

ADB Operations in Third Quarter of 2004 Total \$514.2 Million

In the third quarter of 2004, the Asian Development Bank (ADB) approved a total of \$514.2 million for its operations—\$471.6 million for loans, \$32.6 million for technical assistance to its developing member countries (DMCs), and \$10 million in equity investment.

Lending: Eight loans totaling \$471.6 million were approved for seven DMCs. Bulk of the total lending went to the People's Republic of China (PRC), which received \$312.5 million (66.26%) for its Hunan Road Development II Project. Other borrowers included Afghanistan, Lao People's Democratic Republic, Mongolia, Nepal, Tuvalu, and Uzbekistan.

Technical Assistance: Total technical assistance for the period amounted to \$32.6 million, of which \$25.77

million (about 79%) went to country-specific activities. Indonesia received \$5.15 million (15.8%), the largest among recipients of technical assistance, followed by the PRC at \$3.81 million, or 11.69%.

Equity Investments: ADB approved, in its private sector operations, a \$10 million equity investment in the PRC.

Cofinancing: During the period, cofinancing by category amounted to \$408.2 million. Of the total, \$329.2 million (or 80.41%) was for commercial cofinancing activities.

Loan Disbursements: Lending disbursed totaled \$700.42 million during the third quarter of 2004. Project loans accounted for about 61%, followed by program (20%) and sector (16.7%) loans. ■

Top Recipients of Technical Assistance Third Quarter 2004

	\$ Million	%
Indonesia	5.15	15.80
China, People's Rep. of	3.81	11.69
Afghanistan	2.75	8.44
India	2.75	8.44
Mongolia	1.85	5.68
Pakistan	1.29	3.96
Viet Nam	0.95	2.91
Uzbekistan	0.88	2.68
Bangladesh	0.84	2.58
Lao PDR	0.80	2.45
Other DMCs	4.70	14.42
Regional	6.83	20.95
TOTAL	32.60	100.00

ADB Plans Loans Totaling \$776 Million for Viet Nam During 2005-2006

The Asian Development Bank (ADB) plans to lend Viet Nam about \$776 million over the next 2 years, according to its country strategy and program (CSP) update for 2005–2006, endorsed by ADB's Board of Directors.

Viet Nam's outlook in the short and medium term is healthy. "Endowed with natural resources, enterprising people, and located between two huge markets - the Southeast Asian nations and the People's Republic of China - Viet Nam has great potential for further economic growth and poverty reduction," says Bradford Philips, ADB Country Director for Viet Nam.

Viet Nam's economy grew 7.1% in 2003, an improvement over the 6.4% achieved the previous year.

The proposed ADB loan total is based on annual commitments of \$178 million from its concessional Asian Development Fund, which supports the sustainable development of ADB's poorest members, and about \$210 million from its ordinary capital resources. In addition, \$79 million is planned for subregional projects.

ADB plans to provide technical assistance grants amounting to about \$5 million per year to address Viet Nam's capacity-building needs, project preparation, sector analysis, and institutional development needs. Since the resumption of operations in 1993 up to June 2004, ADB has provided 44 loans to Viet Nam amounting to \$2.6 billion and 148 TA grants totaling \$101.21 million. ■

Loan Disbursements Third Quarter 2004

	\$ Million	%
Private Sector	16.536	2.36
Program	140.342	20.04
Project	426.646	60.91
Sector	116.899	16.69
TOTAL	700.423	100.00

Loan Approvals Third Quarter 2004

Member/Project	\$ Million	Term (years) including Grace Period	Interest/Service Charge	Date Approved
Afghanistan				
Afghanistan Investment Guarantee Facility Project	5.00	40 (10)	1.0	24 Sep 04
China, People's Republic of				
Hunan Roads Development II Project	312.50	25 (5)	LIBOR ^a -based	09 Sep 04
Lao People's Democratic Republic				
Northern Community-Managed Irrigation Sector Project	10.00	32 (8)	1.0–1.5	05 Jul 04
Mongolia				
Regional Road Development Project	37.13	32 (8)	1.0–1.5	22 Jul 04
Nepal				
Decentralized Rural Infrastructure and Livelihood Project	40.00	32 (8)	1.0–1.5	24 Sep 04
Tuvalu				
Maritime Training Project (Supplementary)	1.97	32 (8)	1.0–1.5	03 Aug 04
Uzbekistan				
Woman and Child Health Development Project	40.00	25 (5)	LIBOR-based	23 Sep 04
Second Textbook Development Project	25.00	25 (5)	LIBOR-based	29 Sep 04
TOTAL	471.60			

^aLondon interbank offered rate.

Loan Disbursements Third Quarter 2004

	\$ Million			%
	OCR	ADF	TOTAL	
Afghanistan	-	0.90	0.90	0.13
Azerbaijan	-	-	-	-
Bangladesh	70.27	24.32	94.59	13.50
Bhutan	-	2.29	2.29	0.33
Cambodia	-	16.73	16.73	2.39
China, People's Republic of	123.09	-	123.09	17.57
Cook Islands	-	0.42	0.42	0.06
Fiji Islands	3.04	-	3.04	0.43
India	71.77	-	71.77	10.25
Indonesia	72.96	11.99	84.94	12.13
Kazakhstan	6.72	0.46	7.18	1.03
Kiribati	-	0.09	0.09	0.01
Korea, Republic of	-	-	-	-
Kyrgyz Republic	-	36.80	36.80	5.25
Lao People's Democratic Republic	-	15.25	15.25	2.18
Malaysia	0.69	-	0.69	0.10
Maldives	-	0.75	0.75	0.11
Marshall Islands	-	0.41	0.41	0.06
Micronesia, Federated States of	-	0.89	0.89	0.13
Mongolia	-	7.39	7.39	1.05
Myanmar	-	-	-	-
Nauru	-	-	-	-
Nepal	-	6.40	6.40	0.91
Pakistan	32.13	40.88	73.01	10.42
Papua New Guinea	1.82	1.34	3.16	0.45
Philippines	23.22	1.26	24.48	3.49
Regional	-	-	-	-
Samoa	-	0.76	0.76	0.11
Solomon Islands	-	0.06	0.06	0.01
Sri Lanka	4.72	32.31	37.03	5.29
Tajikistan	-	6.25	6.25	0.89
Thailand	7.38	-	7.38	1.05
Tonga	-	-	-	-
Tuvalu	-	0.01	0.01	0.00
Uzbekistan	41.33	0.32	41.65	5.95
Vanuatu	-	-	-	-
Viet Nam	6.84	26.21	33.05	4.72
TOTAL	465.96	234.46	700.42	100.00

Sharper Slowdown in the PRC Would have Moderate Impact on Asian Economies

The impact on Asian economies of a significantly sharper cut in investment in the People's Republic of China (PRC) would be moderate, according to a major Asian Development Bank (ADB) report issued today.

The ADB's Asian Development Outlook 2004 Update (ADO 2004 Update) said that efforts by the PRC Government to slow several key sectors of its surging economy by dampening fixed asset investment in those sectors are likely to produce a soft landing, with economic growth slowing from a rate of 8.8% forecast for 2004 to a more sustainable 7-8% from 2005.

However, there is a risk of a harder landing, ADO 2004 notes. To quantify the potential impact of a more serious slowdown in the PRC, ADB conducted an economic simulation exercise to assess the effects on Asian economies under several scenarios. In particular, the exercise examined the impact of a cut in real investment in the PRC

from 10.2% to 5.0% in 2005. The simulation exercise showed this would reduce the PRC's gross domestic product (GDP) growth for 2005 from an expected 8.0% to 6.0%, and its import growth from 8.9% to 7.0%.

As a result of such a reduction in the PRC's growth rate, Hong Kong, China would be most affected, with a loss of 0.95 percentage points of GDP. (ADO Update forecasts that Hong Kong, China's GDP growth rate in 2005 will be 6.0%, assuming the PRC grows at 8.0%.) The Republic of Korea; Taipei, China; and Singapore would experience losses in output of about 0.4 percentage points. Adverse growth effects on Southeast Asian nations, excluding Singapore, would be generally smaller, from 0.15-0.32 percentage points. Japan's GDP growth would decline by 0.24 percentage points. South Asia is most insulated from a PRC slowdown; its subregional growth rate would be clipped by 0.09 percentage points in 2005. ■

Borrowers by Country Third Quarter 2004

	\$ Million	%
China, People's Rep. of	312.50	66.26
Uzbekistan	65.00	13.78
Nepal	40.00	8.48
Mongolia	37.13	7.87
Lao PDR	10.00	2.12
Afghanistan	5.00	1.06
Tuvalu	1.97	0.43
TOTAL	471.60	100.00
Regional Activities	0.00	0.00
GRAND TOTAL	471.60	100.00

\$600 Million Earmarked for Afghanistan in Updated ADB Country Program

The Asian Development Bank (ADB) is planning to extend \$600 million in assistance to Afghanistan over the next 3 years, according to a Country Strategy and Program (CSP) Update for 2004-2006 endorsed by ADB's Board of Directors.

The loan pipeline, prepared in collaboration with the Government, totals \$570 million over the 3 years for 12 programs and projects, from ADB's concessional Asian Development Fund (ADF). Afghanistan's status as a postconflict country allows for up to 50% of this allocation to be provided in the form of grants. Additional grant assistance amounting to \$30 million will come from the ADB's technical assistance special fund.

The final lending allocations over the period will depend on country performance and resource availability.

Afghanistan has made good use of aid and is making good progress in recovery and rehabilitation after two decades of war and internal strife. But reconstruction and development will occur over a much longer horizon, requiring a fairly large lending program, the CSP says.

The 3-year program will thus continue to support economic growth, poverty reduction, and reconstruction and development.

ADB is following a three-pronged approach to supporting Afghanistan's reconstruction: building capacity, establishing an appropriate policy and institutional framework, and rehabilitating essential infrastructure.

"Despite daunting challenges, Afghanistan is undergoing one of the most promising phases of political and economic development in its recent history. Whether peace and stability are restored and progress toward political normalcy and economic renewal continues depends largely on the ability of the Kabul authorities to reconstruct an economy devastated by more than two decades of conflict and natural disaster, and to overcome a myriad of security and drug-related difficulties," says Craig Steffensen, Principal Country Program Specialist for Afghanistan. ■

Cofinancing Arrangements Third Quarter 2004

Loan	\$ Million	Source
Afghanistan		
Afghanistan Investment Guarantee Facility	5.00	World Bank
	10.00	Commercial lenders with ADB Political Risk Guarantee
	10.00	Commercial Lenders with MIGA Guarantee
China, People's Republic of		
Hunan Roads Development II	319.20	Domestic banks in the People's Republic of China (PRC)
Mongolia		
Regional Road Development	1.50	PRC
	23.90	Republic of Korea
Nepal		
Decentralized Rural Infrastructure and Livelihood	0.70	Germany
	1.90	Switzerland
Uzbekistan		
Women and Child Health Development	6.00	Japan
	40.00	World Bank
Total Loans	418.20	
Technical Assistance		
Cambodia		
Capacity Building for the Tonle Sap Poverty Reduction Initiative	0.50	Poverty Reduction Cooperation Fund (PRF)
Preventing Poverty and Empowering Female Garment Workers Affected by the Changing International Trade Environment	0.10	PRF
China, People's Republic of		
Rural Income and Sustainable Development	0.90	PRF
India		
North Eastern State Roads	0.80	United Kingdom
West Bengal Development Finance	0.80	United Kingdom
Indonesia		
Financing Integrated Settlements Development	0.80	United Kingdom
Integrated Coastal Fisheries Resource Management	0.79	United Kingdom
SSTA Institutionalization of Participatory Approaches to Shelter Provision	0.05	United Kingdom
Lao People's Democratic Republic		
Marketing Support for Organic Produce of Ethnic Minorities	0.60	PRF
Mongolia		
Establishing an Effective Anti-Money Laundering Regime	0.29	Spain
Participatory Poverty Assessment and Monitoring	0.30	Cooperation Fund for National Poverty Reduction Strategies (NPRS)
Nepal		
Promoting Pro-Poor and Gender Responsive Service Delivery	0.20	PRF
Pakistan		
Balochistan Rural Development and Drought Mitigation	0.30	Denmark
Papua New Guinea		
Strengthening the Capacity of the Parliamentary Accounts Committee	0.20	Australia
Viet Nam		
Upper Secondary and Professional Teacher Development	0.25	Denmark
Regional		
Building Capacity for Participatory Approaches to Poverty Reduction in ADB Productions	0.30	NPRS
	0.30	PRF
Establishing Legal Identity for Social Inclusion	0.58	PRF
Mainstreaming Gender into Poverty Reduction Strategies in Four Central Asian Republics	0.35	NPRS
Total Technical Assistance	8.41	
TOTAL	426.61	

Technical Assistance by Sector Third Quarter 2004^a

	\$ Million	%
Agriculture and Natural Resources	6.19	24.02
Education	1.80	6.98
Energy	3.05	11.84
Finance	1.73	6.70
Health, Nutrition and Social Protection	1.05	4.08
Industry and Trade	0.10	0.39
Law, Economic Management and Public Policy	3.68	14.26
Transport and Communications	5.74	22.28
Water Supply, Sanitation and Waste Management	0.78	3.01
Multisector	1.66	6.44
TOTAL	25.77	100.00

^aExcluding regional technical assistance.

ADB Earmarks \$40 Million per Year for Fiji From 2005 to 2007

The Asian Development Bank (ADB) will lend about \$40 million per year to the Fiji Islands over the next 3 years for infrastructure and development projects, according to a Country Strategy and Program (CSP) Update for 2005-2007 endorsed by ADB's Board of Directors.

ADB's overall strategy for the Fiji Islands aims to promote economic growth and improve the quality of life. For 2005-2007, the strategy focuses specifically on physical infrastructure development in key sectors, promoting good governance, and supporting increased private sector participation.

The country's economy expanded for the third straight year in 2003. Gross domestic product growth accelerated to 5% from 4.1% in 2002, mainly due to buoyant consumer spending and an increase in tourist arrivals. Growth in 2004 is projected to be 4.5-5%.

"The Government has made considerable progress in accelerating growth and restoring political harmony, but there is much more to be done," says Kunhambo Kannan, an ADB Principal Country Programs Specialist. "The Fiji Islands faces enormous challenges."

The lending program will be complemented by technical assistance (TA) grants amounting to \$1.5 million per year. The TAs' focus will largely be on improving public sector efficiency, with grants included for supporting private sector development and strengthening Fiji's Stock Exchange.

Since joining ADB in 1970, ADB has approved 15 loans to the Fiji Islands amounting to \$217.3 million and 72 TAs totaling \$23.1 million. A full CSP is planned to be undertaken in 2005 jointly with the Government. ■

Regional Technical Assistance Third Quarter 2004

	\$'000		Date Approved
Building Capacity for Participatory Approaches to Poverty Reduction in ADB Operations	300.00	NPRS	14 Jul
	300.00	PRF	
Mainstreaming Gender into Poverty Reduction Strategies in Four Central Asia Republics	350.00	NPRS	14 Jul
E-Rural Demonstration in the Pacific	230.00	TASF	15 Jul
Greater Mekong Subregion Tourism Sector Strategy	800.00	TASF	16 Jul
Preparation of the Asian Environment Outlook 2005: Corporate Responsibility for Environmental Performance in Asia and the Pacific	400.00	TASF	20 Jul
2004-2006 Orientation Program for Officials of the Asian Development Bank's Developing Member Countries	725.00	TASF	23 Jul
Development of International Prudential Standards for Islamic Financial Services	400.00	TASF	27 Jul
Strengthening and Collection of Purchasing Power Parity Data in Selected DMCs (Supplementary)	450.00	JSF	30 Jul
Fourteenth Tax Conference	150.00	JSF	9 Aug
Central Asia Regional Cooperation in Trade, Transport and Transit	350.00	TASF	20 Aug
Regional Workshops in Preparation for the Second High-Level Forum on Harmonization and Alignment for Aid Effectiveness	150.00	TASF	30 Aug
Strengthening the Greater Mekong Subregion Economic Cooperation Program	1,000.00	TASF	23 Sep
Promoting South Asian Regional Economic Cooperation	500.00	TASF	27 Sep
Establishing Legal Identity for Social Inclusion	575.00	PRF	30 Sep
Supporting Network of Research Institutes and Think Tanks in South Asia	150.00	TASF	30 Sep
TOTAL	6,830.00		

JSF=Japan Special Fund; NPRS=National Poverty Reduction Strategies; PRF=Poverty Reduction Fund; TASF=Technical Assistance Special Fund.

Private Sector Operations Third Quarter 2004

	Loan	Equity Investment	Total ADB Funds	Complementary Loan	Partial Credit Guarantee	Political Risk Guarantee	Total ADB Approvals	Project Cost
Afghanistan								
Afghanistan Investment Guarantee Facility	-	-	-	-	-	10,000	10,000	60,000
China, People's Republic of								
Shenzhen Orientwise Guarantee & Investment Company, Ltd.	-	10,000	10,000	-	-	-	10,000	30,000
TOTAL	-	10,000	10,000	-	-	10,000	20,000	90,000

Technical Assistance by Purpose Third Quarter 2004

	\$ Million	%
Advisory	11.29	34.64
Project Preparatory	14.48	44.41
Regional	6.83	20.95
TOTAL	32.60	100.00

38th Annual Meeting
ADB's Board of Governors
Istanbul, Turkey
4-6 May 2005

www.adb.org/AnnualMeeting/2005

Loans by Sector Third Quarter 2004

	\$ Million	%
Agriculture and Natural Resources	50.00	10.60
Education	26.97	5.72
Energy	0.00	0.00
Finance	0.00	0.00
Health, Nutrition, and Social Protection	40.00	8.48
Industry and Trade	0.00	0.00
Law, Economic Management, and Public Policy	0.00	0.00
Transport and Communications	349.63	74.14
Water Supply, Sanitation, and Waste Management	0.00	0.00
Multisector	5.00	1.06
TOTAL	471.60	100.00

Cofinancing by Category Third Quarter 2004

	\$ Million	%
Commercial	339.20	81.11
Export Credit	-	-
Official	79.00	18.89
TOTAL	418.20	100.00

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