



Chapter 6

FINANCING OPERATIONS

ADB raised \$10.4 billion in public bond issues and private placements. ADB approved a total of \$16.1 billion in financing operations through loans, grants, guarantees, a trade finance facilitation program, equity investments, and technical assistance—a 42% increase from 2008. Loan cofinancing amounted to about \$3.2 billion. Resources of \$6.0 billion were transferred from ADB to its developing member countries, compared with \$4.3 billion in 2008.

Authorized and subscribed capital stock amounted to \$166.2 billion and \$60.8 billion, respectively. Other resources in ordinary capital resources (OCR) in the form of gross income, comprising revenue and net realized gains, amounted to \$1.5 billion, \$1.0 billion of which was generated from the loan portfolio, \$489.8 million from the investment portfolio, and \$45.2 million from equity investments and other sources.

Resources in the form of contributions and revenue attained during 2009 in ADB's Special Funds totaled about \$4.4 billion. These included the Asian Development Fund (ADF) of \$4.0 billion, Technical Assistance Special Fund of \$313.7 million, Japan Special Fund of \$1.2 million, ADB Institute Special Fund of \$8.5 million, Asian Tsunami Fund of \$0.9 million, Pakistan Earthquake Fund of \$2.3 million, Regional Cooperation and Integration Fund of \$0.4 million, Climate Change Fund of \$0.4 million, and Asia Pacific Disaster Response Fund of \$40.1 million.

Additional resources of 2009 commitments to trust funds, comprising commitments for three new trust funds and replenishments of existing trust funds, totaled \$296.3 million. The commitments to three new trust funds amounted to \$126 million, including \$17.2 million by Australia to establish the Carbon Capture and Storage Fund under the Clean Energy Financing Partnership Facility, \$23 million by the United Kingdom for a new

5-year (2009–2013) strategic partnership to fight poverty in India, and \$85.8 million, including \$13.8 million in grants, by Sweden for a multidonor Urban Financing Partnership Facility. Commitments to existing trust funds amounted to \$170.3 million, of which Japan pledged \$100.0 million to enhance the Japan Fund for Poverty Reduction initiatives, which aim to support projects and technical assistance that address the effects of the financial crisis. In addition, the establishment of the Clean Technology Fund and Strategic Climate Fund under ADB administration was approved.

FUNDING

ADB raised \$10.4 billion in medium- and long-term funds through public bond issues and private placements. Public offerings amounted to \$7.7 billion and private placements totaled \$2.7 billion. Of the public offerings, \$4.0 billion was raised through two US-dollar global benchmarks.

OVERVIEW OF OPERATIONS

ADB approved a total of \$16.1 billion in financing operations (Table 2). These included 111 loans (93 projects) for about \$13.2 billion, 64 grants for \$1.1 billion, two guarantees for \$397 million, one trade finance facilitation program for \$850 million, 5 equity investments for \$220 million, and 313 technical assistance projects for \$267 million. Top recipients of financing operations are provided in Table 3.

Table 2 ADB Financing Operations at a Glance
(\$ million)

	2008	2009	Change (%)
Loans			
OCR	8,360	11,020	32
ADF	1,764	2,210	25
	10,124	13,230	31
Grants			
ADF Grants	707	911	29
Other Grants	102	202	98
	809	1,113	38
Loans and Grants	10,933	14,343	31
Guarantees		397	
Trade Finance Facilitation Program		850	
Equity	123	220	79
Technical Assistance	273	267	(2)
TOTAL	11,329	16,078	42
Memorandum Item			
Cofinancing	1,090	3,164	

ADF = Asian Development Fund, OCR = ordinary capital resources.
Note: Totals may not add up because of rounding.

ADB approved a total of \$16.1 billion in financing operations through loans, grants, guarantees, a trade finance facilitation program, equity investments, and technical assistance projects

TABLE 3 Top Recipients by Approval, 2009
(\$ million)

	Loans		Grants	Guarantees	TFFP	Equity	Technical Assistance	Total
	Sovereign	Nonsovereign						
Viet Nam	1,925.9	–	3.5	325.0			10.6	2,265.0
Indonesia	2,184.2	–	5.0			40.0	6.3	2,235.5
China, People's Republic of	1,762.1	192.9	9.9			25.0	24.6	2,014.4
India	1,711.0	100.0	2.0			40.0	19.5	1,872.5
Philippines	1,056.1	120.0	4.9				6.5	1,187.5
Bangladesh	1,027.9	–	58.5				12.0	1,098.3
Pakistan	940.0	–	–				2.7	942.7
Kazakhstan	687.0	–	–				0.8	687.8
Sri Lanka	330.0	–	14.5				8.4	352.9
Nepal	172.8	–	172.5				5.7	351.0
Regional	–	–	–		850.0	115.0	120.7	1,085.7
Other DMCs	990.5	30.0	842.7	71.8			49.2	1,984.2
Total	12,787.3	442.9	1,113.5	396.8	850.0	220.0	267.2	16,077.6

– = nil, DMC = developing member country, TFFP = Trade Finance Facilitation Program.
Note: Totals may not add up because of rounding.

Overall, sovereign lending of \$12.8 billion approved in 2009 increased by 48.6% compared with \$8.6 billion approved in 2008

LOANS

Of the \$13.2 billion in loans, sovereign lending amounted to \$12.8 billion for 104 loans (86 projects/programs), comprising 57 loans from ADB's OCR for \$10.6 billion, and 47 loans from ADF for \$2.2 billion. These amounts include about \$3.4 billion—pursuant to periodic financing

requests approved in 2009 under multitranches financing facilities—for 18 OCR loans for \$3.1 billion and 6 ADF loans for \$328.8 million. Overall, sovereign lending of \$12.8 billion approved in 2009 increased by 48.6% compared with \$8.6 billion approved in 2008 (an increase of 54.7% for OCR and 25.3% for ADF lending). Two nonsovereign public sector loans to state-owned enterprises for \$134.3 million were approved. Five nonsovereign loans (5 projects) to the private sector for \$308.6 million were also approved—74.7% less than the \$1.2 billion for 10 loans (9 projects) in 2008.

Of the 93 projects and programs approved in 2009, 67 (72.8%) were general interventions and 25 (27.2%) were targeted interventions (excluding one project with

TABLE 4 Operations by Sector, 2008–2009

	Loans				Grants			
	2008		2009		2008		2009	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%
Agriculture and Natural Resources	607.5	6.0	443.5	3.4	82.6	10.2	174.5	15.7
Education	130.0	1.0	85.0	0.6	27.8	3.4	173.7	15.6
Energy	2,567.5	25.0	2,125.9	16.1	259.9	32.1	95.3	8.6
Finance	217.8	2.0	510.0	3.9	1.0	0.1	3.5	0.3
Health and Social Protection	172.0	2.0	93.1	0.7	15.7	1.9	35.0	3.1
Industry and Trade	167.5	2.0	101.0	0.8	10.0	1.2	1.6	0.1
Public Sector Management	1,845.0	18.0	5,306.4	40.1	122.4	15.1	57.0	5.1
Transport and ICT	2,688.1	27.0	2,347.8	17.7	169.1	20.9	355.2	31.9
Water Supply and Other Municipal Infrastructure and Services	873.6	9.0	808.5	6.1	59.9	7.4	110.4	9.9
Multisector	855.0	8.0	1,409.0	10.6	60.5	7.5	107.3	9.6
Total	10,123.9	100.0	13,230.2	100.0	808.9	100.0	1,113.5	100.0

ICT = information and communication technology.
Note: Totals may not add up because of rounding.

TABLE 5a Loan Cofinancing Arrangements,^a 2007–2009
(\$ million)

	2007			2008			2009		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Syndications	0.0	200.0	200.0	0.0	425.0	425.0	0.0	276.2	276.2
Commercial Loans ^b	0.0	0.0	0.0	0.0	0.0	0.0	0.0	120.0	120.0
Official Loans	120.5	0.0	120.5	664.6	0.0	664.6	2,768.0	0.0	2,768.0
Total	120.5	200.0	320.5	664.6	425.0	1,089.6	2,768.0	396.2	3,164.2

Note: Totals may not add up because of rounding.

a Comprising direct value-added loan cofinancing for projects, i.e., those with administrative or collaborative arrangements with ADB. Net of cancellations.

b Collaborative cofinancing under a framework agreement.

TABLE 5b Loan Cofinancing Arrangements,^a 2007–2009
(number of projects)

	2007			2008			2009		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Syndications	0	1	1	0	2	2	0	3	3
Commercial Loans ^b	0	0	0	0	0	0	0	1	1
Official Loans	6	0	6	5	0	5	10	0	10
Total DVA Cofinancing	6	1	7	5	2	7	10	4	14

DVA = direct value-added.

Note: Totals may not add up because a project with more than one source of cofinancing is counted once.

a Comprising direct value-added loan cofinancing for projects, i.e., those with administrative or collaborative arrangements with ADB. Net of cancellations.

b Collaborative cofinancing under a framework agreement.

pre-2004 targeting classification). Economic growth was the most common theme and was associated with 76 projects. Public sector management received the largest share of lending (40.1%) by sector (Table 4).

Of the 93 projects and programs, the 70 projects amounted to \$7.3 billion and the 23 programs totaled \$5.9 billion. The project lending included nine sector projects amounting to \$567 million, compared with four sector projects amounting to \$279 million in 2008. Policy-based program lending, excluding programs financed under the Countercyclical Support Facility amounted to \$3.4 billion. This constituted a 38.3% increase, compared with \$2.49 billion in 2008.

GRANTS

ADB approved 64 grant projects for \$1.1 billion in 2009. Of this amount, \$911 million was funded from ADF, \$13 million from ADB's Special Funds, and \$189 million from external sources with full or partial administration by ADB, comprising \$35 million from the Japan Fund for Poverty Reduction, and \$154 million from other bilateral and multilateral sources.

Of the 64 grant projects, social development was the most common theme, associated with 42 projects. Transport and information and communication technology received the largest share among the sectors (31.9%).

GUARANTEES

Two guarantee operations for \$397 million were approved in 2009 (Table 3).

TRADE FINANCE FACILITATION PROGRAM

ADB approved additional trade financing commitment for \$850 million, which increased the total exposure limit of the Trade Finance Facilitation Program to \$1 billion. In partnership with numerous commercial banks from both developing and developed countries, the program in 2009 supported \$1.9 billion in trade transactions in Asia (see Thawing the Big Credit Freeze, p. 89, for the program's impact).

TABLE 6 Nonsovereign Operations, 2006–2009^{a, b}
(\$ million)

	2006	2007	2008	2009
Nonsovereign Loans	450	650	1,522	443
– Private sector	375	640	1,222	309
– Public sector	75	10	300	134
Equity	230	80	123	220
Partial Credit Guarantee	110	251	–	72
Political Risk Guarantee	15	–	–	–
Trade Finance Facilitation Program	–	–	–	850
Total Nonsovereign Approvals	805	981	1,645	1,585
– Private sector	730	971	1,345	1,451
– Public sector	75	10	300	134
Memorandum Items				
Cofinancing (B-Loans)	330	200	425	276
– Private sector	105	200	200	220
– Public sector	225	–	225	56
Total Project Cost	7,678	3,485	9,992	4,506

– = nil.

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

b Net of facilities cancelled in full before signing.

EQUITY OPERATIONS

Five equity investments totaling \$220.0 million were approved in 2009, compared with seven for \$123.1 million in 2008.

LOAN COFINANCING

During 2009, cofinancing continued to be integrated into ADB's mainstream operations planning to support the goals of Strategy 2020. The total direct value-added (DVA) loan cofinancing in 2009 amounted to about \$3.2 billion for 14 initiatives (Tables 5a and 5b). Moreover, an additional \$5.9 billion in discrete (non-DVA) cofinancing was realized in the form of parallel loans for eight ADB-assisted projects and programs.

DVA cofinancing under official loans (i.e., those provided by bilateral and multilateral agencies) totaled \$2.8 billion for 10 projects and commercial loans totaled \$396.0 million comprising \$276.0 million for three projects, for which ADB is lender-of-record (B-loans) and a collaborative commercial loan cofinancing of \$120.0 million.

ADB also continued to promote its cofinancing products. For example, ADB hosted the Asia Finance and Risk Mitigation Forum, and co-hosted with

TABLE 7 Cumulative Nonsovereign Operations by Top Countries, 1983–2009^{a, b}

	\$ million	%
China, People's Republic of	2,188	20.4
India	2,129	19.8
Indonesia	919	8.6
Philippines	768	7.2
Pakistan	721	6.7
Thailand	395	3.7
Kazakhstan	375	3.5
Sri Lanka	280	2.6
Viet Nam	280	2.6
Bangladesh	242	2.3
Afghanistan	198	1.8
Lao People's Democratic Republic	100	0.9
Azerbaijan	66	0.6
Nepal	59	0.5
Georgia	25	0.2
Papua New Guinea	25	0.2
Regional	1,895	17.7
Other DMCS	62	0.6
Total	10,728	100.0

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 departments of ADB. Regional departments started nonsovereign operations in 2007.

b Net of facilities cancelled in full before signing.

TABLE 8 Resource Transfers to Developing Member Countries
(\$ million)

	2008	2009
OCR		
Loan Disbursements	6,472	7,898
Principal Repayments ^a	(1,923)	(1,891)
Payments of Interest/Charges	(1,416)	(1,126)
Net Equity Investment	57	13
Net	3,190	4,894
ADF		
Loan Disbursements	2,043	2,201
Principal Repayments	(677)	(845)
Payments of Interest/Charges	(256)	(261)
Net	1,110	1,095
Total	4,300	5,989

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

a Includes prepayments of \$6.7 million (\$277.1 million in 2008).

Australia's Export Finance and Insurance Corporation, the Asia EXIM Banks Forum Workshop on Re-Guarantee and/or Co-Financing. The regional technical assistance for strengthening the capacity of developing member countries in managing credit enhancement products was launched during 2009.

ADB establishes framework cofinancing agreements with its cofinanciers to effectively create a pipeline of future cofinancing operations. Such a programmatic approach to cofinancing gives predictability to ADB's cofinancing operations, moves cofinancing upstream, and allows the use of standardized, project-specific cofinancing agreement templates that streamline cofinancing operations. By the end of 2009, six framework agreements were in effect, the total value of which amounted to approximately \$9 billion over the coming 2–3 years. In 2009, ADB signed a framework cofinancing agreement with the Export–Import Bank of China for \$1.5 billion over 3 years for the cofinancing of infrastructure projects.

TECHNICAL ASSISTANCE OPERATIONS

A total of 313 technical assistance projects for \$267.2 million, including 267 new and 46 supplementary projects, was approved, or 2.2% less than the 298 projects for \$273.2 million approved in 2008. Of the 313 technical assistance projects, 88 are project preparatory, 114 are capacity development, 71 are policy and advisory, and 40 are research and development.

NONSOVEREIGN OPERATIONS

ADB approved a total of 12 financial markets and infrastructure nonsovereign projects, providing about \$1.6 billion in assistance (Table 6). The interventions comprise five private sector loans of \$309 million; two public sector nonsovereign loans of \$134 million; five equity investments of \$220 million; a credit guarantee of \$72 million and, as mentioned above, an increase in the total exposure limit of the Trade Finance Facilitation Program by \$850 million to \$1 billion in 2009.

As of 31 December, the total outstanding balances and undisbursed commitments of nonsovereign operations amounted to about \$4.5 billion, consisting of loans of \$2.6 billion, \$1.1 billion in equity investments, and guarantees of \$740.0 million. ADB's nonsovereign exposure is largest in the infrastructure sector, with a total of \$ 2.7 billion, followed by the finance sector with exposure of \$ 1.7 billion, and other sectors with exposure of \$70.0 million.

Cumulative nonsovereign operations are largest in the People's Republic of China (20.4%), followed by India (20%), followed by Indonesia (9%), and the Philippines (7%). Regional projects account for roughly 18% of the total (Table 7).

RESOURCE TRANSFERS

During the year, there was a net transfer of \$6.0 billion from ADB to its developing countries, compared with \$4.3 billion in 2008. Of these, net resource transfers of \$4.9 billion went to OCR borrowers and/or investors in 2009, compared with \$3.2 billion in 2008 (Table 8). The four countries with the largest net resource transfers were India, Viet Nam, the Philippines, and the People's Republic of China.

Loan disbursements totaled \$10.1 billion compared with \$8.5 billion in 2008. Of the total, OCR disbursements were \$7.9 billion or 78% and ADF disbursements were \$2.2 billion, or 22%. Loan service payments totaled \$4.1 billion in 2009 compared with \$4.3 billion in 2008.



A power station in Pakistan, aimed at harnessing the power of the private sector, goes up with ADB support