



# Financing Operations

Authorized and subscribed capital stock amounted to \$56.0 billion. ADB raised funds totaling \$8.9 billion, of which \$2.0 billion was raised through two US dollar global public offerings. Ordinary capital resources (OCR) gross income, which includes revenue and net realized gains, amounted to \$2.2 billion, \$1.4 billion of which was generated from the loan portfolio, \$680.4 million from the investment portfolio, and \$104.5 million from other sources, of which \$80.7 million came from equity investment operations.

ADB's Special Funds are the Asian Development Fund (ADF) with 2007 committed resources amounting to \$0.6 billion, Technical Assistance Special Fund of \$14.4 million, Japan Special Fund of \$39.7 million, ADB Institute Special Fund of \$11.8 million, Asian Tsunami Fund of \$22.6 million, Pakistan Earthquake Fund of \$22.6 million, and Regional Cooperation and Integration Fund of \$41.2 million.

## FUNDING

ADB raised funds totaling \$8.9 billion, of which \$2.0 billion was raised through two US dollar global public offerings.

## OVERVIEW OF OPERATIONS

ADB approved 96 loans (82 projects) for \$10.1 billion, 5 equity investments for \$79.8 million, 4 guarantees for \$376.0 million, 2 syndication operations for \$425.0 million, 39 grant projects for \$672.7 million, 242 technical assistance projects for \$243.4 million, and 7 multitranches financing facilities for \$4.0 billion.

## LOANS

Sovereign lending amounted to \$9.2 billion (Table 4) for 74 loans (61 projects and programs), comprising 38 loans from ADB's OCR for \$7.4 billion, and 36 loans from the ADF for \$1.9 billion. These amounts include 15 OCR

## Transport and communications received the largest share of lending

loans for \$2.0 billion and three ADF loans for \$50.0 million from multitranches financing facilities. Overall, sovereign lending increased 36% over the \$6.8 billion approved in 2006 (an increase of 33% for OCR lending and increase of 49% for ADF lending). Three nonsovereign public sector loans to state-owned enterprises for \$105.0 million were approved. Nineteen nonsovereign loans (19 projects) to the private sector for \$760.3 million were also approved—79% more than the \$425.0 million for seven loans (six projects) in 2006.

Of the 82 projects and programs approved in 2007, 62 (76%) were general interventions, and 20 (24%) were targeted interventions. Sustainable economic growth was the most prevalent theme and was associated with 71 projects. Transport and communications, among the sectors, received the largest share of lending (39%) (Table 5).

The 71 projects approved in 2007 will result in total investments of about \$17.3 billion: \$7.8 billion (45%) will be financed by ADB; \$4.2 billion (24%) by governments and borrowers; \$5.3 billion (30%) by

TABLE 4 Top Recipients by Approval, 2007

(\$ million)

Recipient	Loans		TA	Grants	Total
	Sovereign	Nonsovereign			
Pakistan	1,869.8	150.0	20.2	32.0	2,072.0
Viet Nam	1,438.9	45.0	13.1	28.8	1,525.8
India	1,232.1	154.3	10.8	–	1,397.2
China, People's Republic of	1,146.7	160.0	20.5	–	1,327.2
Indonesia	950.0	95.0	6.2	–	1,051.2
Bangladesh	965.7	–	7.7	–	973.4
Philippines	583.8	–	2.7	9.0	595.5
Sri Lanka	415.0	27.5	0.6	32.5	475.6
Azerbaijan	200.0	56.0	–	–	256.0
Afghanistan	–	–	4.5	188.8	193.3
Regional	–	20.0	102.7	–	122.7
Other DMCs	438.3	157.5	54.5	381.6	1,032.0
<b>Total</b>	<b>9,240.3</b>	<b>865.3</b>	<b>243.4</b>	<b>672.7</b>	<b>11,021.8</b>

– = 0, DMC = developing member country, TA = technical assistance.

Note: Totals may not add up because of rounding.

cofinanciers, equity sponsors, and local financial institutions; and \$111.2 million (1%) by project beneficiaries. Five projects amounting to \$503.2 million will be financed under sector lending, compared with four projects amounting to \$314.2 million in 2006.

The 11 policy-based programs approved in 2007 were valued at \$2.5 billion, compared with 15 programs for \$3.1 billion in 2006. Three program loans approved in 2007 were coupled with an investment project loan or a technical assistance loan.

## EQUITY OPERATIONS

Five equity investments for \$79.8 million were approved in 2007, compared with 13 for \$250.5 million in 2006.

## COFINANCING AND GUARANTEE OPERATIONS

Total direct value-added cofinancing amounted to \$1.1 billion for 78 projects, of which \$1.0 billion was for 18 investment projects and \$89.7 million was for 60 technical assistance projects. Direct value-added cofinancing for investment projects comprised \$376.0 million for 4 guarantee operations, \$425.0 million in B-loans for 2 projects, \$101.4 million for 10 grant operations, and \$120.5 million for 6 official loan cofinancing operations (Tables 6a and 6b). Nondirect value-added cofinancing amounted to about \$2.2 bil-

lion in the form of parallel grants and loans for 11 ADB-financed projects and programs.

In 2007, Australia, Norway, and the Netherlands committed a total of \$56.5 million to the innovative Water Financing Partnership Facility, or more than 50% of the original target of \$100.0 million by the end of 2008. ADB started to manage the Asia Pacific Carbon Fund to acquire future flows of certified emission reduction credits on behalf of participants, in return for up-front cofinancing payments. By the end of 2007, a total of \$151.8 million had been remitted to this fund through Instruments of Contributions from Belgium, Finland, Luxembourg, Portugal, Spain, Sweden, and Climate Cent Foundation. Two new facilities were established: the Clean Energy Financing Partnership Facility, with contributions of \$5.9 million from Australia and \$5.6 million from Norway; and the Regional Cooperation and Integration Financing Partnership Facility.

ADB agreed with Japan on a strategic partnership called Enhanced Sustainable Development in Asia (ESDA) to improve investment climates, including regional cooperation and energy efficiency, in Asia. Under the ESDA framework, the Japan Bank for International Cooperation, through the Accelerated Co-Financing scheme with ADB (ACFA), agreed to provide concessional yen loans for an aggregate \$1 billion–\$2 billion over the next 5 years to jointly cofinance ADB projects. Japan also established two trust funds linked to the new financing partnership facilities: the Asian Clean Energy Fund and the Investment

TABLE 5 Operations by Sector, 2006–2007

Sector	Loans				Grants			
	2006		2007		2006		2007	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%
Agriculture and Natural Resources	800.2	11	146.3	1	130.6	24	22.8	3
Education	250.9	3	145.0	1	46.7	9	61.0	9
Energy	1,369.5	19	1,403.7	14	3.0	1	25.4	4
Finance	1,787.0	24	1,158.0	11	72.1	13	2.0	0.3
Health, Nutrition, and Social Protection	–	–	50.0	0.5	72.0	13	31.0	5
Industry and Trade	10.0	0.1	95.0	1	0.5	0.1	17.0	3
Law, Economic Management, and Public Policy	220.0	3	1,179.5	12	8.3	2	16.5	2
Transport and Communications	1,433.2	19	3,925.8	39	131.4	25	319.9	48
Water Supply, Sanitation, and Waste Management	638.8	9	408.2	4	–	–	7.5	1
Multisector	879.7	12	1,594.1	16	69.9	13	169.7	25
<b>Total</b>	<b>7,389.3</b>	<b>100</b>	<b>10,105.6</b>	<b>100</b>	<b>534.4</b>	<b>100.0</b>	<b>672.7</b>	<b>100</b>

– = 0.

Note: Totals may not add up because of rounding.

TABLE 6a Direct Value-Added Cofinancing Arrangements,<sup>a</sup> 2004–2007

(\$ million)

	2004			2005			2006			2007		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Investment Projects												
Guarantees	0.0	10.0	10.0	18.4	50.0	68.4	0.0	124.8	124.8	0.0	376.0	376.0
Syndications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	530.0	530.0	0.0	425.0	425.0
Grants	68.2	0.0	68.2	225.9	0.0	225.9	166.1	0.0	166.1	101.4	0.0	101.4
Official Loans	142.0	0.0	142.0	22.5	0.0	22.5	565.2	0.0	565.2	120.5	0.0	120.5
Subtotal	210.2	10.0	220.2	266.8	50.0	316.8	731.3	654.8	1,386.1	221.9	801.0	1,022.9
Technical Assistance Projects												
Grants	75.2	0.0	75.2	78.9	0.0	78.9	92.7	0.0	92.7	89.7	0.0	89.7
<b>Total DVA Cofinancing</b>	<b>285.4</b>	<b>10.0</b>	<b>295.4</b>	<b>345.7</b>	<b>50.0</b>	<b>395.7</b>	<b>824.1</b>	<b>654.8</b>	<b>1,478.9</b>	<b>311.5</b>	<b>801.0</b>	<b>1,112.5</b>

DVA = direct value-added.

Note: Totals may not add up because of rounding.

a Cofinancing under administrative or collaborative arrangements with ADB.

TABLE 6b Direct Value-Added Cofinancing Arrangements,<sup>a</sup> 2004–2007 (number of projects<sup>b</sup>)

	2004			2005			2006			2007		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Investment Projects												
Guarantees	0	1	1	1	1	2	0	3	3	0	4	4
Syndications	0	0	0	0	0	0	0	5	5	0	2	2
Grants	6	0	6	12	0	12	12	0	12	10	0	10
Official Loans	7	0	7	2	0	2	10	0	10	6	0	6
Subtotal	13	1	14	14	1	15	21	7	28	12	6	18
Technical Assistance Projects												
Grants	96	0	96	96	0	96	74	0	74	60	0	60
<b>Total</b>	<b>109</b>	<b>1</b>	<b>110</b>	<b>110</b>	<b>1</b>	<b>111</b>	<b>95</b>	<b>7</b>	<b>102</b>	<b>72</b>	<b>6</b>	<b>78</b>

DVA = direct value-added.

a Cofinancing under administrative or collaborative arrangements with ADB.

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

Climate Facilitation Fund. The first ADB project under ACFA was approved with a loan of \$38 million for the Power Sector Expansion Project in Samoa.

## GRANTS

ADB approved 39 grant projects for \$672.7 million in 2007 (Table 7). Of this amount, \$519.3 million was funded from ADF IX; \$30.0 million from the Pakistan Earthquake Fund; and \$123.4 million from external sources with full or partial administration by ADB, comprising \$22.0 million from the Japan Fund for Poverty Reduction, and \$101.4 million from other bilateral and multilateral sources (Australia, Canada, Finland, France, Norway, European Commission, Global Environment Facility, HIV/AIDS Cooperation Fund).

Of the 39 grant projects, sustainable economic growth was the most prevalent theme and was

TABLE 7 Top Recipients of Grants by Approval,<sup>a</sup> 2007

Recipient	\$ million
Afghanistan	188.8
Nepal	111.0
Lao People's Democratic Republic	60.0
Kyrgyz Republic	53.6
Cambodia	46.5
Sri Lanka	32.5
Pakistan	32.0
Samoa	29.3
Viet Nam	28.8
Tajikistan	22.8
Other DMCs	67.4
<b>Total</b>	<b>672.7</b>

DMC = developing member country.

a Includes cofinanced grants.

associated with 25 projects. Transport and communications received the largest share among the sectors (48%).

In addition, \$126 million in parallel grants, not administered by ADB, were provided from multilateral and bilateral institutions for a project in Viet Nam.

## TECHNICAL ASSISTANCE

A total of 242 technical assistance (TA) projects for \$243.4 million, including 197 new projects and 45 supplementary projects, were approved in 2007. This amount is 0.9% more than the 259 projects for \$241.2 million approved in 2006. Of the 242 TA projects, 66 were for project preparation, 94 were advisory, and 82 were for regional assistance. Of the total amount approved, \$101.3 million will be financed from the Technical Assistance Special Fund, \$43.1 million from the Japan Special Fund, \$2.0 million from the Pakistan Earthquake Fund, \$7.4 million from the Regional Cooperation and Integration Fund, and the remaining \$89.7 million from other multilateral and bilateral sources (Table 8).

## Sustainable economic growth was the most prevalent theme

## MULTITRANCHE FINANCING FACILITIES

Seven multitranche financing facilities totaling \$4.0 billion were approved in 2007, compared with eight for \$3.8 billion in 2006.

TABLE 9 Resource Transfers to Developing Member Countries

(\$ million)		
	2006	2007
<b>OCR</b>		
Loan Disbursements	4,420	5,234
Principal Repayments <sup>a</sup>	(1,736)	(1,454)
Payments of Interest/Charges	(1,185)	(1,395)
Net Equity Investment	(14)	(8)
<b>Net</b>	<b>1,486</b>	<b>2,377</b>
<b>ADF</b>		
Loan Disbursements	1,338	1,618
Principal Repayments	(468)	(586)
Payments of Interest/Charges	(203)	(210)
<b>Net</b>	<b>666</b>	<b>821</b>
<b>TOTAL</b>	<b>2,152</b>	<b>3,198</b>

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

a Includes prepayments of \$80.1 million (\$460.3 million in 2006).

TABLE 8 Top Recipients of Technical Assistance by Approval, 2007

(\$ million)

Recipient	TASF	JSF	PEF	RCIF	Others	Total	%
China, People's Republic of	17.3	–	–	–	3.2	20.5	8.4
Pakistan	5.7	1.0	2.0	–	11.5	20.2	8.3
Timor-Leste	3.0	–	–	–	12.0	15.0	6.2
Viet Nam	3.3	6.7	–	–	3.1	13.1	5.4
India	3.5	6.8	–	–	0.5	10.8	4.4
Bangladesh	4.9	1.8	–	–	1.0	7.7	3.2
Nepal	4.9	2.0	–	0.3	0.1	7.2	3.0
Indonesia	4.5	0.9	–	–	0.8	6.2	2.5
Afghanistan	2.8	–	–	–	1.7	4.5	1.9
Lao People's Democratic Republic	1.4	2.3	–	–	0.5	4.1	1.7
Other DMCs	11.8	14.6	–	–	5.0	31.4	12.9
Regional	38.3	7.0	–	7.1	50.3	102.7	42.2
<b>Total</b>	<b>101.3</b>	<b>43.1</b>	<b>2.0</b>	<b>7.4</b>	<b>89.7</b>	<b>243.4</b>	<b>100.0</b>

– = 0, DMC = developing member country, JSF = Japan Special Fund, PEF = Pakistan Earthquake Fund, RCIF = Regional Cooperation and Integration Fund, TASF = Technical Assistance Special Fund.

Note: Totals may not add up because of rounding.

TABLE 10 Cumulative Nonsovereign Operations by Top Countries, 1983–2007<sup>a, b</sup>

	\$ million	%
India	1,401	18.3
China, People's Republic of	1,290	16.8
Indonesia	824	10.8
Pakistan	721	9.4
Kazakhstan	550	7.2
Philippines	448	5.8
Thailand	319	4.2
Viet Nam	300	3.9
Sri Lanka	280	3.7
Bangladesh	242	3.2
Afghanistan	138	1.8
Lao People's Democratic Republic	100	1.3
Other DMCs	75	1.0
Azerbaijan	66	0.9
Nepal	59	0.8
Regional	850	11.1
<b>Total</b>	<b>7,663</b>	<b>100.0</b>

DMC = developing member country.

Note: Totals may not add up because of rounding.

a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

b Net of facilities cancelled in full before signing.

## 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.

During the year, there was a net transfer of resources of \$3.2 billion from ADB to its developing member countries, compared with \$2.2 billion in 2006. Of these net resource transfers, \$2.4 billion went to OCR borrowers and investors in 2007, and \$1.5 billion went to them in 2006. The four countries with largest net resource transfers were India, the PRC, Pakistan, and Indonesia.

Loan disbursements totaled \$6.8 billion compared with \$5.7 billion in 2006. Of the total, OCR disbursements were \$5.2 billion or 76%, and ADF disbursements were \$1.6 billion or 24% (Table 9).

Loan service payments totaled \$3.6 billion in 2007, about the same level as that in 2006.

TABLE 11 Nonsovereign Operations, 2004–2007<sup>a, b</sup>

(\$ million)	2004	2005	2006	2007
Nonsovereign Loans	93	513	575	865
– Private sector	93	513	425	760
– Public sector	–	–	150	105
Equity	164	197	251	80
Partial Credit Guarantee	–	18	110	376
Political Risk Guarantee	10	50	15	–
B-Loan	–	–	455	425
– Private sector	–	–	105	200
– Public sector	–	–	350	225
<b>Total Nonsovereign Approvals</b>	<b>267</b>	<b>778</b>	<b>1,406</b>	<b>1,746</b>
– Private sector	267	778	906	1,416
– Public sector	–	–	500	330
<b>Total Project Cost</b>	<b>2,228</b>	<b>8,776</b>	<b>8,581</b>	<b>4,123</b>

– = 0.

a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

b Net of facilities cancelled in full before signing.

## NONSOVEREIGN OPERATIONS

ADB approved a total of 27 financial markets and infrastructure nonsovereign projects providing \$1.746 billion in assistance in 2007 (Table 11). The interventions are composed of 19 private sector loans of \$760.3 million, 3 public sector loans of \$105.0 million, 5 equity investments of \$79.8 million, 4 credit guarantees of \$376.0 million, and \$425.0 million in commercial loans under ADB's B-loan program, of which \$200.0 million is for a private sector project while \$225.0 million is for a public sector project.

The Board of Directors increased the ceiling for ADB's nonsovereign operations to \$5.0 billion. As of 31 December, the overall exposure of nonsovereign operations amounted to about \$3.0 billion, consisting of loans of \$1.5 billion, \$1.1 billion in equity investments, and guarantees of \$530.7 million. ADB's nonsovereign exposure is largest in the infrastructure sector with a total of \$1.4 billion, followed by exposure to the financial sector of \$1.1 billion, investment funds and capital markets of \$486.3 million, and exposure to other sectors at \$89.8 million.

Cumulative nonsovereign operations are largest in India (18%), followed by the PRC (17%), Indonesia (11%), and Pakistan (9%). Regional projects account for roughly 11% of the total (Table 10).