

## US\$530 Million Approved in First Half 2001

Cumulatively for the first half of 2001, the Asian Development Bank (ADB) approved US\$530.3 million for its operations in its developing member countries (DMCs).

Loan approvals from 1 January to 30 June 2001 totaled US\$526.5 million to four countries—India, Marshall Islands, Viet Nam, and Bhutan. India received the highest amount of US\$500 million to help rehabilitate and reconstruct the earthquake-devastated state of Gujarat. The top sectors are social infrastructure and finance.

Cumulative approvals for technical assistance grants during the period totaled US\$42.9 million. Of the total approvals, 56 percent was used for advisory and operational purposes and 15 percent for project preparation in DMCs, and 29 percent for regional activities. Among the DMCs, the top 10 recipients are the People's Republic of China, Indonesia, Cambodia, Nepal, Pakistan, Sri Lanka, Thailand, Kazakhstan, India, and Viet Nam.

A total of US\$1.6 billion in loans were disbursed in the first six months. ■

## Loan Disbursements, Second Quarter 2001 (US\$ million)

Borrower	OCR <sup>a</sup>	ADF <sup>b</sup>	Total
Bangladesh	3.33	56.15	59.48
Bhutan	0.00	0.61	0.61
Cambodia	0.00	10.65	10.65
China, People's Rep. of	214.27	0.00	214.27
Fiji Islands	0.93	0.00	0.93
India	120.63	0.00	120.63
Indonesia	120.32	9.74	130.06
Kazakhstan	0.95	1.11	2.06
Kiribati	0.00	0.40	0.40
Korea, Rep. of	0.29	0.00	0.29
Kyrgyz Republic	0.00	3.77	3.77
Lao PDR	0.00	9.38	9.38
Malaysia	2.55	0.00	2.55
Maldives	0.00	0.55	0.55
Marshall Islands	0.00	0.48	0.48
Micronesia, Fed. States of	0.00	0.71	0.71
Mongolia	0.00	8.51	8.51
Nepal	0.00	12.39	12.39
Pakistan	146.13	42.15	188.28
Papua New Guinea	1.33	0.72	2.05
Philippines	17.17	7.38	24.55
Sri Lanka	0.00	21.15	21.15
Tajikistan	0.00	0.17	0.17
Thailand	33.37	0.00	33.37
Tonga	0.00	0.01	0.01
Uzbekistan	6.51	0.76	7.27
Vanuatu	0.00	0.81	0.81
Viet Nam	0.00	34.50	34.50
<b>TOTAL</b>	<b>667.80</b>	<b>222.08</b>	<b>889.88</b>

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

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

## ADB Operations Total US\$43.4 Million in Second Quarter of 2001

In the second quarter of 2001, the Asian Development Bank (ADB) approved US\$43.4 million for its operations. This consists of US\$26.5 million in loans and about US\$17.0 million in technical assistance grants.

Loans: Five loans, including one private sector loan, were approved in three developing member countries (DMCs) in the financial and social infrastructure sectors. The largest amount (US\$12 million) went to the Marshall Islands for two loans—one from ADB's ordinary capital resources (OCR) amounting to US\$4 million and the other from the concessional Asian Development Fund (ADF) amounting to US\$8 million. About 55 percent of the loans were given to the social infrastructure sector and the rest to the financial sector.

Technical assistance: Thirty technical assistance grants totaling US\$15.1 million were approved, of which 71 percent

was for advisory and operational purposes (about US\$12 million) and 18 percent for project preparation (US\$3.1 million) in 16 DMCs. The remaining 11 percent went to four technical assistance grants for regional activities amounting to about US\$1.9 million. The agriculture and natural resources sector was the top recipient of technical assistance grants, followed by the social infrastructure, energy, and transport and communications sectors.

Cofinancing arrangements for the second quarter of 2001 amounted to US\$10 million for two loan projects in Bhutan and Viet Nam, and US\$750,000 for four technical assistance projects.

About US\$890 million in loans were disbursed during the second quarter, three fourths of which were from OCR and the rest from ADF. ■

## Loans and Technical Assistance, Second Quarter 2001

Sector	Loans		Technical Assistance <sup>a</sup>	
	US\$ Million	%	US\$ Million	%
Agriculture and Natural Resources	0.00	0.00	3.60	23.89
Energy	0.00	0.00	1.74	11.55
Finance	12.00	45.28	0.45	2.99
Industry and Nonfuel Minerals	0.00	0.00	0.00	0.00
Social Infrastructure	14.50	54.72	2.32	15.39
Transport and Communications	0.00	0.00	0.85	5.64
Multisector	0.00	0.00	0.00	0.00
Others	0.00	0.00	6.11	40.54
<b>TOTAL</b>	<b>26.50</b>	<b>100.00</b>	<b>15.07</b>	<b>100.00</b>

<sup>a</sup> Excludes regional technical assistance of US\$1.85 million.

## Loan Approvals, Second Quarter 2001

	US\$ Million	Term (years) including Grace Period	Interest/Service Charge	Date Approved
Bhutan				
Basic Skills Development	7.00	32 (8)	1.0/1.5	21 Jun
Marshall Islands				
Fiscal and Financial Management Program	4.00	15 (3)	Variable	7 Jun
Fiscal and Financial Management Program	8.00	24 (8)	1.0/1.5	7 Jun
Viet Nam				
Royal Melbourne Institute of Technology (RMIT) International University in Viet Nam <sup>a</sup>	7.50			26 Apr
<b>TOTAL</b>	<b>26.50</b>			

<sup>a</sup> A private sector loan.

## Senior Appointments and Movements

(as of 3 September 2001)

### Appointments

- Roger A. Burston—Manager, Compensation and Benefits Division, Budget, Personnel and Management Systems Department, effective 28 June
- Asavin Chintakananda—Senior Advisor, Office of the Director, Infrastructure, Energy, and Financial Sectors Department (East), effective 31 July

### Movements

(By effective date)

- Richard W.A. Vokes—Resident Representative, Pakistan Resident Mission, Programs Department (West), promotion, effective 20 April
- Jin Koo Lee—promotion from Manager, Transport and Communications Division (East) to Deputy Director, Infrastructure, Energy and Financial Sectors Department (East), effective 18 June
- Peter N. King—promotion from Senior Project Specialist (Natural Resources), Forestry and Natural Resources Division (East), Agriculture and Social Sectors Department (East) to Manager, Pacific Operations Division, Office of Pacific Operations, effective 18 July
- Xianbin Yao—promotion from Senior Economist, Office of the Director, Programs Department (East) to Assistant Chief Economist, Project Economic Evaluation Division, Economics and Development Resource Center, effective 18 July
- Juanito Limandibrata—promotion from Senior Treasury Officer to Assistant Treasurer, Funding Division, Treasurer's Department, effective 3 September

## ADB Sets Lending Rates for Second Half 2001

For the period from 1 July to 31 December 2001, the Asian Development Bank (ADB) will maintain the lending rate on its US dollar loan facility at 6.70 percent per annum. ADB will also reduce its rate on existing pool-based multicurrency loans from 5.50 percent to 5.21 percent per annum for the same period.

The interest rates on ADB's multicurrency and US dollar loans are adjusted on 1 January and 1 July each year. For each facility, the lending rate is determined by adding a spread (currently 0.60 percent per annum) to the preceding six months' average cost of the respective pools of outstanding ADB borrowings established to fund such loans.

From 1 July, ADB is no longer offering multicurrency loans. ADB will also withdraw its pool-based US dollar loans from 1 July 2002. ■

For more information, about ADB, visit <http://www.adb.org>

For publications, send an e-mail to [adbpub@adb.org](mailto:adbpub@adb.org)

## Technical Assistance Approvals, Second Quarter 2001

	Type <sup>a</sup>	US\$'000	Date Approved
<b>Azerbaijan</b>			
Capacity Building for Strategic Economic Policy Formulation in the Ministry of Finance	AO	762.00	31 May
Capacity Building for Poverty Data Analysis	AO	150.00	5 Jun
<b>Bangladesh</b>			
Bangladesh Poverty Assessment	AO	100.00	23 Apr
Public Expenditure Review	AO	100.00	23 Apr
Jamuna-Meghna River Erosion Mitigation	PP	1,000.00 <sup>b</sup>	28 May
<b>Bhutan</b>			
Strengthening the National Statistical System	AO	600.00	7 Jun
<b>Cambodia</b>			
Transport Sector Strategy	AO	850.00 <sup>c</sup>	27 Apr
Second Basic Health Services	PP	700.00 <sup>c</sup>	3 May
<b>China, People's Republic of</b>			
Study on Ways to Support Rural Poverty Reduction Projects (Supplementary)	AO	270.00	16 May
People's Republic of China-Global Environment Facility Partnership on Land Degradation in Dryland Ecosystems	AO	1,150.00 <sup>c</sup>	25 May
Optimizing Initiatives to Combat Desertification in Gansu Province	AO	610.00 <sup>d</sup>	5 Jun
World Trade Organization Membership and Foreign Trade Law Reform	AO	700.00	14 Jun
Pro-Poor Urban Heating Tariff Reforms	AO	850.00	19 Jun
<b>East Timor</b>			
Exclusive Economic Zone Demarcation	AO	120.00	17 May
<b>Indonesia</b>			
Urban Poverty Reduction	PP	800.00 <sup>e</sup>	3 Apr
Gas Sector Development Plan	AO	490.00 <sup>e</sup>	11 Jun
<b>Kazakhstan</b>			
Technology and Institutional Development for Sustainable Locust Management	AO	700.00 <sup>e</sup>	23 Apr
Energy Sector Study	AO	245.00 <sup>e</sup>	25 Jun
<b>Kyrgyz Republic</b>			
Governance Assessment Study for Sound Development Management and Poverty Reduction	AO	100.00	28 May
<b>Marshall Islands</b>			
Fiscal, Financial, and Economy Advisory Services	AO	950.00	7 Jun
<b>Pakistan</b>			
Institutional Strengthening of the State Bank of Pakistan	AO	450.00	23 Apr
Health Policy Support	AO	220.00	30 May
Poverty Analyses for Socioeconomic Development Strategies	AO	650.00	6 Jun
<b>Philippines</b>			
Improving Poverty Monitoring Surveys	AO	347.00 <sup>f</sup>	24 May
<b>Sri Lanka</b>			
Study of Pricing Policy in the Petroleum Subsector	AO	150.00	24 May
<b>Thailand</b>			
Strengthening Accountability Mechanisms	AO	565.00 <sup>d</sup>	5 Jun
<b>Vanuatu</b>			
Strengthening Development Policies	AO	200.00	6 Jun
<b>Viet Nam</b>			
Institutional Support to the Office of the Government	AO	500.00 <sup>g</sup>	2 May
Training in Fishing Port Management	AO	140.00	5 Jun
Upper Secondary Education Development	PP	600.00 <sup>g</sup>	7 Jun
<b>TOTAL</b>		<b>15,069.00</b>	

<sup>a</sup> Type of technical assistance: advisory and operational (AO) and project preparatory (PP).

<sup>b</sup> Financed from the Japan Special Fund.

<sup>c</sup> Of the total, US\$350,000 is funded by the Global Environment Facility and US\$800,000 by the Asian Development Bank (ADB).

<sup>d</sup> Funded from the Asian Currency Crisis Support Facility.

<sup>e</sup> Of the total, US\$95,000 is funded by the Government of Finland and US\$150,000 by ADB.

<sup>f</sup> Of the total, US\$150,000 is funded by the Government of New Zealand and US\$197,000 by ADB.

<sup>g</sup> Of the total, US\$150,000 is funded by the Government of New Zealand and US\$350,000 by ADB.

## Cofinancing Arrangements, Second Quarter 2001

Member/Project	US\$ Million	Source
<i>Loan Projects</i>		
Bhutan		
Basic Skills Development	2.50	German Agency for Technical Cooperation (GTZ)
Viet Nam		
Royal Melbourne Institute of Technology (RMIT)		
International University in Viet Nam	7.50	International Finance Corporation
Total Loans	10.00	
<i>Technical Assistance Projects</i>		
China, People's Republic of		
People's Republic of China-Global Environment Facility Partnership on Land Degradation in Dryland Ecosystems	0.35	Global Environment Facility
Kazakhstan		
Energy Sector Study	0.10	Finland
Philippines		
Improving Poverty Monitoring Surveys	0.15	New Zealand
Viet Nam		
Institutional Support to the Office of Government	0.15	New Zealand
Total Technical Assistance	0.75	
<b>TOTAL</b>	<b>10.75</b>	

## Regional Technical Assistance, Second Quarter 2001

	US\$'000	Date Approved
Capacity Building for Project Implementation and Administration	600.00	6 Apr
Microfinance Outreach Initiatives of the Consultative Group to Assist the Poorest	500.00	17 Apr
Strengthening Asian Financial Markets	750.00	3 May
A Survey of Nongovernment Organization Capacity Building Needs in Pacific Developing Member Countries (Supplementary)	28.86 <sup>a</sup>	14 Jun
<b>TOTAL</b>	<b>1,878.86</b>	

<sup>a</sup> Of the total, US\$13,300 is funded by the Government of Norway and US\$15,560 by the Government of Australia.

## UK Fund to Focus on Poverty Reduction in India

The Asian Development Bank (ADB) has approved new technical assistance fund to be established by the United Kingdom (UK), aimed at reducing poverty in India. The fund, which will have an initial contribution of 20 million pounds sterling to finance technical assistance projects from 2001 to 2003, will be administered by ADB.

The fund will be made available through the UK's Department for International Development. It will assist India and institutions operating in India in project preparation and capacity building to address poverty issues.

The fund will finance, on an untied grant basis, activities relating to participatory poverty assessments and poverty-focused surveys; preparatory or appraisal studies for social sector lending; studies on the enabling environment for poverty reduction; and poverty-focused monitoring, evaluation, and impact assessment work, among others. ■

## ADB's Web Site on Asia's Recovery to be Expanded

An award-winning web site monitoring Asia's recovery from the financial crisis that struck in 1997 will be expanded through a US\$930,000 technical assistance grant approved by the Asian Development Bank (ADB). The grant will be financed by the Australian Agency for International Development (AusAID).

The Asia Recovery Information Center (ARIC) web site (<http://aric.adb.org>) provides information on the responses of the international community, concerned governments, nongovernment organizations, and civil society. It also monitors and contributes to ongoing discussions on the postcrisis policy agenda. Since its launch in November 1999, the ARIC web site has been recognized as a leading source of information and analysis of the Asian crisis and recovery, based on user statistics and external awards and citations. ■

## Positive Trends Put Asia on Track to Meet International Development Goals

Despite the current global slowdown, Asia shows positive trends that augur well for the future—strong underlying economic growth, declining population growth rates, an emerging middle class, and continued high savings rates.

These are the major messages of "Growth and Change in Asia and the Pacific—Key Indicators 2001," an Asian Development Bank (ADB) publication that was launched in Singapore. This is the only publication that provides comprehensive annual statistics on Asia's national accounts, foreign direct investment, and other key social and economic indicators.

Although its tone is generally optimistic, it also highlights some trends that give cause for concern.

- Despite overall progress in reducing poverty, there is a wide disparity in performance between subregions, with South Asia and Central Asia lagging behind others.
- Rapid urbanization is putting increasing strain on essential infrastructure like water supply and sanitation, raising health fears.
- Demographic trends such as a declining labor force and an aging population raise issues of health care, pensions, and social safety nets.

The report notes that Asia and the Pacific have notched up the highest growth rates in the world, expanding by over 6 percent per annum, except in 1998, the first year of the Asian crisis. The best-performing economies have sound macroeconomic policies and an export-led strategy and continue to attract foreign direct investment. These include the People's Republic of China (PRC), the newly industrialized economies (NIEs) of Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China; and Southeast Asia's Malaysia, Indonesia, Philippines, and Thailand. They have achieved significantly higher and sustained gross domestic product growth, employment growth, a rise in real earnings, and sizeable reductions in the number of poor.

Conversely, *Key Indicators 2001* shows that countries that have not taken the export-led path—for example, in South Asia—have recorded lower growth, limited progress in poverty reduction, and only modest improvements in living standards. Central Asian economies have also seen a fall in living standards as the productivity of their labor forces has proved to be less than the living standards they had been accustomed to under the former Soviet Union.

Along with strong economic growth, *Key Indicators 2001* shows that the rate of population growth in developing Asia slowed markedly in the 1990s. The average population growth rate for developing Asia is now only 1.45 percent per annum. The populations of the PRC and the NIEs, which account for 40 percent of the region's total, are expanding at below-average rates. The ADB report attributes the general decline to rising levels of education, an increase in the number of working women, and greater focus on population control.

"The strong underlying economic growth rates and the simultaneous decline in population growth rates help per capita incomes grow at a faster rate thus spurring higher standards of living," says V.N. Gnanathurai, ADB's Assistant Chief Economist and head of the Statistics and Data Systems Division.

However, the report also notes that demographic trends, such as a rising number of people over 65, pose challenges relating to health care, pensions, and social

systems.

# ADB Unveils Milestone LIBOR-Based Loan Product with More Flexibility in Currency and Interest Rate Basis

The Asian Development Bank (ADB) has approved a new loan product that will offer borrowers greater flexibility in the choice of currency and interest rate basis.

From 1 July 2001, ADB will offer borrowers—in the public and private sectors—a LIBOR (London interbank offered rate)-based loan that will carry a floating lending rate consisting of six-month LIBOR and a spread fixed over the life of the loan. The new terms will apply only to loans from ADB's ordinary capital resources (OCR). In 2000, some 70 percent of ADB's loans were from OCR.

"This first step is a milestone in a process of adding new features to ADB's menu of loan products. I expect that, in a couple of years, ADB's borrowers will be able to design the financial features of each loan to the specific requirements of each project in a manner consistent with their debt management goals," says ADB President Tadao Chino.

The new product also gives access to risk management products to many of ADB's developing member countries for the first time. "This is a watershed event in ADB's role as a financial intermediary," says ADB Treasurer Shinji Ichishima.

Mr. Ichishima added, "To be more responsive to our members' needs, ADB completed a survey among borrowers

last year. The new product is in response to many borrowers' wishes for a wider choice of loan terms and flexible hedging tools to meet their evolving sovereign asset and liability management needs. The new product is also more transparent."

Based on current LIBOR rates for US dollars of around 3.8 percent per annum, the new ADB product will offer significantly lower interest rates than its current lending rate of 6.7 percent per annum for pool-based US dollar loans. Noting that LIBOR rates could move up as well as down, Mr. Ichishima says, "While floating rates are inherently riskier due to volatility in LIBOR, the new product has options to fix, cap, or collar the floating lending rates as appropriate."

The following loan terms and conversion options will be available to borrowers from ADB's OCR under the new product:

- a choice of three loan currencies: the Euro, Japanese yen, or US dollar;
- a choice of floating or fixed lending rate based on LIBOR or the fixed rate equivalent of LIBOR, plus a spread that would be fixed for the life of the loan;
- options to convert the lending rate from floating to fixed rate or vice versa at any time during the life of the loan;
- options to convert the loan currency at any time during the life of the loan; and

- options to cap and collar the floating lending rate at any time during the life of the loan.

The choice of currency and interest rate basis will allow borrowers to structure loan terms that are most appropriate for the project and their risk management strategy. The conversion options will provide borrowers with more flexibility to alter loan terms to suit their changing needs.

Importantly, the new product will provide borrowers with potential cost savings in their debt service payments of ADB loans. While offering potentially cheaper loans and hedging options, ADB stresses the new product will not expose ADB to additional risks as it will maintain its policy of avoiding foreign exchange and interest rate risks.

ADB will now quickly evolve into a full-fledged LIBOR-based lender. Effective 1 July 2001, ADB will no longer offer pool-based multicurrency loans. ADB will also withdraw its pool-based US dollar loans from 1 July 2002.

In addition, ADB will offer borrowers the option to convert undisbursed amounts of their pool-based US dollar loans to the LIBOR-based product. ADB will also consider in the future offering borrowers more flexibility in repayment terms and free-standing hedging products. ■

## ADB Launches A\$500 Million Public Bond Issue for Its Nonconcessional Operations

The Asian Development Bank (ADB) has launched a A\$500 million public bond issue in the Australian domestic bond market through a syndicate headed by Commonwealth Bank of Australia and UBS Warburg. The syndicate group consists of Deutsche Bank and RBC Dominion Securities as co-managers.

The bond issue, with a coupon rate of 6.25 percent per annum payable semiannually and a maturity date of 15 June 2011, was priced at 99.411 percent to yield 47 basis points over the 5.75 percent Commonwealth Government Bond which was due 15 June 2001.

The transaction is ADB's third borrowing in the Australian dollar domestic bond market. The bonds will be listed on the

Australian Stock Exchange and settled through the domestic clearing system "Austraclear".

At 10 years, this is the longest maturity deal launched thus far by a supranational entity. The issue marks another step toward ADB's long-term objective of building its yield curve in the Australian dollar bond market.

In total, ADB plans to borrow US\$3.4 billion equivalent in 2001/2002.

The entire principal amount of A\$500 million has been swapped into US dollar floating rate liability under related currency liability swap transactions, the proceeds of which will be included in the ordinary capital resources of ADB and used in its nonconcessional operations. ■

## Canadian Fund to Manage Climate Change

The Canadian Government has agreed to establish a Fund on climate change to reduce the growth of greenhouse gas emissions in the Asia and Pacific region. The Canadian Cooperation Fund will have an initial Can\$5 million (US\$3.2 equivalent) and will be administered by the Asian Development Bank (ADB).

This is Canada's first fund with ADB and its first related to climate change. It will enable ADB to assist its developing member countries (DMCs) promote renewable energy and energy efficiency at programming and policy levels to manage and abate climate change.

The Canadian assistance dovetails with ADB's recently announced Long-Term Strategy that addresses environmental sustainability by putting environmental planning at the forefront of development planning as one of ADB's three crosscutting strategic themes to broaden and deepen the impact of poverty reduction interventions.

The fund will assist projects with potential access to treaty mechanisms, including the Global Environment Facility and Clean Development Mechanism. It will also support activities relating to carbon sequestration and adaptation to climate change. Grants from the fund will be used for project preparation, training and advisory services, institutional support, or other technical assistance services. This will be the first Canadian trust fund at a multilateral development bank from which grants will be provided on an untied basis.

Although ADB's DMCs are eligible for the fund, priority will be given to the People's Republic of China and India to reduce greenhouse gas emissions; Indonesia for carbon sequestration; and the Pacific Islands for operations to adapt to climate change. The fund reflects Canada's aim to contribute towards poverty reduction in the region through policy dialogue and collaborative programming with ADB supporting in managing climate change. ■

## Financial Resources

(as of 30 June 2001)

	US\$ Million
Outstanding Debt	24,116.39
Net Income After Appropriation to Special Reserve	469.58
Cumulative Resources	
Ordinary Capital Resources	
(i) Authorized Capital	43,845.57
(ii) Subscribed Capital	43,281.69
(a) Callable	40,237.53
(b) Paid-in	3,044.16
(iii) Outstanding Debt	24,116.39
(iv) Reserves and Unallocated Net Income	7,962.97
Special Funds Resources	
Asian Development Fund	
Total Committed	19,926.46
Amounts Available for Loan Commitments	18,382.20
Not Yet Available for Loan Commitments	1,252.50
ADF VII Commitment Authority	570.30
Technical Assistance Special Fund	
Total Committed	904.58
Amount Utilized	821.70
Amount Unutilized	82.88
Japan Special Fund	
Regular and Supplementary	
Total Committed	813.56
Amount Utilized	613.57
Amount Unutilized	199.99
Asian Currency Crisis Support Facility	
Total Committed	240.95
Amount Utilized	127.93
Amount Unutilized	113.02
ADB Institute Special Fund	
Total Committed	46.00
Amount Utilized	37.18
Amount Unutilized	8.82