

Hangiliella has 425 people living in 92 households, all of which share only two water taps. There is no electricity, and only a fourth have pit latrines. Most of the villagers are farmers, although five work on nearby tea plantations and three have government jobs as a clerk, policeman, and teacher. Twenty-four of the residents are living elsewhere: 17 are in the army, 1 is in the Middle East, and 6 are working in garment factories.

We were amazed at the difference in the

quality of life that we observed in the houses where some family members have left to live and work elsewhere. Their houses were bigger and cleaner, and equipped with amenities including furniture, a television, dishes, and cooking utensils—thanks to the money sent home by absent husbands, wives, sons, and daughters.

Because Hangiliella is close to the road, access to outside facilities is easier. The village has its own school that goes up to grade 8. A high school is located 6.5 km

**DEADLY ROCK:** An obstacle to economic development, this boulder has also caused the serious injury of three children.



**MAPPING THE VILLAGE:**  
One person drew all the  
important features.



**SHARING THOUGHTS:** Cards (top) were used to identify the causes of poverty—and their solutions.

**BIG PICTURE:** Village meetings (bottom) captured the feelings of how people view poverty and its solutions.

away, as is a health center. Despite these factors, more than 80 percent of the villagers identified themselves as being poor during our group session. They said that the biggest problem was the lack of access to good jobs, and that their children had no choice but to leave. They also expressed their frustration over the entire village having only two water taps, and that both the Government and funding agencies had built water systems that had broken. In fact, the lack of water was seen as a cause of poverty. Villagers asked us for more help from their Government and nongovernment organizations.

#### Plantation Life

A century ago, the British introduced tea plantations to Sri Lanka, bringing Tamil-speaking laborers to work on the “tea estates.” When the Government nationalized the plantation sector 25 years ago, many estates were leased back to the private sector. But some estates stayed in private hands, such as the Lower Wiharagala Estate, which we visited. Pared down to only 120 hectares (ha) from its original size of 280 ha, this estate is home to 250 people—

all of them Tamils.

Although the estate is very close to the road, this does not guarantee adequate access to social services. The nearest health center is 13 km away, as is the high school.

The primary school is about 3 km away in the next village, even though Lower Wiharagala has more people living in it. Half of the households have access to electricity. Those that do not have access cannot afford the connection charge. Two thirds of the people have latrines, and two water taps serve the entire village.

At the village meeting in their temple, we were told that the biggest problems are a lack of access to water and to income and good jobs. The plantation provides most families with only three days’ work per week—at the most. Some earn extra money by growing vegetables and selling them at the market. Others have gone to work in local factories. However, because many do not have the identity card needed to travel freely outside the estate, they are constrained in their ability to seek better employment opportunities.

#### What ADB Can Learn

It is one thing to go and visit villages and try to learn about poverty. But for this information to be useful to ADB, we also had to think through the operational implications of the visits. To generalize from such a short experience is difficult, but four issues struck me.

First, it is difficult to emphasize enough the importance of access to basic infrastructure, social services, and employment. Access to a road, school, and health care facilities can make the difference between

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**Few households had a television, radio, fan, or sewing machine; almost all had a clock.**

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poverty and grinding poverty, or between life and death in the case of the seriously ill. Second, in the group discussions on poverty, the people always directly mentioned the responsibility of the Government, funding agencies, and nongovernment organizations for improving their lives—but never themselves. Third, in the two villages we visited, crop damage from wild animals, especially elephants, was cited as an important reason for people’s poverty.

Last, there was a stark contrast between households where a family member is work-

## Consultation Findings

**P**overty consultations were carried out by ADB to complement its Poverty Analysis for Sri Lanka and to ensure that the views and perspectives of the poor were heard and incorporated into the Partnership Agreement for Poverty Reduction to be signed between ADB and the Government of Sri Lanka in 2001. Consultations were conducted in four districts: Badulla, Trincomalee, Moneragala, and Hambantota (see map).

The poor overwhelmingly identified infrastructure—connecting roads, electricity, and irrigation systems/water supply—as their priority needs. Other issues considered to be leading causes of poverty were the armed conflict, low quality of education that prevented poor children from passing on to higher levels of education, and fluctuating prices of agricultural crops and fish that deprive farmers and fisherfolk of access to steady incomes. ■

ing abroad or in the army. The regular income not only brings families out of poverty, but it also gives them access to better housing and items such as a battery-operated television set or a radio.

### Final Words

When I returned to Manila from my mission, I explained to one of my colleagues what I had been doing. “Ridiculous!” he barked, and then proceeded to complain about how anthropologists were taking over poverty analysis at ADB and that anybody can go and talk to villagers. Well, I don’t see too many anthropologists around ADB—I’m an economist myself—but I do agree with him that anybody can go and talk to villagers. What is harder is to know what to ask, what to observe, and what the findings indicate about the village, the people, and poverty. It takes time, and it is hard work.

There is so much to learn and to be gained from coming face to face with the poor, consulting with them and—most importantly—learning from them about the lives that lie behind the statistics. ■

For more on ADB and Sri Lanka, go to <http://www.adb.org/srilanka>

## Tharuka: On Being Poor

**W**e met Tharuka and his family when we were at one of the houses in Hangiliella Village.

He was with his wife and their two children, a 10-year-old daughter and a three-year-old son. Unless his wife had told us she was six months pregnant, we never would have known because she was so slim.

They had seen us walking along the irrigation channel while they were in the field. They ran after us because they thought we were foreigners coming with money—and that nobody had told them of our visit because they are the poorest people in the village.

Several months ago Tharuka, who has a fifth grade education, broke his hand in an accident. Since then, he has had difficulty finding work as an agricultural laborer. He has a small plot of land, but it is very stony and far from any water source. Tharuka tried to get work as a wage laborer in the town, but the town laborers chased him away.

He has been in debt ever since he broke his hand because he keeps on borrowing money from

—  
**“If somebody would help me find a job, I would worship that person for the rest of my life.”**  
 —

Tharuka

better-off villagers as advance payment for work. This keeps him in a constant state of poverty because, when he works, most of his money is held back to repay his debts. Of

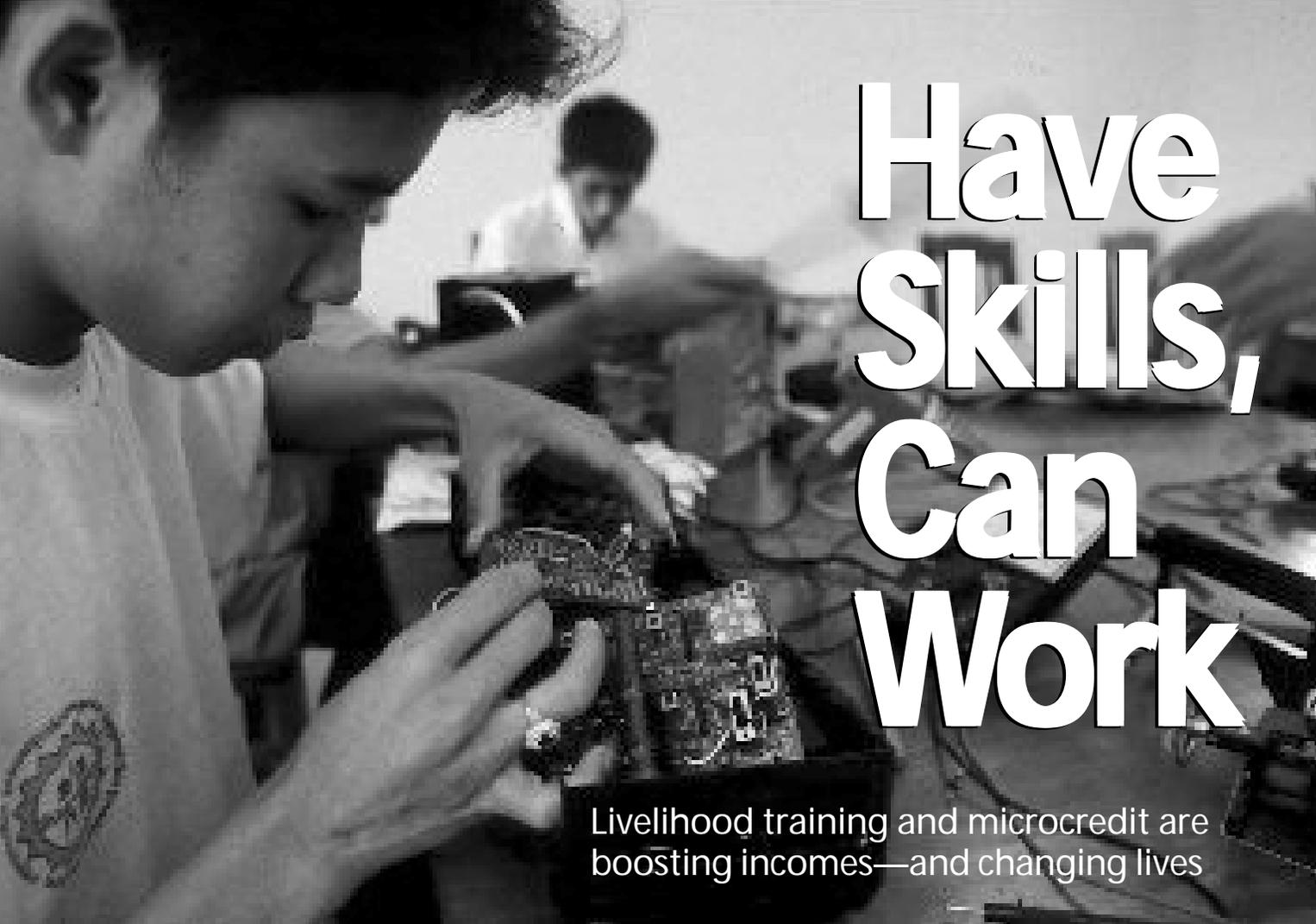
the Sri Lanka rupees (SLRs) 150 he earns, SLRs 80 is deducted, leaving him with very little to buy food.

The family typically eats two meals a day: usually rice with some vegetables. But during the “windy” season (May to August) they often do not have enough to eat. Whatever they have, the children eat first. He added that they are often sick from drinking dirty water.

At the end of our interview, we asked Tharuka if he had anything he would like to add. He did. “If somebody would help me find a job, I would worship that person for the rest of my life.” ■

**GRUELING LIVES:** Tharuka and his family with their possessions—the clothes they wear and the bundle at their feet.





# Have Skills, Can Work

Livelihood training and microcredit are boosting incomes—and changing lives

Ram Cabrera

By **Marcia R. Samson**  
Editorial Coordinator

**O**ntho Li stands on one leg and crutches while gathering empty soda cans from the Old Market in Phnom Penh, Cambodia. At the end of the day, he returns to his home: the sidewalk. Scavenging is his only source of income since a landmine in Kampong Cham Province ended his career as a government soldier in 1989. He earns about 2,000 riels (US\$0.50) a day, which must support his pregnant wife and four children.

Mr. Li says he has no permanent job because he has no ability other than handling a rifle. Overwhelmed with despair, he allows himself to remain a victim.

### Skills Bring New Meaning to Lives

Unlike Mr. Li, others have been improving their lives by learning new livelihood skills. The Basic Skills Project, a US\$20 million effort funded by the Asian Development Bank, is striving to rebuild the country's



pool of skilled workers, many of whom were killed or fled during the genocide of the late 1970s.

The Project is targeting those most adversely affected by the decades of civil strife, including landmine victims, widows, orphans, school dropouts, the disabled, heads of households, eldest children of families, women in general, and other disadvantaged people. Even illiterates can enroll in

some of the courses.

The successes have been gratifying.

Thirty-five-year-old Soeun Bun grabbed the opportunity of free skills training at the provincial training center in Kampong Cham. She had been working in a textile factory until a heart attack forced her to quit. When she saw an advertisement on a street corner, she decided to enroll in a four-week sewing course. She calls the course her chance of a lifetime to earn enough to support her widowed mother and sister.

Working out of her home, she has developed a regular clientele and earns about US\$10 per job for sewing women's dresses and uniforms for students and soldiers. Her priceless possession is a second-hand sewing machine that she bought for US\$60, funded through a US\$600 microcredit loan that she and three of her classmates shared.

Twenty-four-year-old Yourk Pisey is also head of the household. She employs two assistants at US\$12 monthly to sew fancy lace and beads on Thai-inspired dresses and gowns worn during festivals. In a month she

earns US\$200—significantly more than the average monthly wage rate of US\$75. “The television, radio, and motorcycle are the fruits of her labor,” her mother proudly says.

Sim Senghong recently set up his motorcycle repair shop along a narrow dirt road leading to the market in the Chong Thinol commune. Tired of driving a motorcycle on rough roads for a measly US\$1.25 a day, he enrolled in a motor repair training course. Now he earns 10 times more from his shop. He has bought an air compressor and some tools, and still sets aside US\$50 a month to repay his portion of a US\$500 microcredit loan.

In Siem Reap Province, computer training has proven the most popular of the courses, which include tailoring, wood carving, and motor repair. About 300 people—including a hundred Buddhist monks—are on the waiting list for a computer training course. The first offering of the course only accommodated 20 people. Interest is strong for learning computer skills because of the job opportunities in hotels, restaurants, and other service industries in the province, which is home to the world renowned Angkor Wat.

### Overcoming Obstacles

The participants’ determination has been impressive. On a borrowed bicycle, Chan Hoeun pedals 5 kilometers from her relatives’ house to the Siem Reap training center to attend her tailoring class. “Life is difficult,” says the young woman. “My husband earns US\$2 a day as a driver and there is hardly enough food on the table and money to send my children to school.” She relies on relatives’ support to get her family through the day, but she hopes her new skills will make her dream of better lives for her children come true.

Public response to the ADB-funded courses has been very gratifying, says Phang Puthy, Director of the Siem Reap training center. Several students temporarily live in pagodas near the center, some walk several kilometers, and others live with relatives.

Initially, some resistance occurred for women to attend the skills training, says Pich Sophoan, Project Director of the education component and Director General of the Technical and Vocational Education and Training (TVET) of the Ministry of Education, Youth and Sport. It was diffi-

cult to convince parents to allow their daughters to attend training because of their home responsibilities, the distance to the training venue, or safety reasons. Some husbands feared their wives would be forced into prostitution. Sometimes the reason is psychological on the part of men, who think that women are not smart enough to understand and acquire skills.

To resolve these barriers, TVET staff went out to the people to inform them of the equal opportunities for training open to

men and women. In some training centers, accommodations are provided so women can train uninterrupted without having to worry about safety and transport costs.

Huo Reth’s husband, a farmer, did not oppose her leaving her seven children to attend the weaving course at the Women in Development Center in Kampong Cham. For four months, she stayed at the center to save her US\$0.80 daily for a round-trip transportation cost from her house, 10 kilometers away. She looks forward to setting

**NEW SKILLS:** Thousands of Cambodians are learning livelihood skills.



Ram Cabrera



Ram Cabrera

**COMPUTER CRAZE:** 300 people are on the waiting list for computer training.

up her weaving business at home, where she can look after her children. By weaving a piece of *seung* (skirt material) and *krama* (scarf), she estimates she can easily earn US\$50.

Today, more women are being trained in the vocational training centers. Of 6,673 trainees, 52 percent are women, according to Mr. Sophoan. Nearly 2,000 of the graduates—about 70 percent—have found jobs. About 550 persons have received microcredit; 66 percent of them women.

Aside from the basic income-generating skills training, the Project has also upgraded the capacities of high-ranking officers, school directors, and instructors through

### Less than 1 percent of Cambodians are graduates of higher education.

overseas fellowship training on the educational system, focusing on vocational education and training, computer use, planning and management, and English language skills.

The National Training Board, comprising various ministries involved in training activities, has also been created under the Project to provide policy and planning guidance in skills training, in coordination with the private sector, funding agencies, and nongovernment organizations. Physical facilities of national technical institutes and provincial training centers are also being upgraded to improve the working environment.

The vision is to develop skills at par with international standards, particularly with Cambodia's counterpart countries in Southeast Asia, says Mr. Sophoan. Skills training also aims to increase the ranks of the employed, estimated at 5 million out of the 11 million Cambodians, of which less than 1 percent are graduates of higher education.

With interest to develop the country's most important resource—its people—through training and education, the social and economic resurgence of Cambodia may not be too far away. ■

For more on ADB and Cambodia, go to <http://www.adb.org/cambodia>

## A Book of *My Own*

Cambodian children are hungry for education. But textbooks have been a scarce commodity, with four to five students often having to share the same book—if they were lucky.

Things are changing, however, thanks to an Asian Development Bank (ADB)-funded project through which a total of more than 6 million copies of 38 titles on mathematics, social studies, and science have been printed in the Khmer language in mid-2000.

About 28 million textbooks and 500,000 teacher guides will be developed and provided to primary and lower secondary school students and teachers when the Project is completed in October 2001. The goal is to enable each student to have his or her own book instead of having to share. International research indicates that textbook availability is key to improving students' achievements and the quality of education.

The Basic Education Textbook Project, a US\$20 million loan approved by ADB in 1996, has been addressing the serious lack of textbooks and other teaching materials in Cambodia since the Khmer Rouge period, when formal education was abandoned, books and equipment were destroyed, and an estimated 75 percent of teachers and students either fled or died.

As a result of this Project, about 22 million textbooks and 500,000 teachers' manuals have already been distributed. In general, all grade 1-9 students now have textbooks of improved quality, even in remote areas.

"The shortage of educational materials for both teachers and students has until now been a main obstacle for teaching and learning," says Gudrun Forsberg, Senior Education Specialist. "Textbooks and teachers' manuals are in most cases the only tangible resources that teachers and pupils have, other than blackboards, chalk, paper, and pens. The books therefore represent the curriculum, the syllabus, the content, the methodology, and the teaching resources that form the basis of the delivery of education in grades 1-9. They are absolutely crucial."

The books are being printed in the publishing house of the Ministry of Education, Youth and Sport in Phnom Penh, where state-of-the-art prepress and printing equipment and facilities have been provided by ADB and other funding agencies. ■

**PROUD LEARNERS:** Grade 2 children and their new textbooks at Wath Tmet Primary School, Kandal Province.



Gudrun Forsberg

# Rearguard Action Not Enough for Asia's Environmentalists

Governments must prioritize environmental quality as they do economic and social progress

By S. Tahir Qadri

Senior Environment Specialist

**T**he Sundarbans in Bangladesh, the world's largest mangrove forest and tiger reserve, is under threat. If a pending deal to exploit petroleum reserves beneath the forest goes through, a rich ecosystem will be severely damaged, affecting 2 million people who depend on it for survival.

The 6,000 square kilometer forest is both home and a source of food for people, animals, birds, insects, and marine life. The forest stabilizes the coastline and enriches soil and aquatic environments. Eroding this ecosystem will make forest communities poorer. It is better for society to develop the forest through community-based enterprises than exploit it for petroleum.

Bangladesh is one of many Asian countries facing a choice between economic growth and a broader development agenda. Exploiting natural resources can spur growth. But development includes wider benefits such as social equity and environmental stability. Pursuing economic growth above all else could yield short-term gain but sacrifice society's long-term well-being.

The burning of Indonesia's forests in recent years is an example of long-term benefits being given up for short-term gain. Entrepreneurs, most of whom live outside Indonesia, are clearing large tracts of forest by burning trees and undergrowth. Driven by profit and aided by weak legislation and enforcement, they are destroying irreplaceable biodiversity and causing smoke and haze pollution that adversely affect the health of Indonesians and people in neighboring countries. In 1997 and 1998, such burning devastated more than 9 million hectares, causing an economic loss of more than US\$6 billion.

## Misuse of Nature

Asia's devastating floods of the past decade, repeated in recent weeks in South Asia, People's Republic of China, and Southeast Asia, are another illustration of environmental mismanagement. Most authorities blame bad weather for the disasters. But while nature provides the trigger event, it is humans' misuse of natural resources that changes the environment and influences the severity of the floods.

Such human-made factors include deforestation, inappropriate engineering infrastructure to control floodwaters, and mismanagement of watersheds.

If Asia's governments do not take action to halt the region's rapid environmental degradation, it may soon be too late to reverse the trend.

Governments need to prescribe policies to change individual and institutional behavior to address the root causes of environmental degradation.

These causes include growing populations, which need more energy and materials; affluence, which increases material consumption and waste; poverty, which limits choices on how to use the environment; technologies that use energy and dispose of waste inefficiently; and institutions and policies that avoid addressing the most pressing problems and exclude stakeholders, especially women and the poor.

## Actions Needed

Three things have to change to reverse the region's environmental decline. First, environmental objectives have to be fused from the beginning into development planning and processes. At present, the battle is being fought (and lost)

through rearguard actions by national environmental agencies. Moreover, environmental goals can be achieved only in concert with financial and economic development institutions and private sector interests. Policy integration is the key. Second, political will is needed to turn rhetoric into action and achieve environmental compliance. This means allocating enough money and trained people to deal with the crisis. Third, developing countries must have unhindered access to modern technologies that use materials and energy efficiently, and with minimum waste.

Creating these new conditions is a challenging task with a high price tag. But the price of not doing enough may be far higher. ■

*This article appeared in the International Herald Tribune on 16 November 2000. It is reprinted with permission.*

**Unless governments halt the region's rapid environmental degradation, it may soon be too late to reverse the trend.**



Richie Abrina

**DESTRUCTION:** Aftermath of a flood in the Philippines.

# IT'S ALL IN THE MIX

A team of agricultural scientists has found a simple, inexpensive way to substantially increase rice yields and overcome disease problems

In what the *New York Times* described as a “stunning new result” from “one of the largest agricultural experiments ever,” thousands of rice farmers in the People’s Republic of China (PRC) are using a new way to control a major disease in rice without any chemicals. And in the process, they’re getting higher yields and increasing their incomes.

Scientists from the Philippine-based International Rice Research Institute (IRRI) and their collaborators around the globe led this landmark research, which was funded by the Asian Development Bank (ADB) through the Exploiting Biodiversity for Sustainable Rice Pest Management Project. IRRI is an autonomous, nonprofit institution focused on improving the well-being of present and future generations of rice farmers and consumers, particularly those with low incomes.

“The Project is a good example of public sector agriculture and natural resource research supported by ADB that targets the problems and constraints faced by poor farmers in Asia,” says ADB Manager Bradford Philips.

Using biodiversity to reduce crop losses from disease and pests has reaped signifi-

cant benefits for poor farmers. “Their real incomes have increased through reduced spending on chemical inputs, their yields have increased, and the environmental benefits of decreased chemical use and increased biodiversity are shared by their families and the community at large,” Mr. Philips explains.

### Low-Tech or High-Tech?

Three years ago, IRRI began working in the province with the Yunnan Agricultural University and the national agricultural research systems in Philippines, Thailand, and Viet Nam. In a massive, single-variety rice crop, such as that grown in the Red River Valley of Yunnan, a single disease such as blast could easily explode into an epidemic. After the pathogen adapted itself to the physiology of one plant, it could then easily attack the rest of the crop. But if there are dissimilar plants in the field, the pathogen is unlikely to achieve a population explosion.

By planting different types of rice alongside each other, the scientists found they could almost completely control the spread of rice blast, a disease that can cost the rice industry millions of dollars a year. Known

**GREEN HARVEST:** A farmer from Jian Shui County in Yunnan Province harvests rice grown by using the mixture technique.

in scientific circles as exploiting biodiversity for sustainable pest management, the idea is not new to many farmers. What is new, however, is the cutting-edge science involved in showing farmers how to use this strategy to achieve maximum effect.

In the PRC’s southern Yunnan Province, farmers were using huge quantities of fungicide to combat blast. “Sometimes they were spraying a single crop six or seven times,” says Tom Mew, head of IRRI’s Entomology and Plant Pathology Division and the project coordinator.

### Field Experiments

A 1997 experiment on a few hectares (ha) suggested that interplanting varieties could control 92–99 percent of rice blast—and boost yields by 0.5–1 ton/ha. In 1998, 812 ha were planted with high-yielding hybrid rice and glutinous (sticky) rice varieties, four rows of one and one row of the other. The crop was sprayed with fungicide once. Yields reached 9 tons of hybrid rice and nearly 1 ton of glutinous rice/ha. Even more impressive was that, within the inter-

IRRI

planted crop, the blast incidence fell to 5 percent from a level of 55 percent in the monocropped field, and the yield loss dropped from 28 percent to nothing.

In 1999, the area increased to 3,342 ha. Farmers boasted that interplanting provided them with about US\$150 more income per ha. By the end of 2000, the scheme covered 42,500 ha, and had expanded to nine other provinces in the PRC. Plans exist to implement the scheme, with some modifications, in the Philippines, Thailand, and other rice-producing nations.

Thousands of Yunnan farmers are now mixing varieties in their fields, claiming it not only reduces their reliance on chemicals and improves yields, but also increases their incomes.

According to IRRI Director General Ronald P. Cantrell, the Project could be considered "the most successful joint effort ever" by IRRI and ADB. The three-year Project, which was recently completed, created economical, safe, and sustainable strategies that reduce farmers' dependence on pesticides. It also improved the capacity of collaborating scientists around Asia to use the biodiversity concept and tools for pest management research. A second phase is being proposed to capture the knowledge and tools generated in phase 1 and translate them into on-farm impact.

"Anyone who doubts the positive impact of institutions like ADB should go talk to the thousands of happier, healthier, and wealthier rice farmers in Yunnan," Dr. Cantrell says. "Because of the committed support of ADB, we're confident millions of poor rice farmers and consumers—not just thousands—could potentially benefit from this research." ■

## Biodiversity Software Online

As part of the Exploiting Biodiversity for Sustainable Rice Pest Management Project, biodiversity software has been designed to help researchers manage and reorganize biodiversity databases, detect boundaries in ecological landscapes, and compare and performance-test extrapolation-based estimators of total taxonomic richness. The software is freely available at <http://www.cgiar.org/irri/SoftwareDownloads.htm>

## Farewell to VP Sullivan...

In September 2000, Peter Sullivan, Vice-President (East), retired from the Asian Development Bank (ADB) after more than 25 years of distinguished service. His career at ADB started as a junior Counsel and eventually led to the positions of General Counsel and Vice-President. The following is an excerpt from his farewell speech.

"A clear advantage of regional institutions is that, given our size and, in ADB's case, regional location, we can be much more flexible, rapid, and responsive in our approach to the problems of our DMCs. Logic would suggest that innovative solutions should be tested first at regional levels, before being applied globally. At present, the approach in the development community appears to be just the opposite. ADB should not hesitate to take bold and innovative leadership in devising solutions to the development challenges." ■



P. SULLIVAN

## ...Welcome to VP Eichenberger

Joseph Eichenberger is the new Vice-President (East). Mr. Eichenberger succeeds Vice-President Peter Sullivan.

Mr. Eichenberger, who is from the United States, was previously Director of the Office of Multilateral Development Banks in the United States (US) Treasury Department. He had direct responsibility for a range of policy and operational issues for all the multilateral development banks as well as the Global Environment Facility and International Fund for Agricultural Development. Before that he was Acting US Executive Director for the World Bank.

Mr. Eichenberger holds a master's degree in economics from the University of Maryland. He will be joining two other Vice-Presidents on ADB's management team: Vice-President (Region West) Myoung-Ho Shin and Vice-President (Finance and Administration) John Lintjer. ■



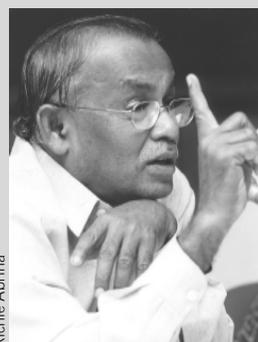
J. EICHENBERGER

## Magsaysay Awardees at ADB



Richie Abrina

ARUNA ROY



Richie Abrina

JOCKIN ARPUTHAM

Jockin Arputham and Aruna Roy, both from India, were two of the Ramon Magsaysay awardees in 2000. The Ramon Magsaysay Award, Asia's version of the Nobel Peace Prize, is given annually to one or more persons in Asia whose demonstrated leadership is motivated by a concern for the welfare of people, comparable with what characterized the life of Ramon Magsaysay, President of the Philippines from 1953 until he died in a plane crash in 1957.

Both were recently at ADB to give presentations.

**Aruna Roy:** Awarded for community leadership, Ms. Roy was cited for empowering Indian villagers to claim what is rightfully theirs by upholding and exercising their right to information. In her address "Promoting Good Governance Policies and Practice Through Information to Benefit the Poor," she said, "Forming a political party is not politics. The real politics is ensuring that bureaucrats and politicians are transparent and provide access to information."

**Jockin Arputham:** Awarded for international understanding, Mr. Arputham has extended the lessons of community building to Southeast Asia and Africa and helped the urban poor of two continents improve their lives by learning from one another. In his talk on "Slum Dwellers: A Global Partnership for Development," Mr. Arputham said, "The poor are a resource for great ideas for policy reform." ■

# WANTED: SOUND BANKING

It's an uphill battle in Nepal to deposit savings, cash a check—or even open a bank account

By **Hans-Peter Brunner**

Senior Economist

**I**n recent visits to Nepal, an Asian Development Bank (ADB) team has gathered information for preparing an ADB project on providing improved financial services through information technology. The team collected evidence of the very real challenges ordinary people face when they try to bank in Nepal—services that people in most parts of the world take for granted.

The two field visits were the first in a series to detail the impact of effective banking on people's lives in semiurban and rural areas. What stands out from the first visits: People are very adept at figuring out how to apply good financial services to their daily lives. What they want: sound banking services.

## Banking for Rural Women

The Centre for Self-Help Development (CSD) is one of Nepal's more successful microfinance organizations that provides services for women. This nongovernment organization models its operations on the Grameen lending approach.

Customer density is low in this mountainous area, so travel expenses add substantially to banking transactions costs. Women's group meetings are held only once every two weeks. Savers cannot deposit large amounts with CSD, which is not big enough to transfer sizeable funds between any of its branches, physically (too dangerous) or electronically. CSD relies on the rudimentary fax-telephone network of the major government-owned commercial banks, but few savers fully trust the reliability of those banks and instead prefer depositing their money in joint-venture private commercial banks. These, however, are located only in major towns.

We visited a women's savers group meeting in the mountain village of Bhimphedi. Thirty women (six groups of five each) were waiting for us at the meeting place, a very modest straw-covered mud hut. At 7 a. m., many of these women had already climbed down the mountain—a two-hour walk to

the road. Latecomers must contribute Nepalese rupees (NRs) 10 (US\$0.15) to the community emergency fund. We were slightly late so we had to pay.

Clearly, the members were proud of being part of the CSD club. Apart from the common transactions of getting loans and paying back installments and interest, serious life issues also surface. During this meeting, one of the members—who wasn't present—was being expelled for having acquired a second husband. This violated her vow of personal discipline, which is renewed in a pledge during each biweekly meeting.

After the group meeting, we interviewed several of the savers, including the owner of a small hotel and restaurant. She has arranged for a bank employee to come daily from the district town 30 kilometers away

to collect her daily savings of NRs120 (US\$1.60). She likes CSD for credit operations because it is easier to make transactions with the center than with the other two state-owned banks in town, which she says are much less customer-oriented and reliable.

Moving cash is difficult. Her husband, who works as a driver in Kathmandu, earns NRs4,000 (US\$55) a month. To get the money to his family, he must travel by bus and bring it personally because checks cannot be sent or cashed locally. Checking—or electronic transfers—would really be very desirable. If conveniently located in CSD bank branches, end-user terminals could eliminate intermediaries in financial transactions.

The town of Bhairawa on the Terai is



Hans-Peter Brunner

the headquarters of Nirdhan, another major microfinance institution in the Grameen tradition. Nirdhan is computerizing its administration, although electronic banking services are not yet being contemplated. When the team outlined the potential for electronic banking to increase geographical coverage and provide new services for new customers, the Nirdhan president—seeing the enormous potential—said he wants the institution to be part of this effort.

### The Spice Man in the Computer Shop

The next village on the road features an Internet training center opened recently by an entrepreneur from a neighboring town. We took a chance to find him and were well rewarded.

Selling computers to the 4,000 or so small- and medium-sized enterprises in the area has been brisk business. Over the past

**TRANSACTIONS:** During women's group meetings, savings and interest are collected and loans provided.



Hans Peter Brunner

**TESTIMONIAL:** The spice man (left) and the computer shop owner are proof that electronic banking is the way to go.

18 months, he had sold about a thousand machines, usually on a stand-alone basis. He said that Internet connections are very expensive by international standards—and typically still too unreliable for doing business and banking.

There was, however, the spice man, who told us his business success story.

Nepal has excellent climatic conditions for growing a variety of spices, which fetch

**“If you need decent financial services for a flourishing business, forget about finding them in Nepal.”**

The Spice Man

good prices on the international market. He had started his spice business from nothing a year ago to turn over about NRs100,000 (US\$14,000) per week.

His main point: “If you need decent financial services for a flourishing business, forget about finding them in Nepal.” Get on the Internet, sell your goods in foreign markets, and collect the money electronically in a foreign account. Good local electronic banking, however, would really help business expansion, he said, adding that a broader range of new financial services is needed in district towns of Nepal. These include opening letters of credit with a bank (preferably electronically) for credit lines, credit card services, checking, and so on. Interbranch banking would also be very desirable. ■

## More Users Visiting ADB Site

By Bill Peterson

Senior External Relations Officer

**T**he web site of the Asian Development Bank (ADB) is rapidly becoming a major communications tool for sharing information about ADB and its activities.

In January 2001, about 97,000 users—a new record—visited ADB's web site, generating more than 3 million hits (the number of movements during a user session). Since the revamped site was launched in July 2000, the amount of time an individual user spends online has increased from an average of 9 minutes per session to 15 minutes per session.

Aside from the home page, the most accessed areas of the site according to their popularity are the business center, employment, search, publications, country operations, and project activities. During January, around 50,000 files were downloaded. *Key Indicators 2000* and information on the Japan Scholarship Program were downloaded the most often.

Ranked by country, the most visitors to the ADB web site come from the United States, United Kingdom, Japan, and Australia. Among ADB's developing member countries, Indonesia had the highest number of visitors followed by the Philippines and Thailand.

The new database-driven web site currently contains around 4,000 documents, reports, and publications. An additional 2,000 documents are ready for uploading. These materials only date back to 1995. Older information will be published as it becomes available in electronic format. Most of ADB's major print publications are now available on the web site.

A new web server will soon be operational that will have around 5 times more processor speed, 4 times more memory, and 12 times more hard drive capacity than the current server. New features will be available, including a more powerful search engine, an online media briefing center, and streaming video. ■

# Partnership Update

Progress has been solid on laying the groundwork for accelerating poverty reduction

By *Narhari Rao*

Senior Economist, Bangladesh Resident Mission

**P**overty remains pervasive in Bangladesh despite persistent efforts to reduce it. On 2 April 2000, the Government of Bangladesh and the Asian Development Bank (ADB) signed a Partnership Agreement on Poverty Reduction, signifying major steps toward development cooperation between ADB and the Government and implementing ADB's 1999 poverty reduction strategy. The Government and ADB have set poverty reduction goals (see table), which the Government is attempting to meet by pursuing policies that promote pro-poor growth, increase the quantity and quality of social sector investment, and promote good governance. ADB is complementing these efforts by reorienting its assistance to meet the goals specified in the Partnership Agreement. Implementation of the Partnership Agreement has started, with progress made in several major areas.

### Preparing for Policy Dialogue

As a first step, ADB has been reviewing the Government's development priorities and policies to achieve its economic and social objectives. To determine whether the Government's plans are sufficient to meet the partnership agreement targets, ADB's Bangladesh Resident Mission and Programs Department (West) have initiated several studies on the income and human dimensions of poverty and on crosscutting areas, such as environment and gender. Additional studies are planned on subjects including agriculture sector development and poverty reduction, and the potential role of information and communications technology in poverty reduction.

ADB and the World Bank will jointly undertake in early 2001 a public expenditure review and a poverty assessment based on the results of the Household Expenditure Survey. The findings of these studies



**IMPOVERISHMENT:** Nearly half of Bangladesh's 128 million people live on less than US\$1 per day.

Richie Abrina

will assist ADB in conducting a policy dialogue with the Government on the appropriate mix of policies, institutional strengthening, and expenditure prioritization required to meet the targets.

### Enhancing Monitoring Capacity

An advisory technical assistance grant is supporting the development of indicators to monitor the accomplishment of partnership agreement targets. The grant will assist in reviewing and improving the quality, methods used, timely production, and dissemination of key poverty measures and related socioeconomic indicators. Through this support, the Bangladesh Bureau of Statistics, in close collaboration with the Planning Commission, will produce and disseminate regularly core human and income poverty estimates and related social indicators.

### Redesigning ADB Assistance

About a third of ADB's country assistance loan program for 2001–2003 comprises

poverty intervention projects, and two thirds is for projects that promote pro-poor growth. All projects will either directly address poverty reduction or help promote pro-poor growth.

Of the 17 projects and programs identified for 2001–2003, 6 are direct poverty intervention projects in the agriculture and social sectors. In agriculture, the projects will focus on small- and medium-scale irrigation systems, flood control, and rural development in areas with high poverty incidence. In the social sector, the projects will concentrate on reducing human poverty, while improving the coverage and quality of urban primary health, basic and secondary education, and nonformal education. The remaining nine projects, which will promote pro-poor growth, are in the key infrastructure areas, such as power, gas, transportation, and finance.

### Facilitating Aid Coordination

External assistance will continue to be essential for supporting economic development and poverty reduction in Bangladesh. The many funding agencies and large amount of aid to the country necessitates aid coordination to ensure the most effective use of external assistance. The Local Consultation Group (LCG) provides a formal forum for coordination among the major funding agencies. ADB is chairing LCG subgroups on energy, urban development, railways, and project implementation.

ADB and other agencies have identified several potential areas of collaboration. ADB is cooperating actively with the International Monetary Fund, World Bank, and others in preparing the poverty reduction strategy in Bangladesh, which will be completed toward the end of 2001. ■

Partnership Agreement		
Indicator	By 2005	By 2010
	(% reduction)	
Income poverty	25	50
Children (6–10 years) not attending school	50	100
Gender disparities in access to basic education	100	-
Maternal mortality rate	35	75
Infant and under 5-year mortality rates	30	65
Malnourished children under age 5	20	40
Inaccessibility to reproductive health services for women	50	100

## NEW PUBLICATIONS

### COMBATING CORRUPTION IN ASIAN AND PACIFIC ECONOMIES

ISBN 971-561-288-1; US\$10

In a bid to counter the malign influence of corruption in the Asian and Pacific region, the Asian Development Bank (ADB) and the Organisation for Economic Co-operation and Development (OECD) sponsored a workshop in 1999 on Combating Corruption in Asian and Pacific Economies. The meeting provided a forum for participants—senior policymakers, government officials, and leading representatives from the business sector and civil society in ADB and OECD member countries—to share their views on and experiences in fighting corruption on the national and international levels.

### CORPORATE GOVERNANCE AND FINANCE IN EAST ASIA

ISBN 971-561-295-4; US\$10

This publication presents the findings of a regional study of corporate governance and finance in selected developing member countries of ADB—Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand. The study attempts to identify the weaknesses in corporate governance and finance in those 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*, is expected to be released shortly.

### GOVERNANCE, CORRUPTION AND PUBLIC FINANCIAL MANAGEMENT

ISBN 971-561-248-2; US\$10

This publication contains the major papers presented during the Seminar on Public Financial Management and Accountability, and the World Conference on Governance, held in Manila in April and June 1999, respectively. The papers cover the fundamentals of public financial management and the role of transparency and accountability in promoting aggregate fiscal discipline, the strategic allocation of budgetary resources, and the efficiency in the delivery of public services.

### MANAGING GOVERNMENT EXPENDITURE

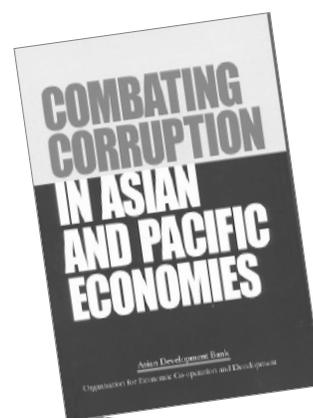
ISBN 971-561-197-4; US\$20

A comprehensive manual, based on a sound conceptual foundation but with a deliberate operational thrust, this covers the entire public expenditure management cycle—from multiyear expenditure programming and budget formulation through budget execution, audit, and evaluation. The approach is largely a synthesis of the literature in this area and of international experience, with a view to a pragmatic assessment of the benefits, costs, risks, and implementation requirements for budgetary practices in different country circumstances.

Look for these and other publications at the International Library Expo and Asia International Book Fair in Singapore from 25 to 27 April; at the Tokyo International Book Fair in Japan from 19 to 22 April; at the 34th Annual Meeting in Honolulu, Hawaii, USA from 9 to 11 May; at the BookExpo America in Chicago, USA from 30 May to 2 June; at the Seoul International Book Fair 2001 in the Republic of Korea on 1–6 June; and at the APA Australian Book Fair in Sydney on 20–22 June. To order 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>



# HOPE FOR STREET GIRLS

A scheme is providing accommodation for pregnant girls and young mothers



Omana Nair

By *Omana Nair*  
External Relations Officer

In the wake of the financial crisis, street children have become a common sight at most major intersections in Indonesia's large cities. They sing and dance or strum on a battered guitar—and then make beelines for taxis or expensive cars to beg for a bit of change.

On 1 November 2000, the Asian Development Bank (ADB) launched its Japan Fund for Poverty Reduction with a US\$1 million project in Indonesia to help young female street children, who are often victims of sexual abuse and child prostitution. The fund, which has resources of US\$90 million and is financed by the Japanese Government, was established in May 2000 to provide grants for poverty reduction activities that add substantive value to projects financed by ADB.

A 1999 ADB survey of 12 Indonesian cities found that girls make up 20 percent of Indonesia's estimated 170,000 street children—and that programs for street children have concentrated on boys.

"We hope to help female street children in Yogyakarta with counseling services and health and medical care in collaboration with nongovernment organizations (NGOs)," says Kus Hardjanti, ADB's task manager for the Project. "We will provide prenatal and postnatal care for pregnant girls and young mothers. We will also treat

girls with sexually transmitted infections, train social workers to deal with female street children, and organize public information campaigns against child prostitution."

## Shelters Giving Hope

Visits with a group of journalists to a few shelters for female street children in Yogyakarta provided insights of how these young women are starting to lead normal lives.

Mariam,\* one of the occupants in the Ghifari shelter for female street children in Yogyakarta, had been living on the streets of Sumatra and Java for six years. She ended up in Yogyakarta. "Someone poisoned my father, and the shock caused my mother to have a heart attack," says Mariam. She was eight years old. Left in the care of her uncle, she was raped at the age of 10. Mariam left her home in Padang, West Sumatra and took to the streets, where she was subjected to more sexual abuse. A police officer took her to the shelter in 1999.

"I'm now happy here. I have people I can call parents, who take care of me and educate me," she says.

Ulun Nuha, a social worker at Ghifari, says that economic problems are not the only reason children go into the streets. "Yogyakarta is heaven for street kids because they consider it more friendly than other cities. Seventy percent of the street kids here

\* Names have been changed.

are from other areas in Indonesia," he says.

"Once on the streets, they are forever marked as bad girls who are easily preyed upon by local hoods," says Kirik Erwanto, an NGO volunteer.

In July 2000 in Yogyakarta, street children numbered 1,600, of whom about 500 were girls, says Mr. Kirik. "Within these last three years, there has been quite a dramatic increase in female street children in Yogyakarta," he says. "Many left their homes because they have conflicts with



Omana Nair

**STREET MOTHER:** Many street girls are victims of sexual abuse and child prostitution.

their families, like one of the girls under our care. She refused to marry a man whom her parents had chosen for her.”

### Luckier Than Others

Eighteen-year-old Aminah knows what living on the streets is like. She spent most of her teenage years singing at intersections or selling newspapers in Yogyakarta. She says street life gave her freedom—and more than a few problems. Like many street kids, she started taking flu medicine, drinking vodka, and sniffing glue. “Glue sniffing is cheap, and I used to enjoy it,” she says.

Looking pale, but proudly clutching her one-month-old baby, she says she is now trying to turn her back on that life. She has married her boyfriend—who works as a bus conductor—and has been accepted back home by her parents.

Aminah is one of the luckier ones. Many of the other former street kids say it would be impossible for them to return to their villages and settle back into normal life. Instead, the kids have found proper jobs through the Ghifari shelter.

Mr. Kirik says that the girls are stigmatized because they have a reputation of being wild and sexually promiscuous. “Almost all female street children have been sexually abused by other street kids as part of an initiation process, and then later by local boys or men who take advantage of their vulnerability,” he says.

Ani, another girl staying at the Ghifari shelter, spent two years working and living on Yogyakarta’s street. Ani fled to the streets to escape her stepfather, who was beating and abusing her. “My mother was helpless and could not protect me,” she says.

### Scheme to be Replicated

If successful, the Yogyakarta pilot scheme will be replicated in other urban centers. The scheme will establish counseling programs for female street children who are either at risk of, or who have experienced, sexual abuse; evaluate different approaches to prevention and rehabilitation; and develop culturally acceptable, cost-effective, and sustainable programs to help the Government, NGOs, and social workers address the needs of 34,000 female street children.

The executing agency will be the National Welfare Agency of the Ministry of Health and Social Welfare. NGOs will implement the Project, which is scheduled to be completed in December 2002. ■

## Assistance for Flood Damage

### Rehabilitating Viet Nam’s Disaster-Damaged Infrastructure

Essential infrastructure in key sectors damaged by floods in the Mekong River Delta and tropical storm Wukong in North Central Viet Nam will be rehabilitated with assistance approved by the Asian Development Bank (ADB) in late December 2000. The Flood Damage Rehabilitation Assistance will help the Government restore critical social infrastructure, including schools, primary health care facilities, roads and bridges, and water resource facilities.

The Project will generate work for the poor as it entails labor-intensive civil works and will restore long-term employment opportunities with the recovery of agriculture and the local economy. The total project cost is US\$73.5 million. Aside from the ADB assistance of US\$58.5 million, the Government will fund the balance.

### Helping Flood-Stricken Southwest Bangladesh Return to Normal

Vital infrastructure damaged by floods in southwest Bangladesh will be rehabilitated through a US\$67.8 million package of financial assistance approved by ADB in late December. The Southwest Flood Damage Rehabilitation Project aims to restore normal economic and social activity as quickly as possible in an area disrupted by its first major flood in 60 years.

The Project will rehabilitate infrastruc-

ture, including roads, railways, and community sanitation and water supply facilities. The Project will also establish a socioeconomic rehabilitation fund, managed by the highly regarded Palli Karma Sahayak Foundation, to ensure that the critical needs of poor, flood-affected families for housing and work are met quickly and efficiently.

The ADB assistance comprises a US\$54.8 million concessional loan from its Asian Development Fund plus US\$13 million in loan saving from ongoing projects.

### Rebuilding Flood-Damaged Infrastructure in Cambodia

Key infrastructure damaged by floods in Cambodia will be rehabilitated through a concessional US\$55 million ADB loan. The Emergency Flood Rehabilitation Project will focus on urgent repairs to the national road system and irrigation and flood control, rural infrastructure, and education and health facilities. Assistance will be provided to 16 provinces damaged by floods earlier this year.

The floods lasted from July to November, raising the Mekong River above emergency levels. The Government puts the cost of rehabilitation at more than US\$100 million. ADB is financing two thirds of the project cost of US\$83 million through its loan, with the balance coming from reallocating funds from existing ADB-financed loans, the World Food Programme, and the Government. ■

DATE	TITLE	VENUE	CONTACT
26–28 February	Strengthening Safe Motherhood Programs Regional Workshop	Kathmandu, Nepal	Vincent de Wit Tel: (632) 632-5934 E-mail: vdewit@adb.org
14–16 March	Biodiversity Conservation in the Asian and Pacific Region	ADB HQ	Robert J. Dobias Tel: (632) 632-6783 E-mail: rdobias@adb.org
30 March– 1 April	Sixth Mekong Tourism Forum	Kunming, PRC	Toru Tataru Head, GMS Unit Tel: (632) 632-6217 E-mail: ttataru@adb.org
9–11 May	34 <sup>th</sup> Annual Meeting of the Board of Governors	Honolulu, Hawaii	David R. Fraser Senior Secretariat Officer Tel: (632) 632-4925 E-mail: annualmeeting@adb.org

# A Chance to Challenge

ADB's inspection function provides recourse for project beneficiaries; few have ever used it

By Anjum Ibrahim

Secretariat Officer

**Z**HOU WAS DETERMINED TO CLIMB TO THE top of the growing earth mound, one last time. She cried out as she slipped and scraped her knee on a jutting piece of wood. Instinctively she lifted her foot to kick at the offending article and stopped as the village leader's words clearly came back to her: "You tell us the dam will be good for our crops. You tell us it will provide us with electricity. All we know and care about is we will lose our homes, the only sanctuary we have ever known. The outside world promises us new homes, but we are happy here." With the bad there is good, she thought. Unconsciously her foot edged toward the wood and she used it to propel herself to the top.

**S**OMVANG DRANK THE WATER FROM THE tap. Idly he looked at Panom's small thatch-roofed factory. Next year, he thought happily, I will have enough saved as collateral to go to the bank to borrow, too—and become rich just like Panom. He did not notice the factory spewing effluent into the river, the sole water supply for the entire village. Less than 200 meters away, his two-year-old daughter sipped water and vomited.

**Z**OHRA LISTENED AS THEY TALKED OF THE need to improve the sanitation system. "How will we pay for it?" she asked hesitantly. "We will subsidize it initially," they said. "But why lay new pipes?" she persisted. "Because the old ones need to be replaced." She saw them walk away and was unable to voice her thoughts aloud: We are poor. We do not have money to feed ourselves let alone pay for the new pipes. Why don't you seek cheaper alternatives?

## A Bit of History

These three hypothetical case studies, reflecting actual cases for inspection received by multilateral development banks (MDBs), focus on beneficiaries' concerns related to involuntary resettlement of indigenous peoples, environmental aspects, and disclosure of information. The last case parallels the only direct request for inspec-

tion received by the Asian Development Bank (ADB).

Whether real or imagined, the public's sentiment of distrust or discontent for publicly funded development projects and services is not a new phenomenon. It was in 1809 that the Swedish Parliament established the office of ombudsman, a gender neutral term, to perhaps indicate that even inherent gender bias would not be allowed to prejudice the workings of the office. Today, 90 or so countries have an ombudsman—all drawing from the Swedish model.

It was only a matter of time before demands for establishing an office of "ombudsman" in MDBs would be raised, funded as they are by monies of member countries, and with each board member answerable to a specific constituency. In 1991, World Bank President Lewis Preston initiated a review, later known as the Wapenhans Report after its author, of that bank's overall efficiency. The review came to the conclusion that the World Bank was underperforming and referred to the "approval culture," defined as trying to get as many projects approved as possible, as a prime example. By mid-1992, the Narmada case in India had captured international headlines because of the World Bank's failure to accurately assess the required numbers to be resettled. The two factors together brought home to the MDBs the need to establish an independent inspection function.

Professor Daniel D. Bradlow of the American University's Washington College of Law suggested the appointment of an ombudsman at the World Bank while testifying before the Canadian Parliamentary Committee in February 1993 and the American Congressional Committee in March 1993. MDBs became the focus during the early 1990s and promptly began responding to external factors in establishing their inspection

functions. Yet, equally, they were responding to the concerns of their own staff members.

The World Bank led the way for the MDBs. It stipulated that only affected groups, associations, and nongovernment organizations (NGOs) could file a complaint, logically restricting the function to cases where the World Bank had not adhered to its own policies and procedures. The inspection mechanisms employed differ across MDBs. The World Bank, for example, established a permanent independent inspection panel, which would first screen the request and then make a recommendation to its Board, which, in turn, would have the authority to decide. The Inter-American Development Bank (IDB) gave its Board the authority to decide if an investigation is warranted, an approach not requiring a permanent panel. A similar approach was adopted by ADB. IDB and ADB also differed from the World Bank in establishing a roster of experts from which an inspection



Nestor Djasanta

**INVESTIGATION:** The inspection function provides a means to resolve formal complaints about projects.

panel could be framed, and allowing the experts to be employed by them after a two-year gap. The World Bank precluded any member of its inspection panel from ever working for it.

#### What It Means for ADB

“The inspection function does not imply that ADB has failed, intentionally or otherwise, to follow its policies or procedures,” says ADB Secretary Bindu Lohani. “It does not even imply that internal controls ranging from audit to evaluation to interdepartmental comments prior to Management

**“The inspection function is to ADB what specific parliamentary committees are to national governments.”**

Bindu Lohani, ADB Secretary

approval of any project have failed. What must be recognized is that we prepare extremely complex projects in extremely complex economies, and we do take great care in preparing high-quality projects. The inspection function is to ADB what specific parliamentary committees are to national governments. More recently, a specific plan has been developed to strengthen the Inspection Function of ADB.”

#### Informing the Public

An outreach program to familiarize ADB project beneficiaries with the recourse they have through this function was launched by the Secretary of the Board's Inspection Committee, Jill Drilon, with the endorsement of the Board, Board's Inspection Com-

mittee, and Management and with the cooperation of ADB's resident missions. Initiatives include conducting workshops for NGOs, briefing government officials, and translating the policy guidebook into selected local languages.

“To date we have received only two requests for inspection pertaining to the same project, the Korangi Wastewater Management Project in Karachi, Pakistan. We did not entertain these requests because the loan was canceled,” Ms. Drilon explains. “However, two requests were lodged with the World Bank for projects where ADB was a cofinancier, though not the larger one. Our position now is to proactively disseminate information on the inspection function at the grass roots.”

Secretary Lohani agrees. “We meticulously adhere to our policies and procedures, which were set with high standards in mind. This does not detract from the need to be careful, and the inspection function provides a forum for affected groups if they can establish that ADB has not adhered to its own high standards.”

As the inspection function is still in its early stages of evolution, it will undoubtedly continue to be the subject of considerable debate in the MDBs—including ADB—for years to come. Of great importance, however, is that less than a decade after its formal inception, the function can boast of stimulating greater in-house attention to policy guidelines on environment, resettlement—involuntary or otherwise—and disclosure of information policy guidelines. ■

For more information, send an e-mail to [jdrilon@adb.org](mailto:jdrilon@adb.org). Information on upcoming activities related to the inspection function is available at <http://www.adb.org/inspection>

## NEW PUBLICATIONS ON ASIAN FINANCIAL MARKETS

The Asian currency and financial crisis has 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

- An Overview (Vol. 1) ISBN: 971-561-240-7; US\$20
- Special Issues (Vol. 2) ISBN: 971-561-241-5; US\$15
- Sound Practices (Vol. 3) ISBN: 971-561-242-3; US\$25
- People's Republic of China (Vol. 4) ISBN: 971-561-231-8; US\$20
- India (Vol. 5) ISBN: 971-561-232-6; US\$20
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- Socialist Republic of Viet Nam (Vol. 12) ISBN: 971-561-239-3; 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](mailto:adbpub@adb.org)

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## Change of Address

■ The e-mail for the PRC Resident Mission is [adbprcm@adb.org](mailto:adbprcm@adb.org)

■ The North American Representative Office has moved. The new address is Asian Development Bank North American Representative Office 815 Connecticut Avenue, NW, Suite 325 Washington, DC 20006 USA Tel: (1-202) 728-1500 Fax: (1-202) 728-1505

■ The address for the Viet Nam Resident Mission is Asian Development Bank Viet Nam Resident Mission Unit 701-706 Sun Red River Building 23 Phan Chu Trinh Street Hanoi, Viet Nam Tel: (84-4) 933-1374 Fax: (84-4) 933-1373 E-mail: [adbvrm@hn.vnn.vn](mailto:adbvrm@hn.vnn.vn)

# Boosting Productivity with Digital Technology

“Digital technology has impact on a country’s productivity growth but not significantly in the short term. The emergence of new technologies requires not only capital investments but also structural adjustment, reorganization, and training in production centers.”

By *Marcia R. Samson*

Editorial Coordinator

**A**t the Asian Development Bank (ADB) Distinguished Speakers’ Program, held at ADB headquarters in late 2000, Professor Paul Allan David of the Stanford Institute for Economic Policy Research, and All Souls College, Oxford, took this cautiously optimistic position on the importance of digital technology to a country’s productivity and economic growth.

“The new digital technologies’ impact won’t measure up as a true industrial revolution—at least not by historical standards—but they have the potential to eventually transform many aspects of modern economic life,” said Professor David during his talk, “Understanding Digital Technology’s Evolution: From Productivity Paradoxes and Payoffs to Digital Divides.” Professor David is known internationally for his contributions in American economic history, economic and historical demography, and the economics of science and tech-



Larry Ramos

nology. “We are in the midst of a complex, contingent, and temporally extended process of transition to a new, information intensive techno-economic regime,” he said. “The biggest productivity payoffs should not be expected to come at the beginning phase of the regime transition, even though it is then that the pace of the new technology’s diffusion is likely to be fastest.”

## Two Sides of the Coin

Professor David said that the focus should not be so exclusively on how large the impact of applying information technology (IT) will be in the leading, high-productivity economies, such as that of the United States (US). “From a global welfare perspective, what we need to focus on is how widely shared the benefits from IT can be. Will it help to close the growing gap in economic welfare and human well-being between the developed and the developing economies? Do special efforts need to be made to stop the emergence of a ‘digital divide’ from reinforcing existing disparities between the world’s ‘have and have not’ societies?”

IT skeptics were able to downplay the potential of digital technology for many years, explained Professor David. They could point to the slow average yearly rates of growth of multifactor productivity in the US economy and other leading industrialized economies during the 1980s and early 1990s, despite introducing personal computers, microprocessors, and fiber optic networks for computer-mediated telecommunications.

## Hypotheses on IT and Productivity

Three hypotheses on the impact of major technological innovations, like the digital

**IT SPEAKER PAUL DAVID:** Focus on how many people share in the benefits, not on how much benefit IT has on productivity.

computer, and their connection to the growth of productivity, were identified by Professor David as being part of the explanation for the so-called “productivity paradox.” One hypothesis is that the output growth rate was being underestimated.

Another holds that the personal computer revolution really was not conducive to improving task productivity, which is what the official statistics try to measure. The third hypothesis is that an extended period of adjustment and reorganization, with much investment in complementary factors of production, was required to secure major productivity payoffs from investments in equipment embodying the new digital technologies.

Professor David maintained that these three hypotheses should not be considered independently as opposing stances, but rather as related explanations. He cautioned that acquiring computers does not automatically bring measured productivity, because they allow one to do new things, and create goods and services whose qualitative contributions to consumer welfare generally are not fully measured.

Measured output and productivity growth were underestimated more seriously during the 1980s and early 1990s because the new IT was applied to create a staggering proliferation of new products, for which the rate of relative price decline (relative to that of established products) tends to be underestimated.

## Change Requires Experimentation

Professor David observed that learning how to implement a new technological regime involves a lot of experimentation. He pointed out that the new digital technology requires complementary tangible and intangible elements, and changes of strategies and techniques of production and distribution, individuals’ work modes, business models, and the support of new institutional and legal infrastructures.

He said that it is widely recognized that the costs of personal computer ownership to the business organization may be tenfold the size of the acquisition cost of the hardware and bundled software. Key among the intangible investments are the appropriate programs of education and retraining for workers and managers, but these human capital forming activities generally are not handled well when left to the market.

Now that we have been seeing a long-

awaited speedup in the rate of aggregate productivity growth in the US, the “IT optimists”—not surprisingly—tend to hype this development, attributing to digital networks and IT the recent sharp recovery of the labor productivity growth rate, the prolonged expansion in economic activity, the absence of inflation as the unemployment rate decreased, and many other developments that marked the “New Economy” boom.

“People watching the stock market rise stopped talking and worrying about the old productivity paradox experience, unfortunately, before they understood it properly,” said Professor David. Even among “IT optimists,” as he identifies himself, Professor David said there was a consensus on a “wait-and-see” stance. This was because further

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### Acquiring computers does not automatically bring productivity growth.

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technical developments are still expected, and because it is difficult to identify the extent to which real structural adjustments had occurred that would have persisting effects on the US productivity indicators.

Another reason for caution was “the puzzling absence of clear statistical evidence linking investments in new digital telecommunications and information processing technologies to measured multifactor productivity in the IT-using industries.”

Professor David pointed out that, even though “those expected productivity pay-offs may still be slow in coming, we shouldn’t jump to the pessimistic conclusion that the partial recovery of productivity growth in the late 1990s was ‘it’ and a great surge in IT-based productivity advance throughout the economy is never going to materialize.”

“We are entering an era of enormous opportunities, but new types of learning are required” for the digital revolution to have greater impact on the overall efficiency of production, as well as on labor productivity levels. ■

Professor David may be contacted by sending an e-mail to [paul.david@economics.ox.ac.uk](mailto:paul.david@economics.ox.ac.uk) or [pad@stanford.edu](mailto:pad@stanford.edu)

## NEW PUBLICATIONS

### THE ROLE OF CENTRAL BANKS IN MICROFINANCE IN ASIA AND THE PACIFIC

Volume 1, Overview, ISBN 971-561-309-8; US\$20  
Volume 2, Country Studies, ISBN 971-561-310-1; US\$30

This two-volume publication contains findings of a study that discusses and analyzes what central banks in selected developing member countries have been doing for microfinance development. It also presents recommendations for sustainable microfinance development.

Volume I provides an overview of findings and an executive summary of the role of central banks in microfinance.

Volume II presents 12 country studies (Bangladesh, People’s Republic of China, India, Indonesia, Kyrgyz Republic, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Vanuatu, and Viet Nam). These countries contain 800 million poor people and some of the world’s foremost microfinance institutions.

### MICROFINANCE DEVELOPMENT STRATEGY

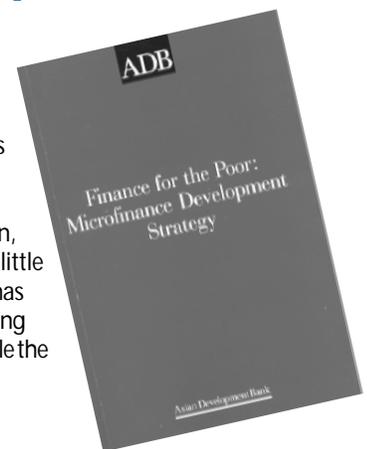
Free of charge

The Asian Development Bank (ADB) approved in 2000 a Microfinance Development Strategy, which aims at ensuring permanent access to institutional financial services for most poor people and their small businesses in Asia and the Pacific. ADB recognizes microfinance as a critical element for an effective poverty reduction strategy in the Asian and Pacific region, where 95 percent of some 180 million poor households still have little access to institutional financial services. Interest in microfinance has emerged and a growing number of stakeholders in ADB’s developing member countries have adopted microfinance as a means to enable the poor to participate in and benefit from economic growth.

Look for these and other ADB publications at the International Library Expo and Asia International Book Fair in Singapore from 25 to 27 April; at the Tokyo International Book Fair in Japan from 19 to 22 April; at the 34<sup>th</sup> Annual Meeting in Honolulu, Hawaii, USA from 9 to 11 May; at the BookExpo America in Chicago, USA from 30 May to 2 June; at the Seoul International Book Fair 2001 in the Republic of Korea from 1 to 6 June; and at the APA Australian Book Fair in Sydney from 20 to 22 June. All ADB publications may also be ordered from Asian Development Bank, Publications Unit, P.O. Box 789, 0980 Manila, Philippines / Fax: (632) 636-2648 / E-mail: [adbpub@adb.org](mailto:adbpub@adb.org)

Asian Development Bank

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# Slower Recovery for East Asia

Economic recovery will continue, but the double whammy of increased external and domestic risks will take its toll

By Regional Economic Monitoring Unit Staff

**T**he downside risks for recovery in the financial crisis-affected countries of East Asia (Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand) have increased since the *Asia Recovery Report* was published in October 2000. We were cautiously optimistic then about prospects for continued recovery. The growth outturn in 2001 was projected to be higher than that in 2000 in all of the affected countries, except in the Republic of Korea and Malaysia, where it was expected to move to a more sustainable level. But now these countries are facing the double whammy of increased external and domestic risks. How will this affect the prospects for recovery in 2001 and beyond?

On the external front, the risk of higher oil prices has receded for the time being, although uncertainties remain. On 17 January, the Organization of Petroleum Exporting Countries announced production cuts by 1.5 million barrels, and promised further cuts if necessary. But the outlook for the United States (US) economy has worsened. In October 2000, we saw the prospect of a “soft landing,” with growth slowing from 5 percent in 2000 to about 2–3 percent in 2001. The latest US economic data show that manufacturing activity, consumption spending, and retail sales were slowing more quickly than expected. Against this backdrop, the Federal Reserve Board was sufficiently concerned to reduce interest rates by 50 basis points on 3 January 2001 ahead of its scheduled meeting. This took markets by surprise, with equity prices responding dramatically. A further 50 basis point reduction followed on 31 January 2001.

Some argue that the US economy is already in a recession. Others, however, are less concerned. Economic forecasters from

the University of Michigan, who have had a commendable track record over the past 40 years, and the G10 central bankers still see a “soft landing.”

## Global Prospects

Asia could more easily ride out a slowdown in the US economy if it occurred in isolation. However, prospects elsewhere are not reassuring. For now, most believe that Japan looks unlikely to sustain accelerated growth. A slowing US economy is likely to exacerbate Japan's difficulties, as it is Japan's largest export market.

Europe is relatively less reliant on the US economy and as such it may be less affected by events on the other side of the Atlantic. Growth in Europe in 2001 may come close to 2000's outcome. While Euroland is not an unimportant market for the crisis-affected economies of East Asia, it ranks fourth behind the US, Japan, and the other regional economies of East and South-east Asia.

## Dependence on Electronics

Although trade within East Asia has grown considerably in the last decade or so, this cannot be expected to insulate the region from a drop in external demand. The bulk of intraregional exports comprises the shipment of components among linked production sites. Since this trade ultimately reflects a derived demand for final goods from more developed countries such as the US, a slowdown in the US economy will hit intraregional and extraregional trade.

A particular source of vulnerability for the region is the disproportionate dependence of some economies on electronics exports. High-tech products account for more than a third of total exports of the five crisis-affected economies, ranging from 13 percent in Indonesia to more than one

half in Malaysia and the Philippines. Electronics exports, which helped propel East Asia's recovery, will be directly hit by the slowdown in US orders that is now occurring.

In the context of sluggish external demand, the affected economies might want to consider measures to support domestic demand. Here, reducing interest rates in the US will provide some leeway to cut rates, and should provide needed support for credit growth and private sector investment. However, fiscal options are more constrained, given debt levels that have risen substantially in recent years. Ultimately, it is the pace of financial and corporate restructuring and structural reform that will determine the extent to which domestic demand can fill the gap left by slower export growth. Recent slowing of the pace of reform in some affected countries, particularly in Indonesia, Philippines, and Thailand—mainly because of increased political uncertainties—is a cause for serious concern.

## Double Whammy Impact

If a hard landing occurs in the US (say a flat US economy or negative growth in 2001), what would be the effects on growth rates in the affected countries for 2001? Our calculations suggest that when compared with a soft landing scenario as provided in the October 2000 *Asia Recovery Report*, the growth rate could be lower in the Philippines by 0.5 of a percentage point; in the Republic of Korea, Malaysia, and Thailand by 0.3–0.4 of a percentage point; and in Indonesia by 0.25 of a percentage point. The costs of slow

**Electronics exports from East Asia will be directly hit by the slowdown in US orders.**

progress on reforms would have to be factored into these estimates. Even then, the pains of the double whammy would not be anything to panic about. East Asia's recovery will slow in 2001 but should broaden in 2002 as the beneficial effects of lower world interest rates begin to bite and the electronics cycle turns the corner. ■

For the latest information and big picture developments in tracking Asia's recovery from the financial crisis, go to the *Asia Recovery Information Center* web site at <http://aric.adb.org>

*The material in this article does not necessarily reflect the official views of the Asian Development Bank.*

# East-West Highway Maintenance Project

“No rigid designs for a fluid project situation, please”

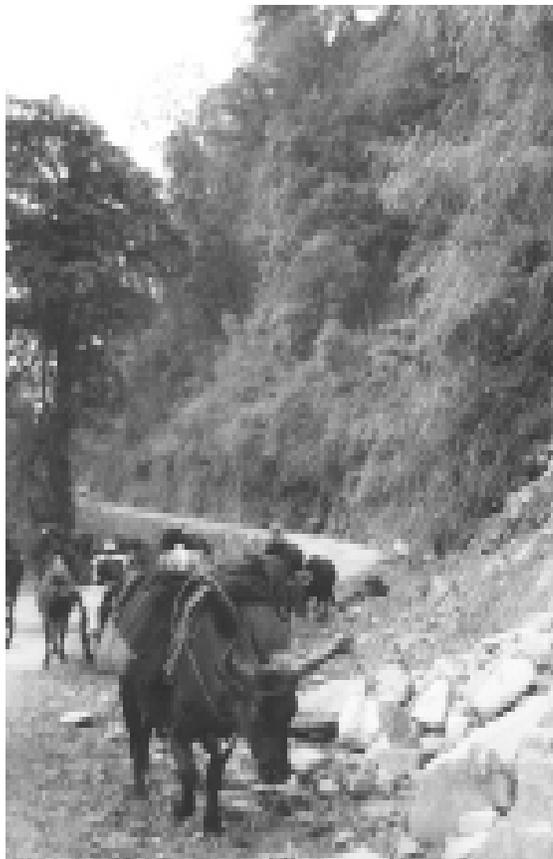
By Peter Darjes

Manager, Operations Evaluation Division East

The East-West Highway Maintenance Project in Bhutan was formulated through a feasibility study financed by the Asian Development Bank (ADB) that identified periodic maintenance interventions for selected sections of the road. Road surface conditions ranged from good to disintegrating. Although many road sections needed complete reconstruction, they were not included in the project scope because the cost of repairing them would have exceeded the envisaged loan amount.

The scope comprised periodic maintenance works on 396 kilometers (km) of the 546-km road; strengthening and maintenance works on five bridges; consulting services to assist the Department of Roads (DOR) within the Ministry of Communications in preconstruction activities and construction supervision; institutional strengthening of DOR through developing

**ROUGH ROADS:** Bhutan's harsh environment requires a flexible road program.



Peter Darjes

a road maintenance management system (RMMS); and strengthening DOR's institutional skills in planning road maintenance works and administering contracts.

## Project Summary

Given the physical and institutional needs of Bhutan's road sector, the Project as conceived at appraisal and evaluated seven years later was, and still is, highly relevant. Project implementation was scheduled over 48 months, from July 1993 to June 1997. Actual implementation took only 46 months, from March 1994 to December 1997. Despite preconstruction delays, the Project finished on time, largely because of reduced scope.

Total project cost was US\$6.52 million equivalent, compared with US\$6.51 million equivalent estimated at appraisal. However, with the scale of civil works reduced by about 35 percent, the cost of civil works per km increased substantially. The final cost of the road works was US\$5.54 million, an increase of about 24 percent over the appraisal estimate. The average cost per km was US\$21,400, compared with the appraisal estimate of US\$11,300, or an increase of 89 percent.

The rise in the cost per km was due to the rapid deterioration of the road surface between the time of the feasibility study and project implementation. The Project as a whole did not fully meet its objectives, but overall project performance is rated successful. The physical targets set at appraisal were only partly achieved. However, the shift made during implementation to heavier maintenance interventions was generally consistent with the Project's purpose of reducing the backlog of repairs.

The Project only partly met the objectives of promoting the institutional development of DOR and building capacity in the road sector at large. Maintenance manage-

ment improved only marginally, and construction supervision and contract management remain areas of concern.

## Key Lessons

The key lessons from ADB's experience with this Project include the following.

Given the situation in Bhutan, project designs need to provide flexibility during implementation. A design that included only three types of periodic maintenance interventions proved to be too rigid and impractical. In hindsight, a sector-type approach would have avoided many of the ad hoc adjustments that occurred and the confusion that arose from them.

The fact that urgently needed reconstruction was excluded from the original design shows that the design was driven more by the given loan amount than by need. A longer-term program rather than a one-off project should have followed from this consideration.

ADB's general policy of financing supervisory services from loan funds was not followed, to the detriment of the Project. ADB should stress the importance of professional construction supervision and should insist on loan financing, as this would help instill a sense of ownership and responsibility in the executing agency.

The RMMS followed a rigid approach to institutional development, without adapting to local conditions, and the system installed under the technical assistance grant was not a success. ADB—in consultation with DOR—should have been more diligent in identifying the main design features of the system in light of their suitability for Bhutan's special conditions.

Obvious intrinsic merits exist in maintaining assets, but the maintenance interventions under the Project were given an additional economic justification. The economic evaluation of road maintenance projects should focus on the timeliness and cost-effectiveness of the proposed interventions. ■

Copies of a recent publication, *Evaluation Highlights of 1999*, and other evaluation reports may be ordered by sending an e-mail to [adbpub@adb.org](mailto:adbpub@adb.org) or a fax to (632) 636-2648.

Evaluation reports circulated since 1995 are available online on ADB's web site at <http://www.adb.org/evaluation>

# Japanese Interested in Volunteer Work, NGOs

By *Tsukasa Maekawa*  
Senior External Relations Officer

Public interest in international cooperation or volunteer work through nongovernment organizations (NGOs) is on the rise in Japan. More than 60,000 Japanese visited the site of the 10<sup>th</sup> International Cooperation Festival, an annual event held at a park in central Tokyo on a sunny autumn weekend in October 2000.

The Asian Development Bank (ADB) was one of the nearly 200 organizations that participated in the festival, which attracted visitors with displays, games, workshops, and even songs about their activities. Participants included about 100 NGOs and other civil society groups as well as 100 international organizations and government agencies.

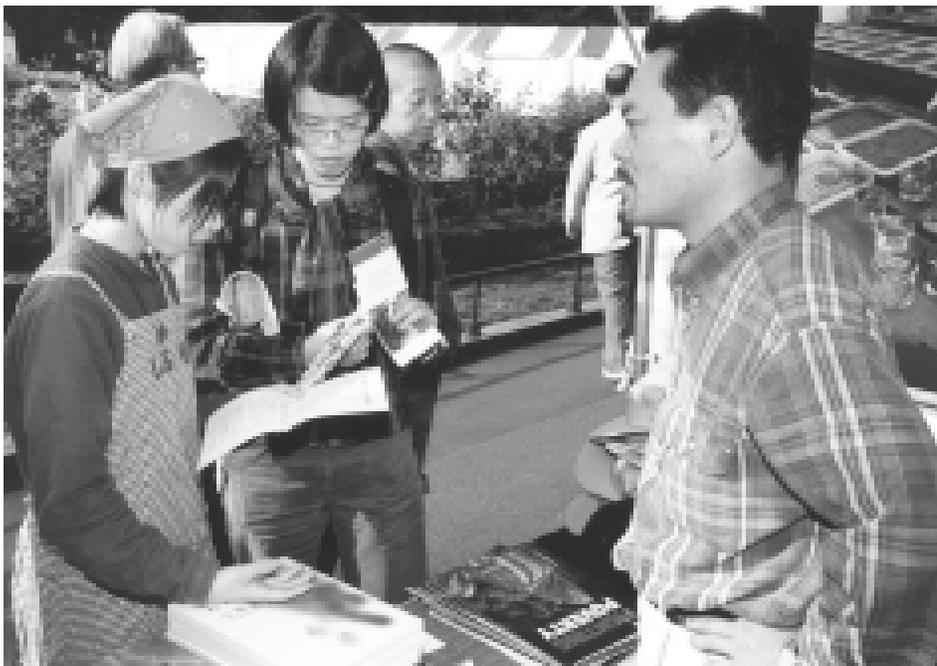
"The number of participants was bigger than last year's 187. There were more NGOs that wanted to participate, but they could not join due to the lack of space and preparation time," said a staff member of the Association for Promotion of International Cooperation, one of the organizers. "The interest among Japanese people in volunteer work seems to be growing every year," he said.

During the daytime, there were speeches, job orientation sessions for NGOs and funding agencies, a cultural show, events for children, and other activities. In the evening, after the booths were closed, visitors enjoyed live music by African, Filipino, Japanese, and Mongolian singers.

"I think Japanese people have almost everything they want to own. Now, many people realize that with a little bit of money from their pockets and with their knowledge and experience about things needed for development, they can do things to help people in other countries," said a mother of two children. "I also want my children to know that there are a lot of people who are doing things for other people."

Many NGO participants at the festival send volunteers to carry out their activities, such as building schools, running shelters for street children, teaching agricultural skills, and conducting livelihood training. Others collect contributions for goods, such as school textbooks, picture books, and clothes, and emergency goods, such as medicine and food. ■

**GLOBAL GOOD:** ADB's Tsukasa Maekawa talks with two of the 60,000 people who attended the International Cooperation Festival in Japan.



Koichi Ishikura

## Conference on NGO Capacity Building

By *Gordon Wilkinson*  
Senior Social Development Specialist for NGO  
Coordination

Representatives from nongovernment organizations (NGOs) and the donor community met in October 2000 at the Asian Development Bank (ADB) headquarters in Manila for the Asia-Pacific Regional Conference of the International Forum on Capacity Building (IFCB).

The IFCB is an international multistakeholder initiative launched in 1998 to create opportunities for developing country NGOs to interact with other actors in development—multilateral and bilateral official funding agencies, developed country NGOs, and private foundations—to address strengthening NGO capacity in development. The IFCB discussions focus on innovative approaches for NGO capacity building in critical development areas such as poverty reduction, social exclusion, and sustainable development.

The conference was organized cooperatively with the international IFCB secretariat and the Manila-based Asian NGO Coalition for Agrarian Reform and Rural Development. Regional IFCB conferences have also been held for Africa and Latin America.

In a video address to the conference, ADB President Tadao Chino reiterated ADB's recognition of the important role NGOs play in development.

The conference identified central themes for NGO capacity building: developing and strengthening cooperation and alliances among stakeholders in development; developing among NGOs the analytical, organizational, leadership, and coordination skills needed to address development issues; and building capacity in management of diversity and conflict, and in mobilizing and managing financial resources.

The Asia-Pacific IFCB conference is a part of an international process leading to a global NGO capacity-building conference planned for May 2001 in Washington, DC. ■

# NGOs: Partners with Perspectives

As participants, intermediaries, and advocates, NGOs are critical for development

*Gordon Wilkinson, Senior Social Development Specialist for Nongovernment Organizations (NGO) Coordination at the Asian Development Bank (ADB), provides insights on why ADB values NGOs as important partners in the development process.*

## Why does ADB work with NGOs?

ADB recognizes NGOs and other civil society organizations as important actors in the many processes of development. As direct participants in development, NGO activities most often center on involvement in development programs on the ground and in the delivery of development services. Many NGOs have the ability, means, and commitment to work with the poor and other excluded segments of society that are not adequately or equitably reached by many development programs and processes.

As intermediaries, NGOs can help build bridges and establish channels of communication and cooperation between people and communities on one side, and governments, development institutions, and funding agencies on the other. Intermediary NGOs often have experience in cooperative and participatory approaches, such as community mobilization.

As advocates, NGOs can help represent and articulate the views and concerns of groups and communities that otherwise may not be heard. NGOs can be catalysts for collective action among the poor and disadvantaged, and can help mobilize action in support of a bottom-up approach.

## Is there a particular objective in ADB's cooperation with NGOs?

In recognizing NGOs as both actors in development as well as stakeholders, ADB seeks to work with NGOs to strengthen the effectiveness, sustainability, and quality of development services that are provided to the poor and disadvantaged in Asia and the Pacific. In working with NGOs, one objective is to integrate NGO experience,



GORDON WILKINSON

Richie Abrina

knowledge, and expertise into development approaches that reduce poverty and meet the region's most pressing development needs. Another objective in NGO cooperation is capacity

building to help strengthen the NGO role in development. ADB also provides assistance to governments to strengthen their capacity to work with NGOs.

## In what direction is ADB's cooperation with NGOs moving?

ADB's NGO cooperation is moving in two parallel streams. One is operational cooperation: recognizing the importance of NGOs as actors, stakeholders, and partners in on-the-ground development operations. The other is institutional cooperation: recognizing NGOs as an important external constituency and stakeholder group in identifying, developing, and implementing the policies, strategies, and processes that guide ADB operations.

In the context of ADB's current directions in NGO cooperation and the rapidly expanding role of NGOs in social and economic processes and in development, President Chino constituted a high-level internal task force in May 2000 to review ADB's overall institutional structures and processes for cooperation with NGOs. Task force findings reaffirmed the importance of effective cooperation with NGOs and emphasized the need for ADB to strengthen its structures and processes for NGO cooperation.

The task force identified a set of issues and challenges related to strengthening ADB-NGO cooperation, including developing a better understanding of the NGO

sector and identifying ways in which effective cooperation can be achieved; establishing institutional arrangements within ADB that will support strengthened NGO cooperation; and providing the resources and developing the internal capacity for effective NGO cooperation. Recommendations toward meeting these issues and challenges were identified, and efforts are now under way to implement the recommendations.

## How have NGOs influenced ADB operations over the years?

While ADB began direct cooperation with NGOs only in the late 1980s, more than half of all new ADB projects now involve NGOs in some significant and substantive way. ADB has engaged NGOs through a variety of means, from NGOs serving in a formal advisory role in developing and implementing projects, to NGOs taking responsibility for implementing specific projects—and in some cases entire projects.

Beyond projects, with NGOs recognized as an external constituency and a stakeholder group with demonstrated experience and expertise in development issues and processes, ADB works to engage NGOs in discussing issues in its development agenda, and in developing policies, strategies, and processes that put the development agenda into operation. ADB's policy supports consultation and dialogue with NGOs at the overall policy and strategy level, at the level of developing country assistance approaches, and at the project level.

## Development institutions, including ADB, have been encountering increasing NGO activism. How is ADB reacting?

Globally, civil society is demanding a greater voice and role in decision making, governance, and actions affecting people directly. With NGOs as representatives of civil society, ADB recognizes the expanding advocacy role of NGOs. This is a point highlighted in the institutional review of NGO cooperation that President Chino commissioned. The task force that undertook the review carefully considered directions in how civil society and its representative organizations are engaging with institutions like ADB. ADB is now actively developing and implementing appropriate institutional response mechanisms. ■

For more on ADB and NGOs, go to <http://www.adb.org/NGOs>



Ram Cabrera

**TRADITIONAL THRESHING:** While the percentage of rural Asians who are poor has declined substantially, more than 670 million rural people—one third of the rural population—still live in abject poverty. Most rural Asians, like these farmers near Chiang Mai, Thailand, must tolerate much lower levels of health, education, and general well-being than their urban counterparts. A key challenge is how to continue to promote rapid growth in rural areas while making it more pro-poor and environmentally sustainable.

## ADB REVIEW

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## US\$1.8 Billion Approved in 3<sup>rd</sup> Quarter 2000

The Asian Development Bank (ADB) approved during the third quarter of 2000 a total of US\$1.77 billion for its lending and technical assistance activities in developing member countries. This amount is 120 percent higher than ADB operations during the third quarter of 1999 amounting to US\$802.7 million.

**Lending.** From July to September 2000, 18 loans amounting to US\$1,178.17 million were approved, representing a 53 percent increase from the same period last year. Eighty-seven percent were funded from ADB's ordinary capital resources (OCR), and the rest from the concessional Asian Development Fund (ADF). Total lending during the period focused on three sectors, led by social infrastructure for US\$661.57 million (56 percent of total). The transport and communications, and agriculture and natural resources sectors also received loans.

**Technical Assistance.** ADB approved a total of US\$51.49 million for technical assistance activities, an increase of 51 percent from the year-ago level. This year's approval amounted to US\$41.47 million for 49 projects in member countries, and US\$10.02 million for 24 regional activities. Thirty-one percent of the technical assistance activities were for project preparation and 69 percent for advisory and operational purposes.

**Disbursements.** Total loan disbursements during the period amounted to US\$837.13 million, of which 71.5 percent were funded from OCR and 29.5 percent from ADF.

**Cofinancing.** ADB arranged for cofinancing amounting to US\$1,275.77 million with official bilateral and multilateral sources. Six loan projects (US\$1,259.80 million) and eight technical assistance projects (US\$15.97 million) will be cofinanced. <sup>n</sup>

## Falling Currencies, Equity Prices Unlikely to Trigger New Crisis

Despite retreats in the region's equity markets and declining currencies, Asia is unlikely to plunge into a renewed financial crisis, according to the October issue of the *Asia Recovery Report* (ARR), released by the Asian Development Bank (ADB) in October.

"The magnitude of net capital outflows is nowhere near as large as it was in 1997 and 1998," the report notes. Apart from size, the composition of the private capital outflows is also different this time. In 1997-1998, the main problems were banks' nonrenewal of short-term credit and investor panic. Now some economies are facing debt repayment, capital withdrawal from stock markets, and a slowdown of foreign direct investment.

"The symptoms are the same, but the causes are quite different," says Yoshihiro Iwasaki, head of ADB's Regional Economic Monitoring Unit. <sup>n</sup>

## Loans and Technical Assistance by Sector, Third Quarter 2000

Sector	Loans		Technical Assistance <sup>a</sup>	
	US\$ Million	%	US\$ Million	%
Agriculture and Natural Resources	16.00	1.36	16.14	38.92
Energy	–	–	1.80	4.34
Finance	–	–	4.05	9.76
Industry and Nonfuel Minerals	–	–	–	–
Social Infrastructure	661.57	56.15	8.00	19.27
Transport and Communications	500.60	42.49	4.88	11.78
Multisector	–	–	–	–
Others	–	–	6.60	15.93
<b>Total</b>	<b>1,178.17</b>	<b>100.00</b>	<b>41.47</b>	<b>100.00</b>

a Excludes regional technical assistance of US\$10.02 million.

## Loan Approvals, Third Quarter 2000

	US\$ Million	Term (years) Including Grace Period	Interest/ Service Charge	Date Approved
<b>Bhutan</b>				
Health Care Reform Program	10.00	24 (8)	1.0/1.5	21 Sep
<b>Cambodia</b>				
Stung Chinit Irrigation and Rural Infrastructure	16.00	32 (8)	1.0/1.5	5 Sep
<b>China, People's Republic of</b>				
Hefei-Xi'an Railway	300.00	25 (5)	variable	17 Aug
<b>India</b>				
Surat-Manor Tollway	180.00	25 (5)	variable	27 Jul
Housing Finance II				
- Housing and Urban Development Corporation	100.00	25 (5)	variable	21 Sep
- National Housing Bank	40.00	25 (5)	variable	21 Sep
- Housing Development Finance Corporation	80.00	25 (5)	variable	21 Sep
- Industrial Credit and Investment Corporation of India	80.00	25 (5)	variable	21 Sep
<b>Lao People's Democratic Republic</b>				
Primary Health Care Expansion	20.00	32 (8)	1.0/1.5	24 Aug
<b>Nepal</b>				
Small Towns Water Supply and Sanitation Sector	35.00	32 (8)	1.0/1.5	12 Sep
<b>Papua New Guinea</b>				
Rehabilitation of the Maritime Navigation Aids System	20.60	25 (5)	variable	12 Sep
<b>Philippines</b>				
Pasig River Environmental Management Rehabilitation Sector Development Program				
- Program Loan	100.00	15 (3)	variable	20 Jul
- Project Loan	75.00	25 (5)	variable	20 Jul
Technical Education and Skills Development	25.00	25 (5)	variable	24 Aug
- Fund for Technical Education and Skills Development	19.87	15 (5)	variable	24 Aug
<b>Samoa</b>				
Education Sector	7.00	32 (8)	1.0/1.5	5 Sep
<b>Sri Lanka</b>				
Secondary Education Modernization	50.00	32 (8)	1.0/1.5	12 Sep
Water Resources Management	19.70	32 (8)	1.0/1.5	19 Sep
<b>Total</b>	<b>1,178.17</b>			

# Senior Staff Appointment and Movements

(11 July-25 October 2000)

## Appointments

- **Charles Adams**-Senior Economic Advisor, Economics and Development Resource Center, effective 28 July 2000
- **Peter Fedon**-Advisor (Education), Agriculture and Social Sectors Department (West), effective 18 October 2000

## Staff Movements (by effective date)

- **Bruce Murray**-assumed office as Director, People's Republic of China Resident Mission on 26 July 2000
- **T.L. de Jonghe**-Manager, Budget and Management Services Division, Budget, Personnel and Management Systems Department, effective 27 July 2000
- **Shamshad Akhtar**-Manager, Financial Sector and Industry Division East, Infrastructure, Energy and Financial Sectors Department (East), promotion effective 27 July 2000
- **David Jay Green**-assumed office as Lead Economist, Indonesia Resident Mission on 10 August 2000
- **Robert S. Bumphrey**-assumed office as Head, Special Liaison Office, East Timor, Office of Pacific Operations on 24 August 2000
- **Silvio R. Cattor**-transfer from Lead Portfolio Management Specialist, Central Operations Services Office to Manager, INTEGRA Project, Project Management Unit, Office of the Vice-President (Finance and Administration), effective 28 August 2000
- **Robert H. Salanon**-Chief, Office of External Relations, promotion effective 28 August 2000
- **Frederick Roche**-promotion from Senior Project Economist, Forestry and Natural Resources Division East, Agriculture and Social Sectors Department (East) to Manager, Water Supply, Urban Development and Housing Division West, Agriculture and Social Sectors Department (West), effective 1 September 2000
- **Gunter Hecker**-transfer from Senior Advisor, Office of the Director to Chief, Philippines Country Office, Programs Department (East), effective 1 September 2000
- **Ayumi Konishi**-Programs Manager, transfer due to reorganization from PE2 to PE1, effective 7 September 2000
- **Kunio Senga**-Programs Manager, transfer due to reorganization from PE3 to PE2, effective 7 September 2000

## Borrowers, Third Quarter 2000

Borrower	US\$ Million	%
India	480.00	40.74
China, People's Rep. of	300.00	25.46
Philippines	219.87	18.66
Sri Lanka	69.70	5.92
Nepal	35.00	2.97
Papua New Guinea	20.60	1.75
Lao PDR	20.00	1.70
Cambodia	16.00	1.36
Bhutan	10.00	0.85
Samoa	7.00	0.59
<b>Total</b>	<b>1,178.17</b>	<b>100.00</b>

## Technical Assistance Approvals, Third Quarter 2000

Technical Assistance	Type <sup>a</sup>	US\$ <sup>b</sup> '000	Date Approved
<b>Bangladesh</b>			
Second Nonformal Education	PP	600.00 <sup>b</sup>	5 Jul
Regional Rail Traffic Enhancement	PP	900.00 <sup>b</sup>	29 Aug
Organizational Reform of Bangladesh Railway, Phase III	AO	840.00 <sup>b</sup>	29 Aug
Road Network Improvement and Maintenance	PP	800.00 <sup>b</sup>	29 Sep
<b>Bhutan</b>			
Road Planning and Management Strengthening	AO	954.00 <sup>b</sup>	20 Jul
<b>Cambodia</b>			
Financial Sector Development Program	PP	800.00 <sup>b</sup>	7 Jul
Rural Development	PP	600.00 <sup>b</sup>	29 Aug
<b>China, People's Republic of</b>			
Policy Support for the PRC 2020 Project (Phase III)	AO	900.00	14 Jul
Ningxia-Shapotou Water Resources Development	PP	930.00 <sup>b</sup>	31 Jul
Ganzhou-Longyan Railway	PP	750.00 <sup>b</sup>	30 Aug
Hebei Province Wastewater Treatment	PP	850.00 <sup>b</sup>	30 Aug
Development of a Small and Medium-Sized Enterprise Credit Support System	AO	750.00	30 Aug
Global Environment Facility Partnership on Land Degradation in Dryland Ecosystems	AO	100.00	5 Sep
Establishing an Enterprise Sample Survey System	AO	600.00	26 Sep
<b>Cook Islands</b>			
Preparing an Economic Report	AO	180.00	27 Sep
<b>East Timor</b>			
Environmental Assessment Capacity Improvement	AO	250.00	15 Sep
Rehabilitation of the Telecommunications Sector (Phase II)	AO	150.00	26 Sep
<b>India</b>			
Development of Secondary Debt Market	AO	600.00	28 Jul
Reducing Poverty in Urban India	AO	300.00	16 Aug
Participatory Poverty Assessment at the State Level	AO	690.00	29 Aug
<b>Indonesia</b>			
Improving Public Sector Procurement	AO	780.00	21 Jul
Governance Audit of the Public Prosecution Service	AO	1,000.00	21 Jul
Outer Island Electrification	PP	800.00	21 Aug
Corporate Governance Reform	AO	300.00	29 Aug
<b>Kyrgyz Republic</b>			
Environmental Monitoring and Management Capacity Building II	AO	650.00 <sup>c</sup>	11 Sep
Second Phase of the Corporate Governance and Enterprise Reform Program	PP	700.00 <sup>b</sup>	28 Sep
<b>Lao People's Democratic Republic</b>			
Strengthening Corporate Governance and Management of State-Owned Commercial Banks	AO	900.00	7 Jul
Capacity Building for Primary Health Care	AO	800.00	10 Aug
Small Towns Development	PP	700.00 <sup>b</sup>	29 Aug
<b>Maldives</b>			
Capacity Building for the Maldives Customs Services	AO	700.00 <sup>b</sup>	5 Sep
<b>Marshall Islands</b>			
Outer Island Transport Infrastructure	PP	340.00 <sup>b</sup>	29 Sep
<b>Micronesia, Federated States of</b>			
Improving Access to Laws	AO	300.00	29 Sep
<b>Nepal</b>			
Formulating an Action Plan on Civil Service Reform (Supplementary)	AO	30.00	3 Aug
Group Formation and Training of Women Beneficiaries	AO	200.00 <sup>b</sup>	18 Aug
<b>Pakistan</b>			
Support for Privatization of Karachi Electric Supply Corporation	AO	1,000.00	22 Sep
<b>Papua New Guinea</b>			
Review of Constraints to Informal Sector Development	AO	225.00	29 Sep
<b>Philippines</b>			
Capacity Building Support for Pasig River			
Environmental Management and Rehabilitation	AO	1,000.00 <sup>d,e</sup>	20 Jul
Institutional Strengthening of Housing and Urban Development Sector	AO	150.00	2 Aug
Strengthening Management Capacity and Improving Quality of Technical Education and Skills Development System	AO	775.00 <sup>d,e</sup>	24 Aug
Education Sector Development Program	PP	998.00 <sup>b</sup>	12 Sep

(continued on page III)

## Technical Assistance Approvals *(continued from page II)*

Technical Assistance	Type <sup>a</sup>	US\$ '000	Date Approved
<b>Samoa</b>			
Education Support	AO	820.00 <sup>d</sup>	5 Sep
<b>Sri Lanka</b>			
Coastal Resource Management	AO	12,760.00 <sup>f</sup>	4 Aug
Eastern Province Coastal Community Development	PP	1,000.00 <sup>b</sup>	16 Aug
<b>Tajikistan</b>			
Regional Railway Improvement	PP	150.00	5 Sep
Strategy for Improved Flood Management	AO	550.00 <sup>b</sup>	5 Sep
<b>Viet Nam</b>			
Supporting Preparation of the National Poverty Reduction Strategy	AO	150.00	5 Jul
Improved Official Development Assistance Effectiveness Through Partnership Initiatives	AO	150.00	2 Aug
Capacity Building for Prevention of Food-Borne Diseases	AO	500.00 <sup>b</sup>	29 Aug
Low-Income Housing and Secondary Towns Urban Development Needs Assessment Study	AO	500.00 <sup>b</sup>	30 Aug
<b>Total</b>		<b>41,472.00</b>	

- a Type of technical assistance: advisory and operational (AO) and project preparatory (PP).  
 b To be financed from the Japan Special Fund.  
 c To be funded by the Government of Finland.  
 d Attached to a loan.  
 e To be financed from the Asian Currency Crisis Support Facility.  
 f To be funded by the Government of the Netherlands.

## Regional Technical Assistance, Third Quarter 2000

Technical Assistance	US\$ '000	Date Approved
Tenth ADB Tax Conference	150.00 <sup>a</sup>	4 Jul
Regional Indicative Master Plan on Power Interconnection in the Greater Mekong Subregion	900.00 <sup>b</sup>	10 Jul
Third ADB-Colombo Plan Training Program	50.00	12 Jul
Regulatory Systems and Networking of Water Utilities and Regulatory Bodies	500.00 <sup>a</sup>	19 Jul
Study of Pro-Poor Economic Growth and Institutional Constraints on Poverty Reduction in Developing Member Countries (DMCs)	610.00	27 Jul
Development of a Regional Technical Assistance (RETA) Home Page	45.00	31 Jul
Road Asset Management	150.00	2 Aug
2000-2002 Orientation Program for Officials of ADB's DMCs	750.00	17 Aug
Public-Private Community Partnerships in Urban Services for the Poor	550.00	18 Aug
Cooperative Airspace Management in the Pacific Region	350.00	25 Aug
Microcredit Summit Asia and Pacific Regional Meeting	140.00	5 Sep
ADB-ADB Capacity Building Seminar on Poverty Reduction Issues	63.00	8 Sep
Support for Information and Communications Technology (ICT) and Education	100.00	11 Sep
Regional Workshops on Project Economic Analysis for Selected DMCs	240.00	15 Sep
Seminars on the Use of Consulting Services in 2000-2001	500.00	15 Sep
Regional Environmental Action Plan in Central Asia	500.00 <sup>c</sup>	19 Sep
An International Conference: "What Have We Learned from the Past 30 Years of Research on Poverty" (Supplementary)	740.00	19 Sep
National Resettlement Policy Enhancement and Capacity Building	500.00 <sup>a</sup>	20 Sep
Identification and Prioritization of Subregional Projects in South Asia	785.00	22 Sep
Action Plans for Reducing Vehicle Emissions	900.00 <sup>a</sup>	26 Sep
Harmonizing and Strengthening Business Tendency Surveys in Selected DMCs	50.00	26 Sep
Strategies for Poverty Reduction through Urban Environmental Improvement	500.00 <sup>a</sup>	27 Sep
Audit Training Program for Central Asian Republics	500.00 <sup>a</sup>	28 Sep
Combating Desertification in Asia	450.00 <sup>d</sup>	29 Sep
<b>Total</b>	<b>10,023.00</b>	

- a To be financed from the Japan Special Fund.  
 b Of this amount, US\$158,000 is funded by ADB and US\$742,000 by the Government of Norway.  
 c To be funded by the Government of Finland.  
 d Of this amount, US\$250,000 is funded by ADB and US\$200,000 by Global Mechanism.

## Asian Economies More Resilient, Says Asia Recovery Report

As Asia's recovery consolidates, its quality is improving, leaving affected countries in a stronger position to absorb shocks, according to the October issue of the *Asia Recovery Report* (ARR), released by the Asian Development Bank.

While net exports had generally led recovery, domestic demand and intraregional trade are now adding depth to it, making the affected countries less vulnerable to gyrations in external demand outside the region. Foreign exchange reserves provide ample cover for short-term obligations, and the maturity structure of external debt is improving.

Not only is recovery occurring quickly and becoming more broad-based, the region's economies are potentially more resilient, says the report.

There is now greater clarity and coherence in macroeconomic management policies. Most affected countries have abandoned the precrisis informal dollar pegs and are moving toward explicit inflation, targeting frameworks that are likely to promote greater transparency and independence in monetary policy.

Some headway is also being made on bank and corporate restructuring, with nonperforming loan ratios, in general, falling and capital adequacy ratios strengthening as banks slowly return to profitability. Even the property markets show signs of bottoming out, the report says.

## Stronger Domestic Demand Lifts ADB's Growth Forecast for Asia

Developing Asia's gross domestic product (GDP) is forecast to increase to 6.9 percent in 2000 before moderating to 6.5 percent in 2001, according to the Asian Development Bank's latest regional economic report.

The *Asian Development Outlook (ADO) 2000 Update*, released in September, revises upwards the regional growth forecast from the 6.2 percent projected by the *Asian Development Outlook 2000* published in April.

The upward revision of likely growth in 2000 is based on stronger domestic demand and sustained growth in external demand. The *ADO Update* notes that domestic investment demand, while still below precrisis levels in most of developing Asia, is likely to strengthen as excess capacity is utilized and competitive pressures force production capacity to be upgraded.

Improved private consumption demand is expected to offset slackening public sector demand as governments restore fiscal balances within the region. External demand is likely to remain buoyant on account of stronger growth in interregional trade, a consolidation of recovery in Europe and Japan, and continued though slower demand growth in the United States.

The *ADO Update* notes, however, that growth is uneven among countries and warns that volatility in equity markets and currency values underscore concerns that need to be addressed if growth is to be sustained over the

*(continued on page IV)*

## Cofinancing Arrangements, Third Quarter 2000

Member/Project	US\$ Million	Source
<b>Loan Projects</b>		
<b>Cambodia</b>		
Stung Chinit Irrigation and Rural Infrastructure	2.60	Agence Francaise de Développement
<b>China, People's Republic of</b>		
Hefei-Xi'an Railway	1,221.70	China Development Bank
<b>Papua New Guinea</b>		
Rehabilitation of the Maritime Navigation Aids System	0.80	Australian Agency for International Development
<b>Philippines</b>		
Pasig River Environmental Management and Rehabilitation Sector Development Program (Investment Loan)	2.20	Denmark
	0.50	US Trade Development Agency
Technical Education and Skills Development	10.00	Danish International Development Agency
	8.00	Nordic Development Fund
	7.00	OPEC Fund for International Development
<b>Sri Lanka</b>		
Secondary Education Modernization	7.00	Nordic Investment Bank
<b>Total Loans</b>	<b>1,259.80</b>	
<b>Technical Assistance Projects</b>		
<b>Indonesia</b>		
Decentralized Basic Education	0.15 <sup>a</sup>	Australia
Decentralized Health Services I	0.30 <sup>b</sup>	Australia
<b>Kyrgyz Republic</b>		
Environment Monitoring and Management Capacity Building II	0.65	Finland
<b>Sri Lanka</b>		
Coastal Resources Management Project	12.76	Netherlands
<b>Vanuatu</b>		
Skills Development Project	0.67 <sup>c</sup>	New Zealand
<b>Regional</b>		
Combating Desertification and Reducing Poverty in Asia	0.20	Global Mechanism
Regional Environmental Action Plan in Central Asia	0.50	Finland
Regional Indicative Master Plan on Power Interconnection in the Greater Mekong Subregion	0.74	Norway
<b>Total Technical Assistance</b>	<b>15.97</b>	
<b>Grand Total</b>	<b>1,275.77</b>	

a Approved in June 2000 with initial funding from the Technical Assistance Special Fund (TASF). Fund source was changed in July 2000 from the TASF to Australia.

b Approved in May 2000 with funds from the TASF for US\$150,000. During technical assistance implementation, Australia provided in July 2000 supplementary financing for US\$30,000.

c Approved in May 2000. In July 2000, a portion of the cost was funded by New Zealand.

## Stronger Domestic Demand Lifts ADB's Growth Forecast for Asia

(continued from page III)

medium term. These concerns include inadequate progress on structural reforms, perceived inability of some governments to address macroeconomic imbalances, and political uncertainty. The ADB report said that crisis-affected economies that have made the most headway with reform are recovering the fastest. The outstanding example is the Republic of Korea, which saw exceptionally strong GDP growth of 11.2 percent in the first half of the year. This has been based primarily on resurgent domestic private demand. The strong growth in investment demand and upsurge in foreign investment reflect the positive impact of corporate and financial sector restructuring that has been undertaken in the last two years.

Among other crisis-affected economies, except for Indonesia and Thailand, the output lost during the financial crisis of 1997-1998 is likely to be recouped by the end of 2000. In Thailand, the **ADB Update** forecasts that it will take another year for per capita GDP to reach precrisis

levels. It may take even longer in Indonesia where economic and political uncertainties are interwoven and are hindering recovery. The other economies of the Association of Southeast Asian Nations are being carried upward by the tide of better regional performance, as increasingly stronger intraregional trade links generate positive spillover effects to the rest of developing Asia. Malaysia registered growth of over 10.3 percent during the first half of 2000, mainly due to improved external demand for manufactured goods and buoyant private consumer demand. The Philippines grew 3.9 percent in the first half, reflecting an upturn in the agriculture sector and continued growth in the services sector. The newly industrialized economies are expected to achieve growth of 7.9 percent in 2000 and 6.6 percent in 2001. Hong Kong, China is expected to lead the region with GDP growth of 8.5 percent in 2000 followed by the Republic of Korea with 8.3 percent and Singapore with 8 percent. <sup>n</sup>

## Loan Disbursements, Third Quarter 2000

Borrower	US\$ Million		
	OCR <sup>a</sup>	ADF <sup>b</sup>	Total
Bangladesh	3.33	39.74	43.07
Bhutan	0.00	0.35	0.35
Cambodia	0.00	22.74	22.74
China, People's Rep. of	187.43	0.00	187.43
Cook Islands	0.00	0.08	0.08
Fiji Islands	1.34	0.00	1.34
Hong Kong, China	0.00	0.00	0.00
India	62.71	0.00	62.71
Indonesia	96.47	9.20	105.67
Kazakhstan	7.56	0.29	7.85
Kiribati	0.00	0.30	0.30
Korea, Rep. of	1.00	0.00	1.00
Kyrgyz Republic	0.00	8.42	8.42
Lao PDR	0.00	20.48	20.48
Malaysia	12.12	0.00	12.12
Maldives	0.00	0.73	0.73
Marshall Islands	0.00	1.53	1.53
Micronesia, Fed. States of	0.00	0.98	0.98
Mongolia	0.00	7.70	7.70
Myanmar	0.00	0.00	0.00
Nauru	0.00	0.00	0.00
Nepal	0.27	14.27	14.54
Pakistan	17.71	47.39	65.10
Papua New Guinea	1.08	1.19	2.27
Philippines	110.90	8.53	119.43
Samoa	0.00	0.00	0.00
Singapore	0.00	0.00	0.00
Solomon Islands	0.00	0.23	0.23
Sri Lanka	0.00	17.02	17.02
Taipei, China	0.00	0.00	0.00
Tajikistan	0.00	1.35	1.35
Thailand	52.96	0.00	52.96
Tonga	0.00	1.01	1.01
Tuvalu	0.00	0.00	0.00
Uzbekistan	24.60	0.66	25.26
Vanuatu	0.00	1.38	1.38
Viet Nam	10.62	32.76	43.38
Regional	8.70	0.00	8.70
<b>Total</b>	<b>598.80</b>	<b>238.33</b>	<b>837.13</b>

<sup>a</sup> Refers to ordinary capital resources.

<sup>b</sup> Refers to Asian Development Fund.

### Top Recipients of Technical Assistance Grants, 3<sup>rd</sup> Quarter 2000

Recipient	US\$ Million	%
Sri Lanka	13.76	33.18
China, People's Rep. of	4.88	11.77
Bangladesh	3.14	7.57
Philippines	2.92	7.05
Indonesia	2.88	6.94
Lao PDR	2.40	5.79
India	1.59	3.83
Cambodia	1.40	3.38
Kyrgyz Republic	1.35	3.26
Viet Nam	1.30	3.13
Other developing member countries	5.85	14.10
<b>Total</b>	<b>41.47</b>	<b>100.00</b>