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# Global Economic Crisis and ADB's Response: An Update

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ADO	–	Asian Development Outlook
CSF	–	countercyclical support facility
DMC	–	developing member country
GDP	–	gross domestic product
MDG	–	Millennium Development Goal
OCR	–	ordinary capital resources
PESF	–	Public Expenditure Support Facility
Lao PDR	–	Lao People's Democratic Republic
PRC	–	People's Republic of China
PSOD	–	Private Sector Operations Department
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance
TFFP	–	Trade Finance Facilitation Program

## NOTE

In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. This paper provides an update on the global economic crisis and the response of the Asian Development Bank (ADB).

## II. ECONOMIC OUTLOOK

### A. Global Outlook

2. The global economy may just be coming out of its worst peacetime downturn since the Great Depression of the 1930s. The *Asian Development Outlook (ADO) 2009 Update*<sup>1</sup> envisages a global economic contraction in 2009, caused by steep declines in world trade and industrial production. While fiscal stimulus packages and easy monetary policies have averted a collapse of the global financial system and limited the depth of the recession, conditions for a sustainable world economic recovery are still uncertain.

3. Reflecting worsened global economic conditions during the second and third quarters of 2009, the *ADO 2009 Update* forecasts that the economies of the eurozone, Japan, and the United States (US) will contract by 3.7% in 2009, followed by a modest recovery of 1.1% in 2010 as inflation remains subdued (see Table 1). The volume of world trade is set to decline sharply in 2009, and to rebound in 2010. Inflation is expected to remain mild in the major industrial countries over 2009–2010.<sup>2</sup>

**Table 1: Asian Development Outlook 2009 Update—Global Outlook**

	2007	2008	2009 <sup>a</sup>	2010 <sup>a</sup>
<b>GDP growth (%)</b>				
Major industrial economies	2.3	0.7	-3.7	1.1
United States	2.1	0.4	-2.4	1.6
Eurozone	2.7	0.7	-4.3	0.5
Japan	2.3	-0.7	-5.8	1.1
<b>Inflation (CPI, eurozone, Japan, United States average, %)</b>	2.2	3.2	-0.3	1.0
<b>World trade volume (% increase)</b>	7.5	3.7	-9.7	3.8

CPI = consumer price index, GDP = gross domestic product.

<sup>a</sup>Asian Development Outlook 2009 Update projections.

Source: ADB. 2009. *Asian Development Outlook 2009 Update: Broadening Openness for a Resilient Asia*. Manila.

4. While some signs of worldwide economic stabilization are beginning to emerge, risks to the global outlook remain. Governments around the world have slashed interest rates and taxes

<sup>1</sup> ADB. 2009. *Asian Development Outlook 2009 Update: Broadening Openness for a Resilient Asia*. Manila.

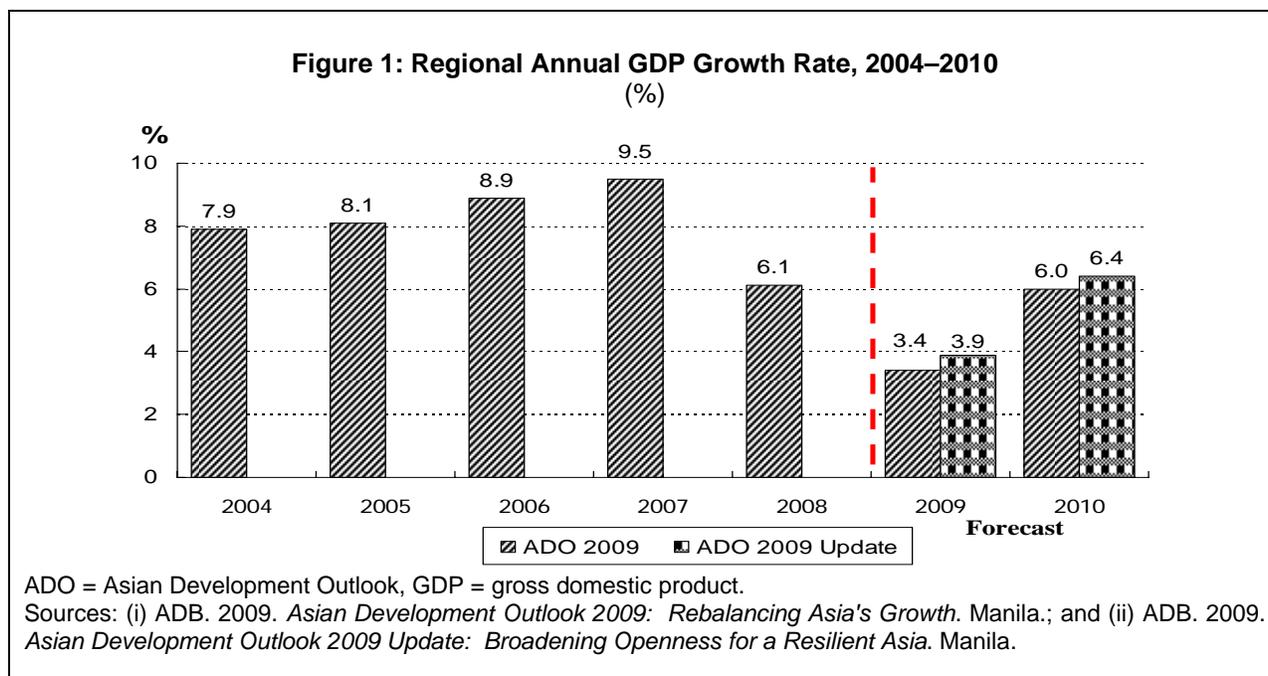
<sup>2</sup> Third-quarter 2009 data that have become available for the eurozone, Japan, and US economies since the release of the *Asian Development Outlook (ADO) 2009 Update* confirm that the contraction in major industrialized economies' gross domestic product (GDP) bottomed out in mid-2009. Economic indicators broadly continued the upward trend reflected in second quarter 2009 data, and there are signs that consumption and investment have started to pick up as well. Based on the evidence available to date and notwithstanding the possible realization of downside risks to the global recovery, it is likely that 2010 average real GDP projections for the eurozone, Japan, and the US will be revised slightly upward from the *ADO 2009 Update* baseline assumptions.

and raised spending to boost sagging aggregate demand. Ending these measures too early may lead to a protracted slowdown and may derail the global recovery; correct timing will be needed to avoid a double-dip downturn. Greater resort to protectionist measures and the persistent stalemate in global trade negotiations is also threatening the fragile trade rebound. In addition, the continued weakness of housing markets could cloud prospects for the world economy, while inflation may return following significant fiscal and monetary expansion and a resurgence in global oil and commodity prices. Governments will have to manage their budget deficits carefully once the recovery is firmly underway to ensure fiscal sustainability.

## B. Regional Outlook

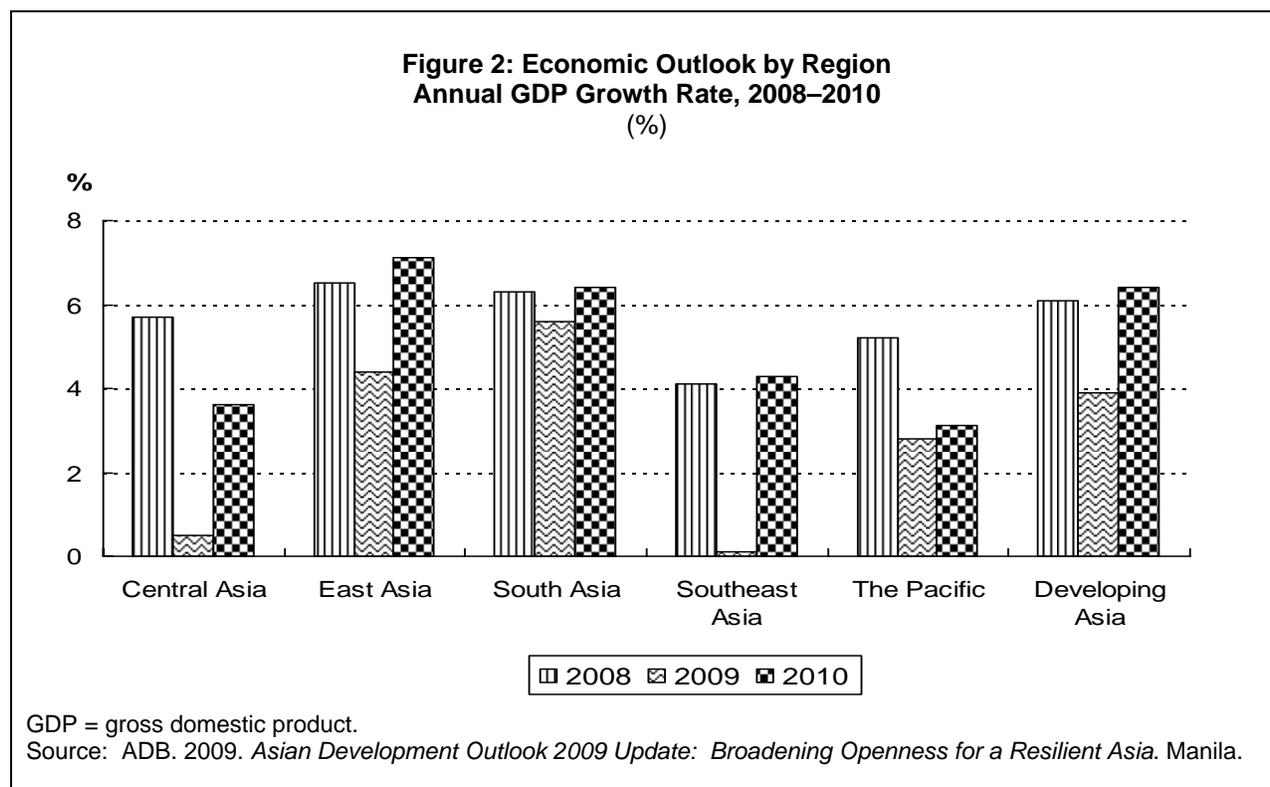
5. The main channel by which the global financial crisis and economic slump spread to developing Asia was the collapse of demand in major markets, hitting the region's exports. With a large proportion of regional trade in parts and components supporting supply chains, imports also buckled. Weakening regional consumption and investments have further compounded these problems, resulting in substantially reduced regional growth rates from the decade's peak of 9.5% in 2007 (Figure 1).

6. Despite the notable slowdown in growth in 2009 in most economies across developing Asia, the region has proved to be more resilient than had been feared. The *ADO 2009 Update* projects regional economic growth at 3.9%, upgraded by 0.5 percentage points from the *ADO 2009* forecast of 3.4%. The growth projection for 2010 has been also upgraded to 6.4% from 6.0% in March. This is primarily because of (i) regional governments' quick and decisive response through strong fiscal and monetary stimuli; (ii) stronger financial systems in the region than elsewhere at the onset of the crisis; and (iii) a rapid turnaround in the region's larger economies with positive spillover effects in other countries.



7. There are notable divergences in the outlook across countries and economies. In particular, the *ADO 2009 Update* upgrades projections for East Asia and South Asia, while downgrading those for other regions (Figure 2). Likewise, it has raised forecasts for the larger

regional economies, such as those of the People's Republic of China (PRC), India, Indonesia, and Republic of Korea, while lowering those for the smaller, generally more open, economies.



8. **East Asia.** Economic expansion in East Asia is projected to reach 4.4% in 2009, supported by strong growth in the PRC. The PRC's massive fiscal stimulus package announced in 2008 and the aggressive monetary easing in 2009 bolstered economic growth. The government's 8.0% growth target set at the start of the year now looks within reach. *ADO 2009 Update* projects the economy to expand by 8.2%. Similarly, the Republic of Korea's fiscal stimulus has been effective, and the economy is forecast to shrink by just 2.0% in 2009.<sup>3</sup> Growth in East Asia is forecast at 7.1% in 2010.

9. **South Asia.** Prospects for growth this year in South Asia have improved to 5.6%, with the *ADO 2009 Update* raising the outlook for five of the eight economies. In particular, India's economic expansion has been upgraded to 6% due to the expected positive effects of a continued large fiscal stimulus announced in its July 2009 budget and the emerging signs of recovery in private business confidence. In 2010, South Asia growth is forecast at 6.4%.

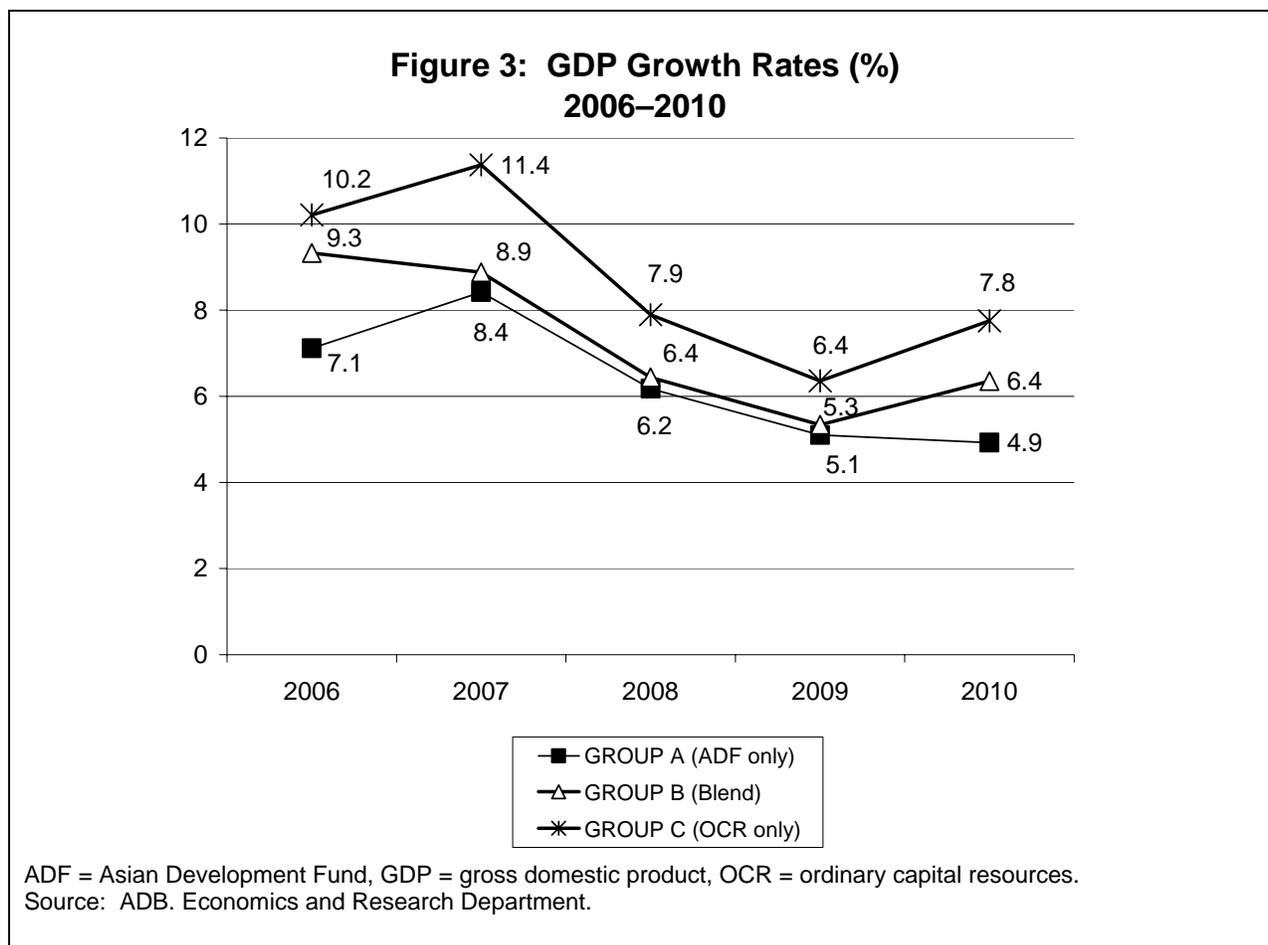
10. **Southeast Asia.** Aggregate growth in the 10 Southeast Asian economies is expected to slow to 0.1% in 2009. More positive prospects for Indonesia and Viet Nam failed to counterbalance the deterioration among the more open, as well as the smaller, economies. Overall growth is projected at 4.3% in 2010.

<sup>3</sup> Economic data for the Republic of Korea released after the *ADO 2009 Update* was published show the country poised for a swift recovery, enough perhaps to pull its 2009 GDP growth rate up to about 0%, from -2.0% forecast in *ADO 2009 Update*.

11. **Central Asia.** Across Central Asia, projections for economic growth reflect low commodity prices; a deep downturn in the Russian Federation (the main trade and financial partner for countries in Central Asia); and weak capital inflows, investments, and remittances. Growth is forecast to slow to 0.5% in 2009 and 3.6% in 2010. The largest Central Asia economy, Kazakhstan, is projected to contract by 1.0% in 2009, as it grapples with the fallout from a banking crisis and lower oil prices.

12. **Pacific.** Economic growth in the Pacific in 2009 is expected to come in at 2.8%. Only three of the 14 economies are likely to expand by more than 1.0% this year. Income from tourism and remittances are projected to remain weak.

13. There are also notable variations among country groupings, based on the ADB country classification contained in the ADB graduation policy. Perhaps because of their more limited integration with the global financial system, countries eligible to borrow only from the Asian Development Fund (ADF), Group A countries, were initially not hit as hard by the crisis as others. However, as the crisis spread to the real economy, their economies also deteriorated, with their growth falling from a peak of 8.4% in 2007 to 5.1% in 2009. While recent estimates suggest that the global recession may be coming to an end, with developing Asia expected to lead the recovery with aggregate regional growth rate reaching 6.4% in 2010, in ADF-only countries gross domestic product (GDP) growth is expected to drop further to 4.9% in 2010 (Figure 3).



14. Overall, the economic recovery remains fragile and governments in the region must remain mindful of the risks of withdrawing stimulus packages prematurely. Some governments will be able to afford to sustain fiscal stimulus packages until their recoveries are on a firmer footing and private investment has restarted. Poorer countries may not have this luxury.

15. The crisis has also prompted countries in the region to rethink their development strategies. While it is paramount to maintain a policy of openness toward the rest of the world, fostering trade within Asia and the Pacific and expanding domestic demand will also be necessary over the longer term to reduce developing Asia's reliance on demand for exports from industrial countries. To achieve stronger intraregional trade, developing Asia's economies will have to undergo a process of rebalancing.

### III. IMPACT OF THE CRISIS ON POVERTY

16. The social impact of the crisis has been less visible and harder to measure than the financial or economic impact, partly because there is often a time lag before the social consequences of crises become evident. Despite data shortcomings, the emerging evidence seems to confirm concerns that the crisis could potentially reverse the progress that has been made toward reducing poverty and achieving the Millennium Development Goals (MDGs).

#### A. Income Poverty

17. ADB analysis<sup>4</sup> suggests that the adverse impact of the economic downturn may lead to an additional 53 million extreme poor—people earning less than \$1.25 a day—in the region in 2009 and 80 million more in 2010, compared with a "without crisis" scenario under which the high growth rates of 2007 would have continued.<sup>5</sup> ADB also estimates that the projected GDP decline in the region may lead to an additional 71 million vulnerable people—those living under \$2 a day—in 2009 and 108 million more in 2010. This would be a significant setback to the fight against poverty.

18. The crisis has not affected all countries in the same way, reflecting different economic structures, initial conditions, and the relative significance of different impact channels. One of the main ways in which the crisis may affect the poor and vulnerable is through labor markets. As overseas consumer demand has fallen, labor-intensive export industries such as textiles, garments and electronics have faced increasing pressures to lay off workers. Industries catering to local demand have also contracted in response to lower consumer confidence. Women have been particularly affected.<sup>6</sup> Many workers are struggling to find alternative employment and laid-off workers are often forced into the informal sector with reduced wages and greater insecurity. Some migrate back to rural areas to work in agriculture. Others stay in the cities but move to more affordable housing areas, resulting in further congestion and housing problems for the urban poor. Even among those who have not lost their jobs, many have had their working hours, and therefore their incomes, cut. Box 1 summarizes labor market impacts in the Republic of Korea, the Philippines, and Thailand.

<sup>4</sup> Recent poverty estimates were prepared by the ADB Economics and Research Department.

<sup>5</sup> These poverty impacts are lower than projected in April 2009, primarily because of upward revisions to growth projections for the region.

<sup>6</sup> Background studies for the High-Level Regional Conference on "The Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific" held in Hanoi, Viet Nam on 28–29 September 2009 (see Box 5) showed that a large percentage of the labor force affected by the crisis (between 49% to 82%) were women in export-led industries—such as garments, textiles and electronics—that were hard hit by the crisis in countries such as Malaysia, the Philippines, Thailand, and Viet Nam.

**Box 1: Labor Market Impacts of the Crisis  
Republic of Korea, the Philippines, and Thailand**

**Impacts on Female Employment**

Although the crisis affected all kinds of workers, female workers were particularly hard hit. In the Republic of Korea, employment was significantly affected by the crisis from the Q4 2008 to Q2 2009, with female employment more adversely affected than male employment. In Q4 2008, the decrease in employment was 1.2% for men versus 1.6% for women, relative to pre-crisis trends; by Q2 2009, the decrease in employment deepened to 1.6% for men versus 3.5% for women.

In Thailand, female employment in industry was significantly affected by the crisis as early as Q1 2008, with 3.3% fewer jobs relative to pre-crisis trends. The slowdown in female industrial employment continued to worsen for the next five quarters until Q2 2009. By comparison, male employment in the industrial sector was only significantly affected by the crisis during two quarters: Q1 2008 and Q1 2009.

**Agriculture as a Safety Net**

Findings from the Philippines and Thailand suggest that employment in agriculture can serve as a safety net for industrial employees in the face of labor market pressures. In Thailand, while industrial jobs were hit hard throughout the crisis period, employment in agriculture increased by 3.9% in Q1 2009 and 8.4% in Q2 2009, relative to pre-crisis trends, suggesting that the sector absorbed some labor from the industrial sector. Formal sector employment in Thailand significantly decreased during 2008 and the first half of 2009. During the same period, employment as unpaid family workers significantly increased, suggesting a shift in employment from the formal to the informal sector, consistent with a shift from industry to agriculture.

Findings for the Philippines reveal a significant decrease in industrial jobs during the crisis period, with employment growth in the industry sector falling by 7.0% in Q2 2009. By contrast, agricultural jobs grew by 2.6% over the same period, suggesting a possible shift to agriculture. The crisis seems to have had little impact on employment in the services sector.

**Lagged Effects**

In all the countries studied, there was at least a one-quarter lag from the time the crisis decreased economic output and increased unemployment. These findings suggest that, even if a recovery in terms of economic output is underway, the adverse impacts of the crisis on unemployment—and its accompanying social impacts—may yet be felt.

Source: Son, Hyun H. and Emmanuel A. San Andres. 2009. How Has Asia Fared in the Global Crisis? A Tale of Three Countries: Republic of Korea, Philippines, and Thailand. *ADB Economics Working Paper Series* No. 174 (October). Manila: ADB. Available: <http://www.adb.org/economics/erd-working-papers.asp>

19. Specific characteristics of Asia and the Pacific have exacerbated the situation. For example, the region suffers from a systemic problem of dual labor markets. Even before the crisis, in the context of high growth rates, only about half of the region's young workers could find decent jobs, while the rest had to sustain themselves and their families through the informal sector, often without social protection or unemployment insurance, making the social consequences of the crisis potentially very serious. The large stimulus packages introduced in response to the crisis have provided fiscal space to address the immediate social impacts, but social spending has represented only a small share of such packages.

20. Remittance flows are another potential channel through which the crisis can affect the poor. However the evidence to date is mixed (Table 2). Central Asian countries have experienced a sharp decline in remittance flows from the Russian Federation. For example, remittances to Tajikistan shrunk by 34% in the first half of 2009.<sup>7</sup> In Armenia, remittances collapsed by 30% in the first 7 months of 2009.<sup>8</sup> Pacific countries have also suffered. In Tonga, for example, remittances are estimated to have fallen by 17% from July 2008 to July 2009.<sup>9</sup> By contrast, the Philippines experienced another rise in remittances by 2.9% over the same period, as compared with the previous year. Nevertheless, there was a clear slowdown in remittances growth rates (the slight growth in the Philippines is in contrast to the more than 10% per annum growth during the past decade).<sup>10</sup> The sustained increase in remittance flows (albeit at a slower rate) may be due to the following: (i) overseas foreign workers worked in sectors that were less affected by the crisis; (ii) workers did not return and preferred temporary unemployment abroad as the labor markets in their home countries did not provide them with adequate job opportunities; or (iii) displaced migrant workers repatriated their savings as remittances (in such cases, the impact of the crisis on remittance flows may be felt later once individuals' savings are depleted) .

**Table 2: Remittances Flows**  
(\$ billion)

	2006	2007	2008	2009	2010	2011
World	317	385	444	420	425	441
Developing countries	235	289	338	317	322	334
East Asia and Pacific	58	71	86	85	85	89
South Asia	43	54	73	72	73	76
Europe and Central Asia	37	51	58	49	51	53

Source: Ratha, Dilip, Sanket Mohapatra, and Ani Silwal. 2009. Migration and Remittance Trends 2009. *Migration and Development Brief 11* (3 November). Available: <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MigrationAndDevelopmentBrief11.pdf>

## B. Human Development and the Millennium Development Goals

21. While the current economic downturn is expected to have a significant impact on income poverty (see para. 17 above), recent research suggests that the impact on several non-income MDGs is also likely to be severe. For example, ADB estimates that the current economic downturn may result in an additional 7.6 million people undernourished in Asia and the Pacific in 2009. In addition, 51,000 more children under 5 years may die; 2,400 more mothers may die in childbirth; and more than 100,000 more children may be forced out of primary school (compared with a "without crisis" scenario where the high growth rates of 2007 would have continued).<sup>11</sup> A similar or marginally lower impact is expected in 2010 in these areas.

<sup>7</sup> Statistics from the National Bank of Tajikistan provided by ADB Central and West Asia Department (CWRD).

<sup>8</sup> International Monetary Fund data provided by CWRD.

<sup>9</sup> World Bank estimates provided by Pacific Department (PARD) staff.

<sup>10</sup> Riester, Andrea. 2009. Impact of the Global Recession on International Labour Migration and Remittances: Implications for Poverty Reduction and Development in Nepal, the Philippines, Tajikistan and Uzbekistan. Background Paper for Conference on "The Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific", 28–30 September 2009, Hanoi, Viet Nam. Available: <http://www.adb.org/Documents/Events/2009/Poverty-Social-Development/impact-on-migration-Riester-paper.pdf>

<sup>11</sup> ADB estimates for non-income Millennium Development Goals (MDGs) were derived using United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) data.

22. Overall, the impact of the crisis on human development and progress toward the MDGs is difficult to measure (because of a lack of regular data) and likely to be delayed. However, the crisis could have costly and long-lasting effects on human welfare, as families with few alternative employment opportunities and little or no access to credit are forced to reduce the quantity and quality of their food intake (which may have a significant impact on child development) or withdraw children from school. While basic education receives considerable government support, and there is little evidence to date to suggest that public spending on education has been reduced because of the crisis, there are significant private costs that households still have to bear to send children to school, and taking them out of school is therefore a coping strategy often adopted by poor households. Post-secondary and higher education tend to be financed more by private spending and they are therefore affected more by economic shocks that reduce household income. This could have significant long-term implications for human development and ultimately on economic growth.

23. The impact of the economic crisis on health depends on how well countries and households are able to protect critical spending to ensure access to, and a minimum quality of, essential services. As in education, there is little evidence to date to suggest that governments have cut public health spending in response to the crisis; even in normal times public sector coverage of health needs is generally weak in developing Asia and the poor have to bear a significant burden of health costs, which are likely to be further reduced in times of crisis. The crisis could have a further negative impact on health behavior, as the newly unemployed tend to postpone using health care, which could have harmful long-term effects. Such possible adverse impacts highlight the importance of protecting—if not increasing—core spending (including in education and health) in times of economic crises.

24. Social and poverty impacts of the crisis should be carefully anticipated and need to be remedied through appropriate public action so they do not cause long-term adverse effects on progress towards MDG achievements. It is important that MDG-related efforts and the development agenda be more broadly integrated into efforts to jumpstart growth and rebuild the global economy. The same may be said for efforts to protect the environment and address climate change.

#### IV. ADB'S RESPONSE TO THE CRISIS

##### A. Mobilizing Additional Resources to Support Emerging Development Needs

25. ADB has acted promptly and proactively to help its developing member countries (DMCs) respond to the crisis. For the purpose of this section, ADB's crisis response is defined as projects that were newly planned in response to the crisis or projects that were modified to address the impacts of the crisis. This definition is based on the August 2009 Board information paper *ADB's Response to the Global Economic Crisis: An Update*.<sup>12</sup> This section of the report provides an update on ADB's crisis response as of 31 October 2009 (i.e., incorporating the latest operational data).

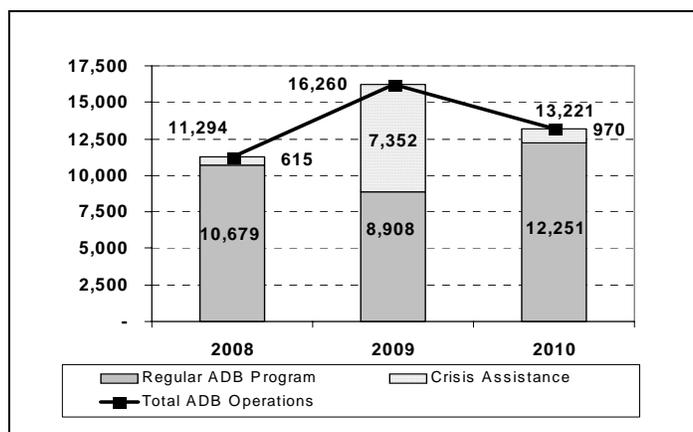
26. As of 31 October 2009, ADB had allocated a total of \$8.94 billion in crisis support for 43 projects (Figure 4). Of this amount, \$615 million (7%) was approved in 2008, \$7.4 billion (82%) is expected to be delivered in 2009, and \$970 million (11%) is programmed for 2010.<sup>13</sup> By

<sup>12</sup> ADB. 2009. *ADB's Response to the Global Economic Crisis: An Update*. Manila. This definition potentially underestimates the full extent of ADB's crisis response, as projects may be contributing to the crisis response without being modified or newly planned.

<sup>13</sup> 2010 operations were initially programmed for 2009 but slipped to 2010 due to reprogramming.

source of fund, \$7.8 billion (87%) was drawn from ordinary capital resources (OCR) while the remaining \$1.15 billion (13%) was from ADF resources. By modality (Figure 5), 40% was in the form of program loans. About 28% was provided through the countercyclical support facility (CSF). Nonsovereign operations accounted for 21%, while the remaining 11% was in the form of sovereign project loans and grants. Total crisis-related disbursement amounted to \$2.46 billion as of 31 October 2009 and are expected to reach \$4.43 billion by the end of 2009 (i.e., more than 50% of the total amount approved by end 2009). More detailed information on ADB's crisis support is provided in the appendixes.

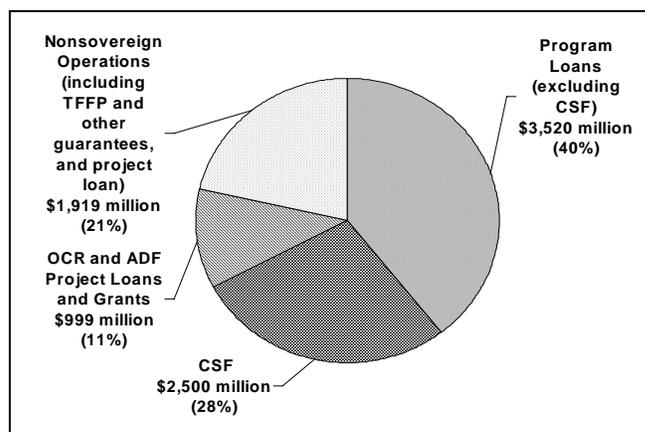
**Figure 4: Volume of ADB's Total Operations and Crisis Assistance (\$ million)**  
(As of 31 October 2009)



ADB = Asian Development Bank.

Sources: (i) ADB. 2009. *Work Program and Budget Framework 2010–2012*. Manila.; and (ii) ADB. Regional departments, Private Sector Operations Department, and Strategy and Policy Department.

**Figure 5: Total OCR and ADF Crisis Assistance By Modality**  
(As of 31 October 2009)



ADF = Asian Development Fund, CSF = countercyclical support facility, OCR = ordinary capital resources, TFFP = Trade Finance Facilitation Program.

Sources: ADB. Regional departments, Private Sector Operations Department, and Strategy and Policy Department.

## 1. OCR Operations

27. Overall, total OCR funds provided (actual and projected) in response to the crisis amount to \$7.8 billion over 2008–2010, with \$300 million approved in 2008, \$6.534 billion planned in 2009, and \$949 million planned in 2010. OCR crisis lending in 2009 amounted to almost 50% of total OCR lending for the year. By modality, 33% of total OCR crisis support was in the form of program loans; 32% was provided through the CSF; 23% was in the form of guarantees (including \$1 billion to support the Trade Finance Facilitation Program [TFFP]); 11% was in the form of project loans; and the remaining 1% was in the form of private sector loan or equity.

28. The CSF was established in June 2009, as a time-bound budget support instrument with a funding of \$3 billion.<sup>14</sup> It provides countercyclical support to help OCR borrowers sustain critical expenditures for fiscal stimulus to counter the adverse impact of the crisis. The facility

<sup>14</sup> ADB. 2009. *Enhancing ADB's Response to the Global Economic Crisis—Establishing the Countercyclical Support Fund*. Manila.

has been designed as a short-term lending instrument to complement ADB's conventional program loans aimed at supporting structural reforms over an extended period. As of 31 October 2009, ADB had approved assistance to five countries (Bangladesh, Indonesia, Kazakhstan, the Philippines, and Viet Nam) for \$2.5 billion. Consistent with the quick-disbursing nature of the facility, \$2 billion is expected to be fully disbursed by the end of 2009 and \$500 million will be disbursed in early 2010, through single-tranche releases for each loan. The remaining balance of \$500 million from the CSF funding pool remains available for utilization depending on demand.

## **2. ADF Operations**

29. Total ADF resources provided (actual and projected) in response to the crisis amount to \$1.2 billion over 2008–2010, with \$315 million approved in 2008, \$819 million planned in 2009, and \$21 million planned in 2010. Eighty five percent of ADF crisis support is in the form of program loans, with the remaining 15% in the form of project loans. As a result of the high proportion of ADF program lending in response to the crisis, the ADF program lending ceiling for the period 2007–2009 was exceeded.

30. In June 2009, ADB approved the allocation of an additional \$400 million ADF commitment authority<sup>15</sup> to help ADF-only countries cope with the crisis. These countries are the most fiscally stretched and find it difficult to access non-concessional resources. These additional resources from the ADF were allocated according to the performance-based allocation (PBA) formula and raised the total ADF allocation for 2009–2010 to \$5.76 billion. In addition, ADF-eligible borrowers were allowed to front-load up to 100% of their biennial allocation during 2009 in response to the crisis. Of the 15 eligible countries, four have sought and received approval for front-loading beyond their maximum allowable annual utilization of 62.5%— Armenia, Georgia, Mongolia and Papua New Guinea. Overall, 54% of 2009–2010 ADF allocations were approved in 2009, while the percentage for ADF-only countries was 67% (as opposed to 51% for blend countries). This implies that blend countries used OCR for crisis response while ADF-only countries resorted to front-loading, many of them within the authorized ceiling.

## **3. Technical Assistance**

31. In addition to its OCR and ADF lending and grant support, ADB is also providing nonlending assistance to its DMCs for capacity building and policy dialogue. A total of \$12.9 million for 15 TA projects has been programmed as crisis response.

## **4. Enhanced Cofinancing**

32. ADB committed to increase cofinancing for its projects in 2009 and 2010. Total direct value-added cofinancing for ADB-approved projects increased from \$1.50 billion in 2008 to \$3.92 billion in 2009. The increase was primarily due to collaborative cofinancing with the World Bank for a crisis-support infrastructure project and an increase in guarantee operations. ADB also stepped up its efforts to enter into programmatic cofinancing arrangements with its financing partners to establish stable sources of funding to support infrastructure development alongside ADB's own investments. The first examples of these arrangements are with Japan, Republic of Korea and the Islamic Development Bank. ADB is actively consulting with other financing partners, both bilateral and multilateral, to establish other similar arrangements.

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<sup>15</sup> ADB. 2009. *Crisis Response of Asian Development Fund—Allocation of Additional Liquidity*. Manila.

## B. ADB's Operational Response to Support Crisis-Affected Countries

### 1. Public Sector Support

33. The majority (68%) of ADB crisis assistance was in the form of quick-disbursing budget support (through the CSF and program lending) to help its DMCs finance deficits and adjust expenditure and revenue policies to meet key crisis challenges. This includes ensuring sustained external financing for ongoing and planned development projects and programs. ADB assistance also sought to mitigate the social impacts of the crisis by promoting the strengthening of social safety nets and, through various programs and projects, to help create demand, generate employment, and build private sector confidence.

34. ADB's CSF (see para. 28) complements the governments' crisis response programs and is primarily intended to help DMCs manage immediate fiscal challenges. All CSF loans approved to date included specific components to mitigate the social impacts of the crisis. Most also included specific programs to stimulate job creation (Box 2).

35. **Armenia, Georgia, and Tajikistan.** Apart from the CSF, ADB also provided fast-disbursing program loans to Armenia, Georgia and Tajikistan on 6 July 2009 to help cushion and mitigate the adverse impacts of the global economic crisis: Crisis Recovery Support Program for Armenia (\$80 million);<sup>16</sup> Growth Recovery Support Program for Georgia (\$80 million);<sup>17</sup> and Crisis Recovery Support Program for Tajikistan (\$40 million),<sup>18</sup> all of which had been fully disbursed by 31 October 2009. These program loans enabled the countries to deal with the negative shocks on their budget revenues and to prevent the deterioration of core public expenditure programs for critical social safety net needs such as welfare allowances and social services for vulnerable groups. The funds also allowed them to push through with critical public investments designed to maintain and create new jobs for economic recovery.

36. **Bangladesh.** A package of program loans for Bangladesh totaling \$744.85 million was approved on 13 October 2009, under the Public Expenditure Support Facility (PESF) Program and the CSF Support Program<sup>19</sup> to help overcome the impact of the global economic crisis and implement public policy reforms. The three PESF loans amounting to \$244.85 million will support government measures to introduce economic and social policy reforms which are essential for achieving more pro-poor and gender-inclusive growth, and to strengthen social safety net programs. Box 2 provides details of the \$500 million CSF Support Program. In addition, an ADF loan for Small and Medium-Sized Enterprise (SME) Development Project<sup>20</sup> was approved for \$76 million on 17 September 2009 to provide rural employment and business opportunities in the non-urban SME sector, including SMEs led by women.

<sup>16</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Program Loans, Republic of Armenia: Crisis Recovery Support Program*. Manila.

<sup>17</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Program Loans, Georgia: Growth Recovery Support Program*. Manila.

<sup>18</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Asian Development Fund Grant, Republic of Tajikistan: Crisis Recovery Support Program*. Manila.

<sup>19</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Program Loans, People's Republic of Bangladesh: Public Expenditure Support Facility Program and Countercyclical Support Facility Support Program*. Manila.

<sup>20</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Loan, People's Republic of Bangladesh: Small and Medium-Sized Enterprise Development Project*. Manila.

### Box 2: Countercyclical Support Facility

In the **Philippines**, a \$500 million countercyclical support facility (CSF)<sup>a</sup> loan was approved on 24 August 2009 to support the government's countercyclical expenditure program, including labor-intensive infrastructure projects. In part, the loan allowed the government to protect its social spending and poverty reduction programs, resulting in higher allocations to the social sectors in the 2009 budget (primarily for scaling up the conditional cash transfer program, public employment programs, and educational expenditure and health spending). Higher infrastructure spending will also stimulate investment, create jobs, and raise incomes. The loan had been fully disbursed by 14 September 2009.

A \$500 million CSF loan to **Kazakhstan**<sup>b</sup> (approved on 10 September 2009) will provide fiscal stimulus and finance part of the government's crisis-mitigation measures. The main output of the loan will be implementation of the anti-crisis plan (ACP) and an employment generation program to support key sectors of the economy (including the financial sector, real estate market, and agro-industry) though support for small and medium-sized enterprises and the implementation of industrial and infrastructure projects. The employment-generation program will also result in the renovation of local facilities, roads, social institutions, a retraining program and creation of social jobs, and internships. The loan had been fully disbursed by 12 November 2009.

In **Viet Nam**, a \$500 million CSF<sup>c</sup> loan (approved on 15 September 2009) will provide budgetary support to the government to finance critical public expenditure programs in 2009 and 2010, given the country's limited market access and need for temporary fiscal expansion. The support will allow the government to promote economic recovery, protect its social spending (including additional budget for social welfare) and poverty alleviation programs, and continue with its longer-term development objectives in 2009. The loan had been fully disbursed by 10 December 2009.

A \$500 million CSF loan to **Indonesia**<sup>d</sup> (approved on 7 October 2009) will support the government's countercyclical spending program for 2009 and ensure predictability in budget financing to stimulate the economic recovery, protect social spending and poverty alleviation programs (including an expansion of flagship social assistance programs), and sustain the government's longer-term development objectives. The loan is expected to be fully disbursed by 31 March 2010.

In **Bangladesh**, a \$500 million CSF<sup>e</sup> loan (approved on 13 October 2009) is expected to contribute directly to the implementation of the government's expanded social safety net programs. It will serve the twin functions of immediately addressing the needs of the poor through the provision of income and food support, and also providing strong stimulus to growth, as such spending will directly raise aggregate demand. This, in turn, will free up fiscal space for financing the other components of the government's countercyclical development program—in particular, the planned scaling up of infrastructure investment, so that efforts to enhance longer-term growth potential or macroeconomic stability are not compromised. The loan had been fully disbursed by 10 November 2009.

<sup>a</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Loan, Republic of the Philippines: Countercyclical Support*. Manila.

<sup>b</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Loan, Republic of Kazakhstan: Kazakhstan Countercyclical Support Loan*. Manila.

<sup>c</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Loan, Socialist Republic of Viet Nam: Countercyclical Support*. Manila.

<sup>d</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Loan, Republic of Indonesia: Countercyclical Support*. Manila.

<sup>e</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Program Loans, People's Republic of Bangladesh: Public Expenditure Support Facility Program and Countercyclical Support Facility Support Program*. Manila.

37. **Cook Islands, Samoa, Solomon Islands, and the Republic of Marshall Islands.** The Economic Recovery Support Program<sup>21</sup> for Cook Islands was approved on 13 October 2009 for \$10 million. The program will help the country to increase spending on badly needed infrastructure in 2009. Under a broad infrastructure investment program, the government has prioritized projects, including the main airport, roads, key buildings, and water supply. The program will also strengthen fiscal management and social welfare policy. An important element of the program is to help the government reorient its social welfare system to provide more support to vulnerable groups through targeted actions. Economic recovery support programs are also under preparation for Samoa, Solomon Islands, and the Republic of Marshall Islands.

38. **Lao People's Democratic Republic (Lao PDR).** An ADF grant for the Lao PDR Private Sector and Small and Medium-Sized Enterprises Development Program (Subprogram 2)<sup>22</sup> was approved on 1 October 2009 for \$15 million to help improve investor confidence, lower transaction costs for business, and strengthen capacity of government agencies in policy analyses on trade, investment, and SMEs. The program was designed to maintain the momentum of key development efforts at a challenging time. The impact of the global crisis on the Lao PDR economy arose primarily from second-round effects through the collapse in copper prices and the recession in major export markets which significantly affected revenue flows to the national budget. The fiscal situation is expected to be further strained in 2010 as tax revenue from the commodity sector is expected to decline substantially as corporate losses are carried over. The program will contribute to a sustainable reduction in poverty in the short and medium term by increasing investment and the number of enterprises; increasing the labor market, with increased hiring across most sectors; and lowering prices of tradable goods through greater integration within the region and the rest of the world through trade policy reforms. Also in response to the global economic crisis, a post-program policy framework was added to serve as basis for continued policy dialogue on the investment climate with ADB.

39. ADB also provided direct support to the social sectors, including two projects for Mongolia (Box 3), one for Cambodia, and one in Lao PDR which targeted the health sector.

### Box 3: ADB Support to Mongolia's Social Sectors

The global economic crisis has forced the Government of Mongolia to embark on a process of fiscal adjustment. This is primarily centered around expenditure restraint in view of the dramatic worsening of prices of key exports, dwindling international reserves and increased pressures on the currency. The government is acutely aware of the pressure the crisis is placing on Mongolia's most vulnerable citizens and has therefore asked ADB to help safeguard achievements in the social sectors and to mitigate any negative impact of the crisis on the poor. ADB assistance is being harmonized with a \$230 million Stand-By Arrangement of the International Monetary Fund (approved on 1 April 2009) to help the government bridge fiscal shortfalls for social sectors, as part of a broader economic stabilization plan.

ADB provided Mongolia a \$60 million program loan and grant for its Social Sectors Support Program<sup>a</sup> (approved on 24 June 2009). The program aims to provide essential social services during the crisis by implementing a set of policy measures in the social welfare, health and education sectors, and to initiate longer-term reforms to improve targeting of social assistance and living conditions of the poor, especially around Ulaanbaatar. Relevant education and health projects will include a new medicard program for the poor and the

<sup>21</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Program Cluster and Loan for Subprogram 1, Cook Islands: Economic Recovery Support Program*. Manila.

<sup>22</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Asian Development Fund Grant for Subprogram 2, Lao People's Democratic Republic: Private Sector and Small and Medium-Sized Enterprises Development Program*. Manila.

expansion of a household micronutrients scheme, among others. A technical assistance (TA) grant of \$700,000 to provide strategic capacity development to the government is also extended by ADB, with the government providing a further \$100,000 equivalent.

Another \$17 million grant, Education for the Poor—Financial Crisis Response Project,<sup>b</sup> was provided on 18 September 2009. The project will ensure that children from poor families continue to have access to education. About 150,000 preschool children aged 2–5 years old will benefit from feeding programs, while 100,000 secondary school students from poor households will receive free textbooks to prevent high dropout rates as a result of the crisis. Operation and maintenance block grants will also be initiated for cash-strapped schools. The project will also support capacity building at the Ministry of Education, Culture and Science in financial management, budgeting, and monitoring and evaluation to enable the ministry to deal with its budgetary constraints amidst the economic crisis.

<sup>a</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Asian Development Fund Loan and Grant and Technical Assistance Grant, Mongolia: Social Sectors Support Program*. Manila.

<sup>b</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors on Proposed Asian Development Fund Grant, Mongolia: Education for the Poor—Financial Crisis Response Project*. Manila.

## 2. Support to the Private Sector

40. ADB's Strategy 2020 emphasizes the importance of the private sector as a key driver of change in the region.<sup>23</sup> This is even more so now, to overcome the current economic crisis and drive the next stage of growth. ADB crisis-related assistance to the private sector focuses on rebuilding business confidence, providing incentives for private sector investment and facilitating trade financing.

41. The crisis has caused a dramatic reduction in the availability of the financing that companies rely on to trade. This shortage has hit developing nations particularly hard, as major international banks focus on rebuilding their capital and reducing risk. Access to trade finance is vital to cushioning the shock of the global crisis on international trade. On 31 March 2009, ADB expanded its Trade Finance Facilitation Program (TFFP),<sup>24</sup> increasing its overall exposure limit to \$1 billion (from an initial \$150 million), of which \$500 million will be available for 2009. The total exposure of TFFP for 2009 was just over \$466 million (as of 31 October 2009) and is expected to reach \$500 million by the end of the year. This TFFP exposure translates to support for over \$1.3 billion in trade, about 80% of which is being used to support intra-regional trade. Much of ADB's TFFP outstanding portfolio is in Asia's most challenging markets, including Bangladesh and Pakistan. The program continues to expand aggressively throughout developing Asia.

42. ADB co-chaired the first working group meeting to establish a Trade Finance Default Register in conjunction with the International Chamber of Commerce. The major international commercial banks attending the meeting agreed to submit data on overall trade finance volumes, related defaults and losses by end March 2010. These data will be used to support arguments to the Basel Committee that risk allocations for trade finance should be lowered. This initiative could have a major impact on trade finance globally, especially as it pertains to the provision of credit to emerging markets. ADB has considerable profile in this initiative, both within the trade finance community and more broadly.

<sup>23</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank. 2008–2020*. Manila.

<sup>24</sup> ADB. 2009. *Major Change in Scope and Amount on the Trade Finance Facilitation Program*. Manila.

43. The crisis has also caused disruption in the availability of commercial cofinancing for private-sector-led infrastructure initiatives in the region. The ADB Private Sector Operations Department (PSOD) is currently processing several prospective transactions in Central Asia to bridge the gap left by the departure of commercial banks. Some of this work is in conjunction with other international financial institutions, such as the European Bank for Reconstruction and Development (EBRD). Possible transactions in Armenia, Azerbaijan, Georgia, Kyrgyz Republic, and Uzbekistan are included. Similarly, PSOD has been working with project sponsors in Southeast Asia, who would not otherwise be able to secure needed commercial financing in the current environment, so as to push ahead with developmentally important transactions. This includes transactions in conventional power and in waste energy.

44. In the financial markets, PSOD has been looking at opportunities to bridge financing gaps for transactions that had anticipated sizeable cofinancing, but were hit by commercial bank liquidity and capital concerns. This includes financial institution lending in countries such as Indonesia.

### **3. Strengthening Regional Cooperation, Policy Advice and Knowledge Sharing**

45. In addition to its funding support, ADB has intensified its support to DMCs to build their institutional capacity and support for policy analysis to help countries cope with the crisis, mainly through technical assistance (TA) grants. ADB also provided TA support to improve economic surveillance and economic monitoring at the regional, subregional and national levels.

46. For example, a small-scale project preparatory TA for Marshall Islands, Responding to Economic Crisis, approved on 25 August 2009, will identify options for improving revenue growth, containing expenditure and improving data and systems in priority areas. The TA will serve as a basis for ADB to prepare a project intervention to help the country respond to the crisis through the implementation of fiscal and structural reforms in 2010.

47. Likewise, a capacity development TA for Cambodia, Capacity Development for National Economic Policy Analysis and Development Management, Phase III,<sup>25</sup> (approved on 12 January 2009), aims to improve the government's ability to formulate, coordinate, implement, and monitor key policies and strategies effectively so they promote sustainable economic development. Specifically, the TA aims to enhance the capacity of the Supreme National Economic Council to provide high-quality analysis and advice to key policy makers on economic and social development policies and strategies, including agricultural and rural development and regional economic integration.

48. ADB has raised its level of economic monitoring in the Pacific during 2009 in response to the crisis through the establishment of the quarterly Pacific Economic Monitor and the commencement of a partnership with the International Monetary Fund (IMF) via ADB participation in Article IV Missions. In addition, TA for Pacific Economic Management—Response to the Global Crisis (Subproject 1),<sup>26</sup> approved on 13 May 2009, will help Pacific DMCs reduce the effects of the global crisis through better policy analysis and dialogue. Aside from supporting country-level dialogue, the TA project offers structured and targeted regional dialogue by bringing together heads of treasuries and ministries of finance, central banks, and

<sup>25</sup> ADB. 2009. *Technical Assistance Report, Kingdom of Cambodia: Capacity Development for National Economic Policy Analysis and Development Management, Phase III (Cofinanced by the People's Republic of China Regional Cooperation and Poverty Reduction Fund)*. Manila.

<sup>26</sup> ADB. 2009. *Technical Assistance Report on Pacific Economic Management*. Manila.

market regulators and supervisors to help them define their own policy position through sharing experiences and debating policy issues, many of which are common across the region.

49. ADB also facilitated experts' discussions and the exchange of ideas among DMCs by organizing various events on the crisis. Throughout 2009, over 20 events were organized (often in association with other development partners) in the region, including a high-level conference on the impact of the crisis on poverty and sustainable development in Hanoi, Viet Nam, in September, and an international conference on the financial policy responses and lessons learned from the crisis in Seoul, Republic of Korea in early October. Key messages emerging from these two conferences are summarized in Boxes 4 and 5.

#### **Box 4: Global Crisis—Financial Policy Responses and Lessons from the Crisis**

On 30 September and 1 October 2009, the Office of Regional Economic Integration (OREI) organized an international conference on Global Crisis—Financial Policy Responses and Lessons from the Crisis. The conference was held in Seoul and co-hosted by the Government of the Republic of Korea. The conference drew lessons from the crisis and identified areas to further safeguard regional financial systems. It provided a venue for regional and global financial regulators and policy makers to share their experience in dealing with the crisis. The exchange of policy responses and lessons learned tied into the G20 actions outlined in the March 2009 statement, the April London Summit and the Pittsburgh Summit in September. The Republic of Korea will host the G20 Summit next year and, will therefore play an important role in articulating Asia's position on pending issues. Key messages and recommendations emerging from the conference are highlighted below:

- Asia must take its rightful place in the new global financial architecture and take greater responsibility for correcting global macroeconomic and structural imbalances.
- Asian countries must work together to strengthen the region's financial sectors with appropriate oversight, in line with the initiatives of the G20, the Financial Stability Board and the International Monetary Fund.
- The crisis highlighted the need to extend supervision over a wider set of market segments and institutions—especially those deemed systemically important. It is inevitable that appropriate regulatory regimes will differ, depending on differences in the structures and development stages of national financial systems. However, any new regulatory structure should allow for an integrated approach to macro-prudential oversight and financial stability.
- Asian economies should reinforce cooperation to ensure financial stability. Although economies with sufficiently large international reserves were able to provide liquidity support to their banks and financial systems, holding vast reserves has its own costs. Swap agreements with developed and financially strong emerging economies, regional reserve pooling, and access to funding from international financial institutions offer several alternatives for the region in managing short- to medium-term debt and financial flows.
- Progress on the expansion of the Chiang Mai Initiative is at the forefront of the region's cooperative response to the crisis.
- The region's authorities should also consider establishing an Asian Financial Stability Dialogue to coordinate regulatory development and promote financial stability. The forum may also help facilitate regional cooperation in exchange rate policy.

Sources: ADB. Office of Regional Economic Integration, and Strategy and Policy Department.

### **Box 5: Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific**

On 28–30 September 2009, ADB organized a high-level conference in Hanoi to discuss the implications of the global economic slowdown on the people in Asia and the Pacific, especially the poor and vulnerable. The conference was jointly organized with the governments of Viet Nam and the People's Republic of China, the Association of Southeast Asian Nations (ASEAN) secretariat, as well as nine development partners: Asian Development Bank Institute, Australian Agency for International Development, Federal Ministry for Economic Cooperation and Development (Germany), Department for International Development of the United Kingdom, International Labour Organization, International Poverty Reduction Center in China, United Nations Development Programme, World Bank, and the World Health Organization. It was the first major conference dedicated to the social impact of the crisis in Asia and the Pacific and attracted about 350 delegates from 28 countries, 25 development agencies and embassies, and 13 nongovernment organizations.

The purpose of the conference was to exchange information on how countries in the region need to adjust to address the social impacts of the crisis. The key findings and policy recommendations emerging from the conference are summarized below.

- (i) Unlike the Asian crisis of 1997–1998, which particularly hurt those below the \$1.25 a day poverty line, the latest global slowdown has hit hardest the "near-poor" in Asia and the Pacific, who live on about \$2 a day. Those suffering most include the urban youth and, in some countries, young women who made up a large portion of the workforce in certain export industries such as the garment and high-technology sectors.
- (ii) The crisis poses significant risks for the environments of the poor. Increased unemployment has forced many urban dwellers into poverty. Many move into overcrowded slums, putting added pressure on weak urban infrastructure. Climate change, bringing higher sea levels and extreme weather events, is exacerbating the problem. Pressure on natural resources, notably in rural areas, is further degrading the environment that low-income groups depend on. There is a need to improve the deteriorating physical environment of the region's poor, both in urban and rural areas.
- (iii) Governments in the region should use opportunities emerging from the crisis to make social and economic development and growth in Asia more inclusive. The issue is not just a financial one; appropriate policy reforms and programs are often lacking.
- (iv) Governments should move swiftly to improve social safety nets through more effective targeting and direct more spending to areas such as improving the access of the poor to continued education and investing in maternal and child health. More attention should also be paid to migrants and overseas foreign workers.
- (v) Governments need to promote decent employment and improve the conditions for those outside the formal labor market.
- (vi) Governments should give adequate attention to climate change interventions addressing adaptation in addition to mitigation, and link adaptive measures to slum improvement, rural development, and risk prevention measures such as agricultural, asset and disaster insurance for poor people.
- (vii) Challenges vary from country to country, and governments need to tailor their responses to their specific circumstances.

Source: 3<sup>rd</sup> China-ASEAN Forum on Social Development and Poverty Reduction, 4<sup>th</sup> ASEAN+3 High-Level Seminar on Poverty Reduction, and Asia-wide High-Level Regional Conference and Special Seminar on the Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific. Hanoi, Viet Nam: 28–30 September 2009. Available: <http://www.adb.org/Documents/Events/2009/Poverty-Social-Development/default.asp>

50. ADB convened the first South Asian Forum on the Impact of the Global Economic and Financial Crisis in Manila on 9–10 March 2009. The 2-day forum brought together public and private sector representatives from seven South Asian countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka) to share cross-country experiences on the impacts of the crisis, and on the ongoing and planned measures to preserve financial stability, stimulate growth and ensure social protection in their respective economies. To continue the dialogue, the next South Asian Forum on the global crisis is planned in January 2010, with an expanded participation of policy makers from East Asia, especially ASEAN+3 (ASEAN, the People's Republic of China, Japan, and the Republic of Korea). The focus of the discussions will be on long-term policy measures to build up the resilience and strength of the region's economies.

## V. CONCLUSION

51. The region is starting to emerge from the global economic crisis, yet aggregate numbers mask important differences in growth performance across countries. They also tell an incomplete story about the social and poverty impact of the crisis. Even if a recovery in terms of output is underway in most countries, the adverse impact of the crisis on employment and its accompanying social impacts are likely to be felt for several years to come, especially in poorer countries (i.e., ADF-only countries).

52. The crisis pointed to the need for the region to rebalance its growth model toward: (i) greater intraregional trade and expanded domestic demand and (ii) more inclusive labor markets and social protection systems<sup>27</sup>. ADB will continue to support the crisis response programs of its DMCs through its regular program of loans, grants, guarantees, and TA. Strategy 2020, with its emphasis on sectors and areas that are key to generating employment, stimulating demand and promoting regional cooperation and integration, has proven timely in addressing the region's longer-term challenges. ADB will also continue to work closely with other development partners to rationalize public spending with a view to protecting and/or increasing core spending in critical areas such as the environment, education, health, social insurance, and social assistance.

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<sup>27</sup> Building up reliable social protection systems should also contribute to lowering precautionary savings and boosting private consumption.

## ADB CRISIS RESPONSE, BY MODALITY

Modality	2008		2009		2010		Total		Share of Total (%)	
	Actual		Estimate		Estimate					
	No.	\$ Million	No.	\$ Million	No.	\$ Million	No.	\$ Million	No.	\$ Million
<b>OCR Crisis Assistance</b>	<b>1</b>	<b>300.0</b>	<b>19</b>	<b>6,534</b>	<b>7</b>	<b>949.0</b>	<b>27</b>	<b>7,782.8</b>	<b>62.8</b>	<b>87.1</b>
Program <sup>a</sup>	1	300.0	6	1,935.0	3	300.0	10	2,535.0	23.3	28.4
CSF			5	2,500.0			5	2,500.0	11.6	28.0
Project			5	653.8	1	175.0	6	828.8	14.0	9.3
Guarantee			2	1,325.0	3	474.0	5	1,799.0	11.6	20.1
Of which: TFFP			1	1,000.0			1	1,000.0	2.3	11.2
Private Sector Loan			1	120.0			1	120.0	2.3	1.3
<b>ADF Crisis Assistance</b>	<b>4</b>	<b>315.3</b>	<b>15</b>	<b>818.6</b>	<b>2</b>	<b>21.0</b>	<b>21</b>	<b>1,154.9</b>	<b>48.8</b>	<b>12.9</b>
Program	3	280.3	10	699.9	1	5.0	14	985.2	32.6	11.0
Project	1	35.0	5	118.7	1	16.0	7	169.7	16.3	1.9
<b>TOTAL (OCR+ADF)</b>	<b>4</b>	<b>615.3</b>	<b>30</b>	<b>7,352.4</b>	<b>9</b>	<b>970.0</b>	<b>43</b>	<b>8,937.7</b>	<b>100.0</b>	<b>100.0</b>

<sup>a</sup>Includes quick-disbursing emergency loans.

ADB = Asian Development Bank, ADF = Asian Development Fund, CSF = countercyclical support facility, OCR = ordinary capital resources, TFFP = Trade Finance Facilitation Program.

Notes:

1. Total numbers of projects do not sum because of blended loans.

2. Does not include programming of \$500 million for the remaining balance for CSF.

Sources: ADB. Regional departments, Private Sector Operations Department, and Strategy and Policy Department.

**PROJECTS ADDRESSING THE GLOBAL CRISIS, BYCOUNTRY**

DMC	2008		2009		2010		Total		Share of Total (%)	
	Actual		Estimate		Estimate		No.	\$ Million	No.	\$ Million
	No.	\$ Million	No.	\$ Million	No.	\$ Million				
Armenia			1	80.0	1	70.0	2	150.0	4.7	1.7
Azerbaijan					2	299.0	2	299.0	4.7	3.3
Bangladesh <sup>a</sup>			1	744.9			1	744.9	2.3	8.3
Cambodia	2	45.3	1	30.7			3	76.0	7.0	0.9
Cook Islands			1	10.0			1	10.0	2.3	0.1
Georgia	1	70.0	1	80.0	1	80.0	3	230.0	7.0	2.6
India			2	262.4	1	250.0	3	512.4	7.0	5.7
Indonesia <sup>a</sup>			3	1,584.4	1	100.0	4	1,684.4	9.3	18.8
Kazhakstan <sup>a</sup>			2	687.0			2	687.0	4.7	7.7
Lao PDR			2	35.0			2	35.0	4.7	0.4
Mongolia			2	77.0			2	77.0	4.7	0.9
Pakistan	1	500.0	1	500.0			2	1,000.0	4.7	11.2
Philippines <sup>a</sup>			4	1,095.0			4	1,095.0	9.3	12.3
Regional (TFFP)			1	1,000.0			1	1,000.0	2.3	11.2
Marshal Islands					1	16.0	1	16.0	2.3	0.2
Solomon Islands			1	15.0	1	5.0	2	20.0	4.7	0.2
Sri Lanka					1	150.0	1	150.0	2.3	1.7
Tajikistan			1	40.0			1	40.0	2.3	0.4
Timor Leste			1	46.0			1	46.0	2.3	0.5
Tonga			1	10.0			1	10.0	2.3	0.1
Viet Nam <sup>a</sup>			4	1,055.0			4	1,055.0	9.3	11.8
<b>Total</b>	<b>4</b>	<b>615.3</b>	<b>30</b>	<b>7,352.4</b>	<b>9</b>	<b>970.0</b>	<b>43</b>	<b>8,937.7</b>	<b>100.0</b>	<b>100.0</b>

DMC = developing member country, TFFP = Trade Finance Facilitation Program.

<sup>a</sup>Includes program loans under the countercyclical support facility.

Note: Does not include programming of \$500 million for the remaining balance for CSF.

Sources: ADB. Regional departments, Private Sector Operations Department, and Strategy and Policy Department.

## PROJECTS ADDRESSING THE GLOBAL CRISIS, BY TYPE OF SUPPORT

By Type of Support	2008		2009		2010		Total		Share of Total (%)	
	Actual		Estimate		Estimate		No.	\$ Million	No.	\$ Million
	No.	\$ Million	No.	\$ Million	No.	\$ Million				
Budget support, fiscal expansion, and CSF	3	580.3	15	5,259.9	5	321	23	6,161.2	53.5	68.9
Infrastructure			9	914.8	2	275	11	1,189.8	25.6	13.3
Social protection	1	35.0	5	177.7	1	250	7	462.7	16.3	5.2
Private sector, including trade facilitation			1	1,000.0	1	124	2	1,124.0	4.7	12.6
<b>TOTAL: Categories 1–3</b>	<b>4</b>	<b>615.3</b>	<b>30</b>	<b>7,352.4</b>	<b>9</b>	<b>970.0</b>	<b>43</b>	<b>8,937.7</b>	<b>100.0</b>	<b>100.0</b>

CSF = countercyclical support facility.

Notes:

1. Includes program loans under the countercyclical support facility.
2. Does not include programming of \$500 million for the remaining balance for CSF.

Sources: ADB. Regional departments, Private Sector Operations Department, and Strategy and Policy Department.