

East Asia Department

Regional Perspectives & Operations

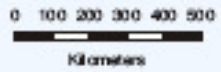
Presentation by
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Director General
10 October 2008

ADB

EAST ASIAN REGION



- National Capital
- Provincial Capital
- City/Town
- SAR Special Administrative Region
- National Road
- River
- Provincial Boundary
- International Boundary
- Boundaries are not necessarily authoritative.



Note: FirstProof, 22 August 2006

2007 Country Indicators

Indicator	unit	PRC	MON
Land Area	million sq km	9.6	1.6
Population	million	1,322.0	2.6
GDP	\$ billion	3,280.1	3.9
Per Capita GDP	\$	2,483.3	1,488.3
GDP growth	%	11.4	9.9
Domestic Investment	% of GDP	44.2	35.1
Gross National Saving	% of GDP	50.5	46.2
Foreign Direct Investment	\$ million	82,658.0	500.0
Gross International Reserves	\$ million	1,540,000.0	972.0
Poverty Incidence	\$1.25/day (in %)	16% (2005)

EARD Share in ADB Operations - 2007

Amounts in \$ million

Items	EARD	ADB	% Share
Loans Approved during the Year ^{a/}	1,146.7	9,240.3	12%
- Active Loan Portfolio	8,871.1	39,907.3	22%
TA Approved during the Year	23.0	140.8	16%
- Active TA Portfolio	67.7	924.6	7%
Contract Awards	1,430.9	6,962.4	21%
Disbursements	1,213.8	6,361.0	19%
Net Resource Transfers	601.6	2,890.8	21%
Project Ratings - PS/U (%)	3.0	7.6	
Average Time Elapse (months)	9.2	8.2	
- Approval to signing	5.5	3.9	
- Signing to effectiveness	3.7	4.3	

^{a/} Public sector only.

Challenges for Mongolia

- Geographically: wide expanse [⇒how to achieve physical connectivity (e.g. Roads)]
- Thinly populated & widely dispersed [⇒how to provide services]
- Narrow economic base (livestock and minerals)
High economic vulnerability (weather and commodity prices)
[⇒how to diversify the economy]
- Political volatility [⇒how to ensure continuity of policies]
- Continued high level of poverty [⇒how to make growth more inclusive]

Challenges for PRC

Past successes [future challenges]

- Remarkable growth (25 yrs, over 9%) [sustain with particular attention to environment]
- Multiple increase in per capita income [better income distribution/equity]
- Rapid development of coastal region [reduce regional disparity with Central and Western China]
- Urban rich [bridge urban-rural divide through rural development]
- Population (fertility rate 1.7%) [demographic change & labor shortage]
- Manufacturing [diversify into higher value products/services]

Challenges for PRC

Past successes [future challenges]

- Exports [reduce export dependence and boost domestic consumption]
- Infrastructure investment [greater need for social investment: health, education, sanitation, etc.]
- Adoption/adaptation [how to move to invention/innovation]

Challenges for EARD

1. General

- Diverse countries with different requirements
 - PRC: large borrower (96%), OCR only, middle-income country, stable and rapid growth
 - MON: small borrower (4%), ADF only, low-income country, fluctuating growth rates
- Regional cooperation mainly outside of the region
 - With non-member Russia
 - With non-borrowers KOR and JPN
 - CAREC (CWRD) and GMS (SERD)
- Diverse programs in the 2 countries, diverse skills requirements (MON – “soft” sectors; PRC – infrastructure).

Challenges for EARD

2. MON

- Scaling up [ADF only]
- OCR lending [debt limitation]
- Diversified portfolio [issue of delegation to RM]
- Poverty reduction and MDGs

3. PRC

- Knowledge products [TA/budget/skills limitations]
- Scaling up [PRC public sector lending cap of \$1.5 bn/year]
- Innovation and Efficiency Initiative (IEI) [slow acceptance]
- Social lending [softer funds]
- Regional cooperation [dozen countries border PRC]
- Environmental improvement
- Rural development/financing

Regional Cooperation

A unique ADB initiative and a key strategic goal

Objectives

- Moving towards regional economic integration
- Sharing of complementarities
- Addressing shared problems
- Generating economies of scale

Major Regional Cooperation Initiatives in Asia



Major Groups

Central Asia
(CAREC)

Greater Mekong
(GMS)

Southeast Asia

South Asia

South and Central
Asia

Central Asia Regional Economic Cooperation (CAREC)

An alliance of 8 countries and 6 multilateral institutions with ADB as program secretariat

Members: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz, **Mongolia**, Tajikistan, Uzbekistan and the **Xinjiang Uygur Autonomous Region of PRC**

CAREC's goal is to improve living standards and reduce poverty through regional cooperation by:

- Developing regional transport infrastructure
- Fostering cooperation in the energy sector
- Facilitating trade
- Promoting good trade policy

Greater Mekong Sub-region (GMS) Economic Cooperation

Universally acknowledged as a good example of sub-regional cooperation

Members – Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam, and **Yunnan Province** and **Guangxi Zhuang Autonomous Region of PRC**

Promote regional cooperation through three Cs – Connectivity, Competitiveness, and Community by:

- Developing Infrastructure
- Promoting multi-country agreements and reforms
- Strengthening institutions

PRC-Mongolia Bilateral Cooperation

- Harmonized transport development planning between Mongolia and PRC's Inner Mongolia Autonomous Region (initially focusing on railways);
- Energy cooperation (power trade)
- In-country consultation on regional cooperation
- Customs cooperation (joint border control); and
- Trade logistics development and border town development (Zamyn-Uud and Erenhot)

PRC Country Partnership Strategy (2008-2010)

Goal: Help build a *xiao kang* society through inclusive growth and environmentally sustainable development

<p>Resource Efficiency and Environmental Sustainability</p> <ul style="list-style-type: none"> • Efficient energy • Clean technology • Urban sanitation • Air quality • Resource Management • Sustainable farming 	<p>Inclusive Growth and Balanced Development</p> <ul style="list-style-type: none"> • Market reforms • Transport • Urban infrastructure • Rural infrastructure • Skill training • Regional development 	<p>Regional Cooperation and Public Goods</p> <ul style="list-style-type: none"> • Regional integration • Infrastructure • Environment • Public health • Financial market integration 	<p>Enabling Environment for Private Sector Development</p> <ul style="list-style-type: none"> • Public-private partnerships • Small and medium enterprise development • Financial reforms • Private sector operations
<p>Knowledge and Innovation</p>		<p>Governance</p>	

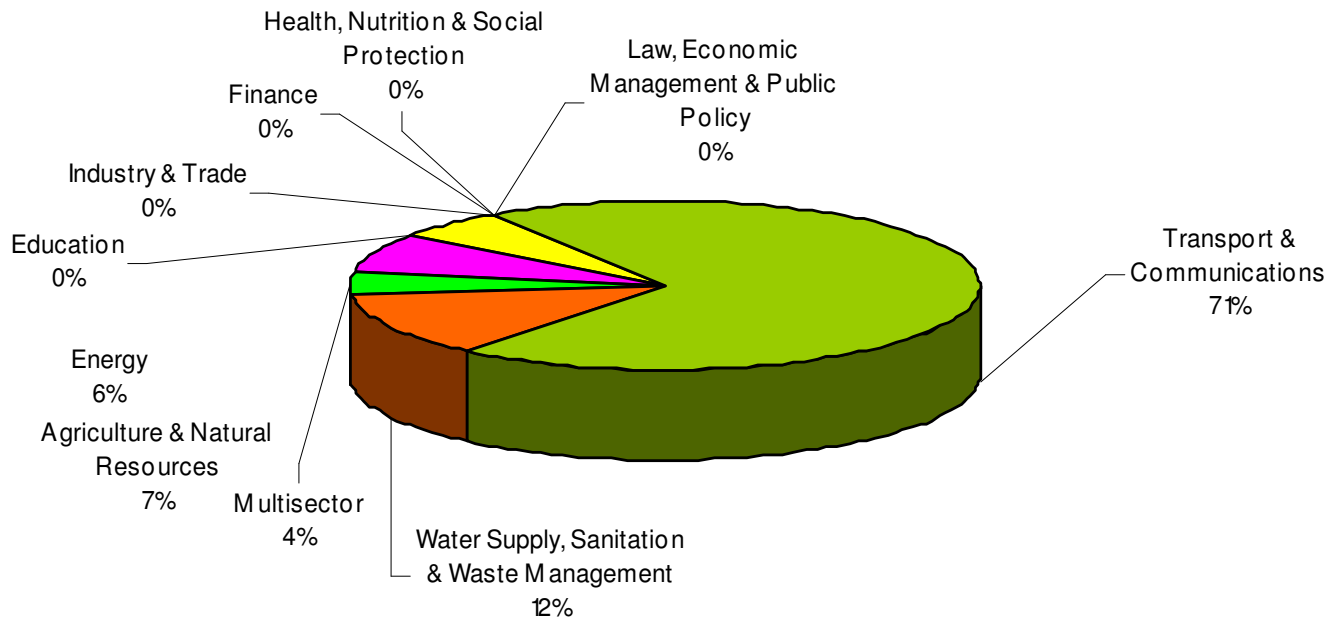
MON Country Partnership Strategy Proposed Strategic Focus*

- Economic corridors, railway development, Gobi infrastructure, better logistics, and improved transport operation and maintenance
- Value-chains and new innovation systems to link urban and rural development
- Better functioning capital markets through regulatory reform and innovative private sector investment
- Energy Master Plan and implementation assistance
- New technologies, financing instruments and modes of public private financing introduced
- Health care financing, policy and governance
- Education sector-wide assistance, vocational and higher education
- Urban service development in new growth centers and improved management and service delivery in key cities

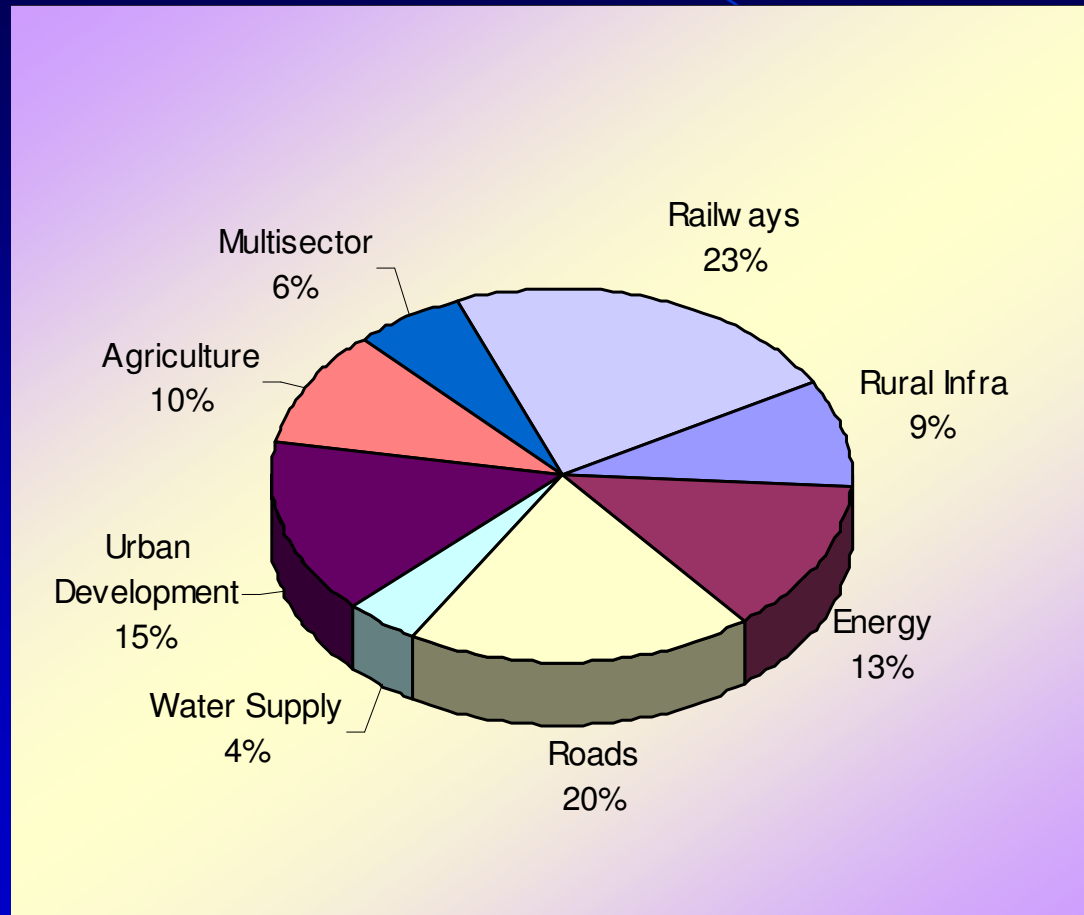
*new Country Partnership Strategy (2009-2013) being prepared

Sector Composition PRC Portfolio (31 December 2007)

Sectoral Distribution of Ongoing Public Sector Portfolio
by Amount

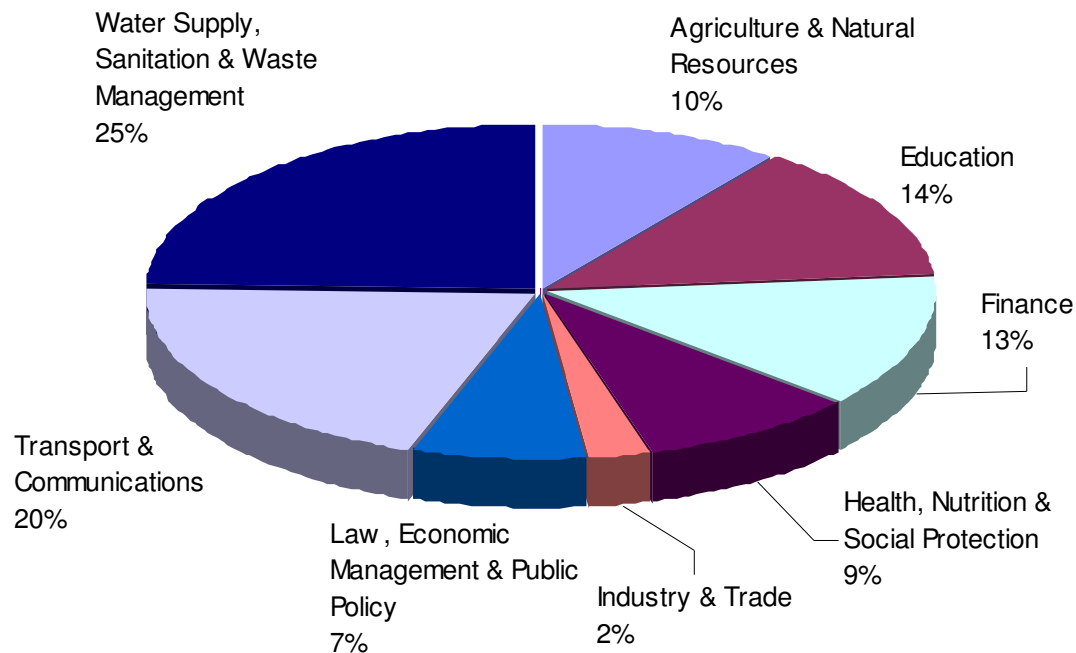


Sector Composition PRC Lending (By Volume 2008-2010)



Sector Composition MON Portfolio (31 December 2007)

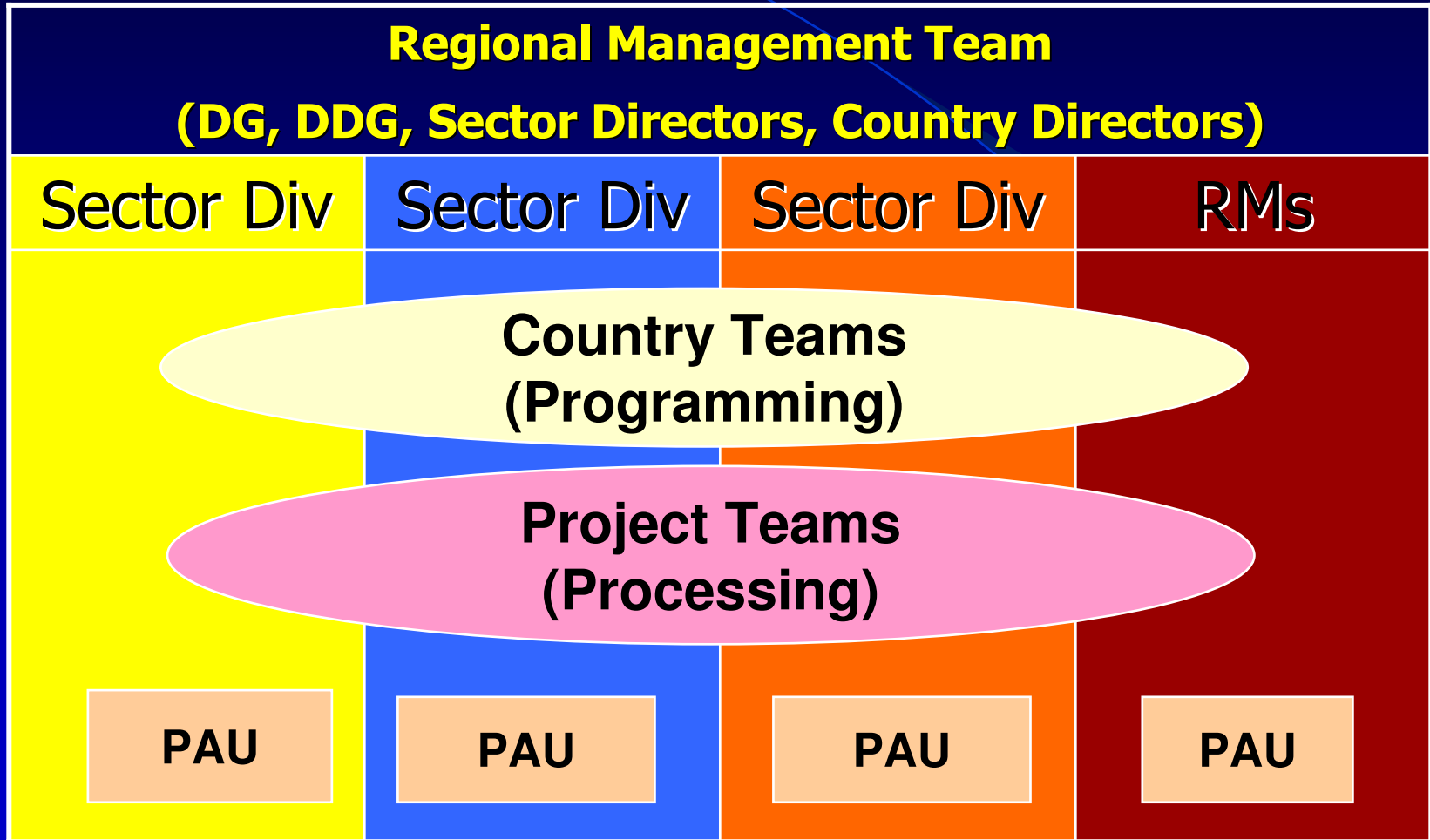
**Sectoral Distribution of Ongoing Public Sector Portfolio
by Amount**



Mongolia – Lending (2008 onwards)

- Infrastructure (roads, possibly railways)
- Energy (including possible power export)
- Urban and Environmental Improvement (urban transport, wastewater and sanitation, etc.)
- Health and Education
- Agriculture / Natural Resources (rural development)

Functional Teams in RDs



For More Information:



EARD Regional Management Team

Thank You



ADB