

ADB Lending in 2004 Totaled \$5.3 Billion, Assistance in Private Sector Up by 49%

The Asian Development Bank (ADB)'s lending in 2004 amounted to \$5.3 billion, about 13% lower compared with the 2003 lending figure of \$6.1 billion. The decrease was due to lower lending to ADB developing member countries (DMCs): Bangladesh, People's Republic of China (PRC), India, and Pakistan, according to *Annual Report 2004*.

ADB ended the year, however, with more approved assistance in the private sector (total: \$807.2 million). This represented a 49% increase over 2003 assistance (\$542.7 million).

This transpired even as donor members endorsed during 2004 the Asian Development Fund (ADF) IX program of \$7 billion—significantly higher than the \$5.7 billion agreed during ADF VIII.

Loan size in 2004 averaged \$66.0 million, compared with \$72.0 million in 2003. Twenty DMCs and one regional project received loans.

The PRC and India were top borrowers: each received \$1.3 billion (24%) of the total. Pakistan (\$709 million or 13%) and the Philippines (\$446 million or 8%) were also large borrowers for the year.

The transport and communications sector got the largest lending share at \$2,030.9 million (38%), followed by energy (\$761.8 million), and law, economic management, and public policy \$584.4 million (11%).

For 2004, ADB approved 323 technical assistance grants amounting to about \$196.6 million: \$46.2 million for project preparatory, \$108.1 million for advisory purposes, and \$42.3 million for regional activities.

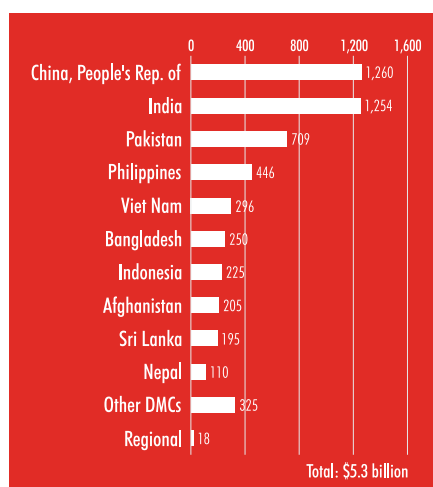
Grants mobilized in 2004 totaled \$191.0 million, of which \$99.4 million were ADB-administered for 26 projects and \$91.6 million were parallel cofinancing from multilateral and bilateral institutions for 7 projects.

Cofinancing and guarantee operations for the year amounted to about \$2.4 billion, representing about 46% of ADB's total lending of \$5.3 billion. Bulk went to the PRC, which received \$1.0 billion primarily from its domestic

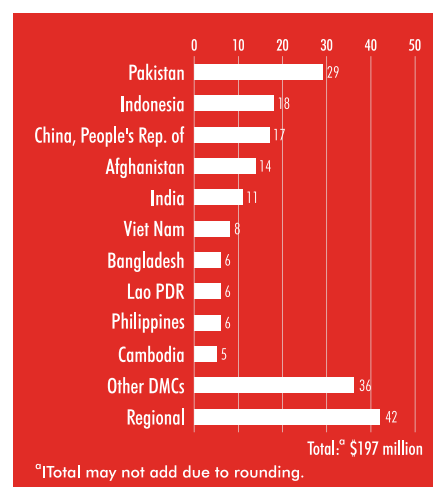
financial institutions, followed by India (\$811.0 million) and Viet Nam (\$298.0 million).

Of the total \$3.6 billion disbursed, \$2.4 billion (68%) were for public sector project loans. Public sector program and sector loans, and private sector loans received the rest.

Twelve equity investments for regional investment funds and financial institutions totaling \$185 million were also approved. ■



TOP BORROWERS, 2004
(\$ million)



TOP RECIPIENTS OF TECHNICAL ASSISTANCE, 2004
(\$ million)

Technical Assistance by Sector 2004^a

	\$ Million	% ^b
Agriculture and Natural Resources	27.18	17.6
Education	8.28	5.4
Energy	15.08	9.8
Finance	10.28	6.7
Health, Nutrition, and Social Protection	4.67	3.0
Industry and Trade	7.75	5.0
Law, Economic Management, and Public Policy	28.63	18.6
Transport and Communications	15.89	10.3
Water Supply, Sanitation, and Waste Management	9.07	5.9
Multisector	27.45	17.8
TOTAL	154.27	100.00

^a Excluding regional technical assistance.

^b Total may not add due to rounding.

Loans by Sector 2004

	\$ Million	% ^a
Agriculture and Natural Resources	198.72	3.75
Education	277.88	5.25
Energy	761.80	14.39
Finance	337.50	6.38
Health, Nutrition, and Social Protection	273.00	5.16
Industry and Trade	148.20	2.80
Law, Economic Management, and Public Policy	584.40	11.04
Transport and Communications	2,030.94	38.37
Water Supply, Sanitation, and Waste Management	30.00	0.57
Multisector	651.00	12.30
TOTAL	5,293.44	100.00

^a Total may not add due to rounding.

ADB Operations 2004

	\$ Million		%
	2003 ^a	2004	
Lending	6,084.8	5,293.4	(13.0)
Public	5,917.8	4,946.5	(16.4)
OCR	4,538.7	3,704.5	(18.4)
ADF	1,379.2	1,242.0	(9.9)
Private	167.0	346.9	107.7
Equity			
Investments	35.7	185.0	418.2
Technical Assistance	175.2	196.6	12.2
TOTAL^b	6,295.7	5,675.0	(10.9)

() Negative.

^a Adjusted to reflect terminated loan and TAs.

^b Total may not add due to rounding.

In this publication, \$ refers to US dollars.

Loan Disbursements Fourth Quarter 2004

	\$ Million	%
Private Sector	61.56	3.63
Program	797.62	47.04
Project	704.41	41.54
Sector	132.06	7.79
TOTAL	1,695.64	100.00

ADB Extends up to \$325 Million in Immediate Assistance to Tsunami-Hit Countries

The Asian Development Bank (ADB) has announced that up to \$325 million will be made immediately available in response to requests from Indonesia, Sri Lanka, and Maldives to help finance priority reconstruction and rehabilitation work following the tsunami disaster on Sunday, 26 December.

An estimated \$175 million of these funds can be quickly reprogrammed from existing operations in the three countries, while up to an additional \$150 million of new lending commitments could be drawn immediately from the Bank's highly concessional lending window, the Asian Development Fund. In both cases, the principal objective is to ensure rapid disbursement during the coming critical two to four months.

"This is an unprecedented disaster and we are moving quickly to assist these countries in their hour of need," said then President Tadao Chino.

Bank teams are in place and working actively to identify high-priority operations effectively in the near term, as well as help lay the basis for the more extensive and comprehensive reconstruction work that must get underway during the next six months.

ADB management and staff are working closely in all of these efforts with the governments of affected countries, as well as with partner organizations such as World Bank, United Nations, and bilateral agencies. Joint work to prepare more detailed damage and reconstruction needs assessments is underway and will be intensified as conditions permit. ■

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Loan Approvals Fourth Quarter 2004

Member/Project	\$ Million	Term (years) including Grace Period	Interest/ Service Charge	Date Approved
Afghanistan				
Roshan Cellular Telecommunications Project*	35.00	6 (2)	LIBOR ^B -based	4 Nov
Regional Airports Rehabilitation Project Phase I	30.00	40 (10)	1.0	23 Nov
Andkhoy-Qaisar Road Project	80.00	40 (10)	1.0	15 Dec
Azerbaijan				
Urban Water Supply and Sanitation Project	20.00	32 (8)	1.0/1.5	7 Dec
Urban Water Supply and Sanitation Project	10.00	25 (6)	LIBOR-based	7 Dec
Bangladesh				
Teaching Quality Improvement in Secondary Education Project	68.91	32 (8)	1.0/1.5	9 Nov
Secondary Towns Integrated Flood Protection Project Phase II	80.00	32 (8)	1.0/1.5	2 Dec
Chittagong Port Trade Facilitation Project	30.60	25 (5)	LIBOR-based	20 Dec
Small and Medium Enterprise Sector Development Program (Program Loan)	15.00	24 (8)	1.0/1.5	20 Dec
Small and Medium Enterprise Sector Development Program (Project Loan)	30.00	32 (8)	1.0/1.5	20 Dec
Small and Medium Enterprise Sector Development Program (TA Loan)	5.00	32 (8)	1.0/1.5	20 Dec
Cambodia				
Second Education Sector Development Program (Program Loan)	20.00	24 (8)	1.0/1.5	9 Dec
Second Education Sector Development Program (Project Loan)	25.00	32 (8)	1.0/1.5	9 Dec
Small and Medium Enterprise Development Program	20.00	24 (8)	1.0/1.5	14 Dec
China, People's Republic of				
Guangxi Roads Development II Project	200.00	24 (4)	LIBOR-based	21 Oct
Liaoning Environmental Improvement Project	70.00	25 (5)	LIBOR-based	25 Nov
Dali-Lijiang Railway Project	180.00	25 (5)	LIBOR-based	2 Dec
Gansu Roads Development Project	300.00	25 (5)	LIBOR-based	13 Dec
Coal Mine Methane Development Project	117.40	24 (4)	LIBOR-based	20 Dec
India				
Torrent Combined-Cycle Power Project*	54.40	15.5 (3.5)	c	25 Nov
Assam Governance and Public Resource Management Sector Development Program (Subprogram I)	125.00	15 (3)	LIBOR-based	16 Dec
Assam Governance and Public Resource Management Project	25.00	25 (5)	LIBOR-based	16 Dec
Multisector Project for Infrastructure Rehabilitation in Jammu and Kashmir	250.00	25 (5)	LIBOR-based	21 Dec
Power Grid Transmission (Sector) Project	400.00	20 (5)	LIBOR-based	21 Dec
National Highway Sector II Project	400.00	25 (5)	LIBOR-based	21 Dec
Indonesia				
State Audit Reform Sector Development Program (Program Loan)	200.00	15 (3)	LIBOR-based	13 Dec
State Audit Reform Sector Development Program (Project Loan)	25.00	32 (8)	1.0/1.5	13 Dec
Kyrgyz Republic				
Southern Transport Corridor Road Rehabilitation Project	32.80	32 (8)	1.0/1.5	23 Nov
Micronesia, Federated States of				
Omnibus Infrastructure Development Project	14.20	32 (8)	1.0/1.5	5 Nov
Omnibus Infrastructure Development Project	4.80	25 (5)	LIBOR-based	5 Nov
Nepal				
Subregional Transport Facilitation Project	20.00	32 (8)	1.0/1.5	4 Nov
Community-Managed Irrigated Agriculture Sector Project	20.00	32 (8)	1.0/1.5	17 Nov
Skills for Employment Project	20.00	32 (8)	1.0/1.5	25 Nov
Gender Equality and Empowerment of Women Project	10.00	32 (8)	1.0/1.5	16 Dec
Pakistan				
North-West Frontier Province Road Development Sector and Subregional Connectivity Project	296.20	25 (5)	LIBOR-based	18 Nov
North-West Frontier Province Road Development Sector and Subregional Connectivity Project	5.00	32 (8)	1.0/1.5	18 Nov
Balochistan Resource Management Program	110.00	15 (3)	LIBOR-based	25 Nov
Balochistan Resource Management Program	20.00	24 (8)	1.0/1.5	25 Nov

Loan Approvals Fourth Quarter 2004 (Continued from page II)

Member/Project	\$ Million	Term (years) including Grace Period	Interest/Service Charge	Date Approved
Pakistan				
Supporting Public Resource Management Reforms in Balochistan	3.00	32 (8)	1.0/1.5	25 Nov
Restructuring of the Technical Education and Vocational Training System Project (Balochistan Province)	16.00	32 (8)	1.0/1.5	14 Dec
Sustainable Livelihoods in Barani Areas Project	41.00	32 (8)	1.0/1.5	14 Dec
Restructuring of the Technical Education and Vocational Training System Project (North-West Frontier Province)	11.00	32 (8)	1.0/1.5	14 Dec
Punjab Devolved Social Services Program	75.00	15 (3)	LIBOR-based	20 Dec
Punjab Devolved Social Services Program	75.00	24 (8)	1.0/1.5	20 Dec
Multisector Rehabilitation and Improvement Project for Azad Jammu and Kashmir	57.00	32 (8)	1.0/1.5	21 Dec
Philippines				
Health Sector Development Program (Program Loan)	200.00	15 (3)	LIBOR-based	15 Dec
Health Sector Development Program (Project Loan)	13.00	26 (6)	LIBOR-based	15 Dec
Purchase and Resolution of National Home Mortgage Finance Corporation's Portfolio of Nonperforming Loans ^a	33.00	6 (1.5/2)	^d	17 Dec
Regional				
Regional Customs Modernization and Infrastructure Development Project (Kyrgyz Republic)	7.50	32 (8)	1.0/1.5	26 Nov
Regional Customs Modernization and Infrastructure Development Project (Tajikistan)	10.70	32 (8)	1.0/1.5	26 Nov
Sri Lanka				
Secondary Education Modernization Project II	35.00	32 (8)	1.0/1.5	25 Oct
Fiscal Management Reform Program (Program Loan)	45.00	15 (3)	LIBOR-based	14 Dec
Strengthening of the Fiscal Management Institutions Project	10.00	32 (8)	1.0/1.5	14 Dec
Modernization of the Revenue Administration Project	15.00	25 (5)	LIBOR-based	14 Dec
Financial Markets Program for Private Sector Development (Program Loan)	60.00	15 (3)	LIBOR-based	15 Dec
Financial Markets Program for Private Sector Development (TA Loan)	5.00	32 (8)	1.0/1.5	15 Dec
Tajikistan				
Irrigation Rehabilitation Project	22.72	32 (8)	1.0/1.5	10 Dec
Viet Nam				
Small and Medium-Sized Enterprise Development Program (Subprogram I)	60.00	24 (8)	1.0/1.5	21 Oct
Second Lower Secondary Education Development Project	55.00	32 (8)	1.0/1.5	26 Nov
Second Financial Sector Program (Subprogram II)	35.00	24 (8)	1.0/1.5	3 Dec
Support to Implementation of Poverty Reduction Program	6.40	24 (8)	1.0/1.5	9 Dec
Northern Power Transmission Sector Project	120.00	25 (5)	LIBOR-based	13 Dec
TOTAL		4,380.63		

^aPrivate sector loan.

^bLondon interbank offered rate.

^cTo be determined based on the procedures applicable to ADB local currency loans for private sector operations.

^dBased on a suitable Philippine government securities benchmark rate plus a commercially priced spread.

ADB Prices \$1 Billion 10-Year Global Bond Issue

The Asian Development Bank (ADB) returned to the US dollar global bond market with a \$1 billion 10-year Global benchmark bond issue in October 2004.

The issue was conducted via Lead Managers Citigroup, Daiwa SMBC, and UBS. A syndicate group was formed with CSFB, Goldman Sachs, HSBC, JP Morgan, Morgan Stanley, and Nomura International as Co-lead managers. The bonds, with a coupon rate of 4.25% per annum payable semiannually and maturity date of 20 October 2014, were priced at 99.252% to yield 23 basis points over the 4.250% US Treasury due August 2014.

The deal marks ADB's first in the US dollar global bond

market since January 2003, when it launched its highly successful \$1 billion 2.375% Global Bonds due 15 March 2006.

"The transaction reflects ADB's core funding strategy of maintaining a strong presence in key currency bond markets through regular issuance of liquid benchmark global bonds," says Mikio Kashiwagi, ADB Treasurer.

With volatility in the Treasury market continuing since the beginning of the year, issuance opportunities in the 10-year sector have been infrequent. However, the demand has been very strong when the market direction is right.

With the recent sell off in the Treasury market followed by a market friendly US payroll report, investors have felt

ADB Approves \$400 Million Loan for India's North-South Corridor

The Asian Development Bank (ADB) will help improve key sections of the strategic north-south corridor in India to boost transport efficiency and expand economic opportunities, through a loan approved for \$400 million.

The project will upgrade and increase the capacity of 566 kilometers of key national arterial roads along the north-south corridor to enable the road network to meet growing traffic demand for up to 20 years.

It will cover 313 km of National Highway 26, from Lalitpur to Lakhnadon, and 253 km of National Highway 7, between Kurnool and the Andhra Pradesh-Karnataka border.

The project will also help improve the efficiency of the National Highways Authority of India (NHAI) by strengthening project management and updating the standards and the code of practice for the planning, design, construction, and maintenance of highways.

The 4,000 km north-south corridor is one of three key highways the Government has earmarked for the \$13 billion National Highways Development Program (NHDP), to be completed by 2007. The other two are the 6,000 km Golden Quadrilateral and the 3,300 km east-west corridor. The Government is considering upgrading an additional 10,000 km of roads under the program.

ADB has supported the NHDP since 2000 with a series of loans totaling \$1.54 billion to cover 12% of the total program cost. The loans are being processed at the rate of one project per year, with this project the fifth in the series, supporting the last stage of the NHAI institutional strengthening program.

"The project will shorten travel routes, reduce the risk of road accidents, and remove delays and hold-ups at railway crossings and major road intersections. Overall, it will help provide efficient transport that will contribute to economic growth," says Sri Widowati, an ADB Senior Project Specialist.

"A program of this magnitude requires broad-based policy actions, from building project implementation capacity, increasing private sector participation, to improving operation and maintenance, and ensuring good project implementation and sustainability. Thus, enhancing NHAI's efficiency is a key challenge." ■

the need to add to the duration of their portfolios making the 10-year sector very attractive. In addition, issuance in the supranational sector has been relatively light over recent months, while the demand for safe, stable instruments from top quality names has been high.

This favorable backdrop, combined with extensive roadshows across Asia and the United States prior to the launch, contributed to an oversubscribed book, with about \$1.2 billion of orders at pricing.

As with previous benchmark transactions, the issue achieved broad primary market distribution with 45% of the bonds placed in non-Japan Asia, 21% in Japan, 20% in the US, and 14% in Europe. By investor types, 42% of the bonds went to Central Banks and Government Institutions, 36% to Bank Treasuries, 18% to Fund Managers, and 4% Other. ■

\$4.6 Billion for ADB Operations in Fourth Quarter of 2004

Total operations of the Asian Development Bank (ADB) in the fourth quarter of 2004 amounted to \$4.6 billion, comprising loans, technical assistance, and equity investments.

Lending: For the fourth quarter of 2004, ADB approved loans totaling \$4.38 billion for its developing member countries (DMCs), including two loans for a regional infrastructure development project. India, with more than \$1.2 billion, or about 28.64% of the total, was the largest borrower among the DMCs, followed by the People's Republic of China (PRC) with \$867.4 million (19.80%) and Pakistan, \$709.2 million (16.19%). The transport and communications sector accounted for 36.74% (more than \$1.6 billion) of the total loans approved. This was followed by the energy sector, with \$761.8 million, or 17.39%.

Technical Assistance: Total technical assistance for the period amounted to \$136.55 million, with \$108 million intended for DMC-specific projects and \$28.55 million for regional activities. Pakistan was the top recipient at \$27.08 million (19.83% of total), followed by Indonesia receiving \$11.53 million (8.44% of total). Bulk of technical assistance grants by sector went to multisector, with \$23.73 million (17.38%), followed by law, economic management and public policy sector with \$22.12 million (16.20%).

Equity Investments: For its private sector operations, ADB approved equity investments in the PRC, India, and Philippines valued at \$86.6 million.

Cofinancing: During the period, ADB mobilized resources from official and commercial sources totaling \$1.69 billion. Of the total, \$1.63 billion was for numerous loan projects and \$59.4 million for DMC-specific and regional technical assistance projects.

Loan Disbursement: Lending disbursed during the period totaled almost \$1.7 billion, with program loans accounting for 47.04% (\$797.6 million), followed by project loans, with 41.54% (\$704.4 million). ■

Loan Projects Involving Cofinancing Fourth Quarter 2004

	\$ Million	Source
Afghanistan		
Regional Airports Rehabilitation Phase I	2.00	United Nations Office of Project Services (UNOPS)
Roshan Cellular Telecommunications	36.10	Vendor debt-financed
Bangladesh		
Secondary Towns Integrated Flood Protection Phase 2	15.00	OPEC Fund for International Development (OPEC Fund)
Small and Medium Enterprise Sector Development Program	10.00	World Bank
Teaching Quality Improvement for Secondary Education	18.00	Canada
China, People's Republic of		
Coal Mine Methane Development	37.90	Industrial Commercial Bank of China, People's Republic of China (PRC)
	20.00	Japan
	0.50	United States Trade Development Agency (USTDA)
Dali-Lijiang Railway	40.00	France
Gansu Roads Development	263.40	China Development Bank (CDB), PRC
		CDB, PRC
Guangxi Roads Development II	271.40	Domestic banks in PRC
Liaoning Environment Improvement	30.74	
India		
Rajasthan Urban Infrastructure Development	85.00	Japan
Torrent Combined Cycle Power	427.00	Commercial banks in India
Indonesia		
State Audit Reform Sector Development Program	5.00	The Netherlands
Kyrgyz Republic		
Southern Transport Corridor Road Rehabilitation	4.00	OPEC Fund
Nepal		
Community-Managed Irrigated Agriculture Sector	7.00	OPEC Fund
Pakistan		
Supporting Public Resource Management Reforms in Balochistan	1.92	The Netherlands
Punjab Devolved Social Services Program	30.00	United Kingdom
Philippines		
National Home Mortgage Finance Corporation's Portfolio of Nonperforming Loans	40.60	World Bank
Viet Nam		
Second Financial Sector Program Subprogram II	15.50	France
Northern Power Transmission (Sector)	50.00	France
SME Development Program Loan (Subprogram I)	18.00	France
	17.00	Germany
	5.00	Canada
Support to Implementation of Poverty Reduction Program	10.00	Denmark
	36.00	United Kingdom
	18.00	European Commission
	100.00	World Bank
	18.00	Japan
	5.00	The Netherlands
TOTAL	1,638.06	

Private Sector Operations Fourth Quarter 2004

	Loan	Equity Investment	Total ADB Funds	Complementary Loan	Partial Credit Guarantee	Political Risk Guarantee	Total ADB Approvals	Project Cost
Afghanistan								
Telecom Development Company Afghanistan B.V.	35.00	–	35.00	–	–	–	35.00	165.50
China, People's Republic of								
Actis China Fund 2 LP	–	45.00	45.00	–	–	–	45.00	200.00
India								
Torrent Power Generation, Ltd.	54.40	20.60	75.00	–	–	–	75.00	724.00
Baring India Private Equity Fund	–	20.00	20.00	–	–	–	20.00	150.00
Philippines								
NHMFC NPL Disposition	33.00	1.00	34.00	–	–	–	34.00	250.00
TOTAL	122.40	86.60	209.00	–	–	–	209.00	1,489.50