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Support for Financial Intermediation in Developing Member Countries

Operations Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CGS	–	credit guarantee scheme
CIB	–	credit information bureau
DFI	–	development finance institution
DFL	–	development finance loan
DMC	–	developing member country
IFC	–	International Finance Corporation
LGU	–	local government unit
NPLs	–	nonperforming loans
OCR	–	ordinary capital resources
PCG	–	partial credit guarantee
PCR	–	project completion report
PFI	–	participating financial institution
PPAR	–	project performance audit report
PSOD	–	Private Sector Operations Department
OCR	–	ordinary capital resources
OED	–	Operations Evaluation Department
SES	–	special evaluation study
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance
TCR	–	technical assistance completion report
TFFP	–	Trade Finance Facilitation Program

Key Words

adb, asian development bank, credit line, developing member country, development finance institution, financial intermediation, financial leasing, guarantee scheme, leasing, microfinance, modalities, oed, operations evaluation department, policy-based lending, private sector development, program loan, small and medium-sized enterprise, technical assistance

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The guidelines formally adopted by the Operations Evaluation Department (OED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. Sarath Thalakada was the consultant. To the knowledge of the management of OED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

EXECUTIVE SUMMARY

This report updates the earlier operations evaluation studies on Asian Development Bank's (ADB) assistance to supporting financial intermediation for private sector development, small and medium-sized enterprises (SMEs) promotion in particular. It follows a meta-evaluation approach and is based on desk review of evaluation and other related study reports. The report is intended to inform future formulation and implementation of ADB strategies and operations in financial intermediation and private sector development, especially SMEs.

It also summarizes good practices identified through internal and external evaluations, and identifies necessary modifications in policies and procedures that can help in applying a wider range of good practices to ADB's support for financial intermediation in its developing member countries (DMCs). As for general private sector development issues, it draws on Operation Evaluation Department's recent special evaluation study on private sector development and operations, where appropriate. New and emerging practices in ADB are discussed. Views on these practices are based on lessons from evaluations made by other international development agencies as well as ADB.

ADB has supported financial intermediation in its DMCs through various modalities, starting with a line of credit to a finance company in Thailand in 1968. The modalities have evolved since then and have diversified to meet the changing economic circumstances in the region, particularly the growing demand for financing for private sector development. As of the end of 2007, ADB had provided credit lines, policy-based loans (to the industrial, financial, capital market, governance, pension, and trade sectors), housing sector loans, and financial leasing lines in support of financial intermediation. The support had come in the form of 476 projects worth about $16.8 billion in total—about 21% of the number of ADB's projects and 14% of its public sector lending during that period.

Credit Line Modality. The credit line modality was designed by ADB at and for a time when most DMCs were short of foreign exchange for the equipment imports of private enterprises. The credit lines were long term, as the DMCs lacked long-term resources for investment, and were channeled mainly through government-owned development finance institutions (DFIs). Their use was phased out gradually. As of the end of 2007, 129 credit lines totaling about $4.6 billion had been extended to 25 out of 44 DMCs. Many credit lines were supported by technical assistance (TA)—229 TA grants in all, totaling about $113.4 million, by the end of 2007—for institutional strengthening and for studies to formulate and implement policy reforms.

But, despite the efforts made under the credit lines, industrial development and economic growth continued to stagnate in most DMCs. The environment for business, and for subprojects financed under the credit lines, was unfavorable. Generally, private enterprises suffered, while state-owned enterprises dominated industrial activity. Private industrial enterprises were often held back from importing their equipment and raw material requirements by foreign exchange constraints. Their performance was also affected by inward-looking and restrictive import practices in most DMCs. Moreover, some characteristics of the credit lines did not favor the DMCs. Because the credit lines were denominated in foreign currency, the recipient DMCs and DFIs were exposed to foreign exchange risk. Further, the credit lines were channeled through inefficiently managed DFIs (mainly government-owned), and their overall viability and sustainability was adversely affected by the resulting large amounts of nonperforming loans (NPL) and poor-quality portfolios.

Credit lines were used at a time when protection and support for infant industries was a dominant theme. This came through subsidized DFI credit lines and tariff protection and barriers. Once markets became more open and tariff protection and barriers reduced, the industries were exposed to a more competitive market and many of them failed, leading in turn to failure of DFIs who had funded them. Some DFIs transformed themselves into universal banks to access market for resources rather than continuously depending on government guaranteed funds, which reduced their need for credit lines from ADB.

Program Loans. As the credit line modality did not contribute substantially to industrial efficiency and growth, ADB saw the need to shift from project-specific financial intermediation to programs supporting reforms to address broad issues in both the industrial and financial sectors, to improve the investment climate, and to heighten the impact of its financial intermediation efforts. ADB studied the sector issues with the help of TA and pursued policy dialogue with DMCs to identify and draw up appropriate reform measures. The upshot was policy-based lending, a new modality in support of the implementation of the needed reforms in both institutions and policies. ADB devised a range of program loans for the industry, financial, capital market, governance, pension, trade, and other sectors. From about the late 1980s to the end of 2007, $11.3 billion was provided to DMCs through 80 program loans and their associated TA grants.

With the program loans, private enterprises could establish broad-based, competitive, and efficient financial sectors to increase financial intermediation; capital markets could be built up to diversify the financial sectors and help raise much-needed long-term resources for investment; governance could strengthen in financial institutions to increase public confidence in financial markets and mobilize more savings; and the pension sector could develop.

Other Lending Modalities. The credit line modality was replaced to some extent by financial leasing around the late 1980s. Financial leasing lines were found to be more appropriate for SMEs, and also more efficient, as they were dispensed through private sector leasing companies. As of the end of 2007, 26 financial leasing lines (including equity investments in leasing companies) totaling $204.2 million had been offered. The modalities further diversified when ADB began providing project loans to the housing sector; $623 million worth of such loans had been given for 12 projects by the end of 2007.

Performance by Modality. Only half of the credit lines, versus a substantial majority of program loans (except for the industry sector program loans) and all of the financial leasing lines, were *successful* or better. Project completion reports and project performance evaluation reports prepared in 1968–2007 rated the following proportions of the lending modalities *highly successful* or *successful*: credit lines (49%); financial leasing lines (100%); program loans for the industry (29%), finance (73%), capital market (60%), governance (100%), pension (100%), and trade (83%) sectors; and project loans for the housing sector (67%).

Good Practices. A recent ADB report outlined good practices in financial intermediation, especially for SMEs, among leading international agencies like the World Bank and the International Finance Corporation, as well as in some developing countries worldwide. The good practices fall into three broad areas: (i) creating a conducive policy and regulatory framework to ease constraints on SME finance and private sector development; (ii) promoting financial sector development (through competitive banking environments, deregulated interest rates, financial leasing, debt recovery systems, information collection and use, and credit guarantee schemes and trade finance); and (iii) promoting SME support services such as skills and trades, entrepreneurship, and other business development services to enhance the prospects of success and help strengthen financial intermediation.

ADB's practices have evolved over the years in line with these good practices. Program lending has helped improve the investment climate, while financial leasing has helped diversify the financial sector and make it more competitive. ADB has also branched out into setting up systems for debt recovery, credit information, management information, credit guarantees, and trade finance. At the same time, ADB has innovated by backing its financial support with policy and institutional reform measures to spread financial services, mainly in the form of microfinance, to more-neglected and outlying areas and thus broaden and increase financial intermediation. Recent program loans supported the extension of financial services to outlying areas, the expansion of service range and products (to include savings and lending based on Islamic practices), and the conduct of awareness programs to give poor and rural households better access to financial services—all of these in Pakistan—and brought microfinance and awareness programs to outlying areas in the Philippines. A credit line to Sri Lanka similarly sought to widen the reach of SME finance outside the urbanized western province, improve corporate governance in the participating commercial banks, and strengthen risk management to promote collateral-based lending to SMEs and to strengthen portfolio quality.

Private Sector Operations. Financial intermediation has been furthered as well by other innovative practices supported by the Private Sector Operations Department of ADB. In the Philippines, an equity investment in a private sector credit guarantee company provided guarantees against borrower default to private financial institutions and other investors in local government unit bonds, thereby promoting bond operations and capital market development. A loan to a private sector company went to the purchase of NPLs of a housing finance facility. An equity investment in a private sector asset management company supported the management, administration, and servicing of mortgage loans and related collaterals of properties acquired from the housing finance facility. That helped to resolve the NPL portfolios of financial institutions and make their lending more viable, and to develop the concepts of asset management and asset securitization. An equity investment in a credit information bureau supported information collection and use to facilitate financial intermediation. These projects can be replicated in the Philippines and in other DMCs.

Changed Environment. The economic environment in DMCs has changed over the years, and particularly since the 1980s, largely through the privatization and liberalization of the industrial and financial sectors, the transition to market-based economies, and globalization.

ADB's Future Role. In these circumstances, ADB's financing modalities and practices relating to financial intermediation for private sector development have changed emphasis from lending to more diversified operations and expanded nonlending services. This emphasis should be pursued further in the future. Many weak areas still constrain financial intermediation for private sector activity and retard economic growth. To overcome these weaknesses, a number of issues must be addressed. First, the investment climate must improve through rational policies, better access to finance, and stronger institutions. Second, the financial sector needs to become more broad-based, competitive, and efficient to provide entrepreneurs with alternative sources of investment capital, a diversified selection of new and innovative products, competitive rates, and efficient services to make their investments viable. Third, SME support services such as skills, trades, entrepreneurship, and other business development services would make success more likely and help strengthen financial intermediation for SMEs. Thus, a three-pronged program where the elements are mutually complementary needs to be adopted to build a strong foundation for an efficient and effective financial intermediation system that will support private sector development and help accelerate economic growth in the DMCs.

ADB's program loan modality in support of financial intermediation for private sector development has generally been successful and should therefore continue. That modality could be used to help stabilize macroeconomic conditions; strengthen policies, procedures, and incentive frameworks to improve the investment climate for private sector development and foreign direct investment; and strengthen the financial sector in the following areas: (i) autonomy of financial institutions; (ii) legal frameworks, prudential regulations and rules, and their effective enforcement and oversight; (iii) good governance; (iv) transparency, accountability, and proper disclosure in operations and financial reporting; (v) risk management and debt recovery; (vi) diversification of activities through the development of the capital markets and new and innovative savings and lending products; (vii) financial sector deepening through activities in underserved regional and rural areas and small business financing; and (viii) institution building, capacity enhancement, and human resource development.

To increase financial intermediation for private sector development, there is scope and opportunity for ADB to

(i) extend its guarantee facility to promote the corporate bond market and enable local financial institutions to mobilize more term deposits and close the large gap in the supply of term resources for investment;
(ii) expand its support for housing finance;
(iii) expand its guarantee mechanisms for export financing;
(iv) expand support for financial leasing operations;
(v) promote asset resolution and the establishment of asset management companies to help improve the portfolio quality and strengthen the financial viability of financial institutions; and
(vi) develop nonbank financial institutions such as investment banking, venture capital, pension and mutual funds, and other forms of contractual savings schemes. The Private Sector Operation Department has been engaged in some of these activities and there appears to be scope for their further expansion.

Issues to Consider Further. Many of the above good practices fall within ADB's current policies and procedures for financial intermediation for private sector development. The following issues need to be considered further:

(i) **Integrated programmatic approach.** More integrated programmatic approach (e.g., a program cluster modality integrating related sectors such as industrial, financial, capital market, governance, trade, and pensions sectors) needs to be rigorously used to promote financial intermediation in DMCs.
(ii) **Private sector development.** ADB needs to develop strategies to increase financial intermediation for private sector development in DMCs and integrate them with its country partnership strategies.
(iii) **Flexible modalities and continuous policy dialogue.** As the financial systems of DMCs become increasingly integrated with regional and global financial systems, the systems will be more susceptible to changes and turmoil in the external financial environments. ADB should stand ready to assist DMCs in coping with these challenges. ADB should also sustain dialogue with DMC policy makers, watch for and monitor early-warning signs of economic and financial sector developments, and take proactive measures to mitigate adverse developments in financial intermediation.

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I. INTRODUCTION AND APPROACH

1. This report updates the earlier operations evaluation studies[1] on Asian Development Bank's (ADB) assistance to supporting financial intermediation for private sector development, small and medium-sized enterprises (SMEs) promotion in particular.[2] The report is intended to inform future formulation and implementation of ADB strategies and operations in financial intermediation and private sector development, especially SMEs.

2. The report reviews the evaluation findings on ADB's policy in financial intermediation lending and other types of assistance, covering credit lines, financial leasing, and program lending to governments to facilitate financial intermediation, and various nonlending modalities, and updates the portfolio changes and trends in evaluation ratings. It also summarizes good practices identified through internal and external evaluations, and identifies necessary modifications in policies and procedures that can help in applying a wider range of good practices to ADB's support for financial intermediation in its developing member countries (DMCs).

3. The report takes a meta-evaluation approach, aggregating and analyzing findings from previous ADB reviews and evaluations of financial intermediation lending and related modalities and updating the findings in support of future ADB activities in this regard. No field visits were made, and the reviews of ADB evaluation evidence are based on available information. The study does not cover microcredit or microfinance operations. As for general private sector development issues, it draws on a recent special evaluation study (SES) on private sector development and operations,[3] where appropriate. New and emerging practices in ADB are discussed. Views on these practices are based on lessons from evaluations made by other international development agencies as well as ADB.

II. TRENDS IN SUPPORT FOR FINANCIAL INTERMEDIATION AND PERFORMANCE

A. Developments in ADB's Policies on Financial Intermediation Lending

4. Since its establishment in 1966, ADB has adopted various modalities of financial intermediation assistance to promote and develop private sector–led industrial development in the DMCs of Asia and the Pacific. These modalities have evolved and diversified over the years to allow more efficient financial intermediation and greater contributions to overall economic growth and increases in gross domestic product in the DMCs. Major lessons identified by the 1990 Operations Evaluation Department evaluation study (footnote 1) are summarized in Box 1.

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[1] ADB. 1990. *Special Study on the Bank Lending to Selected Development Finance Institutions (DFI) in South Asia.* Manila; ADB. 1987. *Korean Case: Impact Evaluation Study on the DFI Loans to Small and Medium Scale Industry Development in Korea*. Manila.

[2] The very early ADB loans to DFIs in the late 1960s and early 1970s were open to industry regardless of size. Among these were credit lines to Korea Development Bank and Korea Long-Term Credit Bank in the Republic of Korea. Thereafter, ADB credit lines were directed at SMEs, which, unlike larger enterprises, were seen to have resource constraints, given their perceived risk profiles. Although program loans, both industrial and financial, addressed constraints on all sizes of industry, most of those that benefited were SMEs.

[3] ADB. 2007. *Special Evaluation Study on the Private Sector Development and Operations: Harnessing Synergies with the Public Sector*. Manila.

Box 1: Asian Development Bank Lending to Selected Development Finance Institutions in South Asia

The Operations Evaluation Department study, after an examination of 17 projects assisted by the Asian Development Bank (ADB) during 1979–1990 in Bangladesh, Pakistan, and Sri Lanka, brought out the following major lessons:

(i) Weaknesses and impediments in ADB's development finance institution (DFI) lending operations (poor collection performance, weak legal environment, lack of innovation in DFI operations and modalities, poor technology-based operations and technological upgrading, and currency risks) led ADB to introduce new financing modalities including an umbrella-type loan (a development financing loan) that could come with prescribed mitigating measures.
(ii) ADB needed to assist the borrowers in identifying basic issues and sector development prospects, and in drawing up specific support measures, by synchronizing technical assistance and project loans.
(iii) ADB should play a catalytic role in encouraging borrowers and DFIs to work together in devising long-term strategies and policies to deal with broad industrial sector issues.

Source: ADB. 1990. *Special Study on Bank Lending to Selected Development Finance Institutions in South Asia*. Manila.

5. The following sections summarize the way the financial intermediation modalities have evolved and diversified over time in ADB to meet the changing environments in DMCs.

1. Credit Lines

6. The first modality used, since the late 1960s, was the transfer of long-term funds in foreign currency through credit lines to DFIs in the DMCs[4] to promote and finance a large number of diverse SMEs[5] in the private sector that ADB could not finance directly for efficiency reasons.[6] In answer to the economic demands of the time, these credit lines served to (i) transfer much-needed foreign exchange[7] for equipment imports, and (ii) reduce the gap in the domestic supply of long-term resources or development finance for the establishment of productive assets and enterprises, thus activating and accelerating economic development and growth[8] through private sector activity.

7. Credit lines under this modality were directed mainly to government-owned DFIs, the foreign exchange risk was borne by governments and hence subsidized, interest rates were

[4] ADB's first project was a credit line of $5.0 million to the Industrial Finance Corporation of Thailand in January 1968 for private sector industrial development.
[5] There is no standard definition for an SME. Countries define SMEs differently, on the basis of number of employees or total value of assets employed. The number of employees can range from less than 100 to less than 500. ADB has generally accepted this size range for its operations.
[6] At that time, ADB also gave direct loans of relatively large size to state-owned enterprises like electricity corporations and cement corporations for industrial development.
[7] The credit lines were given to the government in foreign exchange and the funds were relent to the DFI in domestic currency with the government assuming the foreign exchange risk.
[8] At that time, the commercial banks were the only sources of finance for private sector development. Given their deposit structures, these banks granted loans that were mainly short term, generally with maturities of less than 1 year, for the purchase of raw materials, the financing of receivables, and other working-capital purposes. Long-term finance for the purchase of fixed assets like land, buildings, and equipment was in short supply and needed to be met almost wholly from the entrepreneurs' private equity. The credit lines, on the other hand, offered maturities of up to 15 years.

fixed,[9] and the credit lines had fixed industrial subsector sublending limits[10] and thus an element of directed credit in them. This practice of financial intermediation changed over the years as credit lines became tied to effective policy reform and more emphasis was given to financial intermediation based on market orientation. To achieve market orientation the lending rate from government to DFIs was aligned with the prevailing weighted average term deposit rate of commercial banks. This gave the government some margin to cover its foreign exchange risk, and the DFI the freedom to determine the sublending rate to the subborrower according to risk and reward. It also did away with the fixed limits on subsector lending, allowing the DFI to finance any private enterprise that appeared to be technically, financially, and economically viable, while keeping within the need for prudent portfolio diversification. Credit lines were used at a time when protection and support for infant industries was a dominant theme. This came through subsidized DFI credit lines and tariff protection and barriers. Once markets became more open and tariff protection and barriers reduced, the industries were exposed to a more competitive market and many of them failed, leading in turn to failure of DFIs who had funded them. Box 2 shows how credit line operations work in the World Bank.

Box 2: World Bank Lending for Credit Lines

In fiscal years 1993–2003, the World Bank approved $13.4 billion for credit lines, representing 8.4% of World Bank commitments for investment lending. The trend in commitments has been sharply downward, however, in continuation of a trend that started in the mid-1980s. Lending for credit lines decreased from about 10% of World Bank commitments in the early 1990s to well under 2% in fiscal year 2002–2003. Although credit lines are embedded in projects in most sectors, the bulk of the credit lines is in the rural and financial sectors and in municipal lending, and involves a wide range of designs, objectives, and arrangements.

Credit lines are beneficial when used well. They can achieve a variety of objectives, such as expanding access to credit for sectors and groups of borrowers that would otherwise be excluded from borrowing. They can also enable new technologies, expand access to infrastructure, help to create employment, strengthen financial intermediaries, and develop a market in lending to subsectors.

In practice, however, many World Bank credit lines in the last decade failed to achieve good results. World Bank guidelines on credit lines were followed in only a minority of projects and the rate of satisfactory outcomes, at 52% by number of loans and 45% by net commitments, was unacceptably low. The best outcomes were for credit lines in the rural sector (67% by number of loans), and the worst were for credit lines in private sector development (10% by number of loans). Cancellation rates were high, at over 40% of original commitments, more than double the cancellation rates for other investment loans during the period.

Better outcomes for credit lines are associated with (i) stable macroeconomic conditions; (ii) stronger financial sectors, including satisfactory competition policies and good legal and regulatory regimes for financial institutions, mostly market-determined interest rates, few distortional credit and tax policies, and limited state ownership of financial institutions; (iii) use of clear eligibility criteria in the selection of participating financial institutions; and (iv) use of private sector financial intermediaries only. But, despite the downward trend in World Bank lending for credit lines, they are unlikely to disappear. Demand from client governments remains strong. This review shows that credit lines can be useful instruments in the right circumstances and points to a number of salient features of credit lines that are associated with better outcomes.

Source: *World Bank Lending for Lines of Credit*, World Bank Independent Evaluation Group, 2006.

[9] Interest rates from government to DFI and from DFI to subborrower were fixed by ADB with "adequate" margins, but did not reflect market conditions.

[10] For example, subsector limits for chemicals, engineering, textiles, tourism, and agro-processing.

2. Diversification into Development Finance Loans and Commercial Banks/Universal Banks

8. ADB introduced, in the 1980s, a more innovative modality called development finance loans (DFLs) to reorient financial intermediation to reflect market conditions and to diversify its intermediation efforts. Instead of giving credit lines directly to each end-user DFI, ADB provided relatively large umbrella-type credit lines, or DFLs, to apex financial institutions, which made funds available to participating financial institutions, including commercial banks for the first time, on a first-come-first-served basis.[11] Commercial banks with their deposit bases (and the support of their branch networks) were considered better positioned to finance the total package of funds required by an SME using the proceeds of these credit lines to provide long-term capital and their deposit bases to provide working capital. This modality was adopted to make financial intermediation more efficient, encourage competition among financial institutions, widen the outreach of credit systems, and facilitate the use of the credit lines[12] to accelerate private industrial activity. The performance-based eligibility criteria set by ADB for participation under DFLs forced the participating financial institutions to maintain acceptable levels of operational and financial viability.[13] Some DFIs transformed themselves into universal banks to access market for resources rather than continuously depending on government guaranteed funds, which reduced their need for credit lines from ADB. As of the end of 2007, 129 credit lines, including DFLs, worth $4.57 billion, 3.8% of ADB's public sector lending, had been made available to 25 of ADB's 44 DMCs (57%) (Appendix 1 and Table 1).

3. Financial Intermediation Support with Technical Assistance

9. The credit lines and DFLs were often accompanied with technical assistance (TA) for more efficient transfer of ADB resources for industrial development through policy and institutional reform. To that end, the TA emphasized the strengthening of the institutional, operational, and financial performance of the DFIs. ADB also created a special training unit[14] within its organization to provide specialized and regular training to development bankers in Asia and the Pacific. The training was mainly in project appraisal and supervision to ensure proper credit and risk assessment, initiate viable and sustainable subprojects, reduce bad debts, increase the effectiveness of ADB's financial intermediation efforts, and generally contribute to the overall viability of the financial institutions. To further improve the effectiveness of its financial intermediation, ADB provided TA grants to strengthen, through policy reform, various operational areas, for example, systems for secure collateral-pledging transactions, mortgage registration, and contract enforcement. TA grants also supported studies to draft policy reforms that, among other things, would speed up legal procedures in DMCs, hasten loan recovery, and boost the liquidity of financial institutions and allow them to recycle their limited resources for further lending.[15] As of the end of 2007, 229 such TA grants, totaling about $113.4 million, had been extended (Appendix 2). Box 3 presents the operation and performance of European Bank for Reconstruction and Development's SME financing facility since its setup in July 2000.

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[11] As a performance incentive, prospective participants among the financial institutions had to adhere to strict institutional and financial strengthening criteria to ensure their operational and financial viability and stability and qualify for participation under the loans.

[12] This innovative DFL approach was first adopted by ADB in Pakistan in 1983 and was found to be a useful tool for financial intermediation. The World Bank took the same approach in a subsequent loan to Pakistan, and with ADB applied the approach in Sri Lanka in 1985.

[13] Limits were placed on debt-equity ratios, current ratios, nonperforming loan (NPL) levels, and return on equity, among others.

[14] The training unit was later disbanded as the DFIs developed their own training schemes.

[15] Liquidity was an important resource for DFIs but they had limited liquidity mobilization avenues.

Box 3: The Small and Medium-Sized Enterprise Financing Facility of the European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) provides onlending financing to local banks to promote small and medium-sized enterprises (SMEs). A $150 million SME financing facility ($100 million from EBRD and $50 million from the United States) was set up in July 2000 to promote private sector growth and economic development in southeast Europe and in transition countries by supporting the establishment of a network of microfinance banks. The facility lends to micro and small businesses (up to $10,000 and $100,000, respectively), and sets aside up to 20% of its funds for loans of up to $500,000 to medium-sized borrowers.

Approaches. Three types of SME financing are available through the facility: (i) financing to local banks for onlending to SMEs; (ii) technical assistance and training to financial intermediaries to strengthen their lending capacity; and (iii) funding for policy dialogue efforts to lower the impediments to SME finance. The US also provides first-loss coverage in several countries, increasing EBRD leverage in relatively high-risk markets.

Performance. As of the end of March 2007, financing from the facility had helped leverage about 1.5 million loans to SME clients across 15 countries. In value terms, over $9.8 billion has been disbursed to SMEs, with an average loan size of $6,400. The outstanding subloan portfolio stands at $3.8 billion and portfolio quality remains strong with arrears over 30 days of only 2.0%.

Source: European Bank for Reconstruction and Development, 2007.

4. Financial Leasing

10. ADB's financial intermediation modalities and practices were further diversified in the mid-1980s when ADB, after a regional study, began to promote financial leasing lines to broaden access to finance, provide an alternative and more appropriate instrument of SME financing, and generally create a more competitive financial environment. The leasing lines were channeled through private leasing companies, which were found to be more efficient and effective conduits for ADB assistance than government-owned DFIs. Financial leasing, among other advantages (such as accelerated depreciation allowances and tax credits), was based on cash flow rather than collateral value and was quicker to process—features that SMEs found particularly attractive. Accordingly, ADB promoted the establishment of leasing companies in a number of its DMCs and supported them with leasing lines and equity participations through its private sector window. These leasing lines were often accompanied with TA to facilitate leasing transactions through appropriate reforms in the legal, accounting, and tax frameworks, policies, and procedures, and in systems for the registration and forfeiture of delinquent leased assets. From 1983 to 2007, ADB provided 26 leasing lines totaling $204.2 million (including equity investments and commercial cofinancing) through its private sector window (Appendix 3).[16]

5. Policy-Based Loans

11. Despite the efforts made under the credit lines, however, industrial development and economic growth continued to languish in most DMCs. The business environment was unfavorable to private enterprises, and to the subprojects financed under the credit lines. State-owned enterprises dominated industrial activity. Private industrial enterprises often had

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[16] Subsequent to the finalization of this study, three leasing lines provided to Indonesia by ADB were identified (i.e., P.T. BBL Dharmala Finance for $15 million and P.T Media Sarana Interbuana Leasing for $5.0 million with an equity investment of $355,000, both approved in October 1989; P.T. Bakrie Finance Corporation for $15.0 million and an equity investment of $1,250,000, approved in August 1990).

problems importing equipment and raw materials because of foreign exchange constraints. Inward-looking and restrictive import practices in most DMCs also affected their performance. Lack of competition from imported goods led to the production of poor-quality products that could not compete well in the domestic and international markets.

12. The credit lines also had features that did not favor the DMCs. They were denominated in foreign currencies, exposing the recipient DMCs and DFIs to foreign exchange risk. Also, most of the DFIs through which the credit lines were channeled, particularly those that were owned by the government, were inefficiently managed. The resulting large amounts of NPLs and poor-quality portfolios made the DFIs unable to recycle funds for increased industrial activity, and adversely affected their overall viability and sustainability.

13. In these circumstances, the credit line modality, which served more to transfer resources from ADB to DMCs, did not appear to contribute substantially to industrial efficiency and growth. The weak investment climate in most DMCs was perceived to hamper private sector activities, dilute ADB's financial intermediation efforts, and generally impede economic growth. ADB therefore saw a need to shift from project-specific financial intermediation to programs supporting reforms to address broad issues in both the industrial and financial sectors, improve the investment climate, and heighten the impact of its financial intermediation efforts. ADB studied the issues involved with the help of TA and engaged the DMCs in policy dialogue to identify and draft appropriate reform measures. The upshot was policy-based lending, a new lending modality in support of the implementation of the identified policy and institutional reforms. Accordingly, ADB drew up a range of policy-based loans for the industry, financial, capital market, governance, pension, trade, and other sectors. The program loans and associated TA were provided to DMCs from about the late 1980s to support policy and institutional reforms. As of the end of 2007, 80 program loans and associated TA totaled $11.3 billion, about 67.3% of the total for all modalities (Appendixes 4–9) or 9.4% of ADB's total public sector lending (Table 1).

6. Industrial Sector Program Loans

14. The industrial sector program loans were intended to achieve the policy environment and institutional strengthening that would promote industrial growth and efficiency, develop competitive industries, and create more jobs. The foreign exchange made available under the balance-of-payments support element also helped with equipment imports to expand capacity and to balance, modernize, and rationalize existing capacity. The funds likewise made possible raw-material imports that helped to achieve fuller use of industrial capacity and increase industrial productivity. As of December 2007, ADB had granted 14 industrial sector program loans totaling $917.8 million—$465.8 million through 11 Asian Development Fund (ADF) programs for eight DMCs,[17] and $452 million by way of three ordinary capital resources (OCR) programs for two DMCs[18] (Appendix 4). Box 4 summarizes the major lessons learned from ADB's Industrial Sector Program for Bangladesh[19].

[17] Three programs in Bangladesh, two in Myanmar, and one each in Cambodia, Mongolia, Nepal, Pakistan, Sri Lanka, and Viet Nam.

[18] Two in Pakistan and one in Indonesia.

[19] ADB. 1991. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance to the People's Republic of Bangladesh for the Second Industrial Program*. Manila (Loan 1147-BAN[SF], for $125 million, approved on 17 December).

Box 4: Lessons from the Asian Development Bank's Industrial Sector Program (Loan 1147-BAN: Second Industrial Program Loan)

Public manufacturing enterprises continue to sustain high financial losses. During the program, privatization proceeded very slowly. Domestic resource mobilization did not improve. Labor rationalization did not make the enterprises more productive or efficient. The program loan was therefore rated *unsuccessful*. The following lessons may be drawn from this experience:

(i) **Stakeholder partnership.** Program loans that involve difficult policy reforms must be explicitly aimed at strengthening stakeholder partnerships. Partnerships with government and other stakeholders should be an integral part of the implementation strategy.

(ii) **Reforms as a process.** Barriers to policy changes must be analyzed and an action plan must be prepared. Incentives must be better aligned with accountability for reforms. A few groups should be assigned collective responsibility and given complete authority to implement the tasks.

(iii) **Monitoring.** All specific tasks essential to the success of the program should be covered by agreements upfront. Monitoring should be the responsibility of the executing agencies, with the Asian Development Bank in a purely supplemental role.

(iv) **Political feasibility and governance.** The restructuring of public manufacturing enterprises and similar reforms require economic and institutional analysis of the public enterprise sector, including its readiness (capacity) and willingness (ownership) to privatize. It is important to create attitudinal changes throughout civil society, in partnership with domestic institutions that support reforms.

BAN = Bangladesh.
Source: ADB. 2000. *Program Performance Audit Report on the Second Industrial Program in Bangladesh*. Manila.

7. Financial Sector Program Loans

15. Financial sector program loans funded policy and institutional reforms to enable sound and market-oriented resource mobilization and allocation, and facilitate financial intermediation for private sector development. Some loans included measures for establishing anti–money laundering regimes. As of December 2007, ADB had provided 31 financial sector program loans totaling $6.13 billion—$549 million (9%) through 21 ADF programs for 10 DMCs,[20] and $5.58 billion (91%) through 10 OCR programs for 8 DMCs.[21] Included in the 10 OCR programs were emergency assistance loans of $4.0 billion to the Republic of Korea and $300 million to Thailand, to help these countries surmount the Asian financial crisis in late 1997. This emergency assistance aside, the share of ADF program loans was 23% and that of OCR program loans was 77%. In addition to these program loans, ADB made three TA loans totaling $12.5 million to the financial sector—two ADF loans for $8.0 million,[22] and an OCR loan of $4.5 million[23] (Appendix 5).

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[20] Four for Bhutan; three each for Cambodia, Lao People's Democratic Republic, and Viet Nam; two each for the Kyrgyz Republic and Mongolia; and one each for Indonesia, Pakistan, Samoa, and Sri Lanka.
[21] Two each for Indonesia and Korea, and one each for India, Nauru, Pakistan, the Philippines, Sri Lanka, and Thailand.
[22] For Bangladesh and Sri Lanka.
[23] For Thailand.

8. Capital Market Development Program Loans

16. Capital market development program loans backed policy reforms designed to create legal, regulatory, and accounting and auditing frameworks and policy environments conducive to capital market development, as well as to answer the capacity-building needs of key institutions in the capital market such as securities and exchange commissions, stock exchanges, brokers and dealers, and other market participants. The intent was to broaden market capacity and develop fair, transparent, and efficient capital markets so as to attract more investment capital for private sector development to augment the capital resources from the banking system. As of July 2007, ADB had extended five program loans totaling $1.13 billion for the development of the capital markets, $80 million of this amount (7%) through an ADF program for one DMC,[24] and $1.05 billion (93%) through four OCR programs for three DMCs.[25] A capital market development TA loan of $5.0 million was also made available[26] (Appendix 6). In addition, some financial sector program loans had capital market development components.

9. Governance Program Loans

17. ADB also granted governance program loans to strengthen the policy environments in the banking, financial, and capital market sectors and improve governance.[27] The improvements in the governance codes of key sector institutions were expected to lead to more transparent and accountable operations, protect depositors and investors and inspire greater confidence in the financial systems, and spur financial intermediation through more efficient resource mobilization and allocation to investments. As of the end of 2007, ADB had provided nine financial governance program loans totaling $2.25 billion. Of this amount, $17.3 million (0.8%) was made available through two ADF programs for two DMCs,[28] and $2.23 billion (99.2%) through seven OCR programs for three DMCs.[29] The OCR loans included an emergency loan of $1.4 billion to Indonesia to help that country get through the Asian financial crisis of 1997. In addition, ADB had given a TA loan of $3.0 million under ADF to Pakistan (Appendix 7). Some financial sector and capital market program loans also had provisions for governance improvements.

10. Pension Sector Program Loans

18. ADB used the program loan modality to help strengthen the policy and institutional environments for social insurance and social security services. As of the end of 2007, a pension sector program loan of $100 million had been made under OCR to Kazakhstan and a TA loan of $3.0 million under ADF to Pakistan (Appendix 8). Some financial sector, capital market, and good governance program loans also covered improvements in pension sector practices. Pension funds became available for financial intermediation to promote private sector development.

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[24] For Bangladesh.
[25] One each for India and the Philippines, and two for Pakistan.
[26] For Pakistan, under ADF.
[27] In addition to these governance programs, ADB supported governance improvements in state-owned enterprises and corporate sectors. Moreover, the Second Governance and Anticorruption Action Plan (GACAP II) in 2006 dealt with good practices in public financial management, procurement, and corruption risk assessment at the country level, and good governance institutional and corruption risk assessment at the sector level.
[28] For Mongolia and Nepal.
[29] Four for Indonesia, two for the Philippines, and one for Pakistan.

11. Trade Sector Program Loans

19. Trade-related program loans from ADB supported the establishment of transparent policies to promote exports and facilitate trade, and the modernization of customs and other trade infrastructure. These policy and institutional improvements were intended to reduce delays and red tape, rationalize import and export tariffs, and assist exporters (including SMEs) in importing their raw material and equipment requirements. As of the end of 2007, ADB had issued 11 trade sector program loans totaling $728.2 million—seven ADF programs for $153.2 million (21%) for two DMCs (three programs) and for the region (four programs),[30] and four OCR programs for $575 million (79%) for three DMCs.[31] ADB had also given three TA loans totaling $7.0 million under OCR to Pakistan (Appendix 9).

12. Housing Sector Loans

20. ADB provided loans to promote the development of housing, particularly low-cost housing, in some DMCs. These housing loans indirectly helped SME development by creating opportunities for the manufacture of construction materials and the development of other associated enterprises in engineering, electrical, plumbing, and other fields. Financial intermediaries such as DFIs (e.g., the Industrial Credit and Investment Corporation of India Ltd.) were used as conduits for the housing loans. These loans also accompanied policy reforms for the sustainable delivery of housing finance at market rates, institutional strengthening, and housing investment promotion. The 12 housing sector loans provided by ADB by the end of 2007 amounted to $622.6 million. Three were ADF loans for $65.0 million (10%) to three DMCs,[32] and nine were OCR loans for $557.6 million (90%) to four DMCs[33] (Appendix 10).

Box 5 : Housing Finance in Asian Development Bank's Developing Member Countries

At its most basic level, housing finance gives individuals access to shelter or housing improvements. This type of financing often has strong backward linkages within economies. It supports employment in the construction and home improvement industries, mainly among the lower-income classes, and creates jobs in the real estate sector—in appraisal companies and land titling or registration services. It also increases the consumption of consumer goods, particularly as a family begins to furnish its first home and can generate about 20% of a country's employment. Mortgage financing is also a critical component of financial sector development. The introduction or expansion of private sector mortgage lending strengthens a country's financial sector by adding new banking products and services, diversifying risks across a broader portfolio, and enabling the country to establish secondary markets. Housing finance in developing member countries (DMCs) is extremely underdeveloped. Mortgage finance accounts for less than 10% of gross domestic product in most DMCs, compared with about 60% in Singapore and about 45% in Hong Kong, China. Obstacles to the growth of mortgage finance in Asia are weak regulatory and legal frameworks in the property sector, economic instability, lack of long-term funding for longer-term mortgages, poor knowledge of mortgage products, and an overall aversion among banks to the risks that go with longer-term lending. With an improvement in the economies of many DMCs since the 1997 financial crisis and the concurrent rise in individual incomes, demand for mortgage financing has increased, particularly in urban areas, where housing supply still lags far behind demand spawned by urbanization. Additionally, some governments have improved their legal and regulatory frameworks to a point where they can now support mortgage financing.

Source: FMO website (www.fmo.nl); National Bureau of Economic Research. 2007. Working Paper Series 13081. May. Cambridge, Massachusetts, USA.

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30 One for Indonesia, two for Mongolia, and four regional.
31 One each for Indonesia and Thailand, and two for Pakistan.
32 One each for Mongolia, Sri Lanka, and Viet Nam.
33 One each for Fiji and Thailand, two for the Republic of Korea, and five for India.

13. Other Financial Intermediation Modalities Used

21. ADB also used other financial intermediation modalities to develop the private sector. These, however, were not significant in number and amount, compared with credit lines, program loans, financial leasing lines, and housing sector loans. These other modalities were: the commercial cofinancing scheme, through which ADB helped to mobilize commercial funds to complement its project funding; the partial risk guarantee scheme; underwriting; subordinated loans, equity participation in financial institutions; and the promotion of venture capital companies through credit lines and equity participation.[34] Some of these modalities are discussed later on in this report.

B. Financial Intermediation Trends

22. Table 1 shows the trends in ADB's financial intermediation lending from 1968 to the end of 2007.

Table 1: Trends in Financial Intermediation Lending (Volume of Lending, by Approval Period and Practice or Modality)

	1968–1980		1981–1990		1991–2000		2001–2007		Total	
Modality	**No.**	**Loan Amount Approved** ($ million)	**No.**	**Loan Amount Approved** ($ million)	**No.**	**Loan Amount Approved** ($ million)	**No.**	**Loan Amount Approved** ($ million)	**No.**	**Loan Amount Approved** ($ million)
1. Credit Lines	63	1,123.6	45	2,375.0	15	851.0	6	224.0	129	4,573.6
2. TA Associated with Credit Lines	29	3.4	41	14.2	104	49.2	55	46.7	229	113.4
3. Leasing Lines and Equity Investments in Leasing Companies			8	37.0	13	120.2	5	47.0	26	204.2
4. Industrial Sector Program Loans	2	10.2	3	265.0	4	375.6	5	267.0	14	917.8
5. Financial Sector Program and Associated TA Loans			4	305.0	15	5,090.0	15	746.5	34	6,141.5
6. Capital Market Sector Program and Associated TA Loans					5	735.0	1	400.0	6	1,135.0
7. Governance Sector Program and Associated TA Loans					4	1,504.3	6	748.0	10	2,252.3
8. Pension Sector Program and Associated TA Loans					1	100.0	1	3.0	2	103.0
9. Trade Sector Program and Associated TA Loans			2	150.0	7	537.0	5	48.2	14	735.2
10. Housing Sector Loans	1	30.0	3	107.6	6	440.0	2	45.0	12	622.6
Total Lending	**95**	**1,167.2**	**106**	**3,253.7**	**174**	**9,802.3**	**101**	**2,575.4**	**476**	**16,798.6**
% of Total Public Sector Lending	19	14	20	14	25	19	20	7	21	14
Public Sector Lending	508	8,108.3	535	22,967.1	695	51,299.9	511	37,647.5	2,249	120,022.8

No. = number, TA = technical assistance.
Note: The loan amounts given here are those that were approved before any cancellations.
Source: Asian Development Bank Loan Financial Information System.

23. The credit line modality came into increasing use until 1990, by which time 108 credit lines (84%) totaling $3.50 billion (76%) had been used. In 1991–2007, however, only 21 credit lines (16%) for $1.05 billion (24%) were recorded. There were three reasons for the decrease. First, the need for credit lines in foreign currency (with the attendant exposure to foreign

[34] For example, Hambrecht and Quist (Philippines), Inc.

currency risk) decreased as the DMCs opened up their economies, increased exports, and earned foreign currency. Second, the availability of the credit line modality was thought to undermine efforts to mobilize long-term resources for investment from the domestic market by increasing long-term savings. Third, the DFIs, through which most of the credit lines were channeled, were government-owned and were found to be inadequate conduits because of their poor management and operational and financial performance.

24. As the use of the credit line modality decreased, financial sector development shifted from a project-specific to a reform-specific focus on policies and institutions that would make ADB's interventions more efficient and effective. The policy-based loan modality, including associated TA grants, increased from 11 programs for $730 million in 1968–1990 to 69 programs for $10.56 billion in 1991–2007. The program loans addressed issues in support of policy and institutional reform, as indicated earlier, in the industrial, financial, capital market, governance, pension, and trade sectors. These reforms were intended to create an enabling environment for private sector development, increase financial intermediation and raise more long-term domestic resources for investment by the private sector, and facilitate good governance and export and import trade. In 1968–2007, the program loans amounted to $11.29 billion. The bulk of the loans went to financial sector reforms, which accounted for $6.14 billion (54%), followed by governance with $2.25 billion (20%), capital markets with $1.14 billion (10%), industrial with $918 million (8%), trade programs with $735 million (7%), and pensions with $103 million (1%).

25. Table 2 shows the ADB interventions for financial intermediation, by sector and source of funds. From 1968 to 2007, financial sector programs and associated TA grants were the most commonly used modality (36.6%), followed by credit lines and associated TA grants (27.9%), and then by programs and TA relating to governance (13.4%), capital markets (6.8%), industry (5.5%), trade (4.4%), and pensions (0.6%). Assistance was also given to financial intermediation in respect of housing (3.7%) and leasing (1.2%). In terms of source of funds, OCR funded the most projects with $14.4 billion (86%) of the total funding of $16.7 billion in 1968–2007, followed by ADF (13%) and other sources such as the Japan Special Fund and Technical Assistance Special Fund mainly funding TA grants (1%).

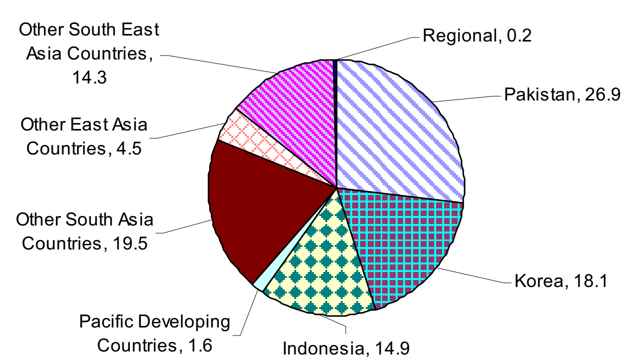
Table 2: Financial Intermediation Lending, by Sector and Source of Funds (1968–2007)

	Modality	OCR Loans			ADF Loans			Others Projects (JSF, TASF, etc.)			Total		
		No.	Approved Amount ($ million)	% Share of Total Amount	No.	Approved Amount ($ million)	% Share of Total Amount	No.	Approved Amount ($ million)	% Share of Total Amount	No.	Approved Amount ($ million)	% Share of Total Amount
1.	Credit Lines	78	3,785.8	26.0	51	787.8	36.8				129	4,573.6	27.2
2.	TA Associated with Credit Lines	4	15.0	0.1				225	98.4	89.8	229	113.4	0.7
3.	Leasing Lines and Equity Investments in Leasing Companies	20	190.0	1.3	1	3.0	0.1	5	11.2	10.2	26	204.2	1.2
4.	Industrial Sector Program Loans	3	452.0	3.1	11	465.8	21.8				14	917.8	5.5
5.	Financial Sector Program and	11	5,584.5	38.4	23	557.0	26.0				34	6,141.5	36.6
6.	Capital Market Sector Program and Associated TA Loans	4	1,050.0	7.2	2	85.0	4.0				6	1,135.0	6.8
7.	Governance Sector Program and Associated TA Loans	7	2,232.0	15.3	3	20.3	0.9				10	2,252.3	13.4
8.	Pension Sector Program and	1	100.0	0.7	1	3.0	0.1				2	103.0	0.6
9.	Trade Sector Program and Associated TA	7	582.0	4.0	7	153.2	7.2				14	735.2	4.4
10.	Housing Sector Loans	9	557.6	3.8	3	65.0	3.0				12	622.6	3.7

ADF = Asian Development Fund, JSF = Japan Special Fund, No. = number, OCR = ordinary capital resources, TA = technical assistance, TASF = Technical Assistance Special Fund.
Source: Asian Development Bank Loan Financial Information System.

26. Figures 1 to 3 show a shift in lending for financial intermediation to DMCs. In 1968–1990, lending of this type totaled $4.4 billion. The major borrowers were Pakistan (26.9%), Republic of Korea (18.1%), Indonesia (14.9%), other South Asian countries (19.5%), and other Southeast Asian countries (14.3%) (Figure 1).

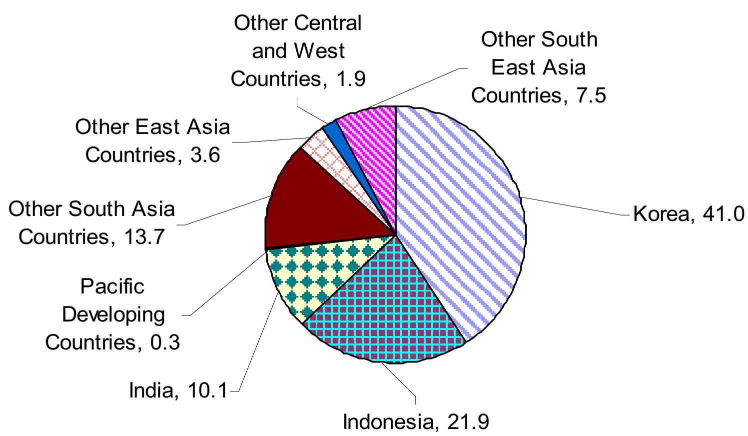
Figure 1:Trends in Financial Intermediation, by DMC (%share of Financial Intermediation, by Country) 1968-1990



Source: Asian Development Bank Loan Financial Information System.

27. In 1991–2000, total lending increased to $9.8 billion, because of the large program loans given to the Republic of Korea ($4.0 billion plus $15 million in TA) and Thailand ($300 million) in December 1997 and to Indonesia ($1.4 billion plus $50 million in TA) in June 1998 as a result of the Asian financial crisis. The Republic of Korea became the major borrower (41.0%) followed by Indonesia (21.9%), India (10.1%), other South Asian countries (13.7%), other Southeast Asian countries (7.5%), and other Central and West Asian countries (1.9%) (Figure 2). The inclusion of India and Central and West Asian countries as borrowers during this period is noteworthy.

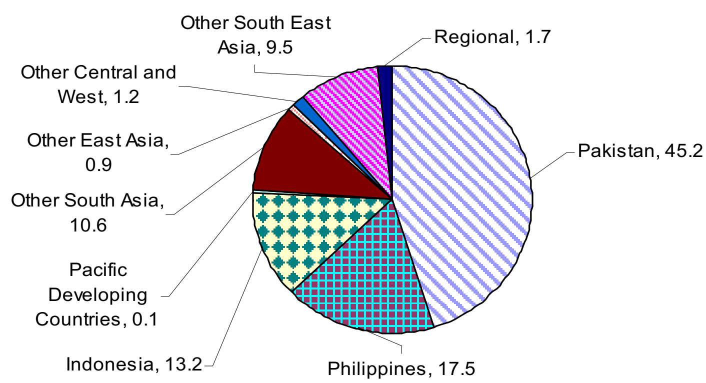
Figure 2: Trends in Financial Intermediation, by DMC
(% share of Financial Intermediation, by Country)
1991-2000



Source: Asian Development Bank Loan Financial Information System.

28. The next period, 2001–2007, saw another shift in lending to one that was more in line with the lending in 1968–1990. Loans totaled $2.6 billion. The major borrowers were Pakistan (45.2%), Philippines (17.5%), Indonesia (13.2%), other South Asian countries (10.6%), and other Southeast Asian countries (9.5%) (Figure 3). The Republic of Korea stopped being a major borrower during this period.

Figure 3: Trends in Financial Intermediation, by DMC
(% share of Financial Intermediation, by Country)
2001-2007



Source: Asian Development Bank Loan Financial Information System.

C. Performance

29. In December 1987, OED then carried out an in-house impact evaluation study of DFI credit lines for the development of SMEs in the Republic of Korea[35] in 1969–1986. It reviewed seven DFI credit lines to two DFIs specializing in lending for SME development.[36] All seven credit lines were rated successful. Their success was due to strong DFI management, good subproject appraisal and supervision techniques, the country's credit culture of honoring debt obligations, and supportive government policies and programs promoting private sector–led economic development.

30. In December 1990, OED then conducted a desk study[37] to review the performance of all DFI credit lines in South Asia that had been the subject of post-evaluation at that time. The desk study covered all the 17 credit lines for Bangladesh, Pakistan, and Sri Lanka that were reviewed in 14 project completion reports and project performance audit reports. Of the 17 credit lines reviewed, the project performance audit reports rated 29% (by loan amounts disbursed) (five credit lines) *generally successful*, 58% (10 credit lines) *partly successful*, and 13% (two credit lines) *unsuccessful*. There were no *successful* DFI credit lines in Bangladesh, and no *unsuccessful* credit lines in Pakistan and Sri Lanka. There were three *partly successful* and two *unsuccessful* credit lines in Bangladesh, three *generally successful* and six *partly successful* credit lines in Pakistan, and two *generally successful* and one *partly successful* credit lines in Sri Lanka. The *unsuccessful* rating of DFI credit lines in Bangladesh appeared to be due to poor DFI management as well as poor subproject performance and debt collection, and low profitability of the DFIs. The common issues that faced the subprojects were profitability, technological competitiveness, entrepreneurial strength, and effectiveness of project management as indicated by their inability to service their debt obligations. The report also identified external factors, such as the economic downturn in the early 1980s, currency depreciation, and lack of product competitiveness in the international markets, which affected the performance of the subprojects. Major lessons identified by the report are summarized in the foregoing Box 1.

31. On the basis of the lessons learned, the study identified certain factors that ADB needed to take into account in future DFI credit line operations (paras. 14–37 of the study). These were as follows: (i) policy considerations (DFI operations should be integrated into the overall policy framework of the DMCs); (ii) institutional aspects (governments should give DFIs greater autonomy in decision making); (iii) development of capital markets (DFIs should be assisted in raising domestic resources); (iv) technology upgrading (governments should support technology development); (v) strengthening of management information and control systems (the evaluation of operational and financial performance of DFIs and subprojects they are assisting should be facilitated); (vi) development of post-evaluation capability of DFIs (DFI sustainability should be strengthened); (vii) client education (the management and technical skills of DFIs and subprojects they are assisting should be upgraded); (viii) legal environment (the operating environment of DFIs should be improved and loan collection facilitated); (ix) integration of ADB's approach to TA (priorities should be set: the country strategy should be prepared first, followed by a specific program of action for each DMC, which determines the role of each DFI); and (x) environmental concerns (ADB should encourage the integration of resource and

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[35] ADB. 1987. *Korean Case: Impact Evaluation Study on DFI Loans to Small and Medium Scale Industry Development in Korea*. Manila.

[36] The Small and Medium Industry Bank and the Citizens National Bank.

[37] Footnote 1. According to that study, as of 31 August 1990, ADB had provided 349 loans totaling $12.6 billion and 543 TA projects amounting to $78 million. Of these totals, 35 loans ($1.5 billion) and 14 TA projects ($2.3 million) went to the selected South Asian DFIs.

environmental considerations into industrial planning). Most of these factors were taken into account in subsequent ADB financial intermediation for private industrial development through DFIs.

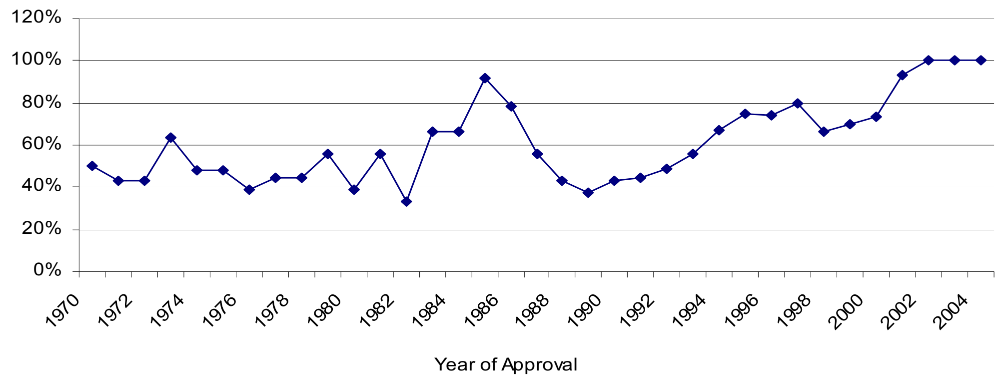
32. In August 2007, ADB updated its SES on the overall performance of the program loan modality.[38] The evaluation included the performance of program loans for finance and for the industry and trade sectors approved in 1978–2004. Of the 23 financial sector program loans, 17 (74%) were rated *highly successful*, *generally successful*, or *successful*; 5 (22%) *partly successful*; and 1 (4%) *unsuccessful*. Of the 11 industrial- and trade-related program loans, 7 (64%) were rated either *highly successful* or *generally successful*, 3 (27%) *partly successful*, and 1 (9%) *unsuccessful* (Table 3, page 9, of the study). Program loans for financial sector development were more successful than those for industry and trade.

33. The project completion reports and project performance evaluation reports on the credit lines granted since that OED study in December 1990 were analyzed for this report, as were those on all the financial intermediation program loans granted from 1968 to 2007, as indicated in Figure 4 and Table 3.

34. The success rate of projects (all modalities) was quite low, in the range of 40%–60% in 1970–1982, when the rate reached a low of about 38%. Credit lines dominated during that period. Their performance was not satisfactory owing to the difficult economic environment and poor management of the DFIs, especially those that were government-owned. The success rate improved in 1983–1985, when it went up to as high as 90%. Credit lines also dominated during the period. The improvement was due to the overall improvement in the economic environment with greater liberalization, and better performance of DFIs under closer monitoring by ADB using minimum targets that needed to be achieved in operational and financial performance to remain eligible to use credit lines or become eligible for new credit lines. But the success rate dipped again to about 40% in the late 1980s as the economic environment once again turned difficult. The success rate improved in the 2000s to above 90% with the phase-out of the credit lines, and greater use of the more successful modalities such as program loans and leasing lines operated by private leasing companies (Figure 4).

[38] ADB. 2007. *Special Evaluation Study on the Policy-Based Lending: Emerging Practices in Supporting Reforms in Developing Member Countries.* Manila.

Figure 4: Trends in Financial Intermediation Ratings, By Year of Approval (% of Financial Intermediation Loans Rated as Successful, based on a Three-Year Moving Average)



Source: Asian Development Bank Loan Financial Information Systems.

35. The financial leasing lines and program loans for governance and pension reform were the most successful (100%), followed by trade sector program loans (83%), financial sector program loans (73%), housing sector loans (67%), capital market program loans (60%), credit lines (49%), and industrial sector program loans (29%). The higher proportion of most unsuccessful loans were trade sector program loans (17%), housing sector loans (17%), and industry sector program loans (14%), followed by credit lines (8%) and their associated TA (5%) (Table 3).

Table 3: Financial Intermediation Performance, by Type of Project, Program, or Technical Assistance (Combined PCR and PPER Ratings, 1968–2007)

		Number of Rated Projects				Proportion (%)		
Practice or Modality		HS/GS/S	PS	U	Total	HS/GS/S	PS	U
1.	Credit Lines	38	33	7	78	49	43	8
2.	TA Associated with Credit Lines	64	20	4	88	73	23	5
3.	Leasing Lines and Equity Investments in Leasing Companies	2			2	100	0	0
4.	Industrial Sector Program Loans	2	4	1	7	29	57	14
5.	Financial Sector Program and Associated TA Loans	11	3	1	15	73	20	7
6.	Capital Market Sector Program and Associated TA Loans	3	2	0	5	60	40	0
7.	Governance Sector Program and Associated TA Loans	4	0	0	4	100	0	0
8.	Pension Sector Program and Associated TA Loans	1			1	100	0	0
9.	Trade Sector Program and Associated TA Loans	5	0	1	6	83	0	17
10.	Housing Sector Loans	4	1	1	6	67	17	17
	Grand Total	**134**	**63**	**15**	**212**			

GS= generally successful, HS = highly successful, PCR = project completion report, PPER = project performance evaluation report, PS = partly successful, S = successful, TA = technical assistance, U = unsuccessful.
Source: Asian Development Bank Loan Financial Information System.

36. The reasons for the lack of success of some loan projects and programs are given in Table 4.

Table 4: Reasons for Unsuccessful Projects and Programs

DMC	Loan	Amount ($ million)	Why Unsuccessful
Bangladesh	Loan 0368: Second Bangladesh Shilpa Bank (Nov 1978)	25.0	Project failed to achieve its objectives. Institutional ineffectiveness: deficiencies in subproject appraisal, implementation, and supervision weakened subproject performance. Also, adverse external factors, aggravated by BSB's institutional and operational deficiencies, adversely affected its operations.
Solomon Islands	Loan 0394: Development Bank of Solomon Islands (Apr 1979)	2.0	All of the project objectives were not achieved. DBSI did not establish the institutional capability to efficiently appraise and manage a sound investment portfolio. Shortfall in performance reflected overly optimistic targets set at appraisal. Limitations in countrywide absorptive capacity contributed to shortfalls in achieving loan targets and growth in institutional capability.
Philippines	Loan 0405/0487: Philippine Investment Systems Organization I and II (Jul 1979/Nov 1980)	15.0/25.0	PISO's subsequent closure and liquidation stemmed from the deterioration of its institutional capability as reflected by the high turnover among senior staff, inadequate procedures for project supervision, monitoring, and administration, and worsened liquidity position and financial performance. The internal weaknesses were further exacerbated by the persistent economic crisis and political instability in the country from 1983 to 1987.
Bangladesh	Loan 0449: Third Bangladesh Shilpa Rin Sangstha (Dec 1979)	30.0	Loan performance was adversely affected by BSRS's unsatisfactory collection performance, poor-quality loan portfolio, low loan utilization record, poor performance of subprojects, and continued institutional weaknesses.
Pakistan	Loan 0608/0609: Fourth Industrial Development Bank of Pakistan (Dec 1982)	40.0	Low operational achievements of supported subprojects; unacceptably high incidence of closures among subborrower projects; worsening operational and financial performance of Industrial Development Bank of Pakistan; and non-sustainability of institutional strengthening measures.
Fiji Islands	Loan 1005: Low Income Housing Development (Dec 1989)	9.6	The project did not produce any long-term improvement in the sector's ability to meet national housing needs, particularly for households in the lower half of the national income distribution. The institutional structure of the sector remained weak. The expected gains in sector efficiency did not materialize and the expected amount of new housing lots were not produced. Implementation arrangements were inadequate and weak.
Bangladesh	Loan 1147: Second Industrial Program (Dec 1991)	125.0	Overall implementation of the program was very low and remained largely incomplete. Only three units were privatized during program implementation, compared with the target of substantial divestment of 14 units and privatization of 20 textile mills. There was also unsustainable commitment in implementing the program because implementation responsibilities were spread over different government departments.
People's Republic of China	Loan 1206: Industrial Technology Finance (Dec 1992)	120.0	More than half of the subprojects were either marginal or unviable. The financial condition of the three financial institutions did not significantly improve during implementation. The conditions deteriorated further and the main financial institution was declared bankrupt and operations were

DMC	Loan	Amount ($ million)	Why Unsuccessful
			suspended. Supervision of subproject performance was weak.
Nauru	Loan 1661: Fiscal and Financial Reform Program (Dec 1998)	5.0	The program did not achieve its purpose and met few of its immediate objectives. The fiscal, financial, public sector, and economic status of Nauru continued to worsen. The leadership did not appear to understand the program and showed little support for it. The program was both inefficient and unsustainable.
Pakistan	Loan 1796: SMEs Trade Enhancement Finance (Dec 2000)	150.0	The project did not achieve its goals. It did not give SMEs and emerging exporters better access to export credit. It was also unsustainable. FCEF was canceled in January 2004. The cancellation had limited economic impact because of the insignificant utilization of the facility.

BSB = Bangladesh Shilpa Bank, BSRS = Bangladesh Shilpa Rin Sangstha, DBSI = Development Bank of Solomon Islands, DMC = developing member country, FCEF = Foreign Currency Export Facility, PISO = Philippine Investment Systems Organization, SME = small and medium-sized enterprise.
Source: Asian Development Bank Loan Financial Information Systems.

37. Some ADB projects were canceled for the reasons given in Table 5.

Table 5: Reasons for Cancellation of Projects

Project Name	Reason for Cancellation
IND 855: Small and Medium-Scale Industries	Repeated devaluation of the rupee also contributed to the shortfall in the loan utilization and the underutilization of the loan to medium-scale industries because of high interest rates. Part of the loan was eventually canceled.
IND 975: Industrial Finance Corporation of India	Depreciation of the rupee vs. the dollar and the liberalization of import policy, allowing imports to be paid in rupees and thus limiting the demand for foreign currency loans. The undisbursed balance of the loan ($45.5 million) was canceled.
IND 1481: Private Sector Infrastructure Facility for Industrial Finance Corporation of India	ADB decided to suspend disbursement under the loan because of the deteriorating financial position of IFCI. The undisbursed component of $37.5 million was canceled.
IND 1719/1720/1721: Urban and Environmental Infrastructure Facility	Loan canceled owing to the pricing and ADB procurement requirements, inhibiting demand from project sponsors; and difficulty of finding suitable private urban infrastructure projects outside transport and real estate land development.
IND 1758/1759/1760: Housing Finance II	Loan canceled because the domestic interest rates fell after the loans were approved, prompting the financial institutions to withdraw from the facility.

ADB = Asian Development Bank, IFCI = Industrial Finance Corporation of India, IND = India.
Source: Asian Development Bank Loan Financial Information Systems.

III. RESULTS OF OED EVALUATION EXPLAINED

A. Findings of OED's Evaluations and Other Reports on Financial Intermediation Lending

38. The results of OED's special studies[39] on credit line operations in the Republic of Korea and in three South Asian countries (Bangladesh, Pakistan, and Sri Lanka) and the reasons for the greater success of the former were mentioned above (paras. 29–30). In the mid- to late 1980s the credit lines were phased out by ADB for the reasons stated earlier (para. 34). The

[39] Footnote 1.

leasing line modality that ADB then introduced as an alternative method of SME financing was more successful than the credit lines (Table 3). The program loan modality was also relatively more successful, although less so with industrial sector program loans than with program loans for the financial sector. The results of the evaluation of ADB's program loan modality, including program loans for the industrial and financial sectors, were outlined in OED's SES in August 2007[40] (para. 18 of the report on that study) and referred to above (paras. 32 and 35).

B. Success Factors in Financial Intermediation Lending

39. The success of credit line operations in the Republic of Korea was mainly due to better management of DFIs, despite their being government-owned, and closer coordination between the government and the private industrial sector regarding policies for promoting private sector development, and between DFIs and the private industrial sector regarding credit operations and their respective obligations. The relatively better performance of the economy of the Republic of Korea also helped to bring about the better results. Conversely, in the case of the South Asian DFIs, particularly Bangladesh, the unsatisfactory nature of the credit lines was due to poor DFI management, and an environment that was not conducive to private sector business.

40. The program loans for the industrial sector were less successful than those for the financial sector. The two industrial sector program loans to Bangladesh did not do well mainly because of lack of political and bureaucratic will to carry out the needed corporatization of state-owned industrial enterprises as well as their privatization to improve viability. On the other hand, the general success of financial sector program loans (for banking, governance, capital markets, trade, and pensions) was mainly due to the greater openness of the recipient countries to reform, particularly with strong support from their more independent central banks and their private sector–oriented capital market institutions such as securities and exchange commissions and stock exchanges. The success of the leasing line modality was due to the fact that the leasing lines were channeled through private companies and their terms, policies, and procedures were more market-oriented and suited financial intermediation for SMEs (Table 3).

41. The SES Update on policy-based lending[41] in August 2007, referred to earlier, reviewed the performance of 23 finance sector and 11 industry- and trade-related program loans (paras. 19–44). Its findings on some of the industrial and financial sector program loans are summarized below. These examples provide some insights into the reasons for the success or failure of the program loan modality in general.

(i) **Financial and capital market program loans to Bangladesh and Pakistan:** "their level of success also depended on factors influencing the wider investment climate beyond the program boundary" (Box 3 of the 2007 study).

(ii) **Pakistan capital market development program:** "there were indications of higher participation in capital markets, improved regulation and supervision, and growth in the mutual fund and leasing industry. However, less market development was evident for corporate debt, private insurance, and provident funds. These issues were addressed subsequently highlighting the importance of sequencing reform operations" (Box 6 of the 2007 study).

(iii) **Second financial sector program loan to the Lao People's Democratic Republic:** "was intended to increase financial intermediation. However, a lack of political commitment to making the Bank of Lao independent and limitations in

[40] Footnote 38.
[41] Footnote 38.

the macroeconomic environment raised questions as to whether the program was a priority to the Government's stated agenda at that time" (Box 6 of the 2007 study).

(iv) **Kazakhstan's pension reform program:** "had significant institutional reform content, but was well-focused in terms of the desired outcome and intended benefits being quickly reached."

42. The SES on private sector development and operations[42] in May 2007 also suggested that traditional official development modalities, such as public sector credit lines for SMEs, often experience problems because of inappropriate incentives for lenders and borrowers. Loans can be politically motivated and directed to noncommercial operations. Many state-owned DFIs have weak project appraisal and credit risk management systems. Credit lines are often denominated in foreign currency, while SME receipts are in local currency. Often, these constraints result in high levels of NPLs and poor financial performance of the financial institutions. Because of these issues, there has been a shift in development priorities toward helping create or strengthen competitive markets and improve the investment climate to support local investment, rather than directly providing foreign funding support to SMEs through state-owned financial institutions. The persistent shortage of funding for private SMEs continues in many developing economies. Investment climate studies show that SMEs consistently rate access to finance as a major constraint (paras. 13–14 of the report on the May 2007 study).

IV. EMERGING GOOD PRACTICES

A. International Development Agency Practice

43. In 2006, ADB with the help of consultants did a study on best practices in SME support.[43] The study report summarized the good practices in financial intermediation for SMEs adopted by leading international agencies like the World Bank and the International Finance Corporation (IFC). It also included examples of good practices adopted by some DMCs worldwide. This being a comprehensive, well-researched and up-to-date document available on the subject, its findings are considered applicable to the present study as well, as detailed in Appendix 11 and summarized below. The findings provide useful guidelines for the design of financial intermediation programs for SME development based on best-practice principles.

1. Easing the Constraints on SME Finance: Creating a Conducive Policy and Regulatory Framework

44. In all countries covered by the 2006 study, SMEs complained about inadequate access to finance. Generally, there is a perceived lack of institutional interest in financing SMEs, which are considered riskier to finance than larger enterprises. However, such complaints are less common in developed countries, where property rights and institutional mechanisms enable SMEs to pledge their assets against borrowings, loan guarantee arrangements are more widely available, there is increased competition in banking, and credit information registries are in place. More often than not, regulatory and institutional barriers prevent capital markets from working properly, particularly for the benefit of SMEs.

[42] Footnote 3.
[43] ADB. 2006. *Best Practice Notes on Small- and Medium-Sized Enterprises Support*. Manila.

2. Financial Sector Policy

45. In addition to maintaining macroeconomic stability, governments could promote financial sector development in many ways such as by deregulating interest rates so that financial institutions have adequate spreads to cover their costs and earn reasonable profits commensurate with the risks undertaken; allowing financial institutions to offer equipment finance through lease and broaden access to finance; and reducing barriers to entry to create a more competitive banking environment[44] with stronger legal, regulatory, and prudential supervision frameworks. A growing number of DMCs are known to have initiated such measures.

3. Prudential Standards Affecting SMEs

46. A high standard of banking control and supervision is desirable. So are appropriate prudential norms that ensure capital adequacy, asset quality, and sufficient liquidity; these should not be weakened in the interest of promoting access to finance for SMEs or microenterprises. SME portfolios generally tend to be more risky and volatile. Therefore, prudential norms should require strong capital adequacy, portfolio quality, loan classification, and loss provisions. Also, management, staff, and risk assessment systems of financial institutions as well as supervisory agencies (example, central banks) should be capable of judging and controlling SME risk.

4. Adequate Debt Recovery Systems

47. Institutional mechanisms that enable SMEs to pledge their assets against borrowings and participate in the capital markets should be developed. Efficient and effective legal systems should also be put in place to ensure the enforcement of contracts with pledged collateral and personal guarantees. The desired reforms in this regard are as follows:

(i) **Creation of security interests.** Financial institutions and their clients should be permitted to enter into contracts in which a wide variety of assets can be pledged as security.

(ii) **Perfection of security interests.** Accurate registries that are accessible to the public and inexpensive to search (automated land records, commercial filings on movable assets, etc.) should be created. Public registries can be strengthened through privatization and competition among public registries or between private registries and public ones.

(iii) **Enforcement of security interests.** Financial institutions and their clients should be permitted to agree to rapid, nonjudicial enforcement of both lease and loan contracts.

(iv) **Bankruptcy laws and regulations.** These should be established or existing ones amended to enable financial institutions to better manage NPLs.

(v) **Clear legal title to property.** Reforms are needed for SMEs to obtain clear legal title to the property they now “own” under informal arrangements, to be able to pledge their own collateral or security. The legal, regulatory, and institutional frameworks should facilitate the pledging and realization of collateral. In developing countries, such frameworks are generally lacking.

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[44] Numerous country experiences (brought out in the 2006 ADB study) bear witness to the positive effects of reduced barriers to entry for all types of finance including SME finance. Throughout Latin America, particularly in Bolivia, when regulations permitted the entry of a new tier of microfinance institutions, competition increased and so did access to finance, while interest rates decreased. Countries like Hungary have also seen similar benefits as they liberalized their financial markets and reduced barriers to entry.

5. Information Collection and Use

48. The lack of credit reporting on most SMEs limits their access to credit and increases its cost. A legal and regulatory framework that allows comprehensive information flow is essential. The enabling environment should provide a regulatory framework for credit information registries or bureaus, enable sharing of data by credit institutions, protect the rights of borrowers, and protect registries in respect of their bona fide acts. Good practices include the collection of positive as well as negative credit information on loans and credit cards, including, but not limited to, payment history, lawsuits, and bankruptcies. Trade creditors, retailers, and utilities are useful sources of information on payment behavior. Most private credit bureaus also compile information from these sources.

6. Capacity-Building Programs for SME Lending

49. The general principles of capacity development are ownership, clear capacity development targets and organizational change processes, proper sequencing of interventions, adequate incentive systems, and the recognition of local value systems. In addition to these, effective capacity-building approaches should incorporate the following guiding precepts:

- (i) **Flexibility**—working closely with bank management and foreign strategic partners to develop a program that works for the bank.
- (ii) **Sustainability**—fitting the program into the bank's overall strategy in the SME sector.
- (iii) **Integration**—working closely with the bank to integrate the program into the owner's plans for the bank, including using the bank's credit methods to the greatest extent possible.
- (iv) **Interactivity**—adopting a hands-on approach that allows for continuous refinement and improvement, as well as close monitoring of lending staff.
- (v) **Innovation**—developing new initiatives in which the bank may have a special interest such as credit scoring and market research.

50. For many new or relatively small SME financing institutions, technical assistance would be needed to improve their credit skills and to implement the organizational changes, operating processes, and systems needed to handle a large number of small clients. The purpose of technical assistance would be to impart international good practices and to enable the institutions to provide profitable and sustainable financial services to the SME sector.

7. Good Practices in SME Lending

51. The IFC identified possible critical success factors on the basis of studies on SME models of successful regional financial institutions. The key lessons learned that would make SME lending profitable for financial institutions are summarized in Appendix 11.

52. Among the key lessons are the need for the following: (i) a strong strategic approach and commitment by the financial institutions; (ii) proper risk management frameworks; (iii) centralized processing environment and parameterized lending techniques to increase operational efficiency; (iv) defined market segments, a few core products tailored to the needs of those identified segments, and, thereafter, evaluation of projected product profitability; (v) cross-selling of deposit, trade, treasury products, and various fee-based products, which could be good sources of revenue for financial institutions since SMEs are also consumers of financial services other than lending-based products; (vi) a separate department or division to handle SME banking, with committed and adequately skilled staff; (vii) a wide distribution

network to develop customer relationships and deliver convenience to the SMEs; and (viii) field marketing, origination, monitoring, and collection, which would bring effective results while not eliminating the need for centralized processing and marketing.

53. The key ingredients of a service delivery approach are (i) a strong sales culture, responsiveness to the customer, dedication to efficiency of operations, and a strong foundation in information technology, particularly the concept of credit scoring (with indicators of the creditworthiness of the entrepreneur and the cash flow of the business) and the use of credit information (on the borrower's indebtedness and payment history, cash flow, and payment performance); (ii) strong SME financing policies and procedures, with few or no exceptions to policies being granted; (iii) strong decision-making and control mechanisms, supported by robust management information systems; (iv) lending officers with information on the borrower made responsible for the borrower throughout the entire lending cycle; and (v) well-trained SME lending staff made accountable for performance, with performance-based compensation plans to reward branches and staff for small-business success.

8. Credit Guarantee Schemes

54. Credit guarantee schemes (CGSs) are useful financial intermediation mechanisms for private sector development. According to the above ADB study[45], CGSs now operate in about 85 countries—23 member countries of the Organisation for Economic Co-operation and Development and 62 developing countries (11 in Asia). About 70% are funded, while 30% depend on a direct spending commitment from the government budget. As might be expected, the proportion of funded schemes is much higher in the developed countries than in the developing ones. Most CGSs cover lending for both fixed and working capital requirements. CGSs should be attentive to moral hazard—the risk that banks and borrowers might have less incentive to monitor and repay loans. However, if schemes are well designed and implemented, costs can be controlled and long-term benefits achieved. CGSs should be constituted as independent legal corporations, preferably privately owned and operated by the parties involved (banks, banking associations, and businesses), and open to several competing financial institutions that are financially sound, adequately staffed, and have reasonable loan portfolio performance levels.

55. CGSs should also (i) act in accordance with market forces with as many competent lenders participating and interest rate spreads determined by competition; (ii) have enough capital and competent staff to exceed the minimum efficient scale of guarantee activity required to have a meaningful impact on the banking market; (iii) have enough resources to allow guarantee requests to be reviewed, and claims processed and paid, within short periods, preferably less than 21 days (long delays in claim processing and settlement virtually killed the usefulness of some CGSs as banks preferred to deal with risk in-house with appropriate risk mitigation mechanisms); (iv) offer business advisory and training services to bank and borrower clients to reduce loan defaults; (v) acquire expertise in SME banking and finance and achieve economies of scale in risk assessment, claim settlement, and debt recovery to increase market penetration; (vi) maintain mutually beneficial relations with lenders, the basis of success; (vii) be viewed by banks as part of their commercial strategy and not as a public or political relations exercise; (viii) have realistic development plans and procedural targets sufficient to make an impact; (ix) set an upper limit on guarantee amounts for single borrowers, typically around 5% of the guarantee fund; (x) take the collateral offered by the borrower and use the guarantee contract preferably to cover collateral shortfall (in regard to sharing of risk, the appropriate range

[45] Footnote 43.

for guarantees in a liberalized economy is considered to be 60%–80%); and (xi) define clearly the conditions that will trigger claims and repayment in a detailed contract with the lender.

9. Trade Finance for SMEs

56. Commercial banks generally provide pre-shipment trade finance. It is, however, limited by traditional collateral-based approaches. Pre-shipment export finance guarantee schemes provide credit guarantees to give SMEs better access to this form of financing from commercial banks, given the SMEs' confirmed export orders, factory facilities, and efforts to fulfill the export orders in good faith. The Republic of Korea's pre-shipment export finance system is regarded as international best practice (Appendix 4 of ADB's best-practice notes on SME support, para. 43, footnote 42).

57. The Economic Development Corporation of Canada also has innovative export promotion practices, as follows: (i) accounts receivable insurance or receivable guarantees that protect Canadian businesses against nonpayment by foreign customers; (ii) a range of financing solutions for foreign buyers of Canadian capital goods and services, such as flexible financing and payment options; (iii) foreign exchange facility guarantees for Canadian companies that purchase foreign exchange contracts to protect against foreign exchange fluctuations; (iv) an offer of full guarantee to banks for bonds posted on behalf of exporters, thus freeing up working capital that banks need as collateral; (v) financing for pre-shipment costs through a risk-sharing program with customers' financial institutions; and (vi) conversion of receivables into cash through sale (factoring) backed by an insurance policy.

B. Emerging Practices in ADB

58. On the basis of past experience and the evolution of its practices to suit changing economic environments, and with guidance from best international practice, ADB has recently begun to adopt innovative financial intermediation practices, particularly in its nonlending operations. While retaining the use of the program loan modality to bring about policy and institutional reforms to diversify, deepen, and increase financial intermediation for private sector development, ADB has made significant efforts made to spread financial services to outlying and rural areas, and to strengthen the operations and finances of SMEs to make financial intermediation more effective. ADB should look into the prospects of adopting these practices in as many DMCs as possible. Examples of some of these practices are given below.

1. Credit Guarantee Schemes

59. ADB adopted a partial credit guarantee (PCG) scheme in 2000, and provided such a guarantee to promote commercial SME lending in the Philippines in 2005. A PCG equivalent to about $18.4 million was offered to selected participating financial institutions (PFIs),[46] which covered the remaining risk equivalent to about $20 million. Up to 50% of well-defined SME loan portfolios was guaranteed without a counterguarantee from the Government (thus, ADB assumed a direct liability to that extent). The facility was to be extended to about three to five banks. The SME borrowers of each PFI had a PCG limit of the Philippine peso equivalent of $250,000. To further mitigate risk, ADB negotiated a two-level risk-sharing structure with the PFI. First, a first-loss limit over the entire guaranteed portfolio was defined and was fully absorbed by PFI. The limit was based on the historical loss experience of PFI. Second, any loss in excess of

[46] Primarily local banks that were accredited under ADB's regional Trade Finance Facilitation Program and international banks.

the first loss was to be shared with PFI at an agreed rate of up to 50%. The PCG agreement included recommended underwriting criteria for the selection of SMEs. These involved looking into the creditworthiness of each SME including its historical financial performance and business plan. ADB's Private Sector Operations Department (PSOD) has extended a PCG equivalent to about $2.0 million to a local bank. That project is operating satisfactorily and appears to have prospects for duplication in the Philippines and in other DMCs in the region.

2. Trade Finance Facilitation Program

60. The Trade Finance Facilitation Program (TFFP) of ADB, launched in 2004, was designed to promote trade in its DMCs. At any one time, ADB's overall exposure limit under the program would be $150 million. About 30 banks in 10 DMCs are expected to participate. For each local bank participating in the TFFP, a PCG and revolving credit facility limits based on ADB's assessment of the need and the creditworthiness of the local bank are established. There is no sovereign counter-guarantee. The guarantee facility is expected to make trade facilities more accessible to local Asian banks to promote international and intra-regional trade. The TFFP provides short-term guarantees to international and regional banks (confirming banks) to cover both the political and the commercial risks emanating from local banks in ADB's DMCs in support of trade transactions. The program covers up to 80% (100% in some cases) of the risk associated with a trade finance instrument such as a letter of credit, a standby letter of credit, or a bankers' acceptance. The revolving credit facility provides short-term loans for onlending to private sector exporters and importers to finance pre-export and other trade activities. A new product, the risk participation agreement, was launched under the TFFP in 2007 and is now being implemented. This product is similar to the PCG in that it shares risks with international confirming banks in support of trade involving DMCs. But it differs in structure from the PCG in that it is designed to facilitate the rapid expansion of the TFFP through closer partnership with international banks. Another difference between the risk participation agreement and PCG is that it provides international bank partners (confirming banks) with a new and efficient vehicle for managing trade finance risks for an entire portfolio, rather than for each transaction.

61. The TFFP has achieved substantial and measurable development results in various categories. It has supported more than 1,000 trade transactions, 489 of these for intra-regional trade and 335 for trade between DMCs. The TFFP has also supported more than 114 SMEs engaged in international trade. The program currently involves 72 international banks and 50 DMC (issuing) banks, but the number of participating DMC banks is expected to rise to about 60 by the end of 2008. Exposure under TFFP has grown exponentially in 2008 and more growth is expected in 2009 and beyond. The focus now is on low-income DMCs—Afghanistan, Azerbaijan, Bangladesh, Cambodia, Nepal, Pakistan, Sri Lanka, Tajikistan, and Viet Nam. Throughout 2009, the TFFP is expected to expand to Indonesia, the Philippines, and then the Central Asian DMCs.

3. ADB's Support for Secured Transaction System to Help Access to Finance

62. Effective secured transactions based on a modern legal framework have a fundamental role in efficient financial intermediation. They can help improve access to credit by various sectors of the economy by expanding the pool of assets that can be used as collateral. The following are examples of ADB interventions in this area.

63. **India.** The 2002 TA[47] for the reform of secured transactions was aimed at facilitating SME access to finance. The TA had two phases: (i) legal and regulatory reform (phase 1), including assistance with legal reform options for secured transactions, evaluation of options and building of consensus for a modern legal framework for secured transactions and a modern registry system, and harmonization of the modern secured transaction regime with laws on the social protection of debtors; and (ii) establishment of a computerized registry system (phase 2). The TA completion report (TCR) rated this TA *successful*.

64. **Pakistan.** The 2003 TA for the strengthening of secured transactions[48] supported the development of a legal reform framework for secured transactions and the design of a modern registration system through comprehensive analysis and extensive consensus and awareness building. The TA was harmonized with good governance practices, efforts to support the private sector, and laws on the social protection of debtors and consumer protection. No TCR was prepared for this TA.

65. **Lao People's Democratic Republic.** The 2003 TA for SME and private sector development[49] helped develop an integrated institutional, legal, and regulatory framework to facilitate the development of a fair and competitive business environment. Its seven components (i) supported the implementation of the SME decree, (ii) improved the business regulatory environment through legal and governance reform for SME and private sector development, (iii) improved enterprise licensing and registration, (iv) established a small-business tax pilot system in Vientiane, (v) strengthened domestic and foreign investment review procedures, (vi) developed market information and market access knowledge networks, and (vii) identified measures to improve SME access to finance. The second component for legal and governance reform component assisted with the drafting an enhanced Secured Transactions Law, which was passed in May 2005. Although some planned activities were interrupted by a 7-month delay in TA extension, the TCR gave the project an overall rating of *successful*.

66. **Philippines.** The 2004 TA for the strengthening of SME credit management systems[50] promoted financial deepening by expanding SMEs' access to credit. The TA helped create the blueprint for a movable collateral registry. The blueprint encompassed a review of existing laws and recommendations for potential amendments or new legislation that might be needed to expand the framework for secured transactions to include movable property. A time-bound action plan for creating the movable collateral registry was among the project outputs. The TA was rated *successful* in the TCR as it achieved financial deepening in the SME segment of the banking sector.

67. **Viet Nam.** Subprogram I of the SME Development Program[51] supported improvements in the business environment of the SME sector. The program loan helped enhance the policy and regulatory framework for SMEs and improve their access to resources, finance, and land.

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[47] ADB. 2002. *Technical Assistance to India for the Secured Transaction Reform*. Manila (TA 3866, for $500,000, approved on 21 May).

[48] ADB. 2003. *Technical Assistance to Pakistan for Strengthening Secured Transactions*. Manila (TA 4260, for $500,000, approved on 16 December).

[49] ADB. 2003. *Technical Assistance to Lao People's Democratic Republic on Advisory Assistance on Small and Medium-Sized Enterprise and Private Sector Development*. Manila (TA 4279, for $670,000, approved on 18 December).

[50] ADB. 2004. *Technical Assistance to the Philippines for Strengthening Small and Medium Enterprise Credit Management Systems*. Manila (TA 4523, for $500,000, approved on 23 December).

[51] ADB. 2004. *Report and Recommendation of the President to the Board of Directors on a Proposed Program Loan Cluster and Technical Assistance Grant to Viet Nam for the Small and Medium-Sized Enterprise Development Program (Subprogram I)*. Manila (Loan 2095[SF], for $60 million, approved on 21 October).

Specifically, it supported cost-effective company registration and licensing systems and procedures, a coordinated interministerial plan for SME development, a simplified accounting system for SMEs, enhanced use of registration for secured transactions, pilot-testing of a national land registration system, and the development of industrial and technical standards in Viet Nam. Subprogram I was followed, on its successful completion, by subprogram II[52].

68. **Sri Lanka.** The 2001 TA for enabling SME growth[53] supported SME growth through advisory work and capacity building under the SME Sector Development Program. The TA's four components (i) established an SME policy unit to initiate a baseline survey of SMEs; (ii) helped the deregulation committee identify impediments to investment by both foreign and domestic firms, large firms, and SMEs; (iii) laid the groundwork for reforms to improve SME access to nonbank finance, including the legal framework for secured transactions; and (iv) promoted greater use of information technology by SMEs. The TA was rated *partly successful* mainly because of the long delay in implementation and the large undisbursed portion of the original TA fund.

4. Examples of Other Emerging Practices in ADB

69. **Pakistan.** A program loan intended to help improve access to financial services supported the following policy and institutional reforms:[54] (i) development of policy, legal, and regulatory frameworks (a shift toward demand-driven and market-oriented services and away from the previous supply-led model) for private sector participation and sustainable financial services, including service outreach in rural and remote areas; (ii) capacity building and institutional strengthening or restructuring (expansion of the credit information bureau [CIB]), promotion of mobile money transfer and remittance services through technology improvements for lower-cost and efficient services nationwide, and institutional strengthening of a specialized microfinance bank (Khushhali Bank) to enable it to deliver sustainable financial services based on best banking practices efficiently and cost-effectively; (iii) product diversification and innovation to expand the range of services and products to include savings and lending based on Islamic banking practices; and (iv) financial and basic literacy programs to improve access to financial services among the poor and rural households. The project has been fully implemented.

70. **Sri Lanka.** The Small and Medium Enterprise Regional Development Project loan is aimed at accelerating the development of SMEs outside the urbanized western province.[55] It comprises a credit facility for enhancing medium- to long-term financing for SMEs, supported by three complementary components to strengthen the participating commercial banks in respect of the following: (i) corporate governance, through the setting up of corporate governance objectives, strategies, and techniques for the banks and supervision of the banks by the Central Bank of Sri Lanka including their compliance with the Corporate Governance Code; (ii) risk management, through greater reliance on cash flow and past performance as bases for lending to regional SMEs instead of solely using collateral based lending, increased application of SME

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[52] ADB. 2006. *Report and Recommendation of the President to the Board of Directors on a Proposed Program Loan Cluster and Technical Assistance Grant to Viet Nam for the Small and Medium-Sized Enterprise Development Program (Subprogram II)*. Manila (Loan 2284, for $40 million, approved on 21 November).

[53] ADB. 2001. *Technical Assistance to Sri Lanka for Enabling Small and Medium Enterprise Growth*. Manila (TA 3822, for $1.25 million, approved on 20 December).

[54] ADB. 2006. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Islamic Republic of Pakistan for Improving Access to Financial Services (Phase 1) Program.* Manila (two loans for $320 million and a TA grant of $2 million).

[55] ADB. 2007. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic in Sri Lanka for the Small and Medium Enterprise Regional Development Project.* Manila (Loan 2381, for $50 million, approved on 6 December).

credit scoring by the banks, and collaboration with domestic rating agencies and risk-based loan pricing; and (iii) regional SME banking, through lending to SME value chain clusters. The project is now being implemented.

71. **Philippines.** The Financial Market Regulation and Intermediation Program[56] and the associated TA are aimed at increasing the contribution of the financial sector to economic growth by making the sector more efficient and thus better able to finance profitable private investment projects including SMEs at lower cost and risk than at present. In particular, the program supports the development of capital markets and other nonbank financial services. It involves financial governance improvements and measures to make the financial markets more efficient, reduce risks, and boost investor confidence. The policy measures include financial sector reforms to diversify financial channels, and improve transparency and market efficiency in intermediation. The program and the TA are being implemented satisfactorily.

72. **People's Republic of China.** ADB approved TA for the development of the following three projects:

(i) **Development of alternative financing mechanism for SMEs.** A TA grant[57] was approved in 2002 to (a) support SME direct financing schemes through the formulation of policies and procedures for the SME Development Fund[58] and credit guarantee schemes based on international good practice; (b) develop an effective structure for the Development Fund and its management in the State Economic and Trade Commission (SETC); and (c) develop training modules for Development Fund management staff and fund managers. With support from the TA, (a) policies were developed for the establishment, financing, operation, regulation, and supervision of the Development Fund and credit guarantee mechanisms; (b) operation manuals for the governance of the Development Fund were prepared; (c) the structure, function, roles, and daily responsibilities of SETC in overseeing fund operations were defined; (d) the SME activities of SETC were reviewed and methods of supporting the investment funds to promote industry diversification and prioritization were recommended; and (e) a workshop was organized to present international experience in SME promotion funds and credit guarantees. The TA has been completed.

(ii) **Development of SME credit guarantee companies.** A TA grant was approved in 2004 with the following objectives: (a) to help the Government formulate strategies and implement programs to facilitate SME access to finance by expanding the scope of business of the SME credit guarantee company; and (b) to establish an effective policy, regulatory, and operational framework for SME credit guarantee companies. The feasibility of setting up a re-guarantee company to optimize risk and capital allocations for SME guarantee schemes nationwide was evaluated and the central Government was assisted in establishing the company. Support was also directed at institutional and financial reform and at the strengthening of the regulatory and supervisory framework for SME credit guarantee companies to ensure their financial sustainability. The TA has been completed.

[56] ADB. 2006. *Report and Recommendation of the President to the Board of Directors on a Proposed Program Cluster, Loan, and Technical Assistance Grant for the Financial Market Regulation and Intermediation Program.* Manila (Loan 2278, for $200 million, approved on 6 December).

[57] ADB. 2002. *Technical Assistance to the People's Republic of China for the Development of Small and Medium Enterprise Alternative Financing Mechanism*. Manila (TA 3930, for $150,000, approved on 24 September).

[58] Established, with funding from the state budget, to provide equity financing to viable SMEs and to support credit guarantee schemes that would give SMEs better access to bank financing.

(iii) **National fund for development of credit guarantees for private enterprises.** A TA grant was approved in 2005 with the objective of strengthening the National Fund for Development of Credit Guarantees to improve access of private enterprises to financial services and financial resources, including foreign and private sector capital. The TA was to assist in the effective use of the fund by ensuring timely drawdown of the fund's proceeds while maintaining prudent risk exposure and complete compliance with regulatory requirements in line with international good practice. The TA was also to establish a proper fund governance structure to maximize political, financial, economic, and social impact and optimize risk and capital allocation for the fund, while ensuring regulatory compliance and financial sustainability. The TA is being implemented and is supposed to be completed by the end of 2008.

73. **Philippines.** Some examples of innovative practices adopted by PSOD of ADB are given below. They pertain to the establishment of a bond guarantee scheme, a scheme to resolve the NPLs of financial institutions, a specialized asset management company, and a CIB.

(i) **Bond operations.** An equity investment was made in 2004 in a private sector credit guarantee company that provided guarantees to protect private financial institutions and other investors in local government unit (LGU) bonds in the Philippines against borrower repayment default. That move helped to promote bond operations and capital market development, and to enable LGUs to raise capital for their water supply, mini-hydro, and other local development projects.

(ii) **Resolution of nonperforming loan portfolios.** A loan to a private sector company in 2004 went to the purchase of the NPL portfolio of a housing finance facility, thereby helping to resolve its portfolio of highly delinquent nonperforming mortgage loans and strengthen its financial viability, and enabling the home-owners, mostly from the lower-income groups, to keep their homes without foreclosure.

(iii) **Asset management operations.** An equity investment was made in 2004 in a private sector asset management company that was established to manage, administer, and service mortgage loans and related collaterals for properties in the Philippines acquired from the housing finance facility and other financial institutions. That helped to develop the concepts of asset management and asset securitization, and to resolve the NPL portfolios of financial institutions and strengthen the viability of the institutions.

(iv) **Credit information bureau.** An equity investment was made in 2004 in a private CIB, which was expected to function as the repository of all relevant credit information on corporate, individual, SME, and microfinance borrowers. The ready availability of credit information was expected to facilitate loan processing and reduce transaction costs particularly to the benefit of SME and microfinance borrowers. The relatively high transaction costs had stifled financial intermediation for private sector development in the Philippines. The Government has recently approved the legal framework for CIB.

V. FINDINGS AND IMPLICATIONS

74. This report has reviewed the past experience and evolving nature of ADB's practices in financial intermediation for private sector development mainly through the establishment of SMEs. It has also reviewed the good practices in this regard adopted by various countries and other international development organizations. The review findings provide insights into future

practices that ADB should adopt to strengthen its financial intermediation for private sector development particularly through supporting SMEs in Asia and the Pacific.

A. Good Practices in Financial Intermediation Lending

75. Over the years, and particularly since the 1980s, the economic environment in the DMCs of Asia and the Pacific has changed. The changes have largely been the result of privatization and liberalization in the industrial and financial sectors, the transition to market-based economies, and globalization—all of which have had a positive economic impact. ADB's financing modalities and practices in respect of financial intermediation for private sector development have also changed and evolved over the years in line with these changes in the economic environment. Their emphasis has changed from lending to more diversified operations and expanded nonlending services. This changed emphasis should be pursued further in the future.

76. ADB could still use credit lines for DMCs that have acute shortages of long-term resources for funding investment. But their use should be based solely on the provision of long-term local currency resources to the private sector, preferably under swap arrangements and with the approval of the central bank or other appropriate authority. ADB's present guarantee facility could also be used to provide guarantees to local financial institutions to make the required long-term resources available in local currency. These practices, however, should be based on firm arrangements, acceptable to ADB, in which the financial institutions involved agree to raise long-term resources on their own in the domestic markets, either in a fixed proportion or in amounts that match ADB's swap arrangements or guarantee facility. That would encourage the local financial institutions to develop appropriate organizations, policies, procedures, products, and staff training to become self-sustainable in mobilizing domestic resources for their lending operations.

77. ADB's reform-based program loan practices have generally been successful. They have helped to expand financial intermediation for private sector development. OED's 2007 evaluation study on policy-based lending (para. 41) identified good practices for policy-based lending—the strengths to build into the design, the weaknesses to avoid, the opportunities to capitalize on, and the threats to manage—and issues to consider further (paras. 69–80 of the OED study). Guided by these practices, ADB could continue to use the policy-based lending practices, with appropriate TA support, to further diversify and expand its financial intermediation for private sector development.

78. Many weak areas continue to constrain financial intermediation for private sector activity and retard economic growth. These could be overcome through a three-pronged program, where the elements are mutually complementary and together build a strong foundation for an efficient and effective financial intermediation system that will support private sector development and help accelerate economic growth in the DMCs. The initiatives to be taken in this regard, through the program loan modality, are outlined below:

(i) **Improve the investment climate to encourage private sector development and foreign investment.** ADB should help strengthen private sector–friendly policies, procedures, and incentive frameworks to improve the investment climate. This will encourage further private sector development, accelerate economic development, and encourage foreign investment to narrow the savings gap for investment in the DMCs.

(ii) **Make the financial sector more broad-based, competitive, and efficient.** Financial sectors continue to be dominated by banking systems. Generally, their poor-quality portfolios have hampered financial intermediation, stifled private sector activity, and retarded economic growth. Alternative sources of investment capital need to be developed to reduce the overreliance on banking systems. ADB could help achieve this by taking further steps to develop the capital markets in order to make the financial sectors more broad-based, competitive, and efficient. The private sector would thus be better able to raise investment capital efficiently and cost-effectively.

(iii) **Spread financial intermediation to outlying areas by developing rural savings and microfinance services.** ADB could take steps to develop outreach systems with appropriate products to increase savings from rural and outlying areas and to provide microfinance services for livelihood projects in those areas. Financial intermediation for private sector development would thereby expand. The Microfinance Development Program approved for the Philippines and referred to earlier,[59] with the associated advisory TA, has good prospects for replication in the Philippines and in other DMCs.

(iv) **Build institutions and enhance capacity.** ADB should train its sights on strengthening policies and procedures for good governance; international standards for bank regulation and supervision, capital adequacy, loan classification and provisioning, and accounting and auditing; self-regulation, risk assessment, and mitigation, including the use of risk-hedging instruments; liquidity management and greater autonomy in investment decision making within financial institutions; debt collection procedures, including improvements in the appropriate judicial and nonjudicial systems; use of information technology and management information systems; and the inclusion of environmental considerations in investment decisions.

(v) **Privatize and subcontract.** ADB should encourage privatization and the subcontracting of services by conglomerates to SMEs (within a proper legal framework set up for this purpose). These measures would create further opportunities to promote private sector and SME development and thus expand financial intermediation. With regard to privatization, programs designed to restructure or rehabilitate state-owned enterprises to improve their viability have not been successful, as the first and second industrial sector program loans to Bangladesh showed. On the other hand, programs designed for outright privatization have been more successful. In the two financial sector program loans to Mongolia, state-owned banks improved their viability after outright privatization.

(vi) **Develop skills, trades, entrepreneurship, and business development services.** ADB should complement efforts to promote financial intermediation for private sector development with programs to develop skills, trades, and business development services. In this way, financial intermediation would expand and its effectiveness would be strengthened.

79. ADB could also pursue other forms of assistance to increase financial intermediation for private sector development as follows:

(i) **Guarantee mechanisms for long-term deposit mobilization.** ADB could assist in establishing and operating deposit mobilization mechanisms in DMCs to raise mainly long-term deposit resources for investment. The assistance could take two forms: (a) extending ADB's guarantee facility to guarantee the safety of such

[59] ADB. 2005. *Microfinance Development Program Loan*. Manila (Loan 2199 for $150 million and associated advisory TA 4693 for $0.5 million, approved on 22 November).

long-term deposits raised by local financial institutions; and (b) giving advisory TA to set up appropriate organizations, policies, procedures, products, staff training, and management information systems for that purpose. That type of assistance would help to narrow the large gap between the supply of and demand for long-term funds in the DMCs, and make available more savings for investment.

(ii) **Guarantee mechanisms for corporate bond issues.** ADB's guarantee facility could be extended to enable local financial institutions and corporations to raise long-term resources through medium- to long-term bond issues to promote investment.[60] Local financial institutions would also be able to set benchmarks for interest rates chargeable on their medium- to long-term loans, and savers could benefit from having an alternative instrument for saving and investment. ADB does not appear to have adequately used the guarantee facility to promote corporate bond markets, which have remained underdeveloped. ADB could also consider providing advisory TA to set up the infrastructure required to promote bond operations. Included here are legal, regulatory, licensing, enforcement, tax, and accounting frameworks; favorable policy environments; market infrastructure; capacity enhancement of institutions, organizations, management, and staff; operational and financial matters; innovative and efficient products; rating systems; education and awareness programs for issuers and investors; and credit information and databases. Also, the example of the LGU bond operation in the Philippines (para. 74 [i]) could be replicated for these purposes in the Philippines as well as in other DMCs.

(iii) **Expanded support for housing finance.** Key missing elements holding back the growth of housing finance are the lack of long-term funds and of knowledge of sound underwriting and servicing practices. ADB can play a large role in filling this gap by providing long-term funds to financial institutions and TA that specifically target mortgage underwriting and servicing for each bank to which ADB provides financial support. Additionally, ADB can provide guarantees for banks in the form of risk sharing to encourage some banks to move to more underserved areas. Equity investments can be used to start housing finance companies or banks, as well as to provide funding for mortgage insurance companies, which can help to reach a broader base of the income segment through guarantees on a portion of defaults. Finally, ADB can provide guarantees on mortgage-backed securitizations, which would provide longer-term funding for mortgages in local markets and would also contribute to the development of the local capital market.

(iv) **Guarantee mechanisms for export financing.** ADB's guarantee and TFFP mechanisms could be extended to enable commercial banks to provide export financing to those SMEs that lack traditional forms of collateral to secure their export facilities. That would help to bridge the gap in the supply of export finance resources (in the amounts and at the times required), promote further development of export-oriented SMEs, and expand financial intermediation.

(v) **Further expanded lease financing operations.** The gap in the supply of medium- to long-term resources in the DMCs could also be partly filled by further assistance from ADB for the expansion of financial leasing operations, as has been done successfully in some of the DMCs. Leasing operations could be

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[60] In most DMCs of Asia and the Pacific, the private sector has mobilized only insignificant amounts of funds for investment through the corporate bond market. Most of them lag behind the countries of the Association of Southeast Asian Nations (ASEAN) such as Indonesia, Republic of Korea, Malaysia, and Thailand in this regard.

further expanded in the DMCs through ADB guarantees to local financial institutions to raise medium- to long-term financing for leasing operations. ADB could also provide advisory TA for the establishment of the necessary legal, regulatory, tax, and accounting and auditing frameworks; staff training in leasing operations; the strengthening of the management information systems of both lessors and lessees; the setting up of lease registries; and the strengthening of procedures to speed up the recovery of leased assets of nonperforming lessees.

(vi) **An Asian bond guarantee corporation.** ADB could explore the possibility of helping to establish an Asian bond guarantee corporation that could extend guarantees for the development of the bond markets in Asia and the Pacific, as referred to in item (ii) above. ADB could consider making an equity investment in the corporation to catalyze equity investments from other international financing agencies, governments, and the private sector.

(vii) **Expanded NPL resolution and asset management operations.** The loan portfolios of many financial institutions in the DMCs of Asia and the Pacific are beset with large amounts of NPLs that constrain financial intermediation. Thus, there are opportunities for ADB to assist in their resolution (for example, by guaranteeing loans raised by local institutions to purchase the NPLs at discounted rates from the affected financial institutions). That would help to improve the quality of the portfolios and strengthen the financial viability of these financial institutions. In this context, there have been opportunities for ADB to assist developing asset management companies, through equity investments, to manage the assets and collateral of the NPLs purchased. The two examples in this connection in the Philippines (purchase of NPLs and asset management) (para. 74 [ii]) could be replicated for these purposes in the Philippines as well as in other DMCs.

(viii) **Asset securitization.** There are many housing finance loan schemes in the DMCs of Asia and the Pacific. ADB has given loans to some of them to develop the primary mortgage finance markets. Thus, there are opportunities to develop the secondary mortgage finance markets by looking into prospects for asset securitization, to further develop the housing markets in these DMCs. ADB could provide assistance through advisory TA to lay the foundation for asset securitization (by resolving legal-mortgage laws, mortgage-backed securities laws, underwriting laws, and regulatory, tax, and institutional issues) based on best international practice. ADB could also consider making equity investments in companies set up for asset securitization. In a recent example in Mongolia this concept of asset securitization was developed with assistance from IFC, the United States Agency for International Development, and KFW (the German Bank for Reconstruction).

(ix) **Development of nonbank financial institutions.** ADB’s guarantee and advisory TA practices could be used to develop such institutions to make the financial sector more broad-based, competitive, and efficient. The types of nonbank financial institutions that could be supported are investment banks, venture capital companies, pensions and mutual funds, other forms of contractual savings schemes, and companies dealing with securities, insurance, credit ratings, credit cards, and other forms of electronic-based financial services complementing the services provided by development banks and commercial banks.

B. Issues to Consider Further

80. Many of the good practices mentioned above could be applied within ADB's financial intermediation policies and procedures for private sector development, particularly for SME promotion. The issues to be considered further are:

(i) **Integrated programmatic approach.** More integrated programmatic approach (e.g., a program cluster modality integrating related sectors such as industrial, financial, capital market, governance, trade, and pensions sectors) needs to be rigorously used to promote financial intermediation in DMCs. An integrated program loan modality had not been adopted in the DMCs until recently despite the similar issues to be resolved.[61] Their adoption appears to have been more haphazard or ad hoc and without a comprehensive and integrated strategy for the overall strengthening of financial intermediation processes in each of the DMCs. Therefore, ADB needs to look into whether there are gaps in each of these DMCs that could be filled by more integrated modalities. In recent years, ADB has begun to adopt an integrated and comprehensive approach to program lending through program clusters, while focusing on selected sectors. With the increasing "country focus" in ADB's operations, there are now greater opportunities to further expand it.

(ii) **Private sector development.** As pointed out in this report, there are opportunities to expand PSOD operations in the DMCs, particularly in the nonlending category (e.g., guarantees). In this regard, it might be useful for ADB to develop strategies for increasing financial intermediation for private sector development in DMCs and link these with its overall country partnership strategy. A system for doing so would need to be developed. That would help to bring about greater coordination between ADB's country strategies and its public and private sector assistance programs for financial sector development in order to increase their total effectiveness and impact on the DMCs.

(iii) **Flexible modalities and continuous policy dialogue.** As the financial systems of DMCs are increasingly integrated with the regional and global financial systems, the systems become more susceptible to changes and turmoil in the external financial environment. ADB should stand ready to assist DMCs in coping with these challenges. In this volatile situation, the reform of both policies and institutions would need to continue, with ADB's practices and modalities for financial intermediation always kept flexible and adaptable to the requirements of the evolving economic environment. ADB should also maintain a continuous dialogue with the policy makers of the DMCs, watch for and monitor early-warning signs of economic and financial sector developments, and take proactive measures to mitigate adverse developments in financial intermediation.

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[61] For example, the program loan modality had been adopted in the industrial sector in only 9 of the present 44 DMCs (20%), in the financial sector in 15 DMCs (34%), in capital markets in 4 DMCs (9%), in governance in 5 DMCs (11%), in pensions in 1 DMC (2%), and in trade in 4 DMCs (9%), as well as in 4 regional trade development programs. Some of these modalities, of course, had elements of each of the other modalities in them. However, not a single one of the 44 DMCs has had the benefit of all six modalities. Pakistan came closest with five of the modalities (industrial, financial, capital markets, governance, and trade, plus a TA grant for the development of pensions), followed by Indonesia with four modalities (industrial, financial, governance, and trade) and Mongolia also with four (industrial, financial, governance, and trade), and the Philippines with three modalities (financial, capital markets, and governance). All the other DMCs have benefited from only one or two of these modalities.

ASIAN DEVELOPMENT BANK CREDIT LINES

Loan No.	DMC	Project Name	Subsector	ADF	OCR ($ million)	Total Amount ($ million)	Date Approved	Rating
0001	THA	First Industrial Finance Corporation of Thailand	Banking		5.0	5.0	23 Jan 1968	GS
0006	PAK	First Industrial Development Bank of Pakistan	SME		10.0	10.0	12 Dec 1968	PS
0009	PHI	First Private Development Corporation of the Philippines	Banking		5.0	5.0	04 Mar 1969	GS
0013	SIN	First Development Bank of Singapore	Banking		10.0	10.0	26 Jun 1969	GS
0023	KOR	First Medium Industry Bank	SME		10.0	10.0	16 Dec 1969	GS
0024	THA	Second Industrial Finance Corporation of Thailand	Banking		10.0	10.0	16 Dec 1969	
0042	KOR	First Korea Development Bank	Banking		10.0	10.0	17 Nov 1970	
0051	PHI	Second Private Development Corporation of the Philippines	Banking		15.0	15.0	17 Dec 1970	GS
0053	PAK	Second Industrial Development Bank of Pakistan	SME		15.0	15.0	22 Dec 1970	
0066	INO	Bank Rakjat Indonesia Modernization	Banking	3.4		3.4	11 May 1971	GS
0070	KOR	Second Medium Industry Bank	SME		15.0	15.0	12 Aug 1971	
0075	TAP	China Development Corporation	Banking		7.5	7.5	28 Sep 1971	
0084	PNG	Papua New Guinea Development Bank	Banking	4.5		4.5	14 Dec 1971	PS
0087	MAL	Malaysian Industrial Development Finance Berhad	Banking		15.0	15.0	16 Dec 1971	
0111	KOR	Second Korea Development Bank	Banking		20.0	20.0	21 Nov 1972	
0120	PAK	Pakistan Industrial Credit and Investment Corporation	Banking		6.0	6.0	21 Dec 1972	PS
0121	PAK	Pakistan Industrial Credit and Investment Corporation	Banking	6.0		6.0	21 Dec 1972	PS
0130	BAN	Bangladesh Shilpa Bank	Banking		6.6	6.6	14 Jun 1973	PS
0131	BAN	Bangladesh Shilpa Bank	Banking	6.0		6.0	14 Jun 1973	PS
0165	SIN	Second Development Bank of Singapore	Banking		10.0	10.0	13 Dec 1973	
0173	KOR	Third Medium Industry Bank	SME		30.0	30.0	19 Dec 1973	GS
0174	FIJ	Fiji Development Bank	Banking		2.0	2.0	21 Dec 1973	GS
0175	PHI	Third Private Development Corporation of the Philippines	Banking		25.0	25.0	21 Dec 1973	GS

Loan No.	DMC	Project Name	Subsector	ADF	OCR ($ million)	Total Amount ($ million)	Date Approved	Rating
0180	KOR	Third Korea Development Bank	Banking		30.0	30.0	21 Feb 1974	
0192	KOR	First Korea Development Finance Corporation	Banking		30.0	30.0	29 Aug 1974	GS
0199	INO	Cipadung Spinning Mill	SME		13.7	13.7	26 Nov 1974	
0205	BAN	Bangladesh Shilpa Rin Sangstha	Banking	15.0		15.0	05 Dec 1974	PS
0214	VIE	Industrial Development Bank of Viet Nam	Banking	7.0		7.0	23 Dec 1974	
0218	SAM	Development Bank of Western Samoa	Banking	1.0		1.0	18 Mar 1975	PS
0226	THA	Third Industrial Finance Corporation of Thailand	Banking		20.0	20.0	12 Aug 1975	GS
0239	KOR	Fourth Korea Development Bank	Banking		40.0	40.0	25 Nov 1975	GS
0247	PHI	Development Bank of the Philippines	Banking		25.0	25.0	09 Dec 1975	PS
0256	PAK	Third Industrial Development Bank of Pakistan	SME		25.0	25.0	23 Dec 1975	GS
0267	KOR	Second Korea Development Finance Corporation	Banking		40.0	40.0	22 Jun 1976	
0268	PHI	Fourth Private Development Corporation of the Philippines	Banking		25.0	25.0	25 Jun 1976	GS
0269	PAK	Second Pakistan Industrial and Investment Corporation	Banking		25.0	25.0	29 JUN 1976	PS
0286	BAN	Second Bangladesh Shilpa Rin Sangstha	Banking	25.0		25.0	16 Dec 1976	PS
0287	SAM	Second Development Bank of Western Samoa	Banking	3.0		3.0	16 Dec 1976	
0288	SRI	Development Finance Corporation of Ceylon	Banking	5.0		5.0	21 Dec 1976	PS
0292	KOR	Fourth Medium Industry Bank	SME		30.0	30.0	23 Dec 1976	
0303	PAK	National Development Finance Corporation	Banking		30.0	30.0	23 Aug 1977	GS
0319	INO	Bank Pembangunan Indonesia (BAPINDO)	Banking		30.0	30.0	24 Nov 1977	PS
0321	PHI	Development Bank of the Philippines	Banking		35.0	35.0	29 Nov 1977	PS
0335	TON	Small Industries Center	SME	0.4		0.4	20 Dec 1977	GS
0340	KOR	Fifth Korea Development Bank	Banking		50.0	50.0	16 Mar 1978	GS
0342	PNG	Second Papua New Guinea Development Bank	Banking	7.0		7.0	01 Jun 1978	PS
0358	THA	Fourth Industrial Finance Corporation of Thailand	Banking		30.0	30.0	28 Sep 1978	GS
0366	SAM	Third Development Bank of Western Samoa	Banking	4.0		4.0	21 Nov 1978	PS
0368	BAN	Second Bangladesh Shilpa Bank	SME	25.0		25.0	29 Nov 1978	U
0376	TON	Tonga Development Bank	Banking	1.5		1.5	07 Dec 1978	PS

Loan No.	DMC	Project Name	Subsector	ADF	OCR ($ million)	Total Amount ($ million)	Date Approved	Rating
0377	KOR	Fifth Small and Medium Industry Bank	SME		40.0	40.0	07 Dec 1978	GS
0394	SOL	Development Bank of Solomon Islands	Banking	2.0		2.0	19 Apr 1979	U
0399	KOR	Citizens National Bank	SME		10.0	10.0	10 May 1979	GS
0405	PHI	Philippine Investments Systems Organization	Banking		15.0	15.0	12 Jul 1979	U
0423	KOR	Third Korea Development Finance Corporation	Banking		50.0	50.0	21 Nov 1979	GS
0442	PHI	Fifth Private Dev. Corporation of the Philippines	Banking		30.0	30.0	17 Dec 1979	PS
0449	BAN	Third Bangladesh Shilpa Rin Sangstha	Banking	30.0		30.0	21 Dec 1979	U
0451	SRI	Second Development Finance Corporation of Ceylon	Banking	10.0		10.0	14 Feb 1980	GS
0455	PAK	Third Pakistan Industrial Credit and Investment Corporation	Banking		40.0	40.0	25 Mar 1980	GS
0473	KOR	Sixth Small and Medium Industry Bank	SME		40.0	40.0	23 Oct 1980	GS
0487	PHI	Second Philippine Investments Systems Organization	Banking		25.0	25.0	27 Nov 1980	U
0492	MYA	Myanmar Economic Bank	SME	10.0		10.0	11 Dec 1980	
0508	SOL	Second Development Bank of Solomon Islands	Banking	2.0		2.0	22 Dec 1980	PS
0514	KOR	Small and Medium Industry Management and Technology Institute	SME		13.0	13.0	18 Jun 1981	GS
0519	SRI	National Development Bank of Sri Lanka	Banking	10.0		10.0	29 Jun 1981	GS
0527	SAM	Fourth Development Bank of Western Samoa	Banking	4.0		4.0	29 Sep 1981	PS
0530	KOR	Fourth Korea Long Term Credit Bank	SME		60.0	60.0	29 Sep 1981	
0532	KOR	Second Citizens National Bank	SME		30.0	30.0	08 Oct 1981	GS
0543	THA	Fifth Industrial Finance Corporation of Thailand	Banking		50.0	50.0	19 Nov 1981	
0564	PAK	Second National Development Finance Corporation	Banking	50.0		50.0	22 Dec 1981	PS
0567	COO	Cook Islands Development Bank	Banking	1.5		1.5	25 Mar 1982	PS
0589	KOR	Seventh Small and Medium Industry Bank	SME		50.0	50.0	26 Oct 1982	
0608	PAK	Fourth Industrial Development Bank of Pakistan	Banking	20.0		20.0	07 Dec 1982	U
0609	PAK	Fourth Industrial Development Bank of Pakistan	Banking		20.0	20.0	07 Dec 1982	U
0611	PNG	Third Papua New	Banking	11.0		11.0	09 Dec 1982	PS

Loan No.	DMC	Project Name	Subsector	ADF	OCR ($ million)	Total Amount ($ million)	Date Approved	Rating
		Guinea Development Bank						
0616	VAN	Development Bank of Vanuatu	Banking	1.0		1.0	14 Dec 1982	PS
0620	PHI	Sixth Private Dev. Corporation of the Philippines	Banking		45.0	45.0	21 Dec 1982	
0649	KOR	Fifth Korea Long-Term Credit Bank	SME		70.0	70.0	10 Nov 1983	GS
0663	THA	Sixth Industrial Finance Corporation of Thailand	Banking		25.0	25.0	06 Dec 1983	GS
0678	PAK	Development Finance Loan (NDFC III/PICIC IV/BEL)	Banking		50.0	50.0	20 Dec 1983	
0679	PAK	Development Finance Loan (NDFC III/PICIC IV/BEL)	Banking	60.0		60.0	20 Dec 1983	
0686	KOR	Third Citizens National Bank	SME		40.0	40.0	12 Jul 1984	
0696	MYA	Second Myanmar Economic Bank	SME	10.0		10.0	27 Sep 1984	
0707	SAM	Fifth Development Bank of Western Samoa	Banking	4.0		4.0	15 Nov 1984	
0739	FIJ	Second Fiji Development Bank	Banking		7.0	7.0	16 Jul 1985	
0754	SRI	Development Financing	Banking	20.0		20.0	26 Nov 1985	
0775	PAK	Second Development Financing	Banking	50.0		50.0	19 Dec 1985	
0776	PAK	Second Development Financing	Banking		50.0	50.0	19 Dec 1985	
0778	IND	Industrial Credit and Investment Corporation of India Limited	Banking		100.0	100.0	03 Apr 1986	GS
0834	INO	Second Bank Pembangunan Indonesia	Banking		60.0	60.0	20 Aug 1987	
0845	PRC	China Investment Bank	SME		100.0	100.0	08 Oct 1987	GS
0855	IND	Small-and Medium-Scale Industries	SME		100.0	100.0	03 Nov 1987	
0873	SRI	Small and Medium Industries	SME	15.0		15.0	08 Dec 1987	
0878	PAK	Third Development Financing	Banking		175.0	175.0	17 Dec 1987	PS
0879	PAK	Third Development Financing	Banking	25.0		25.0	17 Dec 1987	PS
0896	SRI	Second Development Financing	Banking	40.0		40.0	04 Aug 1988	
0902	PAK	Small-Scale Industry	SME		50.0	50.0	22 Sep 1988	GS
0933	PRC	Shanghai Investment and Trust Corporation	SME		100.0	100.0	13 Dec 1988	GS
0934	BHU	Bhutan Development Finance Corporation	SME	2.5		2.5	13 Dec 1988	PS
0944	PHI	Small and Medium Industry	SME		65.0	65.0	19 Jan 1989	PS
0945	PHI	Small and Medium Industry	SME	35.0		35.0	19 Jan 1989	PS
0975	IND	Industrial Finance	Banking		150.0	150.0	24 Oct 1989	GS

Loan No.	DMC	Project Name	Subsector	ADF	OCR ($ million)	Total Amount ($ million)	Date Approved	Rating
		Corporation of India						
0981	INO	Development Finance Loan	Banking		200.0	200.0	31 Oct 1989	GS
0990	TON	Fourth Tonga Development Bank	Banking	5.0		5.0	21 Nov 1989	PS
0996	PAK	Fourth Development Financing	Banking		250.0	250.0	12 Dec 1989	PS
1039	KIR	Development Bank of Kiribati	Banking	1.0		1.0	18 Oct 1990	PS
1070	BAN	Small and Cottage Industry	SME	30.0		30.0	18 Dec 1990	GS
1072	IND	Second Industrial Credit and Investment Corporation of India Ltd.	Banking		120.0	120.0	18 Dec 1990	PS
1084	SRI	Second Small and Medium Industries	SME	30.0		30.0	30 May 1991	GS
1088	PHI	Third Development Bank of the Philippines	Banking		100.0	100.0	16 Jul 1991	PS
1090	SRI	Third Development Financing	Banking	50.0		50.0	23 Jul 1991	GS
1107	VAN	Development Financing	Banking	5.0		5.0	24 Oct 1991	PS
1155	COO	Second Cook Islands Development Bank	Banking	1.5		1.5	14 Jan 1992	PS
1206	PRC	Industrial Technology Finance	SME		120.0	120.0	10 Dec 1992	U
1223	INO	Second Development Finance	Banking		200.0	200.0	30 Mar 1993	
1286	PRC	China Agribusinesss Development Trust and Investment Corporation	SME		50.0	50.0	09 Dec 1993	
1302	SRI	Fourth Development Finance Loan	Banking	75.0		75.0	28 Jun 1994	
1371	PAK	Financial Sector Intermediation Loan	Banking		100.0	100.0	07 Sep 1995	
1380	COO	Third Cook Islands Development Bank	Banking	3.0		3.0	26 Sep 1995	
1477	PRC	Everbright Bank of China	Banking		60.0	60.0	05 Nov 1996	
1510	MON	Upgrading Skills and Systems of Commercial Banks	Banking	3.0		3.0	19 Dec 1996	
1785	SAM	Small Business Development	SME	3.5		3.5	21 Nov 2000	
1799	UZB	SME Development	SME		50.0	50.0	11 Dec 2000	PS
1895	SRI	SMEs Sector Development Program (Investment Loan for the Business Services Support Facility)	SME	6.0		6.0	20 Dec 2001	
1896	SRI	Small and Medium Enterprise Sector Development Program (Investment Loan for the Lines of Credit)	SME		60.0	60.0	20 Dec 2001	
1978	INO	SME Export Development	SME		85.0	85.0	17 Dec 2002	
2067	PAK	SME Sector	SME	18.0		18.0	19 Dec 2003	

Loan No.	DMC	Project Name	Subsector	ADF	OCR ($ million)	Total Amount ($ million)	Date Approved	Rating
		Development Program (Project Loan)						
2149	BAN	SME Sector Development (Project Loan)	SME	30.0		30.0	20 Dec 2004	
2186	PHI	SME Development Support	SME		25.0	25.0	29 Sep 2005	
129		**Subtotal**		**787.8**	**3,785.8**	**4,573.6**		
				17%	**83%**	**100%**		

ADF = Asian Development Fund; BAN = Bangladesh; BHU = Bhutan; COO = Cook Islands; DMC = developing member country; FIJ = Fiji Islands; GS = generally successful; IND = India; INO = Indonesia; KIR = Kiribati; KOR = Republic of Korea; MON = Mongolia; MAL = Malaysia; MYA = Myanmar; OCR = ordinary capital resources; PAK = Pakistan; PHI = Philippines; PNG = Papua New Guinea; PRC = People's Republic of China; PS = partly successful; S = successful; SAM = Samoa; SIN = Singapore; SME = small and medium-sized enterprise; SOL = Solomon Islands; TAP = Taipei,China; THA = Thailand; TON = Tonga; U = unsuccessful; UZB = Uzbekistan; VAN = Vanuatu; VIE = Viet Nam.
Source: Asian Development Bank database.

TECHNICAL ASSISTANCE ASSOCIATED WITH FINANCIAL INTERMEDIATION ASSISTANCE

TA No.	DMC	Project Name	Subsector	Type	ADB ($'000)	JSF ($'000)	Others ($'000)	Total ($'000)	Date Approved	Rating
0004	VIE	Development Financing Institutions	Banking	AD	89.0	0.0	0.0	89.0	02 Jul 1968	
0007	NEP	First Advisors to Agricultural Development Bank of Nepal	Banking	AD	35.0	0.0	0.0	35.0	03 Sep 1968	
0013	NEP	Second Advisors to Agricultural Development Bank of Nepal	Banking	AD	69.0	0.0	0.0	69.0	22 May 1969	
0024	INO	Bank Rakjat Indonesia	Banking	AD	75.0	0.0	0.0	75.0	24 Feb 1970	
0035	VIE	Rural Banking System	Banking	AD	110.0	0.0	0.0	110.0	10 Sep 1970	
0042	FIJ	Fiji Development Bank	Banking	AD	90.0	0.0	0.0	90.0	22 Dec 1970	
0004	VIE	Development Financing Institutions – Extension	Banking	AD	26.0	0.0	0.0	26.0	09 Feb 1971	
0070	FIJ	Fiji Development Bank - Extension	Banking	AD	37.0	0.0	0.0	37.0	08 Aug 1972	
0080	SAM	Development Financing Institution	Banking	AD	217.0	0.0	0.0	217.0	11 Jan 1973	
0081	CAM	Cambodia Development Bank	Banking	AD	31.0	0.0	0.0	31.0	22 Jan 1973	
0084	PNG	Development Bank Staff Training Scheme	Banking	AD	3.0	0.0	0.0	3.0	15 Feb 1973	
0089	BAN	Bangladesh Krishi Bank	Banking	AD	71.0	0.0	0.0	71.0	14 Jun 1973	
0090	BAN	Bangladesh Shilpa Bank	Banking	AD	100.0	0.0	0.0	100.0	14 Jun 1973	
0092	LAO	Development Bank of Laos	Banking	AD	34.0	0.0	0.0	34.0	27 Jun 1973	
0102	FIJ	Fiji Development Bank	Banking	AD	100.0	0.0	0.0	100.0	21 Dec 1973	
0112	SOL	Agricultural and Industrial Loans Board	Banking	AD	45.0	0.0	0.0	45.0	23 May 1974	
0133	BAN	Bangladesh Shilpa Rin Sangstha	Banking	AD	370.0	0.0	0.0	370.0	05 Dec 1974	
0137	SAM	Development Bank of Western Samoa	Banking	AD	90.0	0.0	0.0	90.0	18 Mar 1975	
0165	SOL	Second Agricultural and Industrial Loans Board	Banking	AD	250.0	0.0	0.0	250.0	25 Mar 1976	
0174	TON	Development and Finance Corporation	Banking	AD	240.0	0.0	0.0	240.0	22 Jul 1976	
0184	BAN	Second Bangladesh Shilpa Rin Sangstha	Banking	AD	260.0	0.0	0.0	260.0	16 Dec 1976	
0185	SAM	Second Development Bank of Western Samoa	Banking	AD	40.0	0.0	0.0	40.0	16 Dec 1976	
0186	SRI	Development Finance Corporation of Ceylon	Banking	AD	75.0	0.0	0.0	75.0	21 Dec 1976	
0192	NEP	Agricultural Credit Training Institute	Banking	AD	0.0	0.0	280.0	280.0	10 May 1977	
0193	COO	National Development Corporation	Banking	AD	91.0	0.0	0.0	91.0	17 May 1977	
0213	MYA	Myanmar Economic Bank	Banking	AD	289.0	0.0	0.0	289.0	17 Nov 1977	
0241	SRI	Rural Credit	Banking	PP	91.2	0.0	0.0	91.2	22 Aug 1978	
0265	TON	Tonga Development Bank	Banking	AD	88.0	0.0	0.0	88.0	07 Dec 1978	
0289	SOL	Development Bank of Solomon Islands	Banking	AD	130.0	0.0	0.0	130.0	19 Apr 1979	
0497	PNG	Papua New Guinea Development Bank	Banking	AD	210.0	0.0	0.0	210.0	09 Dec 1982	
0498	VAN	Development Bank of Vanuatu	Banking	AD	100.0	0.0	0.0	100.0	14 Dec 1982	U
0506	FIJ	Review of the Role and Function of Fiji Development Bank	Banking	AD	100.0	0.0	0.0	100.0	16 Feb 1983	
0510	TON	Tonga Development Bank	Banking	AD	135.0	0.0	0.0	135.0	26 Apr 1983	

TA No.	DMC	Project Name	Subsector	Type	ADB ($'000)	JSF ($'000)	Others ($'000)	Total ($'000)	Date Approved	Rating
0526	BAN	Institutional Assessment of Bangladesh Shilpa Rin Sangstha and Bangladesh Shilpa Bank	Banking	AD	0.0	0.0	1,500.0	1,500.0	14 Jul 1983	
0556	MYA	Myanmar Agricultural Bank and for Agricultural Mechanization	Banking	AD	350.0	0.0	1,500.0	1,850.0	01 Dec 1983	
0557	KIR	National Loans Board	Banking	AD	150.0	0.0	0.0	150.0	02 Dec 1983	
0590	SAM	Review of the Role and Functions of the Development Bank of Western Samoa	Banking	AD	100.0	0.0	0.0	100.0	30 Mar 1984	
0637	SAM	Fifth Development Bank of Western Samoa	Banking	AD	300.0	0.0	50.0	350.0	15 Nov 1984	
0791	PHI	Development Bank of the Philippines (DBP)	Banking	AD	75.0	0.0	0.0	75.0	21 Aug 1986	
0918	PRC	Institutional Development of the People's Bank of China	Banking	AD	350.0	0.0	0.0	350.0	05 Nov 1987	
0933	BAN	Implementation of An Action Program to Rehabilitate BSB and BSRS	Banking	AD	0.0	0.0	1,725.0	1,725.0	02 Dec 1987	
0960	PHI	Study of the Thrift Banks in the Philippines	Banking	PP	75.0	0.0	0.0	75.0	09 Mar 1988	
1007	IND	Financial Sector Profile Study	Finance	AD	48.5	0.0	0.0	48.5	13 Jul 1988	
1022	BHU	Institutional Support to the Bhutan Development Finance Corporation	Banking	AD	270.0	0.0	0.0	270.0	04 Aug 1988	
1032	LAO	Restructuring of the Financial Sector	Finance	AD	12.0	0.0	0.0	12.0	19 Sep 1988	
1063	INO	Strengthening Bank Indonesia's Supervisory Capabilities	Banking	AD	65.0	0.0	0.0	65.0	11 Nov 1988	
1095	PAK	Rationalization of Development Financing Institutions	Banking	AD	259.0	0.0	0.0	259.0	03 Jan 1989	
1089	INO	Study of Regional Development Banks	Finance	AD	200.0	0.0	0.0	200.0	03 Jan 1989	
1115	LAO	Restructuring of Monetary and Banking Systems	Finance	AD	790.0	0.0	0.0	790.0	24 Jan 1989	PS
1141	NEP	Financial Review of the Agricultural Development Plans and Progress	Banking	AD	300.0	0.0	0.0	300.0	22 Mar 1989	
1144	PHI	Institutional Strengthening of the Land Bank of the Philippines	Banking	AD	500.0	0.0	0.0	500.0	07 Apr 1989	
1202	SRI	Second Rural Credit	Banking	PP	0.0	245.0	0.0	245.0	01 Sep 1989	
1209	FIJ	Institutional Support to the Fiji Development Bank	Banking	AD	290.0	0.0	0.0	290.0	09 Oct 1989	
1210	COO	Improving the Mechanism for Delivering Development Finance to Private Sector	Banking	AD	97.0	0.0	0.0	97.0	09 Oct 1989	
1230	TON	Tonga Development Bank	Banking	AD	328.0	0.0	0.0	328.0	21 Nov 1989	
1251	THA	Establishment of a Credit Rating Agency	Banking	PP	186.0	0.0	0.0	186.0	21 Dec 1989	

TA No.	DMC	Project Name	Subsector	Type	ADB ($'000)	JSF ($'000)	Others ($'000)	Total ($'000)	Date Approved	Rating
1263	LAO	Review of the Financial Sector	Finance	AD	414.0	0.0	0.0	414.0	26 Dec 1989	
1286	KIR	Technical Assistance to Development Bank of Kiribati for External Training of Deputy General Manager	Banking	AD	12.5	0.0	0.0	12.5	05 Apr 1990	
1296	LAO	Restructuring of the Monetary and Banking Systems - Phase II	Finance	AD	0.0	585.0	0.0	585.0	27 Apr 1990	U
1313	INO	Strengthening of Term Lending Capabilities of Participating Private Commercial Banks under Bank's Development Finance Loan	Banking	AD	100.0	0.0	0.0	100.0	06 Jun 1990	
1317	VAN	Technical Assistance to Development Bank of Vanuatu for Preparation of Operating Strategy and Business Plans for 1991-1993	Banking	AD	58.0	0.0	0.0	58.0	06 Jun 1990	
1320	INO	Development of the Leasing Industry	Finance	AD	92.0	0.0	0.0	92.0	11 Jun 1990	
1389	KIR	Institutional Strengthening of the Development Bank of Kiribati and the Office of the Director of Audit	Banking	AD	234.0	0.0	0.0	234.0	18 Oct 1990	GS
1399	SAM	Rehabilitation of Development Bank of Western Samoa	Banking	AD	0.0	203.0	0.0	203.0	25 Oct 1990	GS
1420	SRI	Review of the Role of National Savings Bank	Finance	AD	108.0	0.0	0.0	108.0	20 Nov 1990	
1421	SRI	International Financial Audit of Bank of Ceylon and People's Bank	Finance	AD	822.0	0.0	0.0	822.0	20 Nov 1990	
1433	LAO	Long-Term Credit Facility Support	Finance	AD	298.0	0.0	0.0	298.0	06 Dec 1990	U
1434	LAO	Debt Disposal Unit	Finance	AD	555.0	0.0	0.0	555.0	06 Dec 1990	
1453	RMI	Institutional Strengthening of the Marshall Islands Development Bank	Banking	AD	220.0	0.0	0.0	220.0	26 Dec 1990	PS
1455	FSM	Institutional Strengthening and Staff Development of Federated States of Micronesia Development Bank	Banking	AD	153.0	0.0	0.0	153.0	26 Dec 1990	
1465	BHU	Institutional Strengthening of the Bhutan Development Finance Corporation	Banking	AD	431.4	0.0	0.0	431.4	11 Jan 1991	
1476	NEP	Rural Credit Review	Banking	AD	588.0	0.0	0.0	588.0	31 Jan 1991	
1482	SOL	Institutional Strengthening of the Development Bank of Solomon Islands	Banking	AD	263.0	0.0	0.0	263.0	20 Feb 1991	
1499	SAM	Banking Supervisory Assistance to the Central Bank of Samoa	Banking	AD	222.5	0.0	0.0	222.5	02 Apr 1991	
1514	INO	Financial Sector Review	Finance	PP	300.0	0.0	0.0	300.0	14 May 1991	
1535	PHI	Institutional Strengthening of Financial Intermediaries	Banking	AD	115.0	0.0	0.0	115.0	16 Jul 1991	

TA No.	DMC	Project Name	Subsector	Type	ADB ($'000)	JSF ($'000)	Others ($'000)	Total ($'000)	Date Approved	Rating
1581	VAN	Institutional Development of the Development Bank of Vanuatu	Banking	AD	650.0	0.0	0.0	650.0	24 Oct 1991	
1643	MON	Institutional Support to the Mongol Bank	Banking	AD	100.0	0.0	0.0	100.0	02 Jan 1992	GS
1753	INO	Review of the Banking System	Banking	PP	100.0	0.0	0.0	100.0	17 Sep 1992	
1773	PRC	Institutional Development of People's Bank of China II	Banking	AD	100.0	0.0	0.0	100.0	30 Oct 1992	
1806	IND	Institutional Strengthening of ICICI and other Financial Institutions	Banking	AD	0.0	600.0	0.0	600.0	17 Dec 1992	PS
1832	FIJ	Preparation of Operational Strategies and a Corporate Plan for Fiji Development Bank	Banking	AD	130.0	0.0	0.0	130.0	31 Dec 1992	
1855	MON	Institutional Strengthening of the Financial Sector	Finance	AD	595.0	0.0	0.0	595.0	17 Mar 1993	PS
1856	LAO	Financial Sector Review	Finance	PP	100.0	0.0	0.0	100.0	23 Mar 1993	
1935	TUV	Development Bank of Tuvalu	Banking	AD	100.0	0.0	0.0	100.0	23 Aug 1993	
1941	PRC	Study of Nonbank Financial Institutions	Finance	AD	249.0	0.0	0.0	249.0	26 Aug 1993	GS
1960	TON	Creating Banking Supervision Unit in National Reserve Bank of Tonga (NRBT)	Banking	AD	100.0	0.0	0.0	100.0	30 Sep 1993	
2039	VIE	Commercial Banks Review and Training	Banking	AD	600.0	0.0	0.0	600.0	27 Dec 1993	GS
2111	SRI	Institutional Strengthening of National Savings Bank	Banking	AD	0.0	713.0	0.0	713.0	28 Jun 1994	GS
2112	SRI	Development of an Institutional and Regulatory Framework for the Leasing Industry in Sri Lanka	Banking	AD	0.0	198.0	0.0	198.0	28 Jun 1994	GS
2133	PRC	Developing the Performance Evaluation Capability of the People's Bank of China	Banking	AD	100.0	0.0	0.0	100.0	09 Aug 1994	GS
2160	LAO	Human Resource Development in Banks	Banking	AD	0.0	350.0	0.0	350.0	21 Sep 1994	PS
2204	RMI	Institutional Strengthening of the Marshall Islands Development Bank-Phase II	Banking	AD	0.0	202.0	0.0	202.0	23 Nov 1994	PS
2216	FSM	Institutional Strengthening of the Federated States of Micronesia Development Bank	Banking	AD	0.0	385.0	0.0	385.0	02 Dec 1994	GS
2219	MON	Strengthening of the Commercial Banking System	Banking	AD	0.0	600.0	0.0	600.0	05 Dec 1994	GS
2220	KGZ	Strengthening of the Banking System	Banking	AD	600.0	0.0	0.0	600.0	05 Dec 1994	GS
2240	VIE	Financial Sector Review	Finance	PP	0.0	325.0	0.0	325.0	14 Dec 1994	
2249	PRC	Upgrading Monetary Statistics	Banking	AD	0.0	300.0	0.0	300.0	20 Dec 1994	PS
2265	MLD	Development of a Strategic Framework for Financial Sector Restructuring	Finance	AD	300.0	0.0	0.0	300.0	27 Dec 1994	PS

TA No.	DMC	Project Name	Subsector	Type	ADB ($'000)	JSF ($'000)	Others ($'000)	Total ($'000)	Date Approved	Rating
2284	BHU	Conversion of the Unit Trust of Bhutan to a Commercial Bank	Banking	AD	146.5	0.0	0.0	146.5	04 Jan 1995	GS
2288	PRC	Institutional Strengthening of Commercial Finance, Management and Accounting	Banking	AD	0.0	830.0	0.0	830.0	12 Jan 1995	PS
2311	MLD	Maldives Monetary Authority	Banking	AD	0.0	385.0	0.0	385.0	13 Mar 1995	PS
2316	LAO	Review of Banking Sector Policies and Portfolios	Banking	AD	74.0	0.0	0.0	74.0	30 Mar 1995	
2318	PRC	International Conference on Financial Sector Development in Southwest PRC	Finance	AD	100.0	0.0	0.0	100.0	06 Apr 1995	
2330	CAM	Institutional Strengthening of the Centre for Banking Studies and State-Owned Banks' Staff Training	Banking	AD	340.0	0.0	0.0	340.0	10 May 1995	GS
2353	MON	Strengthening of Financial Intermediaries	Banking	AD	600.0	0.0	0.0	600.0	30 Jun 1995	GS
2390	MON	Improving Accounting and Auditing Systems	Finance	AD	600.0	0.0	0.0	600.0	05 Sep 1995	GS
2393	PAK	Capital Market Development	Banking	AD	0.0	865.0	0.0	865.0	07 Sep 1995	GS
2404	COO	Strengthening of Business Advisory Services	Banking	AD	250.0	0.0	0.0	250.0	26 Sep 1995	GS
2420	KAZ	Financial Sector Advisory	Finance	AD	600.0	0.0	0.0	600.0	11 Oct 1995	GS
2443	PRC	Strengthening the Regulatory Framework for the Trust and Investment Industry	Finance	AD	90.0	0.0	0.0	90.0	16 Nov 1995	
2492	PRC	Institutional Strengthening of China Investment Bank	Banking	AD	500.0	0.0	0.0	500.0	20 Dec 1995	
2506	PRC	Payments System	Banking	AD	100.0	0.0	0.0	100.0	26 Dec 1995	
2532	BHU	Restructuring of the Unit Trust of Bhutan to a Commercial Bank	Banking	AD	0.0	590.0	0.0	590.0	13 Feb 1996	GS
2543	MON	Development of Procedures for the Reconstruction and Liquidation of Insolvent Banks	Banking	AD	100.0	0.0	0.0	100.0	19 Mar 1996	GS
2565	PRC	Everbright Bank of China	Banking	PP	100.0	0.0	0.0	100.0	08 May 1996	
2579	IND	Capacity Enhancement of Gujarat Industrial Investment Corp.	Banking	AD	0.0	500.0	0.0	500.0	30 May 1996	GS
2605	MON	Development of Bank Restructuring Strategies	Banking	AD	100.0	0.0	0.0	100.0	09 Jul 1996	
2626	PRC	Study of Foreign and Joint Venture Banks	Banking	AD	450.0	0.0	0.0	450.0	16 Aug 1996	GS
2642	LAO	Restructuring and Consolidation of the State-Owned Commercial Banks	Finance	AD	0.0	0.0	954.0	954.0	12 Sep 1996	
2643	LAO	Development of an Interbank Market	Finance	AD	0.0	130.0	0.0	130.0	12 Sep 1996	
2658	PRC	Capacity Building of the Everbright Bank of China	Banking	AD	600.0	0.0	0.0	600.0	07 Oct 1996	GS
2664	PRC	Institutional Strengthening of the State Development Bank of China	Banking	AD	500.0	0.0	0.0	500.0	16 Oct 1996	PS

TA No.	DMC	Project Name	Subsector	Type	ADB ($'000)	JSF ($'000)	Others ($'000)	Total ($'000)	Date Approved	Rating
2687	VIE	Pilot Project to Modernize the Operation of a State-Owned Commercial Bank	Finance	AD	0.0	850.0	0.0	850.0	19 Nov 1996	
2697	MON	Implementation of Bank Restructuring Strategies	Banking	AD	100.0	0.0	0.0	100.0	03 Dec 1996	PS
2699	INO	Institutional Strengthening of Regional Development Account	Banking	AD	0.0	600.0	0.0	600.0	05 Dec 1996	GS
2720	MON	Strengthening the Supervisory and Restructuring Capacity of the Bank of Mongolia	Banking	AD	1000.0	0.0	0.0	1,000.0	19 Dec 1996	
2776	PRC	Systems Connections of the Chinese National Automated Payment System	Banking	AD	200.0	0.0	0.0	200.0	03 Apr 1997	U
2796	CAM	Enhancing Banking Skills	Banking	AD	0.0	400.0	0.0	400.0	19 May 1997	S
2797	MON	Development of a Regulatory Framework for Non-Bank Financial Institutions	Finance	AD	100.0	0.0	0.0	100.0	20 May 1997	
2812	PAK	Interest Rate Management of National Saving Scheme	Banking	AD	100.0	0.0	0.0	100.0	18 Jun 1997	
2823	VIE	Registration System for Secured Transactions	Finance	AD	500.0	0.0	0.0	500.0	14 Jul 1997	S
2825	PAK	Capital Market and Insurance Law Reform	Finance	AD	100.0	0.0	0.0	100.0	14 Jul 1997	S
2855	TON	Preparation and Implementation of a Strategic Plan for the Tonga Development Bank	Banking	AD	280.0	0.0	0.0	280.0	02 Sep 1997	S
2865	PAK	Restructuring of Public Sector Mutual Funds	Banking	AD	0.0	800.0	0.0	800.0	15 Sep 1997	PS
2902	BHU	Capacity Upgrading of Financial Sector Infrastructure and Entrepreneurial Development	Finance	AD	0.0	500.0	0.0	500.0	23 Oct 1997	S
2909	VIE	Policy Support for the State Bank of Viet Nam	Banking	AD	700.0	0.0	0.0	700.0	04 Nov 1997	S
2961	VAN	Strategic Plan for the National Bank of Vanuatu	Banking	AD	150.0	0.0	0.0	150.0	12 Dec 1997	
2938	PRC	China National Automated Payments System	Banking	PP	250.0	0.0	500.0	750.0	15 Dec 1997	PS
2955	THA	Pension and Provident Funds Reform	Finance	AD	0.0	1,150.0	0.0	1,150.0	19 Dec 1997	S
2956	THA	Strengthening Information Disclosure and Compliance	Finance	AD	0.0	440.0	0.0	440.0	19 Dec 1997	S
2957	THA	Asset Securitization	Finance	AD	0.0	410.0	0.0	410.0	19 Dec 1997	PS
2962	PNG	Financial Management	Finance	PP	0.0	150.0	0.0	150.0	22 Dec 1997	
2964	MON	Improving Accounting and Auditing Systems	Finance	AD	0.0	688.0	0.0	688.0	23 Dec 1997	S
2971	PHI	Institutional Capacity Building of the Philippine Deposit Insurance Corporation	Banking	AD	742.0	0.0	0.0	742.0	31 Dec 1997	S
2989	SAM	Institutional Strengthening of Government Financial Institutions	Finance	AD	0.0	950.0	0.0	950.0	19 Feb 1998	S
2962	PNG	Financial Management (Supplementary)	Finance	PP	0.0	72.5	0.0	72.5	05 May 1998	

TA No.	DMC	Project Name	Subsector	Type	ADB ($'000)	JSF ($'000)	Others ($'000)	Total ($'000)	Date Approved	Rating
3026	PRC	Strengthening Risk Management of the Agriculture Bank of China	Banking	AD	0.0	1,000.0	800.0	1,800.0	04 Jun 1998	PS
3045	UZB	Developing Commercial Banking Skills	Banking	AD	1,000.0	0.0	0.0	1,000.0	10 Jul 1998	S
3098	PRC	Strengthening the Banking Supervision and Liquidity Risk Management System	Banking	AD	825.0	0.0	0.0	825.0	20 Nov 1998	S
3125	NAU	Capacity Building for Financial and Economic Management	Finance	AD	600.0	0.0	0.0	600.0	16 Dec 1998	PS
3146	LAO	Commercial Banking Capacity and Efficiency Enhancement	Banking	AD	0.0	550.0	0.0	550.0	24 Dec 1998	S
3154	LAO	Development and Application of the Secured Transactions Law and Bankruptcy Law	Finance	AD	150.0	0.0	0.0	150.0	31 Dec 1998	
3157	MAL	Formulation of a Financial Sector Reform Strategy	Finance	AD	0.0	0.0	0.0	0.0	14 Jan 1999	
3208	MON	Strengthening Restructuring of the Banking System	Banking	AD	220.0	0.0	0.0	220.0	17 Jun 1999	S
3212	BHU	Strengthening the Banking Supervision Function of the Royal Monetary Authority	Banking	AD	0.0	600.0	0.0	600.0	30 Jun 1999	S
3228	INO	Development of a Deposit Insurance Scheme	Banking	AD	150.0	0.0	0.0	150.0	20 Jul 1999	
3239	KGZ	Institutional Strengthening of the Financial Sector	Finance	AD	600.0	0.0	0.0	600.0	09 Aug 1999	S
3245	PHI	Nonbank Financial Sector Development	Finance	AD	2,000.0	0.0	0.0	2,000.0	25 Aug 1999	S
3303	PRC	Institutional Strengthening of the Cinda Asset Management Company	Banking	AD	0.0	800.0	0.0	800.0	24 Nov 1999	S
3352	UZB	Strengthening of the Banking Sector	Banking	AD	1,000.0	0.0	0.0	1,000.0	20 Dec 1999	S
3355	THA	Restructuring of Specialized Financial Institutions	Finance	AD	0.0	3,000.0	0.0	3,000.0	21 Dec 1999	S
3356	NEP	Capacity Building for the Accounting and Auditing Profession	Finance	AD	665.0	0.0	0.0	665.0	22 Dec 1999	PS
3371	NEP	Establishing a Focal Point for Financial Sector Reforms	Finance	AD	150.0	0.0	0.0	150.0	27 Dec 1999	
3436	FIJ	Fiji Development Bank Review	Banking	AD	150.0	0.0	0.0	150.0	10 May 2000	
3459	MON	Strengthening Financial Sector Development	Banking	AD	600.0	0.0	0.0	600.0	22 Jun 2000	PS
3461	NEP	Company, Insolvency, and Secured Transactions Law Reform	Finance	AD	250.0	0.0	0.0	250.0	27 Jun 2000	
3467	CAM	Financial Sector Development Program	Finance	PP	0.0	800.0	0.0	800.0	07 Jul 2000	
3527	PRC	Institutional Strengthening of China Development Bank	Banking	AD	0.0	600.0	0.0	600.0	30 Oct 2000	S
3555	TAJ	Support to Rural Financial Systems Development	Banking	AD	150.0	0.0	0.0	150.0	06 Dec 2000	

TA No.	DMC	Project Name	Subsector	Type	ADB ($'000)	JSF ($'000)	Others ($'000)	Total ($'000)	Date Approved	Rating
3581	NEP	Information and Communication Technology for Improved Financial Services Provision	Finance	PP	0.0	565.0	0.0	565.0	14 Dec 2000	
3589	THA	Training in Business Reorganization and Insolvency	Finance	AD	150.0	0.0	0.0	150.0	15 Dec 2000	
3599	VIE	Revision of Bankruptcy Law Support	Finance	AD	150.0	0.0	0.0	150.0	19 Dec 2000	
3620	INO	Development of a Financial Services Supervisory Institution	Finance	AD	0.0	1,700.0	0.0	1,700.0	12 Jan 2001	S
3650	PAK	Institutional Strengthening of the State Bank of Pakistan	Banking	AD	450.0	0.0	0.0	450.0	23 Apr 2001	S
3687	BHU	Financial Sector Review	Finance	AD	300.0	0.0	0.0	300.0	23 Jul 2001	S
3739	IND	Impact on Poverty Reduction of Financial Sector Policies and Reforms	Finance	AD	0.0	0.0	150.0	150.0	11 Oct 2001	
3769	CAM	Capacity Building for Banking and Financial Management	Finance	AD	0.0	0.0	1,000.0	1,000.0	13 Nov 2001	PS
3834	NEP	Support for the Focal Point for Financial Sector Reforms	Finance	AD	150.0	0.0	0.0	150.0	06 Feb 2002	
3849	INO	Development of an Anti-Money Laundering Regime	Finance	AD	0.0	1,500.0	0.0	1,500.0	18 Mar 2002	S
3850	INO	Establishment of a Financial Services Authority	Finance	AD	0.0	1,500.0	0.0	1,500.0	18 Mar 2002	
3847	PHI	Strengthening the Anti-Money Laundering Regime	Finance	AD	0.0	1,000.0	0.0	1,000.0	19 Mar 2002	S
3861	CAM	Improving Legal Infrastructure in the Financial Sector	Finance	AD	0.0	800.0	0.0	800.0	04 May 2002	S
3866	IND	Secured Transactions Reform	Finance	AD	500.0	0.0	0.0	500.0	21 May 2002	S
3890	PRC	Banking Laws and Regulations	Banking	AD	800.0	0.0	0.0	800.0	25 Jun 2002	S
3904	MON	TA to Support Privatization in the Banking Sector	Banking	AD	150.0	0.0	0.0	150.0	23 Aug 2002	
3905	BHU	Strengthening the Capacity of the Royal Monetary Authority and Royal Securities Exchange of Bhutan	Finance	AD	0.0	334.0	0.0	334.0	23 Aug 2002	S
3910	BHU	Institutional Development of the Bhutan Development Finance Corporation	Banking	AD	0.0	200.0	0.0	200.0	27 Aug 2002	S
3943	IND	Developing the Enabling Environment for and Structuring Asset Reconstruction Companies in India	Banking	AD	800.0	0.0	0.0	800.0	22 Oct 2002	S
4035	VIE	Capacity Building for Nonbank Financial Institutions and the Capital Market	Finance	AD	1,000.0	0.0	0.0	1,000.0	13 Dec 2002	S

TA No.	DMC	Project Name	Subsector	Type	ADB ($'000)	JSF ($'000)	Others ($'000)	Total ($'000)	Date Approved	Rating
4060	VIE	Legal System Development up to Year 2010 and Capacity Building for Secured Transactions Registration	Finance	AD	750.0	0.0	0.0	750.0	19 Dec 2002	
4069	KGZ	Financial Sector Reforms	Finance	AD	600.0	0.0	0.0	600.0	19 Dec 2002	
4168	PHI	Support for the Nonbank Financial Sector	Finance	AD	500.0	0.0	0.0	500.0	02 Sep 2003	
4172	VAN	Diagnostic Study for Improving Access to Affordable Credit	Finance	AD	150.0	0.0	0.0	150.0	14 Sep 2003	
4240	PRC	Foreign Bank Rating and Risk Management System	Banking	AD	400.0	0.0	0.0	400.0	08 Dec 2003	S
4259	NEP	Strengthening Selected Rural Financial Institutions	Banking	AD	500.0	0.0	15.0	515.0	16 Dec 2003	S
4260	PAK	Strengthening Secured Transactions	Finance	AD	500.0	0.0	0.0	500.0	16 Dec 2003	
4265	UZB	Strengthening the Policy and Legal Framework for Foreign Direct Investment	Finance	AD	300.0	0.0	0.0	300.0	16 Dec 2003	S
4285	CAM	Supporting the Implementation of the Uniform Chart of Accounts for Commercial Banks	Banking	AD	79.0	0.0	0.0	79.0	18 Dec 2003	
4290	VIE	Capacity Building for the Financial Sector and Capital Markets	Finance	AD	0.0	780.0	0.0	780.0	18 Dec 2003	
4349	PRC	Strengthening of the Statistical System of the China Banking Regulatory Commission	Banking	AD	400.0	0.0	0.0	400.0	18 Jun 2004	S
4350	PRC	Development of Small and Medium-Sized Enterprise Credit Guarantee Companies	Finance	AD	550.0	0.0	0.0	550.0	18 Jun 2004	
4386	BHU	Strengthening of the Payment and Settlement System	Banking	AD	275.0	0.0	0.0	275.0	07 Sep 2004	
4393	MON	Establishing an Effective Anti–Money Laundering Regime	Banking	AD	214.0	0.0	286.0	500.0	17 Sep 2004	
4395	VIE	Improving Risk Management in the Viet Nam Bank for Agriculture and Rural Development	Banking	AD	150.0	0.0	0.0	150.0	21 Sep 2004	
4421	SRI	Implementing Products and Services for the Domestic Debt Market (TA Cluster)	Finance	AD	500.0	0.0	1,200.0	1,700.0	26 Oct 2004	
4457	VAN	Secured Transaction Reforms	Finance	AD	600.0	0.0	200.0	800.0	02 Dec 2004	
4491	AZE	Developing Microfinance Regulations and Collateral Framework	Finance	AD	0.0	800.0	0.0	800.0	17 Dec 2004	
4539	FSM	Legislation for Private Sector Development	Finance	AD	150.0	0.0	0.0	150.0	23 Dec 2004	
4550	INO	Development of an Anti–Money Laundering Regime II	Finance	AD	0.0	0.0	500.0	500.0	23 Dec 2004	S

TA No.	DMC	Project Name	Subsector	Type	ADB ($'000)	JSF ($'000)	Others ($'000)	Total ($'000)	Date Approved	Rating
4565	UZB	Financial Sector Infrastructure Development	Finance	AD	0.0	400.0	0.0	400.0	10 Feb 2005	
4618	PRC	Development of Asset-Backed Securities Market and Restructuring of Asset Management Companies	Finance	AD	1,000.0	0.0	0.0	1,000.0	19 Jul 2005	
3125	NAU	Capacity Building for Financial and Economic Management (Supplementary)	Finance	AD	0.0	0.0	102.8	102.8	02 Sep 2005	
4677	CAM	Financial Sector Blueprint Update	Finance	AD	0.0	0.0	150.0	150.0	31 Oct 2005	
4725	PRC	National Fund for Development of Credit Guarantees for Private Enterprises	Finance	AD	700.0	0.0	0.0	700.0	09 Dec 2005	
4386	BHU	Strengthening of the Payment and Settlement System (Supplementary)	Banking	AD	300.0	0.0	0.0	300.0	15 Dec 2005	
4737	MON	Capacity Building for Financial Sector Reforms	Finance	AD	0.0	900.0	0.0	900.0	15 Dec 2005	
4822	UZB	Support Banking Sector Development	Banking	PP	150.0	0.0	0.0	150.0	02 Aug 2006	
4827	LAO	Institutional Strengthening for Rural Finance	Finance	AD	400.0	0.0	300.0	700.0	17 Aug 2006	
4856	VAN	Financial Services Commission on Institutional and Legal Reforms	Finance	AD	800.0	0.0	0.0	800.0	24 Oct 2006	
4857	NEP	Capacity Building in rural finance Institutions	Finance	AD	0.0	500.0	0.0	500.0	26 Oct 2006	
4871	BHU	Capacity Building of the Department of Aid and Debt Management's Debt Management Unit	Finance	AD	200.0	0.0	0.0	200.0	20 Nov 2006	
4887	IND	Capacity Building for Rural Cooperative Credit Structure Reform	Finance	AD	0.0	0.0	2,000.0	2,000.0	08 Dec 2006	
4894	PAK	Improving Access to Financial Services	Finance	AD	0.0	2,000.0	0.0	2,000.0	14 Dec 2006	
4386	BHU	Strengthening of the Payment and Settlement System (Supplementary)	Banking	AD	30.0	0.0	0.0	30.0	13 Aug 2007	
Total		**225 TA Projects**			**49,877.6**	**35,345.5**	**13,212.8**	**98,435.9**		
					51%	**36%**	**13%**	**100%**		

TA Loans

Loan No.	DMC	Project Name	Subsector	Bank ($'000)	Total Amount ($'000)	Date Approved	Rating
1724	KGZ	Commercial Bank Audits (TA Loan)	Banking	1,000	1,000	17 Dec 1999	S
1931	LAO	Banking Sector Reform (TA Loan)	Banking	4,000	4,000	14 Nov 2002	
2150	BAN	Small and Medium Enterprise Sector Development Program (TA Loan)	Small and Medium Scale	5,000	5,000	20 Dec 2004	
2230	PAK	TA Loan - Rural Enterprise Modernization	Small and Medium Scale	5,000	5,000	07 Feb 2006	
Total		**4 TA Loans**		**15,000**	**15,000**		
				100%	**100%**		
Grand Total		**229**			**113,436,512**		

AD = advisory, ADB = Asian Development Bank, AZE = Azerbaijan, BAN = Bangladesh, BHU = Bhutan, CAM = Cambodia, COO = Cook Islands, DMC = developing member country, FIJ = Fiji Islands, FSM = Federated States of Micronesia, GS = generally successful, IND = India, INO = Indonesia, JSF = Japan Special Fund, KGZ = Kyrgyz Republic, KIR = Kiribati, KOR = Republic of Korea, LAO = Lao People's Democratic Republic, MLD = Maldives, MON = Mongolia, MAL = Malaysia, MYA = Myanmar, NAU = Nauru, NEP = Nepal, PAK = Pakistan, PHI = Philippines, PNG = Papua New Guinea, PP = project preparatory, PRC = People's Republic of China, PS = partly successful, RMI = Marshall Islands, S = successful, SAM = Samoa, SIN = Singapore, SOL = Solomon Islands, SRI = Sri Lanka, TA = technical assistance, TAJ = Tajikistan, THA = Thailand, TON = Tonga, TUV = Tuvalu, U = unsuccessful, UZB = Uzbekistan, VAN = Vanuatu, VIE = Viet Nam.
Source: Asian Development Bank database.

LEASING LINES AND EQUITY INVESTMENTS IN LEASING COMPANIES

Investment No.	DMC	Project Name	Equity Invest-ments	OCR ($ million)	ADF ($ million)	CFS ($ million)	Total ($ million)	Date Approved
7011/0814	PAK	National Development Leasing Corporation Ltd.		5.0			5.0	9 Dec 1986
7003/1393	PAK	National Development Leasing Corporation Ltd.	0.2				0.2	29 Sep 1988
7027/0913	PAK	National Development Leasing Corporation Ltd. II		15.0			15.0	3 Nov 1988
7035/0961	BAN	United Leasing Company Ltd.	0.4		3.0		3.4	29 Jun 1989
7036	PHI	PDB Leasing Corp.	0.4				0.4	03 Aug 1989
7049/1007	PAK	Orix Leasing Pakistan Ltd.		5.0			5.0	21 Dec 1989
7050/1008	PAK	Asian Leasing Corporation Limited		3.0			3.0	21 Dec 1989
7027-C	PAK	National Development Leasing Corporation Ltd. II				5.0	5.0	8 Mar 1990
7017/0856	PAK	Pakistan Industrial Leasing Corporation Ltd.	0.2				0.2	28 Jun 1991
7074/1129	PAK	Asian Leasing Corporation Ltd. II		7.0			7.0	26 Nov 1991
7075/1130	PAK	Atlas BOT Lease Company Limited		5.0			5.0	26 Nov 1991
7077/1132	PAK	National Development Leasing Corporation Ltd. III		10.0			10.0	26 Nov 1991
7078/1133	PAK	Orix Leasing Pakistan Ltd. II		10.0			10.0	26 Nov 1991
7079/1134	PAK	Pakistan Industrial and Commercial Leasing		5.0			5.0	26 Nov 1991
7080/1135	PAK	Pakistan Industrial Leasing Corporation Ltd. II		8.0			8.0	26 Nov 1991
7098/1282	IND	Infrastructure Leasing and Financial Services Ltd.		15.0			15.0	7 Dec 1993
7111/1392	PAK	Atlas BOT Lease Co. Ltd. II		10.0			10.0	10 Oct 1995
7112/1393	PAK	National Development Leasing Corporation Ltd. IV		15.0			15.0	10 Oct 1995
7113/1394	PAK	Orix Leasing Pakistan Ltd. III		20.0			20.0	10 Oct 1995
7114/1395	PAK	Pakistan Industrial Leasing Corporation Ltd. III		15.0			15.0	10 Oct 1995
7128	VIE	Viet Nam Leasing Co., Ltd.					-	14 Nov 1996
7229/2233	AZE	Private Banks and Leasing Companies in Azerbaijan	5.0	10.0			15.0	30 Mar 2006
7250/2322	MLD	Maldives Finance Leasing Company Pvt. Limited (MFLC)		4.5			4.5	27 Mar 2007
7251/2321	SRI	Lanka Orix Leasing Company Limited (LOLC)		10.0			10.0	27 Mar 2007
7269/2369	SRI	People's Leasing Company Limited		10.0			10.0	23 Nov 2007
7269/2370	SRI	Commercial Leasing Company Limited		7.5			7.5	23 Nov 2007
		Total (26 Investment Projects)	**6.2**	**190.0**	**3.0**	**5.0**	**204.2**	
				93%	**1%**	**2%**	**100%**	

ADF = Asian Development Fund, AZE = Azerbaijan, BAN = Bangladesh, CFS = commercial cofinancing scheme, DMC = developing member country, IND = India, MLD = Maldives, OCR = ordinary capital resources, PAK = Pakistan, PHI = Philippines, SRI = Sri Lanka, VIE = Viet Nam.
Source: Asian Development Bank database.

INDUSTRIAL SECTOR PROGRAM LOANS

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
0437	MYA	Cement Industry Program	industry	5.2		5.2	12 Dec 1979	GS
0491	MYA	Petroleum Refining Industry Program	industry	5.0		5.0	11 Dec 1980	PS
0891	BAN	Industrial Program	industry	65.0		65.0	30 Jun 1988	PS
0931	PAK	Industrial Sector Program	industry		100.0	100.0	13 Dec 1988	GS
0932	PAK	Industrial Sector Program	industry	100.0		100.0	13 Dec 1988	GS
1147	BAN	Second Industrial Program	industry	125.0		125.0	17 Dec 1991	U
1229	NEP	Industrial Sector Program	industry	20.6		20.6	27 Apr 1993	PS
1244	MON	Industrial Sector Program	industry	30.0		30.0	17 Aug 1993	PS
1738	INO	Industrial Competitiveness and Small and Medium Enterprise Development Program	small and medium scale		200.0	200.0	16 Mar 2000	
1894	SRI	Small and Medium Enterprise Sector Development Program (Program Loan)	small and medium scale	20.0		20.0	20 Dec 2001	
2066	PAK	Small and Medium Enterprise Sector Development Program	small and medium scale		152.0	152.0	19 Dec 2003	
2095	VIE	Small and Medium-Sized Enterprise Development Program (Subprogram I)	small and medium scale	60.0		60.0	21 Oct 2004	
2129	CAM	Small and Medium-Sized Enterprise Development Program	small and medium scale	20.0		20.0	14 Dec 2004	
2148	BAN	Small and Medium Enterprise Sector Development Program (Program Loan)	small and medium scale	15.0		15.0	20 Dec 2004	
14		**Total**		**465.8**	**452.0**	**917.8**		
				51%	**49%**	**100%**		

ADF = Asian Development Fund, BAN = Bangladesh, CAM = Cambodia, DMC = developing member country, INO = Indonesia, GS = generally successful, MON = Mongolia, MYA = Myanmar, NEP = Nepal, OCR = ordinary capital resources, PAK = Pakistan, PS = partly successful, SRI = Sri Lanka, U = unsuccessful, VIE = Viet Nam.
Source: Asian Development Bank database.

FINANCIAL SECTOR PROGRAM LOANS AND ASSOCIATED TECHNICAL ASSISTANCE LOANS

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
0938	INO	Financial Sector Program	Finance Sector Development		150.0	150.0	20 Dec 1988	
0939	INO	Financial Sector Program	Finance Sector Development	50.0		50.0	20 Dec 1988	
1051	SRI	Financial Sector Program	Finance Sector Development	80.0		80.0	20 Nov 1990	PS
1061	LAO	Financial Sector Program	Finance Sector Development	25.0		25.0	06 Dec 1990	PS
1160	INO	Second Financial Sector Program	Finance Sector Development		250.0	250.0	19 Mar 1992	GS
1208	IND	Financial Sector Program	Finance Sector Development		300.0	300.0	15 Dec 1992	GS
1458	LAO	Second Financial Sector Program	Finance Sector Development	25.0		25.0	12 Sep 1996	PS
1485	VIE	Financial Sector Program	Finance Sector Development	90.0		90.0	19 Nov 1996	S
1509	MON	Financial Sector Program Loan	Banking	35.0		35.0	19 Dec 1996	S
1565	BHU	Financial Sector Intermediation Facility (Policy Loan)	Finance Sector Development	4.0		4.0	23 Oct 1997	S
1566	BHU	Financial Sector Intermediation Policy (Development Finance Loan)	Finance Sector Development	4.0		4.0	23 Oct 1997	
1600	THA	Financial Markets Reform Program	Finance Sector Development		300.0	300.0	19 Dec 1997	S
1601	KOR	Financial Sector Program	Finance Sector Development		4,000.0	4,000.0	19 Dec 1997	HS
1602	KOR	Institutional Strengthening of the Financial Sector	Finance Sector Development		15.0	15.0	19 Dec 1997	S
1608	SAM	Financial Sector Program	Finance Sector Development	7.5		7.5	19 Feb 1998	S
1661	NAU	Fiscal and Financial Reform Program	Finance Sector Development		5.0	5.0	16 Dec 1998	U
1723	KGZ	Financial Intermediation and Resource Mobilization Program	Banking	35.0		35.0	17 Dec 1999	S
1743	MON	Second Financial Sector Reform Program	Banking	15.0		15.0	22 Jun 2000	S
1859	CAM	Financial Sector Program (Subprogram I)	Finance Sector Development	10.0		10.0	15 Nov 2001	
1932	VIE	Second Financial Sector Program (Subprogram I)	Finance Sector Development	50.0		50.0	20 Nov 2002	
1946	LAO	Banking Sector Reform Program	Finance Sector Development	15.0		15.0	28 Nov 2002	
1951	CAM	Financial Sector Program (Subprogram II)	Finance Sector Development	10.0		10.0	28 Nov 2002	
2118	VIE	Second Financial Sector Program - Subprogram II	Finance Sector Development	35.0		35.0	03 Dec 2004	
2138	SRI	Financial Markets Program for Private Sector Development (Program Loan)	Finance Sector Development		60.0	60.0	15 Dec 2004	
2185	CAM	Financial Sector Program (Subprogram III)	Finance Sector Development	10.0		10.0	29 Sep 2005	
2224	KGZ	Banking Sector and Capital Market Development Program	Finance Sector Development	15.5		15.5	20 Dec 2005	
2278	PHI	Financial Market Regulation and Intermediation Program	Finance Sector Development		200.0	200.0	06 Dec 2006	
2279	BHU	Financial Sector Development Program-Program Loan	Finance Sector Development	11.0		11.0	07 Dec 2006	

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
2280	BHU	Financial Sector Development Program-Project Loan	Finance Sector Development	2.0		2.0	07 Dec 2006	
2291	PAK	Improving Access to Financial Services (Phase I) Program	Finance Sector Development		300.0	300.0	14 Dec 2006	
2292	PAK	Improving Access to Financial Services (Phase I) Program	Finance Sector Development	20.0		20.0	14 Dec 2006	
31		**Total**		**549.0**	**5,580.0**	**6,129.0**		
				9%	**91%**	**100%**		

TA Loans

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved
1735	THA	Restructuring of Specialized Financial Institutions (TA Loan)	Finance Sector Development		4.5	4.5	21 Dec 1999
2139	SRI	Supporting the Private Sector and Financial Markets Development Program (TA Loan)	Finance Sector Development	5.0		5.0	15 Dec 2004
2232	BAN	Improvement of Capital Market and Insurance Governance Project (TA Loan)	Finance Sector Development	3.0		3.0	09 Mar 2006
3		**Subtotal**		**8.0**	**4.5**	**12.5**	
				64%	**36%**	**100%**	
34		**Grand Total (with TA Loans)**		**557.0**	**5,584.5**	**6,141.5**	
				9%	**91%**	**100%**	

ADF = Asian Development Fund, BHU = Bhutan, CAM = Cambodia, DMC = developing member country, GS = generally successful, HS = highly successful, IND = India, INO = Indonesia, KOR = Korea, KGZ = Kyrgyz Republic, LAO = Lao People's Democratic Republic, MON = Mongolia, NAU = Nauru, OCR = ordinary capital resources, PAK = Pakistan, PHI = Philippines, PS = partly successful, S = successful, SAM = Samoa, SRI = Sri Lanka, TA = technical assistance, THA = Thailand, U = unsuccessful, VIE = Viet Nam.
Source: Asian Development Bank database.

CAPITAL MARKETS SECTOR PROGRAM LOANS AND ASSOCIATED TECHNICAL ASSISTANCE LOANS

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
1363	PHI	Capital Market Development Program	Capital Market		150.0	150.0	22 Aug 1995	PS
1408	IND	Capital Market Development Program	Capital Market		250.0	250.0	28 Nov 1995	GS
1576	PAK	Capital Market Development Program	Capital Market		250.0	250.0	06 Nov 1997	S
1580	BAN	Capital Market Development Program	Capital Market	80.0		80.0	20 Nov 1997	PS
2340	PAK	Second Generation of Capital Market Reform Program	Capital Market		400.0	400.0	31 Jul 2007	
5		**Total**		**80.0**	**1,050.0**	**1,130.0**		
				7%	**93%**	**100%**		

TA Loans

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
1577	PAK	Capacity Building of the Securities Market (TA Loan)	Capital Market	5.0		5.0	06 Nov 1997	S
1		**Subtotal**		**5.0**	**0.0**	**5.0**		
				100%	**0%**	**100%**		
6		**Grand Total (with TA Loans)**		**85.0**	**1,050.0**	**1,135.0**		
				7%	**93%**	**100%**		

ADF = Asian Development Fund, BAN = Bangladesh, DMC = developing member country, GS = generally successful, IND = India, OCR = ordinary capital resources, PAK = Pakistan, PHI = Philippines, PS = partly successful, S = successful, TA = technical assistance.
Source: Asian Development Bank database.

GOVERNANCE SECTOR PROGRAM LOANS AND ASSOCIATED TECHNICAL ASSISTANCE LOANS

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
1618	INO	Financial Governance Reforms: Sector Development -Program Loan	Governance		1,400.0	1,400.0	25 Jun 1998	S
1619	INO	Financial Governance Reforms: Sector Development - Financial Governance Reforms Support	Governance		47.0	47.0	25 Jun 1998	
1620	INO	Financial Governance Reforms: Sector Development - Capacity Building for Financial Governance	Governance		50.0	50.0	25 Jun 1998	
1811	NEP	Corporate and Financial Governance	Governance	7.3		7.3	14 Dec 2000	
1858	PHI	Nonbank Financial Governance Program	Governance		75.0	75.0	15 Nov 2001	S
1955	PAK	Financial (Nonbank) Markets and Governance Program	Governance		260.0	260.0	05 Dec 2002	
1965	INO	Financial Governance and Social Security Reform Program (Phase I)	Governance		250.0	250.0	10 Dec 2002	S
2003	PHI	Second Nonbank Financial Governance Program	Governance		150.0	150.0	02 Sep 2003	S
2218	MON	Financial Regulation and Governance Program	Governance	10.0		10.0	15 Dec 2005	
9		**Total**		**17.3**	**2,232.0**	**2,249.3**		
				1%	**99%**	**100%**		

TA Loans

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
1957	PAK	Strengthening Regulation, Enforcement, and Governance of Nonbank Financial Markets (TA Loan)	Governance	3.0		3.0	05 Dec 2002	
1		**Subtotal**		**3.0**	**0.0**	**3.0**		
				100%	**0%**	**100%**		
10		**Grand Total (with TA Loans)**		**20.3**	**2,232.0**	**2,252.3**		
				1%	**99%**	**100%**		

ADF = Asian Development Fund, DMC = developing member country, INO = Indonesia, MON = Mongolia, NEP = Nepal, OCR = ordinary capital resources, PAK = Pakistan, PHI = Philippines, S = successful, TA = technical assistance.
Source: Asian Development Bank database.

PENSIONS SECTOR PROGRAM LOANS AND ASSOCIATED TECHNICAL ASSISTANCE LOANS

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
1589	KAZ	Pension Reform Program	Pensions, Insurance		100.0	100.0	16 Dec 1997	S
1		**Total**			**100.0**	**100.0**		
				0%	**100%**	**100%**		

TA Loans

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
1956	PAK	Strengthening Pension, Insurance and Savings Systems (TA Loan)	Pensions, Insurance	3.0		3.0	05 Dec 2002	
1		**Subtotal**		**3.0**	**0.0**	**3.0**		
				100%	**0%**	**100%**		
2		**Grand Total (with TA Loans)**		**3.0**	**100.0**	**103.0**		
				3%	**97%**	**100%**		

ADF = Asian Development Fund, DMC = developing member country, KAZ = Kazakhstan, OCR = ordinary capital resources, PAK = Pakistan, S = successful, TA = technical assistance.
Source: Asian Development Bank database.

TRADE SECTOR PROGRAM LOANS AND ASSOCIATED TECHNICAL ASSISTANCE LOANS

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
0876	INO	Non-Oil Export Promotion Program	Trade		75.0	75.0	17 Dec 1987	GS
0877	INO	Non-Oil Export Promotion Program	Trade	75.0		75.0	17 Dec 1987	
1109	MON	Special Assistance	Trade	30.0		30.0	29 Oct 1991	GS
1612	THA	Export Financing Facility	Trade		50.0	50.0	26 Mar 1998	GS
1680	PAK	Trade, Export Promotion and Industry Program	Trade		300.0	300.0	31 Mar 1999	S
1796	PAK	Small-and Medium-Size Enterprise Trade Enhancement Finance	Trade		150.0	150.0	07 Dec 2000	U
1926	REG	Regional Trade Facilitation and Customs Cooperation Program (Kyrgyz)	Trade	15.0		15.0	29 Oct 2002	S
1927	REG	Regional Trade Facilitation and Customs Cooperation Program (Tajikistan)	Trade	10.0		10.0	29 Oct 2002	
2113	REG	Regional Customs Modernization and Infrastructure Development (Kyrgyz)	Trade	7.5		7.5	26 Nov 2004	
2114	REG	Regional Customs Modernization and Infrastructure Development (Tajikistan)	Trade	10.7		10.7	26 Nov 2004	
2307	MON	Customs Modernization	Trade	5.0		5.0	20 Dec 2006	
11		**Total**		**153.2**	**575.0**	**728.2**		
				21%	**79%**	**100%**		

TA Loans

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Total Amount
1681	PAK	Modernization of Customs Administration (TA Loan)	Trade		3.0	3.0	31 Mar 1999	
1682	PAK	Institutional Support for the Trade Regime (TA Loan)	Trade		3.0	3.0	31 Mar 1999	
1683	PAK	Institutional Strengthening of the Board of Investment (TA Loan)	Trade		1.0	1.0	31 Mar 1999	
3		**Subtotal**		**0.0**	**7.0**	**7.0**		
				0%	**100%**	**100%**		
14		**Grand Total (with TA Loans)**		**153.2**	**582.0**	**735.2**		
				21%	**79%**	**100%**		

ADF = Asian Development Fund, DMC = developing member country, GS = generally successful, INO = Indonesia, MON = Mongolia, OCR = ordinary capital resources, PAK = Pakistan, REG = Regional, S = successful, TA = technical assistance, THA = Thailand, U = unsuccessful.
Source: Asian Development Bank database.

HOUSING SECTOR LOANS

Loan No.	DMC	Project Name	Subsector	ADF	OCR	Total Amount	Date Approved	Rating
0424	KOR	Low Cost Urban Housing	Housing Construction		30.0	30.0	23 Nov 1979	GS
0538	KOR	Second Low-Income Urban Housing	Housing Construction		60.0	60.0	12 Nov 1981	GS
0736	THA	Shelter Sector	Housing Construction		38.0	38.0	23 Apr 1985	GS
1005	FIJ	Low Income Housing Development	Housing Finance		9.6	9.6	21 Dec 1989	U
1096	SRI	Low-Income Housing	Housing Finance	20.0		20.0	29 Aug 1991	PS
1549	IND	Housing Finance (National Housing Bank)	Housing Finance		100.0	100.0	25 Sep 1997	S
1550	IND	Housing Finance (Housing and Urban Development Corporation)	Housing Finance		100.0	100.0	25 Sep 1997	S
1551	IND	Housing Finance (Housing Development Finance Corporation)	Housing Finance		100.0	100.0	25 Sep 1997	
1759	IND	Housing Finance II - National Housing Bank	Housing Finance		40.0	40.0	21 Sep 2000	
1761	IND	Housing Finance II - ICICI	Housing Finance		80.0	80.0	21 Sep 2000	
1847	MON	Housing Finance (Sector)	Housing Finance	15.0		15.0	18 Oct 2001	
1990	VIE	Housing Finance	Housing Finance	30.0		30.0	20 Dec 2002	
12		**Total**		**65.0**	**557.6**	**622.6**		
				10%	**90%**	**100%**		

ADF = Asian Development Fund, DMC = developing member country, FIJ = Fiji, GS = generally successful, IND = India, KOR = Republic of Korea, OCR = ordinary capital resources, MON = Mongolia, PS = partly successful, S = successful, SRI = Sri Lanka, TA = technical assistance, THA = Thailand, U = unsuccessful, VIE = Viet Nam.

Source: Asian Development Bank database.

TRENDS IN FINANCIAL INTERMEDIATION SUPPORT
(Volume of Lending, by Approval Period and Practice or Modality)

	1968–1980		1981–1990		1991–2000		2001–2007		Total	
Practice or Modality	**No.**	**Loan Amount Approved** ($ million)	**No.**	**Loan Amount Approved** ($ million)	**No.**	**Loan Amount Approved** ($ million)	**No.**	**Loan Amount Approved** ($ million)	**No.**	**Loan Amount Approved** ($ million)
1. Credit Lines	63	1,123.6	45	2,375.0	15	851.0	6	224.0	129	4,573.6
2. Technical Assistance Associated with Credit lines	29	3.4	41	14.2	104	49.2	55	46.7	229	113.4
3. Leasing Lines and Equity Investments in Leasing Companies			8	37.0	13	120.2	5	47.0	26	204.2
4. Industrial Sector Program Loans	2	10.2	3	265.0	4	375.6	5	267.0	14	917.8
5. Financial Sector Programs and associated Technical Assistance (TA) Loans			4	305.0	15	5,090.0	15	746.5	34	6,141.5
6. Capital Markets Sector Programs and associated TA Loans					5	735.0	1	400.0	6	1,135.0
7. Governance Sector Program Loans and associated TA Loans					4	1,504.3	6	748.0	10	2,252.3
8. Pensions Sector Program Loans and associated TA Loans					1	100.0	1	3.0	2	103.0
9. Trade Sector Program Loans and associated TA Loans			2	150.0	7	537.0	5	48.2	14	735.2
10. Housing Sector Loans	1	30.0	3	107.6	6	440.0	2	45.0	12	622.6
Total Lending	**95**	**1,167.2**	**106**	**3,253.7**	**174**	**9,802.3**	**101**	**2,575.4**	**476**	**16,798.6**
% of Total Public Sector Lending	**19%**	**14%**	**20%**	**14%**	**25%**	**19%**	**20%**	**7%**	**21%**	**14%**
Public Sector Lending	**508**	**8,108.3**	**535**	**22,967.1**	**695**	**51,299.9**	**511**	**37,647.5**	**2,249**	**120,022.8**

No. = Number.
Note: Loan amounts approved before any cancellations.
Source: Asian Development Bank Loan Financial Information System.