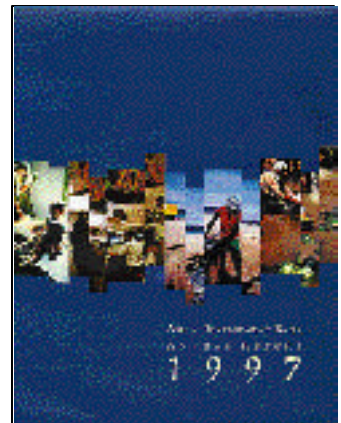


Asian Development Bank

Annual Report 1997



**ASIAN DEVELOPMENT BANK
Manila**

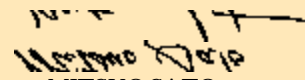
Office of the President

19 March 1998

Dear Mr. Chairman:

In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the Annual Report of the Bank for 1997, including a separate report on the activities of the Special Funds of the Bank, which has been prepared under the direction of the Board of Directors. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



MITSUHO SATO
President and Chairman
of the Board of Directors

Chairman of the Board of Governors
Asian Development Bank

THE BOARD OF DIRECTORS
(as of 31 December 1997)

**President and Chairman of the
Board of Directors**

Mitsuho Sato

Directors

Rafiq A. Akhund
Makoto Hosomi
Li Ruogu
Jin-Gyu Park
Julian H. Payne
Francesco Pittore
Soegito Sastromidjojo
Hans-Jürgen Stryk
Eric Thorn
Prasit Ujjin
K. Venkatesan
Linda Tsao Yang

Alternate Directors

Romeo L. Bernardo
Tetsuji Nagatomo
Liu Liange
Ruey-song Huang
Jens Haarlov
Thomas Eggenberger
John Austin
Leander Treppel
John Russell
Sim Cheng Huat
Muhammad Faizur Razzaque
N. Cinnamon Dornsife

Capital Stock and Voting Power

(as of 31 December 1997)

	SUBSCRIBED CAPITAL ^a	VOTING POWER ^b		SUBSCRIBED CAPITAL ^a	VOTING POWER ^b
	Percent of Total	Percent of Total		Percent of Total	Percent of Total
REGIONAL			NONREGIONAL		
Afghanistan	0.035	0.385	Austria	0.350	0.637
Australia	5.952	5.119	Belgium	0.350	0.637
Bangladesh	1.050	1.197	Canada	5.381	4.662
Bhutan	0.006	0.362	Denmark	0.350	0.637
Cambodia	0.051	0.398	Finland	0.350	0.637
China, People's Rep. of	6.628	5.660	France	2.394	2.273
Cook Islands	0.003	0.359	Germany	4.450	3.917
Fiji	0.070	0.413	Italy	1.859	1.844
Hong Kong, China	0.560	0.805	Netherlands	1.055	1.201
India	6.512	5.567	Norway	0.350	0.637
Indonesia	5.602	4.839	Spain	0.350	0.637
Japan	16.054	13.200	Sweden	0.350	0.637
Kazakstan	0.830	1.021	Switzerland	0.600	0.837
Kiribati	0.004	0.360	Turkey	0.350	0.637
Korea, Republic of	5.182	4.503	United Kingdom	2.101	2.038
Kyrgyz Republic	0.308	0.603	United States	16.054	13.200
Lao PDR	0.014	0.369			
Malaysia	2.801	2.598	Subtotal Nonregional	36.694	35.069
Maldives	0.004	0.360			
Marshall Islands	0.003	0.359	Total	100.000	100.000
Micronesia, Fed. States of	0.004	0.360			
Mongolia	0.015	0.370			
Myanmar	0.560	0.805			
Nauru	0.004	0.360			
Nepal	0.151	0.478			
New Zealand	1.580	1.621			
Pakistan	2.241	2.150			
Papua New Guinea	0.097	0.434			
Philippines	2.451	2.318			
Samoa	0.003	0.360			
Singapore	0.350	0.637			
Solomon Islands	0.007	0.363			
Sri Lanka	0.597	0.834			
Taipei, China	1.120	1.253			
Thailand	1.400	1.478			
Tonga	0.004	0.360			
Tuvalu	0.001	0.358			
Uzbekistan	0.693	0.911			
Vanuatu	0.007	0.363			
Viet Nam	0.351	0.638			
Subtotal Regional	63.306	64.931			

Note: Figures may not add due to rounding. For details, see tables on pages 184 and 185.

a Subscribed capital refers to a member's subscription to shares of the capital stock of the Bank.

b The total voting power of each member shall consist of the sum of its basic votes and proportional votes. The basic votes of each member shall consist of such number of votes as results from the equal distribution among all members of 20 percent of the aggregate sum of the basic votes and proportional votes of all members. The number of proportional votes of each member shall be equal to the number of shares of the capital stock of the Bank held by that member.

Glossary

DEFINITIONS

0.0	data negligible
...	data not available
–	not applicable
—	not reporting
()	negative
billion	1,000 million

NOTE ON DOLLAR AMOUNTS

The Bank's financial statements are expressed in current United States dollars. The dollar amounts in the Report refer, unless otherwise stated, to United States dollars current at the time.

Since 1 April 1978, when the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, the capital stock has been valued for purposes of the Bank's financial statements in terms of Special Drawing Rights (SDRs), at the value in current United States dollars as computed by the IMF. For a more detailed discussion, see OCR-8, Notes to Financial Statements of Ordinary Capital Resources.

ADF	– Asian Development Fund, the Bank's soft-lending window
BOO	– build-own-operate, a mechanism by which private investors build, operate, and continue to own infrastructure projects
BOT	– build-operate-transfer, a mechanism by which private investors build and operate infrastructure projects and then transfer them to the government after a period of time
CFS	– complementary financing scheme, under which two separate loans are extended to a DMC: one exclusively from the Bank and the other especially structured to meet commercial lender requirements. Any default on a CFS loan is a default on the Bank.
Credit Line	– government-guaranteed loan provided to selected financial intermediaries in DMCs for onlending to small- and medium-sized private enterprises
DFI	– development finance institution. The Bank uses such institutions in its DMCs as vehicles to finance small- to medium-sized projects in the private sector.
DMC	– developing member country of the Bank
GDP	– gross domestic product, the total value of a country's goods and services produced during a specific period, excluding external accounts
GNP	– gross national product, the total value of a country's goods and services produced during a specific period and combining domestic and external accounts
JSF	– Japan Special Fund, established in March 1988 and administered by the Bank to help DMCs restructure their economies and broaden the scope for new investments by recycling funds. JSF is also used to support DMCs' efforts toward industrialization, natural resource and human development, and technology transfer.
NGO	– nongovernment organization. NGOs work as special interest groups at all levels.
NIE	– newly industrialized economy. The term refers to Hong Kong, China; Republic of Korea; Singapore; and Taipei, China.
OCR	– ordinary capital resources, the interest-bearing window for the Bank's ordinary lending operations
PCR	– project completion report, which certifies the completion of a Bank project
PPAR	– project performance audit report, which provides the assessment of the long-run development effectiveness of a project
Program Loan	– loan provided to support DMCs' efforts to improve the policy, institutional, and investment environment of sector development. It helps meet short-term costs that policy adjustments entail.
Project Loan	– loan provided to finance a specific project
Sector Loan	– loan provided to develop a specific sector or subsector; finances a large number of subprojects in a single sector or subsector
TASF	– Technical Assistance Special Fund, the principal vehicle for providing technical assistance grants from the Bank's own resources

Contents

1	Overview
2	Operations
6	The Financial Crisis in Developing Asia
10	The Record
11	Operational Highlights, 1966–1997
13	The Board of Directors
13	General operations
14	Policy issues
15	Board committees
17	Directors' visits
19	<i>Special Theme: From Project Financier to Broad-Based Development Institution: Effecting Change Through Technical Assistance</i>
41	Operational Priorities
41	Strategic development objectives
59	Governance: sound development management
61	Law and development
64	Cooperation with nongovernment organizations
65	Private sector activities
67	Bank's role in resource transfer
68	Cofinancing and guarantee operations
70	Portfolio management
72	Performance evaluation and development impact
81	Regional Highlights
81	Global economy
84	Developing Asia
84	Newly industrialized economies
85	Hong Kong, China
86	Republic of Korea
88	Singapore
89	Taipei, China
90	PRC and Mongolia
90	People's Republic of China
94	Mongolia
96	Central Asian republics
97	Kazakstan
99	Kyrgyz Republic
100	Uzbekistan
102	Southeast Asia
103	Cambodia
105	Indonesia
107	Lao PDR
109	Malaysia
111	Myanmar
112	Philippines
114	Thailand

TABLES

Overview

2	Bank Operations
2	Loans by Sector, 1997
3	Lending and Investment Modalities, 1996 and 1997
4	Grant-Financed Technical Assistance from Other Sources, 1997
5	1997 Technical Assistance by Sector: Grant- and Loan-Financed

Special Theme

31	Regional Technical Assistance Approvals, 1997
----	---

Operational Priorities

42	Energy Loans and Technical Assistance Grants, 1997
42	Classification of Projects by Objective, 1994-1997
43	Transport and Communications Loans and Technical Assistance Grants, 1997
44	Financial Sector Loans and Technical Assistance Grants, 1997
45	Agriculture and Natural Resource Loans and Technical Assistance Grants, 1997
49	Social Infrastructure Loans and Technical Assistance Grants, 1997
67	Portfolio Distribution by Sector, 1997
68	Resource Transfers to DMCs
72	Performance Classification by Sector, 1997
73	Performance Classification by Project Cost and Loans Disbursed, 1997

Regional Highlights

81	Economic Indicators of ADB DMCs and Rest of Developing World
83	Net Private Capital Flows to Selected DMCs
86	Republic of Korea: Cumulative Bank Lending
91	People's Republic of China: Cumulative Bank Lending
95	Mongolia: Cumulative Bank Lending
97	Kazakstan: Cumulative Bank Lending
99	Kyrgyz Republic: Cumulative Bank Lending
102	Uzbekistan: Cumulative Bank Lending
103	Cambodia: Cumulative Bank Lending
105	Indonesia: Cumulative Bank Lending
108	Lao People's Democratic Republic: Cumulative Bank Lending
111	Malaysia: Cumulative Bank Lending
112	Myanmar: Cumulative Bank Lending
113	Philippines: Cumulative Bank Lending
115	Thailand: Cumulative Bank Lending
117	Viet Nam: Cumulative Bank Lending
120	Bangladesh: Cumulative Bank Lending
123	Bhutan: Cumulative Bank Lending
124	India: Cumulative Bank Lending
127	Maldives: Cumulative Bank Lending
129	Nepal: Cumulative Bank Lending
131	Pakistan: Cumulative Bank Lending
133	Sri Lanka: Cumulative Bank Lending
136	Cook Islands: Cumulative Bank Lending
137	Fiji: Cumulative Bank Lending
138	Kiribati: Cumulative Bank Lending
139	Marshall Islands: Cumulative Bank Lending
140	Federated States of Micronesia: Cumulative Bank Lending
142	Papua New Guinea: Cumulative Bank Lending
143	Samoa: Cumulative Bank Lending
144	Solomon Islands: Cumulative Bank Lending

117	Viet Nam
119	South Asia
120	Bangladesh
122	Bhutan
123	India
126	Maldives
128	Nepal
130	Pakistan
132	Sri Lanka
135	Pacific islands
135	Cook Islands
137	Fiji
138	Kiribati
139	Marshall Islands
140	Federated States of Micronesia
141	Nauru
141	Papua New Guinea
143	Samoa
144	Solomon Islands
145	Tonga
146	Tuvalu
147	Vanuatu
149	Corporate Planning and Support Activities
149	Corporate planning
150	Economics and Development Resource Center
151	Information systems
153	Resource activities
154	Asian Development Bank Institute
155	Administration
155	Human resource management and development
156	Compensation and benefits
156	Representative offices and resident and regional missions
156	Administrative services
157	Budget
157	Review of financial management systems and streamlining
158	Internal audit
161	Bank Resources and Financial Management
161	Ordinary capital resources
167	Special funds
171	Financial Statements and Independent Auditors' Reports
238	Statistical Annex
239	Economic Data
247	Social Indicators

145	Tonga: Cumulative Bank Lending
147	Vanuatu: Cumulative Bank Lending
Bank Resources and Financial Management	
162	Income and Expenses – Ordinary Capital Resources
163	Lending Rates
165	Borrowings, 1997
168	ADF Commitment Authority
170	Technical Assistance Special Fund (TASF) Resources
170	Japan Special Fund Technical Assistance by Sector, 1997

CHARTS**Overview**

2	Loan Approvals
3	Top Borrowers, 1997
3	Volume of Loans by Modality, 1997
3	Number of Loans by Modality
4	1997 Total Cost of Loan Projects and Sources of Financing
4	Loan Disbursements
4	Technical Assistance Grants
5	Technical Assistance Grants by Sector, 1997
5	Technical Assistance Grants by Sector, 1967-1997
5	Top Recipients of Technical Assistance Grants, 1997

Special Theme

19	Technical Assistance Grants, 1980-1997
19	Number of Technical Assistance Grants, 1980-1997
21	Distribution of Technical Assistance Grants, 1980-1997
21	Average Value of Technical Assistance Grants, 1980-1997
23	Technical Assistance Approvals by Sector, 1987 and 1997
35	Use of DMC Consultants, 1995-1997

Operational Priorities

51	Sectoral Distribution of Loan Approvals from OCR and ADF, 1997
51	Sectoral Distribution of Loan Approvals: 1994-1996 (average) and 1997 – By Value
67	Private Sector Loans and Equity Investments
68	1997 Net Transfer of ADB Resources to DMCs
69	Cofinancing Arrangements
71	Contract Awards and Disbursements, 1993-1997
75	Performance of Postevaluated Projects, by Sector and Approval Period: Group A Countries
76	Performance of Postevaluated Projects, by Sector and Approval Period: Group B Countries
77	Performance of Postevaluated Projects, by Sector and Approval Period: Group C Countries
78	Performance of Postevaluated Projects, by Sector and Approval Period: All Countries

Regional Highlights

82	Major Interest Rates
84	Newly Industrialized Economies: GDP Growth Rates
87	Republic of Korea: Lending and Disbursements
90	PRC and Mongolia: GDP Growth Rates
91	People's Republic of China: Lending and Disbursements
95	Mongolia: Lending and Disbursements
96	Central Asian Republics: GDP Growth Rates
97	Kazakstan: Lending and Disbursements
99	Kyrgyz Republic: Lending and Disbursements
102	Uzbekistan: Lending and Disbursements
103	Southeast Asian Economies: GDP Growth Rates
104	Cambodia: Lending and Disbursements
106	Indonesia: Lending and Disbursements
109	Lao PDR: Lending and Disbursements
111	Malaysia: Lending and Disbursements

250	Bank Operational Data
293	Financial Resources

297 Appendices

308 Major ADB Publications

311 Other ADB Contact Addresses

114	Philippines: Lending and Disbursements
115	Thailand: Lending and Disbursements
117	Viet Nam: Lending and Disbursements
119	Selected South Asian Economies: GDP Growth Rates
120	Bangladesh: Lending and Disbursements
123	Bhutan: Lending and Disbursements
124	India: Lending and Disbursements
127	Maldives: Lending and Disbursements
129	Nepal: Lending and Disbursements
131	Pakistan: Lending and Disbursements
134	Sri Lanka: Lending and Disbursements
135	Selected Pacific Economies: GDP Growth Rates
136	Cook Islands: Lending and Disbursements
137	Fiji: Lending and Disbursements
139	Marshall Islands: Lending and Disbursements
140	Federated States of Micronesia: Lending and Disbursements
142	Papua New Guinea: Lending and Disbursements
143	Samoa: Lending and Disbursements
144	Solomon Islands: Lending and Disbursements
145	Tonga: Lending and Disbursements
147	Vanuatu: Lending and Disbursements

Bank Resources and Financial Management

164	Borrowings, 1988-1997
-----	-----------------------

BOXES

Overview

6	The Financial Crisis in Developing Asia
---	---

The Board of Directors

13	The Boards and Their Functions
14	Postevaluation Reports Discussed by the Audit Committee in 1997
15	Policy Papers Discussed by the Board in 1997

Special Theme

20	Box 1: The Early Years
22	Box 2: Sources of Funds for Technical Assistance
25	Box 3: Institutional Strengthening of Asia's Supreme Audit Institutions
26	Box 4: Municipal Management Reform in Lahore, Pakistan
27	Box 5: Privatization in the Kyrgyz Republic
28	Box 6: Financial Sector Development in Mongolia
30	Box 7: Environmental Management of Chao Lake, People's Republic of China
32	Box 8: Technical Assistance for the Greater Mekong Subregion
34	Box 9: Technical Assistance and Nongovernment Organizations
36	Box 10: Participatory Approach in Livestock Development in Nepal
38	Box 11: Technical Assistance for Countries Affected by the Current Financial Crisis

Operational Priorities

41	Classification of Country Groups
45	Agriculture and Natural Resources
46	Bank's First Loan for Renewable Energy
55	Bangladesh's Urban Primary Health Care Project: An Innovation in Health Care Provision
56	Environmental Challenges in the 21 st Century
57	Measuring Environmental Quality in Asia
58	Land and Forest Fires in Indonesia and the Bank's Response
63	Project DIAL
73	Project Performance Report System
74	Economic and Social Benefits of Selected Projects
77	Selected Impact Evaluation and Reevaluation Studies