

Success Rates

Successful Projects in the Finance Sector
2003–2006

Rural Microenterprise Finance

Rationale:

Access by the rural poor to adequate and appropriate financial resources was viewed as a critical factor in helping break the poverty cycle in the Philippines. The Grameen Bank approach had provided such financial services successfully with significant income, employment, and other social benefits. However, a nationwide expansion of this tool was needed to channel resources to the ultra poor, including training for those seeking to replicate such financial services.

Expected Outcomes:

The project aimed to

- support the capacity building needs of microfinance institutions through the People's Credit and Finance Corporation and work toward an appropriate microfinance regulatory framework,
- institute reforms toward a policy environment that is conducive to microfinance growth,
- bring microfinance into the mainstream of the financial sector and strengthen the institutional capacity of microfinance institutions, and
- form and train self-help groups.

Accomplishments:

The project demonstrated that the Grameen Bank approach could be implemented successfully nationwide. The number of clients who received microfinance services reached 618,906, exceeding the target by 106%. Of these, 97% were women, exceeding the target of 90%. Savings mobilized also exceeded targets, primarily through the use of compulsory savings. At project completion, 839 million Philippine pesos in savings had been mobilized, 260% above the target. The project supported the start-up and expansion costs of 505 Grameen Bank approach replicator branches, exceeding the target by 66%. Non-agriculture-based microcredit programs were consolidated; terminating or consolidating 21 (78%) of the 27 programs and transferring those to government financial institutions—a significant increase from the target of 50%. The covenant on removing the interest rate ceiling for non-agriculture-based microcredit programs was also addressed through the issuance of Executive Order 138, which directed government financial institutions to operate wholesale lending based on prevailing market rates. The National Credit Council formulated the Regulatory Framework for Microfinance in 2002, which specified that savings collected beyond the compensating balance (i.e., greater than the loan portfolio) should be under the prudential supervision of the Bangko Sentral ng Pilipinas.

Details:

www.adb.org/Documents/PPERs/PHI/PPER-PHI-25351.asp

Number:

Loan 1435-PHI

Approval:

23 April 1996

Effectivity:

18 April 1997

Closure:

26 September 2003

Disbursements:

\$17,555,000

Evaluated:

2006

Performance:

Successful

Rural Credit

Rationale:

The Government of Viet Nam emphasized rural development as a means to reduce poverty and the critical role of rural credit as a means to accelerate agricultural growth.

Expected Outcomes:

The project aimed to

- increase the income of rural people and expand productive employment by increasing the supply of short- and medium-term credit to the rural sector, and
- strengthen the rural financial system to increase its diversity and competitiveness and its capacity to provide better financial services.

Accomplishments:

The project provided the intended resources to AgriBank and people's credit funds, and extended rural credit to 135,000 rural borrowers at completion—significantly exceeding its target by 32%. Partly due to support from the project, AgriBank's clients increased from less than 3 million at appraisal to more than 9 million in 2004, providing services to a large number of previously "unbanked" rural residents. The quality of AgriBank's services also improved with faster processing, better repayment rates (above 95%), fewer overdue loans (1.74% as of 2004), and more flexible repayment schedules. While rapid economic growth and rural poverty reduction during the project period are attributable to many factors, fieldwork showed that rural credit played a key role in achieving these outcomes through the provision of increased opportunities for the rural poor for private investment and self-employment.

Details:

www.adb.org/Documents/PPERs/VIE/27145-VIE-PPE.pdf

Number:

Loan 1457-VIE

Approval:

12 September 1996

Effectivity:

3 April 1997

Closure:

30 October 2002

Disbursements:

\$46,027,000

Evaluated:

2005

Performance:

Successful

Capital Market Development Program

Rationale:

In the early 1990s, the economy of Pakistan grew modestly but was characterized by balance-of-payment deficiencies and fiscal imbalances that undermined economic stability. Citing economic mismanagement and corruption, the President of Pakistan dismissed the administration in November 1996 and, by election, quickly instituted a government that immediately prepared a comprehensive stabilization and structural adjustment program including banking and capital market reforms. The program used the development of the securities market to facilitate efficient allocation of resources in the economy and help broaden and deepen the financial sector. This was done through the provision of alternative sources of funding to industry, which has traditionally relied on government-directed credit.

Expected Outcomes:

The program aimed to

- augment the mobilization of long-term resources; and
- improve the efficiency of their allocation through a diversified and competitive capital market that encourages broad-based participation of issuers and investors.

Accomplishments:

Because of the program, the primary share market recovered for 2004. Transactions in the secondary share market significantly increased from 2003, market capitalization started to increase from the same year (reflecting a rapid increase in the index price), market infrastructure was upgraded largely to the standards recommended by the International Securities Services Association, the share of investment from the gross domestic product in leasing assets remained within a range of 0.8%–1.1% from 1994 to 2004, the total size of mutual funds increased from 2003, and total premiums collected by general and life insurance companies increased progressively from 1994. Surveys have suggested that the stock market rally during those years contributed significantly to job creation in the industry and to the broadening of the investor base in the country including individuals.

Details:

www.adb.org/Documents/PPERs/PAK/31108-PAK-PPER.pdf

Number:

Loan 1576/1577-PAK

Approval:

6 November 1997

Effectivity:

5 January 1998

Closure:

31 October 2001 (1576-PAK) and 30 July 2002 (1577-PAK)

Disbursements:

\$250,000,000

Evaluated:

2005

Performance:

Successful

Rural Enterprise Credit

Rationale:

In line with Thailand's Eighth National Economic and Social Development Plan (1997–2001), the Royal Thai Government sought to upgrade agricultural technology, encourage high-value crops and livestock, increase agricultural productivity, and help farmers diversify into new enterprises. At the same time, it recognized poor availability of medium- and long-term loans, as well as lack of access to capital and financial services, as key constraints to promotion of rural enterprises.

Expected Outcomes:

The project aimed to

- establish about 54,000 profitable rural enterprises owned and operated by farm families through the provision of medium- and long-term credit; and
- improve loan processing, supervision, and customer services in the Bank for Agriculture and Agricultural Cooperatives.

Accomplishments:

As of 2004, the Bank for Agriculture and Agricultural Cooperatives had become increasingly self-reliant and was able to significantly reduce its dependence on government funds, mandatory deposits from commercial banks, and loans from domestic and foreign sources. Over a decade, the deposit-loan ratio doubled to 98%. The impacts on farmers' lives included positive changes in norms and practices, attitudes, women empowerment, and social organization. Institutional skills and capacities, as well as community relations, were reported to have improved because of the project, which gave rise to the establishment of village stores that became venues for trading among farmers and informal gatherings after the day's work.

Details:

www.adb.org/Documents/PPARs/THA/PPAR-THA-31058.pdf

Number:

Loan 1540-THA

Approval:

18 September 1997

Effectivity:

26 November 1997

Closure:

11 October 1999

Disbursements:

\$93,959,000

Evaluated:

2004

Performance:

Successful

Capital Market Development Program

Rationale:

As part of its operational strategy for India in the 1990s, ADB assisted the government in increasing economic efficiency through support for structural reforms, promotion of competition, and private sector participation.

Expected Outcomes:

The program aimed to

- establish the framework of an integrated national market system,
- modernize the underlying support infrastructure,
- further liberalize the market by eliminating impediments to market growth,
- enhance competition, and
- strengthen market regulation and supervision.

Accomplishments:

New standards for trading, trade comparison and trade resolution, clearance and settlements, registration and transfer of securities, and trade reporting were adopted. Through the use of more efficient information technology, trades were matched more efficiently and the liquidity of each security improved. Automated facilities linked exchange members electronically and allowed them to execute market transactions instantly. The use of more advanced information technology in the National Stock Exchange improved transparency of market transactions by generating market information about volume, prices, and time of transactions leading the National Stock Exchange to account for about 86% of the trading volume in 2002–2003. Furthermore, with the development of the National Securities Depository Limited, dematerialization of securities, and automated securities settlement through the clearing organizations, inefficiencies and related risks for the individual investor were eliminated. The two depositories (National Securities Depository Limited and Central Depository Services Limited) now interface electronically, with automated links to their respective clearing organizations. In addition to the clarifications provided to investors regarding accounting and taxation questions on their derivative positions, the move to trading on rolling settlement and the introduction of individual stock derivatives spurred the growth of the derivatives market—increasing volumes from 23 billion Indian rupees (Rs) in 2000–2001 to more than Rs1 trillion in 2001–2002. Single stock futures accounted for more than 50% of the volume. This growth continued into 2002–2003, with volumes of Rs4.4 trillion. Another leap in volumes appeared to be occurring in 2003–2004. In December 2003 alone, volumes reached Rs3 trillion, as compared to Rs0.5 trillion in December 2002, making India the second-largest market for stock futures in the world.

Details:

www.adb.org/Documents/PPARs/IND/PPA-IND-26468.pdf

Number:

Loan 1408-IND

Approval:

28 November 1995

Effectivity:

8 December 1995

Closure:

31 March 1999

Disbursements:

\$250,000,000

Evaluated:

2004

Performance:

Successful

Financial Sector Program

Rationale:

In 1991, Mongolia began the transition to a market economy with a shift to a two-tiered banking system and divestiture of the financial and banking services from the former State Bank of Mongolia. The commercial banks that emerged from the divestiture inherited nonperforming loans from the former monobanking system, and approved, in turn, loans to poorly performing enterprises. By the mid-1990s, the increase in nonperforming loans had damaged the solvency and stability of the banking system. With many banks facing severe liquidity problems, public confidence in the banking system fell.

Expected Outcomes:

The program aimed to

- strengthen financial intermediaries by facilitating the operational and financial restructuring of banks;
- upgrade skills in commercial banks;
- strengthen the legal and regulatory framework, develop the supervision and the regulation of banks and nonbank financial institutions, enhance the financial information on banks, improve debt recovery, and facilitate enforcement;
- augment the regulatory capabilities of the Bank of Mongolia; and
- boost the efficiency of financial intermediation by reducing the government's involvement in commercial bank operations and establishing market-determined interest rates.

Accomplishments:

Macroeconomic stability in the country was achieved, thanks to the program's pioneering efforts to reform the banking system. The 42.0% annual growth in the money supply in 2002—compared with 19.8% in 1997 and 27.9% in 2001—was a result of substantial financial deepening and did not affect inflation. The annual inflation rate slowed to 1.6% in 2002, down from 36.6% in 1997 and 8.1% in 2001. Successful efforts to restore macroeconomic stability were also reflected in a reduced fiscal deficit of 5.6% of gross domestic product in 2002 (from a fiscal deficit of 9.1% in 1997), which was below the 6.5% target stipulated by the International Monetary Fund poverty reduction and growth facility. The program contributed to the gradual development of a market-based banking system through implementation of policy reforms, formulation of laws and regulations, and strengthening of the capacity of the Bank of Mongolia and commercial banks.

Details:

www.adb.org/Documents/PPARs/MON/PPAR-MON-28200.pdf

Number:

Loan 1509-MON

Approval:

19 December 1996

Effectivity:

21 January 1997

Closure:

30 July 1999

Disbursements:

\$32,955,000

Evaluated:

2003

Performance:

Successful

About the Asian Development Bank

ADB aims to improve the welfare of the people in the Asia and Pacific region, particularly the nearly 1.9 billion who live on less than \$2 a day. Despite many success stories, the region remains home to two thirds of the world's poor. ADB is a multilateral development finance institution owned by 67 members, 48 from the region and 19 from other parts of the globe. ADB's vision is a region free of poverty. Its mission is to help its developing member countries reduce poverty and improve their quality of life.

ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. ADB's annual lending volume is typically about \$6 billion, with technical assistance usually totaling about \$180 million a year.

ADB's headquarters is in Manila. It has 26 offices around the world and more than 2,000 employees from over 50 countries.

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