

The concessional loans from the Asian Development Fund (ADF), the ADB's soft-loan window, carry only a service charge of 1 per cent per annum with repayments extending over 40 years including a grace period of 10 years.

ADB's lending may be classified into three main categories: project lending, program lending and sector lending. Although project lending remains the principal vehicle by which the ADB transfers resources to its DMCs, sector lending in particular and program lending have assumed greater importance in making the ADB's developmental role more flexible, effective and broader based.

A program loan will finance importation of production inputs, spare parts and balancing or modernizing equipment needed to achieve fuller capacity utilization, rationalization or modernization in a key sector or subsector as a whole. Prerequisites for a program loan are the formulation of a sector development program compatible of such a loan with the activities of the IMF in the country, and a policy dialogue with the government or the sector authority concerned.

Sector lending, introduced by the ADB in 1980, has several advantages, both from the ADB's point of view as well as that of the DMCs themselves. Apart from the fact that they are generally for larger amounts, sector loans have the advantage of faster disbursement because the loans for smaller projects embodied in the sector loan are likely to be disbursed more quickly. Sector lending can be useful over a wide area, covering such sectors and subsectors as agriculture and rural development, energy, water supply and sanitation, feeder road networks, railways, education, health and small-scale industries, where a number of small investment activities can be combined under the structure of a sector loan. This form of lending is also important in building up and strengthening local institutions.

Bank assistance has been channelled to the following sectors: Agriculture and Agro-Industry; Energy; Industry and Non-fuel Minerals; Development Banks; Transport and Communications; Water Supply and Sanitation; Urban Development; Education; Health and Population; and Multiproject. Assistance has also been provided for other activities.