



FINANCING OPERATIONS

FINANCIAL RESOURCES

Authorized and subscribed capital stock amounted to \$53.2 billion as of 31 December 2006. ADB raised funds totaling \$5.6 billion, of which \$1.0 billion was raised through a global public offering as of 31 December 2006.

Gross income, which includes revenue and net realized gains, amounted to \$1.9 billion, \$1.2 billion of which was generated from the loan portfolio, \$573.1 million from the investment portfolio, and \$136.4 million from other sources, of which \$105.0 million came from equity investment operations.

ADB's Special Funds are the Asian Development Fund (ADF) with 2006 committed resources amounting to \$1.3 billion, Technical Assistance Special Fund with \$89.4 million, Japan Special Fund with \$35.2 million, ADB Institute Special Fund with \$11.3 million, Asian Tsunami Fund with \$15.3 million, and Pakistan Earthquake Fund with \$28.5 million.

FUNDING

About 73% of cumulative lending is from ordinary capital resources (OCR). Funding from the OCR comes from three distinct sources: private placements and capital markets in the form of borrowing; paid-in capital provided by shareholders; and accumulated retained income (reserves), which provides a buffer for risks.

The main instruments for providing help to ADB's developing member countries are policy dialogues, loans, equity investments, guarantees, grants, and technical assistance.

ADB offers a range of modalities and terms for loans aimed at improving performance.

Loans are also provided from Special Funds. The ADF offers loans on concessional terms to members with low per capita gross national product and weak debt-repayment capacity. It is the only multilateral development bank concessional fund dedicated exclusively to economic and social development in the Asia and Pacific region. The ADF is financed by periodic voluntary contributions from donors. The current and eighth replenishment of the ADF (ADF IX) program is \$7 billion for 1 January 2005–31 December 2008. ADF IX grants are helping countries reduce the debt burden of development finance,

make the transition from conflict to peace and stability, and combat HIV/AIDS and other infectious diseases.

ADB also manages and administers Special Funds (see pages 29–30) and grants provided by bilateral and multilateral donors to support technical assistance and soft components of loans. In recent years, thematic trust funds were established focusing on gender and development, governance, poverty reduction, water, energy, and the environment.

Technical assistance funded through grants or loans helps maximize ADB's development impact. Technical assistance grants are used for preparing projects, and for supporting advisory and regional activities in areas such as law and policy reform, strengthening fiscal policies and procedures, good governance, capacity building, and natural resources management.

ADB has a triple-A credit rating and actively mobilizes financial resources through its cofinancing operations, tapping official, commercial, and export credit sources. Assistance to its developing member countries creates an enabling environment for private sector development. ADB also directly finances private sector projects to assist commercial investors and lenders.

OVERVIEW OF OPERATIONS

ADB approved 80 loans (67 projects) for \$7.4 billion, 14 equity investments for \$260.5 million, 3 guarantees for \$124.8 million, 5 syndication operations for \$530.0 million, 43 grant projects for \$538.4 million, 260 technical assistance projects for \$241.6 million, and 8 multitranches financing facilities for \$3.8 billion.

LOANS

Sovereign lending amounted to \$6.8 billion in 71 loans (59 projects and programs), comprising 26 loans from ADB's OCR for \$5.5 billion, and 45 loans from the ADF for \$1.3 billion. These amounts include six OCR loans for \$930.8 million and three ADF loans for \$30.0 million from the multitranches financing facilities. Overall, sovereign lending increased by 30% over the \$5.2 billion approved in 2005 (an increase of 43% for OCR lending and decrease of 6% for ADF lending). Two nonsovereign public sector loans to state-owned enterprises for \$150.0 million were approved. Seven nonsovereign loans (six projects) to the private sector for \$425.0 million were also approved—17% less than the \$513.0 million that went to six loans (six projects) in 2005.

Of the 67 projects and programs approved, 18 (27%) were targeted interventions, and 49 (73%) were general interventions. Sustainable economic growth was the most prevalent theme and was associated with 57 projects. Finance received the largest share of lending (24%) (Table 3).

The 52 projects approved will result in total investments of about \$17.5 billion: \$4.3 billion (25%) will be financed by ADB; \$4.9 billion (28%) by governments and borrowers; \$8.2 billion (47%) by cofinanciers, equity sponsors, and local financial institutions; and \$22.3 million (0.1%) by project beneficiaries. Four projects, amounting to \$314.2 million, will be financed under sector lending, compared with eight projects amounting to \$1.0 billion in 2005.

The 15 policy-based programs approved in 2006 were valued at \$3.2 billion, compared with 10 programs for

TABLE 2 Top Recipients by Approval, 2006
(\$ million)

Recipient	Loans		TA	Grants	Total
	Sovereign	Nonsovereign			
China, People's Rep. of	1,522.00	50.00	13.58		1,585.58
Pakistan	1,535.80		7.60	34.50	1,577.90
India	1,260.00	275.00	30.57	5.00	1,570.57
Indonesia	709.80	75.00	7.05	36.56	828.41
Philippines	650.00		4.65	4.40	659.05
Viet Nam	308.19		16.52	32.49	357.21
Bangladesh	255.10		5.71	56.70	317.51
Afghanistan	113.20	40.00	7.95	151.20	312.35
Nepal	86.00		6.38	84.90	177.28
Kazakhstan		125.00	0.60		125.60
Regional			102.24	25.00	127.24
Other DMCs	381.20	10.00	38.77	107.65	537.62
Total	6,821.29	575.00	241.63	538.40	8,176.32

DMC = developing member country, TA = technical assistance.
Note: Totals may not add up because of rounding.

\$1.1 billion in 2005. Four program loans approved were coupled with an investment project loan.

EQUITY OPERATIONS

Fourteen equity investments for \$260.5 million were approved, compared with eight for \$196.5 million in 2005.

COFINANCING AND GUARANTEE OPERATIONS

Total direct value-added cofinancing amounted to \$1.5 billion for 103 projects, of which \$1.4 billion was for 29 investment projects and \$92.7 million was for 74 technical assistance projects. Direct value-added cofinancing

TABLE 3 Operations by Sector, 2005–2006

Sector	Loans				Grants			
	2005		2006		2005		2006	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%
Agriculture and Natural Resources	301.21	5	807.17	11	67.28	6	133.60	25
Education	58.06	1	250.90	3	34.57	3	46.66	9
Energy	1,073.80	19	1,369.50	19	28.50	2	3.00	1
Finance	261.22	5	1,787.00	24	2.00	0.2	72.05	13
Health, Nutrition, and Social Protection	57.90	1	–	–	92.18	8	71.99	13
Industry and Trade	25.00	0.4	10.00	0.1	2.70	0.2	0.50	0.1
Law, Economic Management, and Public Policy	778.00	14	220.00	3	8.30	1	8.30	2
Transport and Communications	1,722.80	30	1,433.20	19	70.80	6	131.40	24
Water Supply, Sanitation, and Waste Management	618.00	11	638.82	9	28.00	2	1.00	0.2
Multisector	864.62	15	879.70	12	815.60	71	69.90	13
Total	5,760.61	100	7,396.29	100	1,149.93	100	538.40	100

– = no data available.

Note: Totals may not add up because of rounding.

TABLE 4a Direct Value-Added Cofinancing Arrangements, 2003–2006 (\$ million)

	2003			2004			2005			2006		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Investment Projects												
Guarantees	65.0	105.0	170.0	0.0	10.0	10.0	18.4	50.0	68.4	0.0	124.8	124.8
Syndications	0.0	70.0	70.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	530.0	530.0
Grants	404.0	0.0	404.0	68.2	0.0	68.2	223.4	0.0	223.4	166.1	0.0	166.1
Official Loans	77.0	0.0	77.0	142.0	0.0	142.0	30.5	0.0	30.5	569.2	0.0	569.2
Subtotal	546.0	175.0	721.0	210.2	10.0	220.2	272.3	50.0	322.3	735.3	654.8	1,390.1
Technical Assistance Projects												
Grants	67.9	0.0	67.9	75.2	0.0	75.2	78.9	0.0	78.9	92.7	0.0	92.7
Total DVA Cofinancing	613.9	175.0	788.9	285.4	10.0	295.4	351.2	50.0	401.2	828.1	654.8	1,482.9

DVA = direct value added.

TABLE 4b Direct Value-Added Cofinancing Arrangements, 2003–2006 (number of projects^a)

	2003			2004			2005			2006		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Investment Projects												
Guarantees	1	1	2	0	1	1	1	1	2	0	3	3
Syndications	0	1	1	0	0	0	0	0	0	0	5	5
Grants	2	0	2	6	0	6	12	0	12	12	0	12
Official Loans	3	0	3	7	0	7	3	0	3	11	0	11
Subtotal	6	2	8	13	1	14	15	1	16	22	7	29
Technical Assistance Projects												
Grants	87	0	87	96	0	96	95	0	95	74	0	74
Total	93	2	95	109	1	110	110	1	111	96	7	103

DVA = direct value added.

a A project with more than one source of cofinancing is counted as one.

Table 5 Top Recipients of Grants by Approval, ^a 2006

Country	\$ million
Afghanistan	151
Nepal	85
Bangladesh	57
Indonesia	37
Pakistan	34
Viet Nam	32
Solomon Islands	25
Lao PDR	22
Papua New Guinea	22
Sri Lanka	17
Other DMCs	31
Regional	25
Total	538

DMC = developing member country.

^a Includes cofinanced grants.**Table 6 Top Recipients of Technical Assistance by Approval, 2006**

(\$ million)

Country	TASF	JSF	Others	Total	%
India	6.00	2.30	22.27	30.57	12.7
Viet Nam	4.03	4.00	8.49	16.52	6.8
China, People's Rep. of	12.66	–	0.93	13.58	5.6
Afghanistan	6.95	–	1.00	7.95	3.3
Pakistan	2.20	5.40	–	7.60	3.1
Indonesia	5.27	1.48	0.30	7.05	2.9
Nepal	1.30	2.45	2.63	6.38	2.6
Cambodia	1.80	3.15	1.30	6.25	2.6
Bangladesh	2.00	3.45	0.26	5.71	2.4
Philippines	2.55	1.60	0.50	4.65	1.9
Other DMCs	12.27	13.73	7.12	33.12	13.7
Regional	35.27	19.03	47.95	102.24	42.3
Total	92.30	56.59	92.74	241.63	100.0

DMC = developing member country, JSF = Japan Special Fund, TASF = Technical Assistance Special Fund

Note: Totals may not add up because of rounding.

Table 7 Resource Transfers to Developing Member Countries

(\$ million)

	2005	2006
OCR		
Loan Disbursements	3,498	4,420
Principal Repayments ^a	(3,491)	(1,736)
Payments of Interest/Charges	(1,041)	(1,185)
Net Equity Investment	47	(14)
Net	(987)	1,486
ADF		
Loan Disbursements	1,247	1,338
Principal Repayments	(434)	(468)
Payments of Interest/Charges	(201)	(204)
Net	612	666
Total	(375)	2,152

() = resource inflow from developing member countries, ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Includes prepayments of \$460.3 million (\$597.4 million in 2005).

for investment projects comprised \$124.8 million for 3 guarantee operations, \$530.0 million for 5 syndication operations, \$166.1 million for 12 grant operations, and \$569.2 million for 11 official loan cofinancing operations (Tables 4a and 4b). Nondirect value-added cofinancing amounted to about \$4.5 billion in the form of parallel grants and loans for 20 ADB-financed projects and programs.

GRANTS

ADB approved 43 grant projects for \$538.4 million in 2006 (Table 5). Of this amount, \$274.9 million was funded from the ADF IX; \$28.5 million from the Asian Tsunami Fund and Pakistan Earthquake Fund; and \$235.0 million from external sources with full or partial administration by ADB, comprising \$67.9 million from the Japan Fund for Poverty Reduction, \$1.0 million from the Japan Fund for Information and Communication Technology, and \$166.1 million from other bilateral and multilateral sources (Australia, Canada, Finland, Republic of Korea, the Netherlands, New Zealand, Norway, Sweden, Switzerland, and United Kingdom).

Of the 43 grant projects, sustainable economic growth was the most prevalent theme and was associated with 25 projects. Agriculture and natural resources received the largest share among the sectors (25%) (Table 3).

In addition, parallel grants of \$111.9 million were provided from multilateral and bilateral institutions without ADB administration services for five ADB-financed projects.

TECHNICAL ASSISTANCE

ADB approved a total of 260 technical assistance projects for \$241.6 million, including 234 new projects and 26 supplementary projects. This amount is 21.7% more than the \$198.5 million for the 299 projects approved in 2005. Of the 260 technical assistance projects, 73 were for project preparation, 98 were advisory, and 89 were for regional assistance. Of the total amount approved, \$92.3 million was financed from the Technical Assistance Special Fund, \$56.6 million from the Japan Special Fund, and the remaining \$92.7 million from other multilateral and bilateral sources (Table 6).

MULTITRANCHE FINANCING FACILITIES

Eight multitranche financing facilities totaling \$3.8 billion were approved in 2006, compared with two for \$1.5

billion in 2005 (see The Record). These were one facility (\$430.0 million) for Bangladesh, three (\$1.1 billion) for India, three (\$2.2 billion) for Pakistan, and one (\$50.0 million) for the People's Republic of China (PRC).

RESOURCE TRANSFERS

The year showed significant improvement in disbursement, compared with the past 10 years. In discussions with borrowers, countries highlighted the need for ADB to expand support for poverty reduction programs. The Board discussed a range of new financial mechanisms and business procedure reforms under the innovation and efficiency initiative to respond to client demands.

Compared with the net inflow of \$0.4 billion to ADB from its developing member countries in 2005, there was a net transfer of resources of \$2.2 billion from ADB to its developing member countries. There was a net transfer of \$1.5 billion from ADB to OCR borrowers/investors. The four countries with largest net resource transfers were the PRC, Pakistan, Philippines, and India.

Loan disbursements totaled \$5.7 billion compared with \$4.7 billion in 2005. Of the total, OCR disbursements were \$4.4 billion or 77% and ADF disbursements were \$1.3 billion or 23% (Table 7).

Loan service payments reached \$3.6 billion in 2006, compared with \$5.2 billion in 2005. The decrease was mainly because of the bullet repayment of the financial sector program loan to the Republic of Korea of \$1.7 billion in 2005.

NONSOVEREIGN OPERATIONS

ADB approved a total of 21 financial markets and infrastructure nonsovereign projects providing \$1.4 billion in assistance in 2006 (Table 9). The interventions are composed of 14 equity investments of \$260.5 million,

7 private sector loans of \$425.0 million, of which \$75.0 million has been reinsured, 2 public sector loans of \$150.0 million, two partial credit guarantees of \$109.8 million, a political risk guarantee of \$15.0 million, and \$455.0 million in commercial loans under ADB's B-loan program (Table 9), of which \$105.0 million is for B-loans for private sector projects and \$350.0 million is for B-loans for public sector projects.

As of 31 December 2006, the overall exposure of nonsovereign operations amounted to about \$2.6 billion, consisting of \$915 million in equity investments, loans of \$1.3 billion, and guarantees of \$401 million. ADB's nonsovereign exposure is largest in the infrastructure sector with a total of \$1.2 billion in exposure, followed by exposure to the financial sector of \$822 million, investment funds and capital markets of \$446 million, and exposure to other sectors at \$110 million.

The exposure of nonsovereign operations is the largest in the PRC (21%), followed by Indonesia (14%), India (13%), and Kazakhstan (9%). Regional projects account for roughly 10% of the total.

Table 8 Cumulative Nonsovereign Operations by Top Countries, 1983–2006^a
(\$ million)

India	1,026
China, People's Rep. of	766
Indonesia	729
Pakistan	505
Philippines	448
Thailand	319
Viet Nam	255
Bangladesh	242
Sri Lanka	232
Kazakhstan	225
Other DMCs	330
Regional	830
Total	5,906

DMC = developing member country.

^a Net of full cancellations before effectivity.

Table 9 Nonsovereign Operations, 2003–2006^a
(\$ million)

	2003	2004	2005	2006
Loan	167	93	513	575
Equity	36	164	197	261
Partial Credit Guarantee	170	–	18	110
Political Risk Guarantee	–	10	50	15
B-loan	170	–	–	455
Total Approvals	543	267	778	1,415
Total Project Cost	2,300	2,228	8,776	8,586

– = nil, B-loan = an ADB loan funded by third parties without recourse to ADB (see Glossary, page 122).

^a Net of full cancellations before effectivity.