



August 2009

ADB's Response to the Global Economic Crisis: An Update

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADBI	–	Asian Development Bank Institute
ADF	–	Asian Development Fund
ADO	–	Asian Development Outlook
ASEAN	–	Association of Southeast Asian Nations
CSF	–	countercyclical support facility
DEG	–	Deutsche Investitions- und Entwicklungsgesellschaft mbH
DMC	–	developing member country
FY	–	fiscal year
GDP	–	gross domestic product
IFC	–	International Finance Corporation
IMF	–	International Monetary Fund
KfW	–	Kreditanstalt für Wiederaufbau (Reconstruction Credit Institute)
MOF	–	Ministry of Finance
PLN	–	Perusahaan Listrik Negara (State Electricity Company)
PRC	–	People's Republic of China
SBA	–	Stand-By Arrangement
TA	–	technical assistance
TFFP	–	Trade Finance Facilitation Program

NOTES

- (i) FY before a year denotes the year in which the fiscal year ends.
- (ii) In this report, "\$" refers to US dollars

Director General	K. Sakai, Strategy and Policy Department (SPD)
Director	I. Bhushan, Strategic Planning, Policy and Interagency Relations Division, SPD
Team leader	S. Hattori, Principal Planning and Policy Specialist, SPD
Team member	G. Umali, Senior Strategy and Policy Officer, SPD L. Sillorequez, Administrative Assistant, SPD

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
I. INTRODUCTION	1
II. OVERVIEW OF THE 2009 AND 2010 ECONOMIC OUTLOOK	1
III. POLICY RESPONSES BY GOVERNMENTS	6
A. Monetary Policy	6
B. Fiscal Measures	7
C. Mitigating the Social Impact	9
IV. ADB'S RESPONSE TO THE CRISIS	10
A. Additional Resources for Responding to the Crisis	13
B. Innovative Use of Existing Modalities	14
C. Support to the Private Sector	15
D. Policy Advice and Knowledge Sharing	16
E. Strengthening Regional Cooperation	17
V. CONCLUSION	17
APPENDIX	
Crisis-related Lending Assistance	18

I. INTRODUCTION

1. This paper provides an update to the Board information paper circulated in January 2009¹ and the paper released in May 2009² on the Asian Development Bank (ADB) response to the present global economic crisis. A brief overview of the economic outlook for the rest of 2009 and 2010 and how the countries are responding to the crisis are also provided.³

II. OVERVIEW OF THE 2009 AND 2010 ECONOMIC OUTLOOK

2. The overall external environment for developing Asia remains difficult and uncertain, with the recession in advanced economies continuing. Economic growth in developing Asia dropped sharply in the first quarter of 2009, but early indicators suggest the pace of decline slowed during the second quarter and the transition to recovery may be underway. Inflation across the region continued to decline—with several economies entering deflation—due to weak demand and lower oil and food prices.

3. Global financial conditions are improving yet remain tight. Developing Asia's stock markets rebounded strongly in the first half of 2009, rising more than 50% from their November 2008 troughs. Several currencies in the region have appreciated against the US dollar as investors regain their risk appetite, while others depreciated reflecting domestic economic weakness.

4. There are signs that developing Asia has entered a recovery. With growth in gross domestic product (GDP) originating more from domestic stimulus than a resurgence in external demand, however, any improvement in 2009 is likely to be modest. As of March 2009, *Asian Development Outlook (ADO) 2009*⁴ forecast economic growth in developing Asia to drop to 3.4% in 2009 from last year's 6.1% before returning to 6% in 2010. The International Monetary Fund (IMF) and World Bank recently announced revised global forecasts showing upward revisions for most developing Asian economies. Nevertheless, as shown in the table below, their projections of overall growth for the region are still more pessimistic than that of ADO 2009. ADB forecasts are being reviewed as part of the ADO 2009 Update, to be published in September 2009.

5. The impact of the crisis has varied across developing Asia, largely depending on each country's degree of (i) integration into the global financial markets, (ii) reliance on external demand, and (iii) sensitivity to commodity price fluctuations.

¹ ADB. 2009. *Global Financial Crisis and Proposed ADB Response*. Manila.

² ADB. 2009. *The Global Economic Crisis: Challenges for Developing Asia and ADB's Response*. Manila.

³ Discussions on the 2009 and 2010 economic outlook and policy responses to the crisis by selected developing member countries (DMCs) were prepared by staff of the Economics and Research Department and the Office of Regional Economic Integration as of 17 July 2009. Inputs from the Regional Departments as of 30 July 2009 were also incorporated.

⁴ ADB. 2009. *Asian Development Outlook 2009*. Manila.

**Comparison of Growth Projections for Selected Countries
in Developing Asia, 2009–2010**
(%)

Region/Country	2009				2010		
	Actual 1st Qtr	ADO 2009	IMF	WB	ADO 2009	IMF	WB
Developing Asia		3.4	3.0	2.5	6.0	5.5	5.6
Central Asia		3.9	0.4	0.05	4.8	4.1	2.4
Armenia	-6.1	0.5	-5.0	-6.0	3.0	0.0	-2.0
Azerbaijan	4.1	8.0	2.5	3.3	6.7	12.3	5.2
Georgia	-5.9	2.5	1.0	1.0	6.0	3.0	2.0
Kazakhstan	-2.2	2.0	-2.0	-1.5	3.3	1.5	1.5
Kyrgyz Republic	0.2	4.0	0.9	0.5	6.0	2.9	2.5
Uzbekistan	7.9	7.0	7.0	4.5	6.5	7.0	5.0
East Asia		3.6	3.5	2.8	6.5	6.2	5.9
China, People's Rep. of	6.1	7.0	7.5	7.2	8.0	8.5	7.7
Hong Kong, China	-7.8	-2.0	-4.5	-5.5	3.0	0.5	2.0
Korea, Rep. of	-4.2	-3.0	-3.0	-5.0	4.0	2.5	2.5
Mongolia	—	3.0	2.7	—	4.5	4.3	—
Taipei, China	-10.2	-4.0	-7.5	-8.5	2.4	0.0	2.0
South Asia^a		4.8	5.0	4.6	6.1	6.0	7.1
Afghanistan	—	9.0	9.0	—	7.5	7.0	—
Bangladesh	—	5.6	5.0	5.0	5.2	5.4	4.5
India	4.1	5.0	5.4	5.1	6.5	6.5	8.0
Nepal	—	3.0	3.6	3.0	3.5	3.3	3.5
Pakistan	—	2.8	2.5	1.0	4.0	3.5	2.5
Sri Lanka	1.5	4.5	2.2	2.5	6.0	3.6	4.0
Southeast Asia		0.7	-1.2	-1.0	4.2	2.1	3.3
Cambodia	—	2.5	-0.5	1.0	4.0	3.0	3.0
Indonesia	4.4	3.6	3.5	3.5	5.0	3.5	5.0
Lao People's Dem. Rep.	—	5.5	4.4	5.0	5.7	4.7	8.0
Malaysia	-6.2	-0.2	-3.5	-4.4	4.4	1.3	2.2
Philippines	0.4	2.5	-1.0	-0.5	3.5	2.5	2.4
Singapore	-9.6	-5.0	-10.0	-8.0	3.5	-0.1	2.0
Thailand	-7.1	-2.0	-3.0	-3.2	3.0	1.0	2.2
Viet Nam	3.1	4.5	3.3	3.5	6.5	4.0	5.0
Pacific		3.0	2.7	1.6	2.7	3.5	4.2
Fiji Islands	—	-0.5	-1.8	-1.0	0.2	1.2	3.0
Papua New Guinea	—	4.0	3.9	3.5	3.5	3.7	5.0
Vanuatu	—	3.5	3.0	-2.5	0.8	3.5	3.5

— = not available; 1st Qtr = first quarter; ADO = Asian Development Outlook; ERD = Economics and Research Department; IMF = International Monetary Fund; WB = World Bank.

^a Data for South Asian countries, except for Sri Lanka, are recorded on a fiscal year basis.

Note: Developing Asia and regional averages are computed using weights derived from levels of gross national income (GNI) in current United States dollars following the World Bank Atlas method. GNI data were obtained from World Bank's World Development Indicators online. Some countries were excluded in the computation of regional forecasts for IMF and WB due to lack of data.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila; ADB. 2009. *Asia Economic Monitor*. Manila (July); country sources; IMF. 2009. *World Economic Outlook*. Washington, DC (April); IMF. 2009. *World Economic Outlook Update*. Washington, DC (July); World Bank. 2009. *Prospects for the Global Economy-Regional Outlook*. Washington, DC (June); World Bank. 2009. *China Quarterly Update*. Washington, DC (June); World Bank. 2009. *Global Development Finance 2009*. Washington, DC; ADB Economics and Research Department estimates.

6. Despite a sharp drop in exports, recovery in the People's Republic of China (PRC) is taking hold due to the massive fiscal stimulus and substantial loan growth. GDP grew by 7.1% in 2009's first half.⁵ As such, it may be able to achieve GDP growth of 8% in 2009. The amount of new lending through May of this year has surpassed the total new loans for all of 2008, however, and such aggressive moves could lead to a rebound in bad loans a few years on.

7. Mongolia, following impressive 9.1% growth during 2004–2008, has been hard hit by a very sharp drop in the prices of copper, its main export commodity. The commodity-driven boom–bust cycle in combination with procyclical economic policy, weak corporate governance, and poor regulation and supervision increased the vulnerability of the banking sector. After a decade of rapid financial deepening, Mongolia's banking sector now faces a severe crisis.

8. The newly industrialized economies (Hong Kong, China; Republic of Korea; Singapore; and Taipei, China) have been hit hard by the falling global trade volume, with growth in the first quarter down even more sharply than expected by ADO 2009. The worst quarterly GDP declines may be over, however, and some improvements (with the possible exception of Singapore) can be expected in the final half of 2009 on the back of the PRC's recovery.

9. The four middle-income ASEAN economies (Indonesia, Malaysia, the Philippines, and Thailand) are expected to stagnate in 2009. Indonesia will grow the fastest on robust domestic demand and limited export dependency, and the Philippines should be able to achieve positive growth in 2009. Facing strong headwinds from poor external demand, Malaysia and Thailand will contract in 2009. They should grow moderately in 2010, thanks to the effects of fiscal stimulus on domestic demand and a slight recovery in external demand. For Viet Nam, the slowdown in growth appears to have bottomed out in early 2009, while the impact thus far on the Lao People's Democratic Republic has been limited. Cambodia is, however, feeling a significant impact (see Box 1).

⁵ Xinhua News Agency. 2009. China's GDP grows 7.9 pct in Q2. 16 July.

Box 1: Cambodia—Growth Prospects, Social Impacts, and Government Response

Growth Prospects

Cambodia is exposed to the global economic crisis through its dependence on garment exports, tourist arrivals, and foreign funding for large-scale construction projects. These sectors represent three of the four engines for growth (38% of GDP), and each has shown negative growth in the first few months of 2009 because of the downturn in Cambodia's key markets. Only agricultural output (27% of GDP) is expected to show relatively strong growth in 2009, assuming favorable rains. As a result, the growth forecast for 2009 as a whole from the last *Asian Development Outlook* will likely be revised downward. GDP growth is expected to pick up moderately in 2010, reflecting the currently anticipated slower rebound in industrial countries' growth in the second half of next year.

In Cambodia, garment export accounts for 16% of GDP and around 70% of total exports. According to import data from the U.S. Department of Commerce, Cambodian exports to the U.S. dropped by 27% in the first 5 months of 2009 compared to the corresponding period in 2008. In an 8-month period (September 2008 to April 2009), 50 of 292 garment factories (or 17%) were closed and 63,000 of 353,000 workers (or 18% of the garment workforce) were laid off, at least temporarily.

Agricultural production, however, is expected to be marginally higher this year than last, when growth was estimated at 4.5%. This reflects improvements in irrigation, a drop in fertilizer prices from last year's high, and a continuation of policies to help farmers increase production (especially of rice, which accounts for over half of the crop output).

Implication on Poverty

Though reliable countrywide data is not yet available, there are strong indications that the incidence of poverty (around 30% in 2007) is rising as a result of the global economic downturn. It appears that many who were marginally above the poverty line before the crisis have now fallen below. Sharply lower growth has negatively affected various groups of people. Those first impacted include laid-off garment workers (mostly young women, who used to remit on average about \$30 a month to their families back in the rural areas), tourism industry workers, thousands of the 260,000 construction workers (who had sent home on average around \$40 a month), and Cambodian migrants who work abroad in nearby countries. The second group of victims affected is comprised of farm families receiving reduced remittances, existing urban poor and near poor, landless families (as day labor has been less in demand), children of the poor (due to decline in nutrition and education), and the poorest that had not benefited from the previous growth. There is also some preliminary data to show that malnutrition is already increasing.

Government Response

The government has taken a number of measures to help offset and mitigate the adverse impacts on Cambodia of the global economic crisis. On the fiscal front, expenditures have been allowed to rise and the overall budget deficit for 2009 is expected to climb to 3.9% of GDP, from 2.7% in 2008. Monetary policy has been relaxed, following some tightening in mid-2008 in response to the threat then existing of rising inflation. The government has also provided some temporary tax relief to the tourism and garment industries; increased spending on rural infrastructure, including on irrigation; eliminated tariffs on fertilizers and imports of agricultural machinery; provided \$18 million to rice millers to help them expand capacity and purchase rice for processing and export; and provided \$10 million for retraining laid-off garment workers. With assistance from development partners, the government has also begun preparations to establish a social safety net system.

Source: Asian Development Bank's Southeast Asia Department (SERD).

10. India maintained relatively strong GDP growth in FY2008 (ending 31 March 2009) based on resilient domestic demand and supported by fiscal measures. The recently announced budget provides an important boost to public expenditure, which will in turn strengthen domestic demand and partially offset declining external demand. India's GDP growth in FY2009 may be higher than the 5% forecast in March's ADO 2009. The revision reflects positive manufacturing growth in April and May 2009. Several business confidence surveys indicate a revival in business sentiment.

11. Pakistan's real GDP growth rate at 2.0% in FY2009 (ending 30 June 2009) declined to half the level of the previous fiscal year and therefore was lower than the 2.8% forecast in the ADO. Growth was impacted by, among other factors, frequent and widespread power cuts and the impact of the global crisis. A confluence of domestic and external factors resulted in negative growth in manufacturing and a weaker performance in the services sector. Robust agriculture performance, however, prevented further deterioration in real GDP growth. As countercyclical measures, a planned increase in public spending on development will catalyze growth as will any further relaxing of monetary policy (which depends on a continued downturn in inflation). To mitigate the impact on the poor, a major new social cash transfer program by the name of the Benazir Income Support Program has started. In FY2009, PRs22 billion was provided to 1.8 million poor households under that program. In FY2010, a budget allocation of PRs70 billion was made for the program and it is planned to cover 5 million families.

12. The impact of the crisis has been limited for Afghanistan due to good rainfall and improved irrigation. The biggest harvest in 32 years is likely to be achieved, which will result in a strong rebound in agricultural sector production. This, along with continued external assistance, is expected to raise GDP growth to a significantly higher level as compared to the ADO projection of 9% for fiscal year 2009. External assistance is expected to continue catalyzing growth in Afghanistan.

13. In Central Asia and the South Caucasus, several countries have been hit hard. Growth rates are expected to be lower than March ADO 2009 forecasts. Sharply lower remittances, reduced capital inflows, and currency depreciation have contributed to the slowdown.

14. In Armenia, for instance, the adverse impact of the global financial crisis has been more pronounced than earlier predicted. In particular, the Russian economy's sharp downturn greatly affected the economy. Impacts were mainly channeled through reduced remittances and foreign direct investment and lower external demand for Armenian exports. Consequently, Armenia's economy is now expected to contract in 2009, against the 0.5% growth envisaged in ADO 2009. Construction, which has been an engine of economic growth for years, was hit particularly hard. It contracted by 56.1% due to shrunken capital inflows and lower household incomes. Armenia's government and central bank are committed to pursuing expansionary demand management policies in a countercyclical response to the recessionary conditions.

15. Georgia is experiencing a deeper and more prolonged slowdown in economic activity than predicted at the beginning of the year. Consequently, the economy is now expected to contract in 2009 as against the projected 2% positive growth. The government maintains a countercyclical fiscal stance to stimulate the economy and generate employment through large infrastructure development projects, and it is providing for stronger safety nets. The fiscal deficit for 2009 stands at about 6% of GDP and will be financed through a combination of official inflows and treasury bills issuance. The IMF has agreed to allocate an additional \$420 million under the existing Stand-By Arrangement (SBA), thus increasing the total to \$1.164 billion. The SBA is being extended until June 2011. Georgian authorities endeavor to balance the need for sustaining the economic recovery in 2009 with that of restoring sound fiscal and external positions over the medium term.

16. GDP in the Kyrgyz Republic is also expected to grow at lower rates in 2009 and 2010 compared to the ADO projections. Already in the first 5 months of 2009, GDP contracted by 0.9% and industrial production fell by 20.2% year on year. This slowdown reflects spillovers from neighboring Kazakhstan and the Russian Federation through trade, investment, and remittance channels. Donor assistance (including grant assistance from the Russian Federation of \$150 million) will help to accommodate shortfalls in government revenues and allow space for implementing countercyclical measures in response to slower growth. At the same time, concessional foreign loans (including a \$300 million Russian concessional loan) will allow the government to increase capital spending in the next few years. To mitigate the negative effects on the poor, the government plans to further increase the Unified Monthly Benefit (main social benefit) this year.

17. Uzbekistan, on the other hand, appears on track to achieve the growth rate projected in ADO 2009. Government data show that GDP growth in the first quarter of 2009 exceeded projections at 7.9%. The government has launched a countercyclical program to address the impacts of the global recession. An investment program initiated through the Fund for Reconstruction and Development led to drastic increase in gross capital formation. Investments under the anti-crisis program helped to sustain industrial output growth in the first quarter of 2009. The services sector (excluding trade) posted 17.6% growth in turnover in this period.

18. In the Pacific, the overall rate of economic growth in 2009 is forecast at around half the 2008 level and five of the region's economies are forecast to contract over the year. Lower commodity prices are a key factor. The end of the large tourism expansion, reduced remittances, adverse exchange rate effects, and a fall in the market value of offshore investment funds have also contributed to the slowdown. Accordingly, the Pacific economies are expected to slow by more than initially projected in ADO 2009. The Cook Islands, the Fiji Islands, Palau, Samoa, and Tonga are expected to contract while Timor-Leste's output is projected to be less than forecast in ADO 2009. Inflation is easing across the region (except in the Fiji Islands, where the currency was devalued), mainly because of lower world fuel prices. The recovery now expected for the region in 2010 is slightly stronger than projected in ADO 2009, as the global economic environment is becoming more stable.

19. Looking ahead, major risks to the economic outlook include (i) a more prolonged recession and weaker recovery in developed countries than currently envisaged, (ii) unintended consequences of economic stimulus or premature policy tightening, (iii) falling inflation becoming deflation, and (iv) noneconomic events with low probabilities but potentially large impacts.

III. POLICY RESPONSES BY GOVERNMENTS

20. Responses by governments of ADB's developing member countries (DMCs) have varied depending on how and when the crisis reached and affected them, their specific circumstances, and their ability to take action. Following is a summary of monetary and fiscal measures adopted by selected DMCs in responding to the crisis.

A. Monetary Policy

21. The main concern facing monetary authorities in emerging East Asia is how to reverse the economic slowdown. Central banks have continued to aggressively reduce policy rates. They have also introduced a variety of other measures to increase liquidity in the banking system and encourage banks to expand lending.

22. Favorable monetary conditions in the PRC have seen bank lending surge in the first half of 2009. The PRC's monetary policy remains accommodative as the export decline and deflation have induced monetary authorities to stimulate growth. While policy rates were not reduced in the first half of the year, the lifting of credit quotas in 2008 resulted in a surge of bank lending (+30.6% year on year in May).

23. The newly industrialized economies have kept their policy rates at low levels to jump-start economic growth. Since March this year, Taipei, China and the Republic of Korea have maintained their policy rates at record low levels of 1.25% and 2%, respectively. Hong Kong, China has introduced a variety of measures to provide liquidity support, including a HK\$227 billion currency swap agreement with People's Bank of China. The Monetary Authority of Singapore has maintained its policy stance for 0% appreciation in the nominal effective exchange rate policy band.

24. Association of Southeast Asian Nations (ASEAN) countries have reduced policy rates to stimulate economic growth. Bank Indonesia has cut its policy rate four times since March 2009—from 7.75% to a record low of 6.75%. Bangko Sentral ng Pilipinas also took a gradual approach to cutting its policy rate, reducing it twice since March 2009 (from 4.75% to 4.25%). After slashing by 150 basis points in January 2009, the State Bank of Viet Nam has not changed its policy rates since. The Bank of Thailand cut its 1-day repo rate once since March to a 5-year low of 1.25%, while the overnight policy rate in Malaysia has remained at 2%.

25. India cut its short-term policy rates by 25 basis points in late April 2009 to further stimulate domestic demand. The Reserve Bank of India has expressed concern, however, that transmission of the policy rate changes to changes in the banks' prime lending rates has been sluggish. Several measures were initiated in April 2009 to improve banks' performance and strengthen the credit delivery mechanism, and especially in rural areas.

26. To increase liquidity, Bangladesh Bank issued a directive to reset the lending rate ceiling of commercial banks at 13% to support agriculture, large and medium industries, housing, and trade financing. The maximum interest rate of 13% will also be applicable for financing to nonbank financial institutions provided by banks. The central bank has also intervened in the interbank foreign exchange market since January through direct selling and buying of the US dollar and providing overdraft facilities to the banks. Through 17 May, the central bank had bought \$1.0 billion from commercial banks.

27. In Sri Lanka, the targeted growth in annual average reserve money was brought down from 5% to 2.8%. The reverse repo rate was cut by 50 basis points to 11% in June 2009, and a single reverse repo rate of 11.50% was introduced in May 2009. Restrictions on repo deposits were also removed. The central bank lifted all the restrictions on foreign exchange forward contracts. The rupee appreciated to 115/\$ by end-May 2009 after military operations came to an end. The central bank is currently intervening to avoid a larger appreciation of the rupee.

B. Fiscal Measures

28. The PRC is committed to the massive fiscal stimulus package announced in November 2008. As a result of the 2-year stimulus package worth CNY4 trillion, the PRC's fiscal deficit is expected to rise from 0.4% of GDP in 2008 to 3% in 2009. While the government has not announced additional policy measures, it remains committed to spending more on stimulus if necessary. The fiscal stimulus is credited with helping the PRC's economy maintain growth amid a collapse in exports. However, there are concerns that local authorities in the PRC may not be able to spend the stimulus money effectively. Other downside risks to the PRC's economic outlook include (i) inability to adequately rebalance the pattern of growth toward domestic

demand, larger private investment, and a stronger services sector; (ii) continued sluggishness in external demand; (iii) asset bubbles, particularly in real estate; (iv) possible rise in the banking sector's nonperforming assets due to rapid domestic credit expansion under lax credit risk controls; and (v) overcapacity and deflation if GDP growth remains below its potential.

29. The newly industrialized economies have also introduced a variety of fiscal measures to support the economic recovery process. Hong Kong, China announced plans in February to spend HK\$1.6 billion to generate 62,000 jobs and internships over 3 years. In May, authorities unveiled tax cuts and fee waivers totaling HK\$16.8 billion. In the Republic of Korea, the Ministry of Strategy and Finance announced a supplementary budget in April totaling \$13 billion to support job and welfare programs, credits and grants for exporters and small and medium-sized enterprises, and subsidies to local governments. Singapore has also aggressively used fiscal measures, announcing in January that it would spend S\$20.5 billion, which is equivalent to 8% of GDP, to stimulate the economy. Taipei, China targeted consumers by distributing NT\$82.9 billion worth of consumer vouchers in January to encourage consumption.

30. Authorities across ASEAN have also introduced a variety of fiscal measures to stimulate their economies. In Indonesia, the government raised its budget deficit target to 2.5% of GDP from 1% to accommodate an Rp73.3 trillion stimulus package of tax incentives, pay increases, export guarantees, cash transfers, and increased government spending. Meanwhile, Thailand introduced its first supplemental stimulus package in mid-January. Worth B116 billion, it included cash handouts of B2,000 to low-income earners. This package was later supplemented by a B40 billion tax relief package. Malaysia unveiled a second stimulus package valued at RM60 billion in March 2009 and raised its deficit target to 7.6% of GDP.

31. India announced its central government budget for FY2009 on 6 July 2009, focusing on inclusive growth, employment creation, and generating demand. Infrastructure spending has been raised and social spending enhanced to further support domestic demand. The central government deficit has increased to 6.8% of GDP in FY2009 from 6% in FY2008 and 2.7% in FY2007, but the government is committed to return to a 4% deficit by FY2011. A fiscal deficit of 10.8% of GDP (including the combined deficit of the states) is expected for FY2009. Added to a large deficit of approximately 11% of GDP in FY2008, this implies a rapid increase in public debt. Depending on how it is financed, this could crowd out private investment or trigger high inflation. This brings to the forefront the importance of renewed attention on reducing the consolidated deficit to a manageable level in a timely manner.

32. Toward the end of FY2009, the Government of Bangladesh announced a stimulus package totaling about \$500 million (0.6% of GDP). It increases subsidies in power and agriculture, raises the rate of cash incentives for recession-affected sectors (jute, leather, and frozen food), and further boosts allocations for social safety net programs. In its FY2010 budget, the government announced a stimulus package of \$715 million for the fiscal year.

33. Sri Lanka announced its first stimulus package of SLRs16 billion (0.4% of GDP) in December 2008 and a second stimulus package of SLRs8 billion (0.2% of GDP) in May 2009. These include incentives to the tea, rubber, cinnamon, and garments export sectors (including a fertilizer subsidy), as well as rewards under the Export Development Reward scheme (including 5% export incentives).

34. In the Pacific, governments' responses to likely impacts of the global economic crisis have been limited and based on policies that have not contributed to underlying economic performance. Governments need to decide how to respond to the crisis. A response should be proactive, targeted, and tailored to the individual circumstances of each Pacific economy.

C. Mitigating the Social Impact

35. To counter the adverse social impact of the global economic crisis, DMC governments have expanded their social programs. Some examples include the following.

36. In the Philippines, close to 1 million full-time jobs were lost between April 2008 and April 2009, while 2.4 million part-time jobs were created during this same period. According to a World Bank survey in May 2009, 35% of Filipino workers claimed reductions in income or hours of work as a consequence of adjustments made by firms in response to the crisis. Responding to these developments, the government has expanded its key social protection programs, such as (i) the Pantawid Pamilyang Pilipino Program (4Ps), which provides cash grants under particular conditions to poor households (2009 target set at 700,000 households); (ii) Self-Employment Assistance Kaunlaran, which provides capital assistance and a capacity building program for livelihood projects; and (iii) Food for School program (rice allocation to elementary school children), and a microfinance lending program.

37. In Malaysia, the government has responded by creating 100,000 trainings and job placement opportunities. As a collaborative effort in the public and private sectors, the government is providing a double tax deduction on the amount of remuneration paid by private sector employers who employ workers retrenched from 1 July 2008. Additional measures include creation of 63,000 jobs in the public sector, support for postgraduate education, and reduced dependence on foreign workers. The Thai government has planned for introducing a pension system for the informal sector and in April 2009 introduced an old age allowance for citizens over 60 years of age.

38. In Viet Nam, with growth slowing sharply in late 2008 and early 2009, unemployment and underemployment increased markedly. Many people from rural areas who were employed in Viet Nam's urban areas or abroad lost their jobs. The government has taken a number of measures to mitigate adverse impacts. Measures include one-off additional financial assistance to poor households, housing support for the poor, and provision of interest-free short-term loans to firms that have had to shed at least 30% of their staff and are experiencing difficulties in paying wages to the remaining staff. Furthermore, the government has increased its budgetary allocation for the existing social assistance programs, such as the program for poverty reduction in ethnic minority and mountainous areas (so-called *Program 135*) and the health insurance program for the poor and near poor. It has also accelerated formulation and approval of a program for accelerated poverty reduction in the 62 poorest districts. A total of \$935 million has been allocated to the social safety net in the central government budget for 2009, which compares with \$518 million in 2008.

39. In South Asia, some low-income and low middle-income DMCs are strengthening their existing progress to counter social impacts. For instance, Nepal has provided for continued support to the social safety programs initiated by previous governments. A monthly allowance of NRs500 will go to all (i) members of so-called "endangered" ethnic groups, irrespective of age; (ii) persons of low caste, single women, and people of the mountainous Karnali Zone above the age of 60; and (iii) all other citizens above the age of 70. Similarly, people with full disabilities and those with partial disabilities will receive monthly allowances of NRs1,000 and NRs300, respectively. The government has allocated NRs7.78 billion for this purpose. In addition to the government's initiatives presented in the budget, several development partners are currently forming a social protection donors' working group. The objective is to complement the government's efforts and/or to pilot new approaches. The working group is also discussing with the government the possible preparation of a comprehensive social protection policy.

40. In Bangladesh, the existing safety net programs have been strengthened and several new programs—including an enhanced employment generation program for the hardcore poor—have been introduced in the FY2010 budget to protect the poor and vulnerable. The allocation for social safety net programs is Tk150 billion (2.5% of GDP), which is 25.7% higher than the Tk119.3 billion (2.2% of GDP) spent in FY2009.

41. In Sri Lanka, a series of development programs are being implemented to promote sustainable income generation avenues for low-income families such as for poverty alleviation (*Samurdhi*), community development (*Gemidiriya*), and microfinance (*Gami Pubuduwa*). The government's welfare measures include transfers and subsidies. The planned expenditure in 2009 for these activities, including pensions, totals SLRs149 billion.

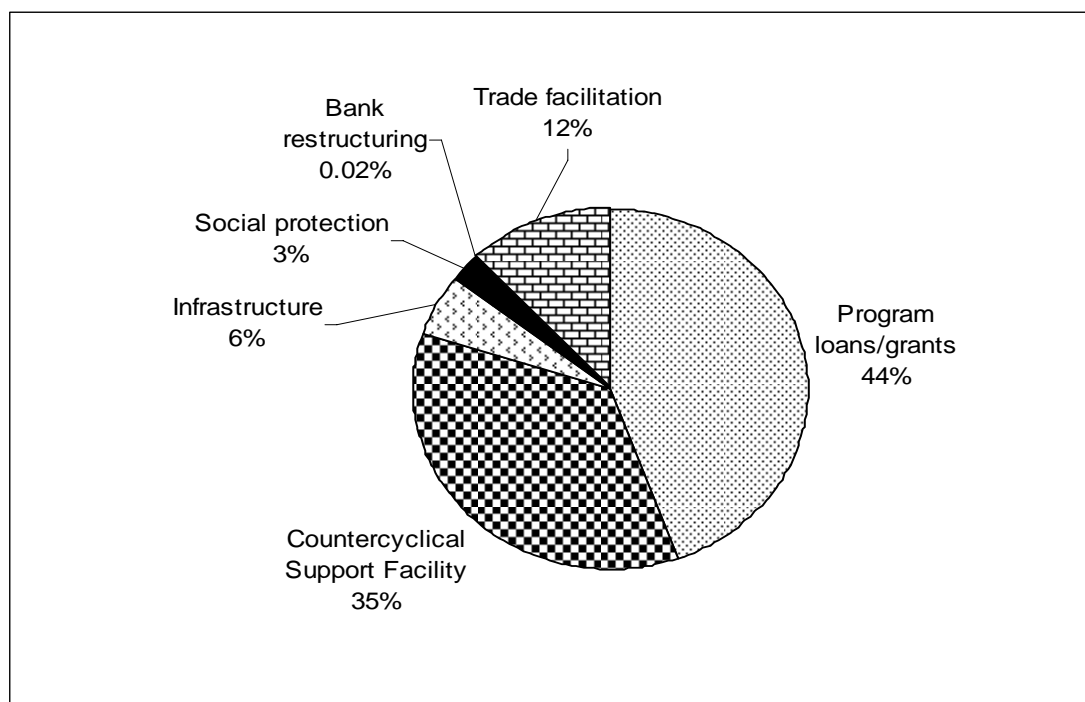
IV. ADB'S RESPONSE TO THE CRISIS

42. ADB is responding proactively to the needs of its DMCs affected by the global economic crisis while tailoring its assistance to countries' specific needs and circumstances. Increasing its lending assistance by more than \$10 billion in 2009–2010 will bring total ADB assistance for this period to more than \$32 billion, which compares with about \$22 billion in 2007–2008.⁶ ADB support in response to the financial crisis focuses on (i) quickly disbursing budget support to help countries respond to the crisis; and (ii) providing direct support to public and private sector projects that will help create demand, generate employment, strengthen social safety nets, and build private sector confidence.⁷ The Appendix presents information on ADB's lending operations from September 2008 through 2009 in support of crisis response. Spending on projects newly planned for the crisis and those modified to address impacts of the crisis totals \$8.5 billion for 41 projects (see Table A1 of the Appendix for categories 1, 2a, 2b, and 3). The figure below shows crisis-related lending assistance by type of support. Around 44% of loans are for program loans and grants, while loans under the Countercyclical Support Facility (CSF) contribute about 35%. The remainder is allocated to trade facilitation (12%), infrastructure investment (6%), and social protection (3%). In addition, projects which were planned before the crisis but that include crisis response elements total \$4.8 billion for 42 projects (category 4 in Table A1 of the Appendix).

⁶ See footnote 2.

⁷ All additional lending from ADB to crisis-affected DMCs will have a positive impact on sustaining economic growth.

Crisis-Related Loans by Type of Support, 1 Sept 2008–31 Dec 2009
(in percentage shares)



Note: Data as of 30 July 2009. Total may not add up to 100% due to rounding.

Sources: Regional Departments, Private Sector Department, and Strategy and Policy Department.

43. Of the 11 crisis-related loans totaling \$3.4 billion approved between 1 September 2008 and 22 July 2009, about 68% of funding is for program loans. Examples include the Crisis Recovery Support Programs for Armenia (\$80 million) and Tajikistan (\$40 million), Growth Recovery Support Program for Georgia (\$80 million), two subprograms under the Accelerating Economic Transformation Program for Pakistan (\$500 million each), and Public Expenditure Support Facility Program for Indonesia (\$1 billion). Trade facilitation to support private sector development accounts for around 30% of approved loans (e.g. the regional Trade Finance Facilitation Program of \$1 billion). Support for social protection accounts for 3% of approved loans and includes the Social Sectors Support Program for Mongolia (\$60 million) and Cambodia's Emergency Food Assistance Project (\$35 million).

44. Attention is being given to fast-disbursing program loans and investments that will directly assist in responding to the crisis, including support for generating domestic demand, creating employment, and strengthening social safety nets. Also, given the need to minimize the delay in executing countercyclical measures, priority is attached to "shovel-ready" projects and investments that need short planning and design periods. Box 2 provides an example of ADB's quick response to the crisis in the three Central Asian DMCs.

Box 2: Crisis and Growth Recovery Programs in the Caucasus and Central Asia

Armenia, Georgia, and Tajikistan are among the central Asian countries worst hit by the global economic crisis. Armenia and Tajikistan have seen a huge influx of returning workers who have lost their jobs in the Russian Federation and Kazakhstan, resulting in a sharp decline in remittance income, private domestic spending, and government revenue. Armenia's real GDP growth will likely contract in 2009. Tajikistan's real GDP growth for 2009 is expected to slow considerably from 8% in 2008. In Georgia, a loss of investor confidence and drop in foreign direct investment that were triggered by armed conflict with the Russian Federation in August 2008 have been exacerbated by the crisis. Growth for 2009 will likely be negative and employment is declining.

Given the need for quick-disbursing assistance to meet the crisis, the Asian Development Bank (ADB) reprogrammed its pipeline to include program loans in 2009 instead of slow-disbursing investment projects. The program loans were approved on 6 July 2009 and will allow the governments of these countries to deal with negative shocks on budget revenue and maintain such core spending programs for critical social needs as welfare payments and social services for vulnerable groups. It will also allow them to push through with public investments designed to preserve and create new jobs for economic recovery. The funds complement assistance from other multilateral agencies and bilateral sources, including the International Monetary Fund (IMF), World Bank, and European Union, and are aligned with the crisis mitigation programs of the three countries.

Responding to the urgent need for assistance, ADB has adopted an innovative approach of anchoring its assistance on two key pillars: macroeconomic stabilization support provided by IMF and each respective country's own crisis mitigation program. In **Georgia**, a \$70 million Asian Development Fund loan was made in October 2008 on softer emergency terms to deal with the impact of the Russian conflict, which had aggravated the economic fragilities. With the macroeconomic anchor provided by IMF's Stand-By Arrangement (SBA), ADB's additional support will act as a cushion to meet the shortfall in revenue. In **Armenia**, ADB's assistance through the budget will help fund 'shovel-ready' projects that the government had designed earlier but was not able to execute due to the impact of the crisis. Fiscal and monetary reforms are supported by the IMF through its SBA and recent budget support operations. In **Tajikistan**, ADB's support targets social safety nets. In addition to the two anchors, ADB's operation in Tajikistan will be guided through a special account which will channel resources for public works and assistance for health and educational institutions.

Source: Asian Development Bank's Central and West Asia Department (CWRD).

45. In addition, ADB is strengthening its nonlending assistance for policy dialogue, policy advice for government officials at the country level, as well as subregional and economic analysis and forecasts for the Asia and Pacific region spearheaded by the *Asian Development Outlook 2009*. ADB's crisis-related regional initiatives and technical assistance (TA) grants seek to build institutional capacity and support policy analysis to help DMCs cope with the crisis.⁸ A total of \$70 million for 66 TA projects from 1 September 2008 through 2009 is for crisis response. This includes a regional TA project on Pacific Economic Management - Response to the Global Crisis (Subproject 1), approved in May 2009 for \$2 million, which will focus on response to the global financial and economic crisis and help Pacific DMCs lessen the effects of the global crisis through improved economic monitoring, policy analysis, and dialogue. Another TA project on Strategic Capacity Development for Social Sectors was approved in June 2009 for \$700,000 to provide social sectors support in Mongolia to help cushion the impacts of the global economic crisis in the country. Moreover, a regional TA project on Trade Finance Capacity Development was approved in March 2009 for \$3 million to strengthen capacity on trade financing.

⁸ ADB is seeking to aid the crisis affected DMCs in various ways. It has categorized crisis response TA projects in the following manner: (i) newly planned for crisis response, (ii) already planned but modified to respond to the crisis, and (iii) planned before the crisis but including crisis response elements.

A. Additional Resources for Responding to the Crisis

1. Countercyclical Support Facility (CSF)

46. ADB established a new, time-bound budget support instrument—the CSF—in the amount of \$3 billion equivalent on 16 June 2009 to provide effective countercyclical support to DMCs eligible for borrowing ordinary capital resources.⁹ The CSF helps these middle-income DMCs sustain critical development expenditures for fiscal stimulus to counter the adverse impacts of the global economic crisis during 2009–2010. The facility is designed as a short-term lending instrument, and it will complement conventional program loans aimed at supporting structural reforms over an extended period. Its aim is to provide fast-disbursing crisis assistance to address short-term liquidity crunch and enhance DMCs' capacity to provide fiscal stimulus. It will help offset diminished external credit available to DMCs and sustain growth.

47. By 16 July 2009, the date set for closing initial applications, ADB had received requests for CSF financing from Bangladesh (\$500 million), Indonesia (\$500 million), Kazakhstan (\$500 million), Pakistan (up to \$500 million), the Philippines (\$500 million), Sri Lanka (\$300 million), and Viet Nam (\$500 million). Subsequently, the Management approved the following allocation under CSF.

- (i) **Immediate confirmation of firm allocation:** Bangladesh (\$500 million), Indonesia (\$500 million), Kazakhstan (\$400 million), the Philippines (\$500 million), and Viet Nam (\$500 million).
- (ii) **Provisional allocation pending further staff assessment, confirmation of eligibility, and possible adjustment:** Pakistan (\$300 million) and Sri Lanka (\$300 million).

48. As per the Board-approved policy paper, the CSF adopted (i) access criteria to determine eligibility of applying DMCs (encompassing adverse impact of the global economic crisis, government's countercyclical development expenditure program and/or policy, and sound macroeconomic management), and (ii) needs and equity considerations (impact on economic growth, exports, population of the DMC, and GDP per capita) in determining the loan amount. Among DMCs that have applied, Bangladesh, Indonesia, Kazakhstan, the Philippines, and Viet Nam are assessed to have broadly met the access criteria. The relatively large populations of Bangladesh, Indonesia, the Philippines, and Viet Nam justified allocation of their full requested amounts. Given a relatively small population, the allocation for Kazakhstan is proposed to be smaller.

49. Additional assessment is required for Pakistan and Sri Lanka to determine compliance with the access criteria for soundness of macroeconomic management. These two countries are currently under IMF stand-by arrangements, implying the existence of challenges on the macroeconomic management fronts. Pending further developments, it was proposed that the residual amount be kept tentatively for these two DMCs.

2. Additional Resources for Low-Income Countries

50. For countries with no access to ordinary capital resources, ADB approved on 16 June 2009 the allocation of an additional \$400 million Asian Development Fund (ADF) commitment authority to help them cope with the economic crisis. The allocation of this additional commitment authority was made immediately after the approval by the ADB Board according to

⁹ ADB. 2009. *Enhancing ADB's Response to the Global Economic Crisis—Establishing the Countercyclical Support Facility*. Manila.

the performance-based allocation formula based on 2008 country performance assessment results. These additional ADF resources will be used for financing key development-related investments and other crisis response measures in low-income countries that are among the most fiscally constrained in responding to the economic crisis. In addition, ADF-eligible borrowers may front-load up to 100% of their 2009–2010 biennial allocation during 2009 in response to the crisis. Georgia and Armenia have tapped into this flexibility and were approved for 100% front-loading in 2009 as of June 2009. Mongolia also received a waiver of its annual approval limit through a front-loading request in July that was in response to the immediate economic challenges of the crisis.

3. Enhanced Cofinancing

51. ADB aims to substantially increase cofinancing for its projects in 2009–2010. The risk-mitigating technical and financial features of ADB projects make them attractive investments for bilateral development partners and commercial financiers. Efforts are continuing to better utilize framework cofinancing agreements, collaborative arrangements, and credit enhancements. ADB is also finalizing a \$100 million agreement with the Government of Japan to fund primarily crisis-related TA projects.

B. Innovative Use of Existing Modalities

52. ADB has flexibly used the existing modalities and instruments to support countries in responding to the crisis. The uncertain nature of the crisis requires a response that is flexible and adaptable to the evolving challenges. Where possible, ADB has adapted its existing modalities to support its DMCs. In Indonesia, for example, ADB used its program lending modality to mimic the World Bank's deferred drawdown mechanism in order to provide a backup financing option to the country in case it faces high cost of borrowing from the market. The positive signal to the market sent by the program loan helped Indonesia in mobilizing resources at reasonable spreads.

53. ADB is also using its credit enhancement instruments to crowd in private sector resources and generate business confidence. In another transaction in Indonesia, ADB helped mobilize resources for the power sector by using its partial credit guarantee instrument. ADB's guarantee instrument is aiding to enable bank financing for a project in a country whose risk profile has risen as a result of the global economic crisis (see Box 3). In addition to its direct financing, ADB's involvement in projects provides comfort to private sector financiers and helps attract financing.

**Box 3: ADB Guarantee for a Commercial Bank Loan to Indonesia's
Perusahaan Listrik Negara (PLN)**

In November 2008, Indonesia's state-owned electric company PLN awarded contracts to a French company for a transmission project totaling around \$178 million, of which \$105 million is for foreign currency financing and the remainder is to be rupiah denominated.

PLN sought financing from commercial banks—a \$105 million loan with a 10-year repayment term—with a guarantee issued by Indonesia's Ministry of Finance (MOF). However, commercial banks requested an Asian Development Bank (ADB) guarantee to cover the risk of nonpayment by MOF. ADB proposes to issue to commercial banks a guarantee with a tenor matching the maturity of the underlying debt while guaranteeing 95% of MOF's payment obligations corresponding to principal and interest payable by PLN pursuant to the commercial banks loan under the MOF guarantee. ADB's obligation to pay commercial banks under the ADB guarantee will arise in the event ADB determines that MOF has breached its payment obligations. The ADB guarantee will be issued on the condition ADB obtains a sovereign counter-guarantee from Indonesia, obliging the government to reimburse ADB the total amount it will pay pursuant to the ADB guarantee.

ADB's involvement in financing the transaction is important, as it reduces PLN's cost of borrowing. With a sovereign counter-guarantee, the cost of funds will be significantly reduced. ADB's role in this transaction helps secure funds at reasonable cost for a state-owned enterprise to ensure sustainability of the project and potentially reduce the burden on the government budget.

Source: Asian Development Bank's Office of Cofinancing Operations (OCO) and Southeast Asia Department (SERD).

C. Support to the Private Sector

1. Trade Finance Facilitation Program (TFFP)

54. ADB has approved a \$1 billion TFFP that will provide DMC issuing banks with ADB's guarantees and risk participation facilities for their letters of credit. It will also provide funding to support pre-export and post-import financing. The global financial crisis has significantly reduced the availability of finance that companies depend on for trade. This lack of trade finance is exacerbating an already grim global economic situation. Access to trade finance in times of crisis is crucial to cushion the impact of the global downturn on international trade.

55. The TFFP also facilitates partnerships between international banks and DMC banks, which underpins the flow of capital from developed countries to developing countries and strengthens DMC banks. The TFFP supports many small and medium-sized enterprises by providing guarantees and loans through DMC banks. With access to trade finance, these enterprises can expand or sustain their imports and exports, thereby promoting growth and maintaining or increasing employment in DMCs.

56. In addition, ADB continues to work very closely with several DMCs to ensure adequate liquidity is maintained in the banking sector by providing backstop facilities to financial institutions. As of 15 July 2009, ADB's exposure under the TFFP had grown to \$191 million in the year to date (a 170% increase over the same period for 2008), and this is likely to grow to about \$500 million by the end of 2009. It is anticipated that the program will be fully ramped up to the \$1 billion limit by the middle of 2010, thereby creating up to \$15 billion in trade support by the end of 2013 on a roll-over basis.

2. Infrastructure Financing

57. ADB's private sector operations continue to pursue opportunities to leverage private sector funds for crisis response, particularly for filling infrastructure funding gaps. ADB has invested in several infrastructure financing projects in 2009. These include an equity investment of \$40 million to enable public-private partnership for renewable energy in India (mobilizing total equity investment of \$200 million from international investors and debt financing of \$405 million equivalent from international and local debt financiers),¹⁰ \$40 million for Indonesian Infrastructure Financing Facility (total equity investment of up to \$200 million with funding from International Finance Corporation [IFC] and German development cooperation through Kreditanstalt für Wiederaufbau [KfW] [Reconstruction Credit Institute] and Deutsche Investitions- und Entwicklungsgesellschaft mbH [DEG]),¹¹ and a \$5 million loan and \$71.7 million partial credit guarantee for a Thai biomass power project (mobilizing total funding of about \$172 million).¹² Efforts to augment resources required for infrastructure development will continue.

D. Policy Advice and Knowledge Sharing

58. In addition to its funding support, ADB has intensified its policy guidance to DMCs to prepare them for emerging financial sector issues, assess their vulnerability, and strengthen policy and regulatory frameworks through TA grants. Country economic analysis and forecasts for the Asia and Pacific region are spearheaded by the *Asian Development Outlook*. ADB and the ADB Institute (ADBI) have been facilitating expert discussions and exchanges of ideas among DMCs to generate appropriate policy responses to the crisis. Resident missions are regularly holding media briefs and providing policy advice to counterparts as requested.

59. ADB is leveraging its development knowledge and resources to help its DMCs put poverty reduction back on track in the face of the global economic crisis. As of 30 June 2009, about 66 crisis-related events have been lined up since August 2008 through end-2009. ADBI, often in association with external partners, and ADB's Office of Regional Economic Integration have organized or taken active part in a large number of conferences sponsored by ADB. Up to 20 more events are at various stages of planning and preparation, including a high-level conference on the impact of the global economic crisis on poverty and sustainable development in the region to be led by the Regional and Sustainable Development Department.

60. Some specific examples are:

- (i) Through a regional TA project for South Asia Forum on the Impact of Global Economic and Financial Crisis¹³ approved in December 2008, high-level policymakers from South Asia discussed their crisis priorities at a forum in March 2009. The second South Asia forum is being organized for November 2009, and it will also include representatives and observers from other subregions.
- (ii) In the Pacific, ADB is playing a leading role in monitoring the crisis, facilitating policy dialogue with key stakeholders, and building surveillance capacity through TA grants (such as the \$3 million regional TA on Pacific Economic Management approved in May 2009).¹⁴

¹⁰ ADB. 2009. *Report and Recommendation of the President to the Board of Directors on a Proposed Equity Investment Public-Private Partnership for Renewable Energy Development (India)*. Manila.

¹¹ ADB. 2009. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Equity Investment, Republic of Indonesia: Indonesian Infrastructure Financing Facility Company Project*. Manila.

¹² ADB. 2008. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Partial Credit Guarantee, Biomass Power Project (Thailand)*. Manila.

¹³ ADB. 2008. *Technical Assistance on the South Asia Forum on the Impact of Global Economic and Financial Crisis*. Manila.

¹⁴ ADB. 2009. *Technical Assistance on the Pacific Economic Management*. Manila.

- (iii) ADBI has been conducting a series of conferences under its research program “Global Financial Crisis and Its Implications for Asia”.¹⁵ The conferences relate to major aspects of the impacts of the crisis on Asia and of policy recommendations. These are organized into five broad thematic areas: macroeconomic impacts and policy, real economy (sectoral) impacts, social and environmental aspects, financial regulation and reform, as well as regional cooperation and regional and/or global financial architecture.

61. ADB has also developed several knowledge products related to the global economic crisis. Relevant reports and studies under the *ADB Economics Working Paper Series* and *ADB Brief Series* provide useful information and analyses. The *Asian Development Outlook 2009* sets out the global economic conditions underlying the assessment and projections for developing Asia for 2009 and 2010, while the *Asia Economic Monitor* provides a semiannual review of emerging East Asia’s growth and policy issues. There are also studies specific to some subregions and that assess the impact of the crisis and policy recommendations. For example, *Taking the Helm: A Policy Brief on a Response to the Global Economic Crisis* looks at the challenges created by the global economic crisis in the Pacific and discusses policy options for fiscal and monetary authorities.¹⁶ Another example is a report recommending policies for East Asian leaders to counter the financial and economic downturn.¹⁷

E. Strengthening Regional Cooperation

62. ADB has been assisting to improve economic surveillance and crisis monitoring at the regional, subregional, and national levels. Working closely with ASEAN, ASEAN+3, South Asia Association for Regional Cooperation, and the East Asian Summit, ADB is helping to coordinate regional responses to the crisis. In May 2009, the ASEAN+3 Finance Ministers meeting agreed on the governing mechanism and implementation plan for multilateralizing the Chiang Mai Initiative which now pools foreign currency reserves in the order of \$120 billion. To support decision making, the meeting also agreed to establish an independent regional surveillance unit to monitor and analyze regional economies. Moreover, ADB’s efforts to develop the Asian Bond Market Initiative are gaining momentum. For instance, a credit guarantee and investment mechanism will be established to facilitate access to funding through the Asian bond market for its participating member countries.

V. CONCLUSION

63. ADB, in close consultation with crisis-affected DMCs and on-the-ground coordination with development partners, has put in place initiatives and relevant measures that are crucial for responding to the crisis. It is now implementing these initiatives and measures under careful monitoring and supervision. ADB will continue to monitor the DMCs’ evolving financial and economic situations, be responsive to emerging needs, and report on progress in the implementation of its crisis response measures.

¹⁵ See <http://www.adbi.org/research.global.financial.crisis/>.

¹⁶ ADB. 2009. *Taking the Helm: A Policy Brief on a Response to the Global Economic Crisis*. Manila.

¹⁷ ADBI. 2009. *Recommendations of Policy Responses to the Global Financial and Economic Crisis for East Asian Leaders*. Tokyo.

CRISIS-RELATED LENDING ASSISTANCE

**Table A1: Crisis-Related Lending Assistance by Project Category,
1 Sept 2008–31 Dec 2009**

Project Category	Category Definitions	ADB Lending Assistance	
		No.	\$ Million
1	Newly planned projects for crisis response ^a	27	7,413
2a	Projects planned before crisis: approval accelerated in response to the crisis	2	290
2b	Projects planned before crisis: scope modified to better address crisis impact	3	73
3	Projects planned before crisis: financing plans altered to address crisis impact	9	690
	Subtotal: Categories 1–3	41	8,466
4	Projects planned before crisis, including crisis response elements	42	4,762
	Total: Categories 1–4	83	13,227

^a Includes loans under the Countercyclical Support Facility.

Note: Data as of 30 July 2009.

Sources: Asian Development Bank's regional departments, Private Sector Operations Department, and Strategy and Policy Department.

Table A2: Crisis-Related Lending Assistance for Project Categories 1–3, by Developing Member Country, 1 Sept 2008–31 Dec 2009

Developing Member Country	Number of Loans	Amount (\$ Million)
Armenia	1	80
Bangladesh ^a	2	739
Cambodia	3	83
Cook Islands	1	16
Georgia	2	150
India	2	262
Indonesia ^a	3	1,565
Kazakhstan ^a	1	400
Lao People's Democratic Republic	2	35
Marshall Islands	1	5
Mongolia	3	79
Nepal	1	100
Pakistan ^{a,b}	3	1,300
Palau	1	5
Philippines ^{a,c}	4	1,095
Solomon Islands	2	20
Sri Lanka ^{a,b}	1	300
Tajikistan	1	40
Thailand	1	500
Timor-Leste	1	26
Tonga	1	10
Viet Nam ^a	3	655
Regional ^d	1	1,000
Total	41	8,466

^a Includes a loan under the Countercyclical Support Facility (CSF).

^b CSF provisional allocation pending further staff assessment, confirmation of eligibility, and possible adjustment.

^c Includes one private sector project for \$120 million.

^d Refers to a private sector project amounting \$1 billion.

Note: Data as of 30 July 2009. Definitions of categories 1–3 are shown in Table A1. Sources: Asian Development Bank's regional departments, Private Sector Operations Department, and Strategy and Policy Department.