

# Overview

**N**INETEEN NINETY-SEVEN was a year of massive, unanticipated turbulence for the newly industrialized economies (NIEs) and Southeast Asia's currency and stock markets. Asia's economic progress was set back significantly by precipitous falls in the values of currencies and stock markets that began in mid-1997. The repercussions of these disturbances are still being felt throughout the region and beyond. For most of the Bank's members in Asia, particularly in some of the NIEs and Southeast Asian countries, the rate of economic growth fell in 1997 in relation to previous years. The outlook for 1998 has had to be revised downward sharply, not only for the afflicted economies, but for other economies of Asia as well. While the brunt of adjustment is likely to be felt in 1998 — some economies will actually contract — it may be several years before normal growth patterns reappear. The social costs of the “contagion” could be very high.

From mid-1997, the Bank monitored the rapidly unfolding situation of the region and determined appropriate Bank responses. It liaised closely with its member countries, the International Monetary Fund, the World Bank, and bilateral donors to develop its interventions. These efforts culminated in program loans to the Republic of Korea and Thailand, and a pledge of assistance to Indonesia. The loan to the Republic of Korea was the Bank's first to this country since 1988. These loans illustrated the Bank's ability to respond rapidly to the needs of the region.

The financial sector loans to the Republic of Korea and Thailand, both from the Bank's ordinary capital resources (OCR), boosted total Bank lending for the year to \$9.4 billion, nearly \$4 billion more than lending in 1996. As a result, the financial sector received nearly 50 percent of total lending.

While these extraordinary developments headed its agenda during the second half of the year, the Bank continued throughout the year with its normal country-based loan, technical assistance, and advisory operations. In these it continued to be guided by the strategic priorities identified in its *Medium-Term Strategic Framework (MTSF) (1995-1998)*. The Bank again strove to meet five strategic objectives: promoting economic growth, reducing poverty, supporting human development, improving the status of women, and protecting the environment. It continued to consolidate its position as a broad-based development institution and not just a project financier.

In terms of number of loans, more than 60 percent were for social, environment, or growth-oriented purposes, well above the Bank target of 50 percent.

**Bank Operations**

	\$ Million		%
	1996	1997	
Lending			
OCR	3,879.45	7,794.42	100.92
ADF	1,665.63	1,619.62	(2.76)
<b>Total Lending</b>	<b>5,545.08</b>	<b>9,414.04</b>	<b>69.77</b>
Equity Investments	107.28	74.29	(30.75)
Technical Assistance			
Grants <sup>a</sup>	174.47	162.50	(6.86)
<b>Total</b>	<b>5,826.83</b>	<b>9,650.83</b>	<b>65.63</b>

( ) negative.

a Includes regional activities.

**Loan Approvals<sup>a</sup>****Loans by Sector, 1997**

	\$ Million	%
Financial	4,663.00	49.53
Social Infrastructure	1,774.82	18.85
Agriculture and Natural Resources	1,004.02	10.67
Transport and Communications	933.00	9.91
Energy	668.40	7.10
Others	330.00	3.51
Industry and Nonfuel Minerals	40.00	0.42
Multisector	0.80	0.01
<b>Total</b>	<b>9,414.04</b>	<b>100.00</b>

Events later in the year overshadowed some otherwise significant events in the life of the Bank. Notable among them was the review of technical assistance operations, resulting in some changes in both emphasis and practice. The most important is the intention to take a longer-term perspective in technical assistance work and to forge continuing partnerships with developing member country (DMC) agencies.

The Bank took several steps in 1997 toward establishing a workable set of indicators to measure both its own performance and that of its members. The Project Performance Management System was piloted and the Project Performance Report System was introduced.

Negotiations were concluded at a donors' meeting in January on the sixth replenishment of the Asian Development Fund (ADF). The agreement, amounting to contributions from donors and OCR totaling \$6.3 billion, was formalized in Tokyo in May.

Continuing its country outreach endeavors, the Board of Directors approved the establishment of three more resident missions (Kazakstan, Sri Lanka, and Uzbekistan) to assist in project formulation and implementation, and to improve dialogue with host governments. The Sri Lanka Resident Mission began operations in November.

The Asian Development Bank Institute opened in Tokyo in December. It will undertake research on development strategies and provide training in development management. It will identify approaches tailored to the needs of DMCs and improve their capacity for sound development management.

The Bank chaired consultative group meetings for the Cook Islands and Vanuatu, the latter the first such meeting in the country undertaken by the Bank.

The Bank's seminal study, *Emerging Asia: Changes and Challenges*, published in 1997, highlighted the long-term development prospects of the region.

The 30<sup>th</sup> Annual Meeting of the Bank's Board of Governors was held in Fukuoka, Japan, from 11 to 13 May 1997.

**Operations**

Cumulative Bank lending since the Bank's inception to the end of 1997 amounted to \$71.6 billion for 1,448 projects in 35 DMCs. Cumulative equity investments and underwriting since the Bank's private sector operations started in 1983 amounted to \$563 million for 105 projects.

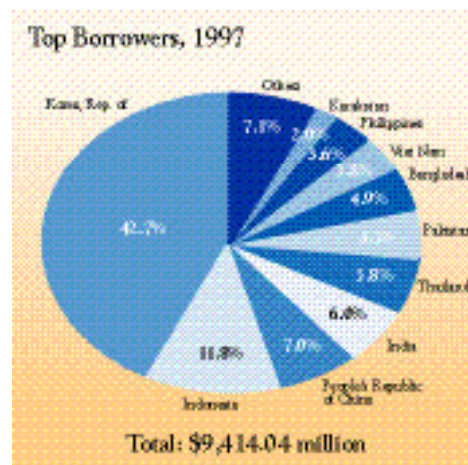
**Lending:** Total lending in 1997 comprising public as well as private sector operations amounted to \$9,414 million (including loans of \$4.015 billion to the Republic of Korea) for 75 projects, compared with the previous year's level of \$5,545.1 million for 83 projects. This reflected an increase of about 70 percent in dollar amount and a decrease of 9.6 percent in number. Loans from OCR increased by 101 percent to \$7,794.4 million, while concessional loans from ADF decreased by 2.8 percent to \$1,619.6 million.

Excluding the \$4,015 million loans to the Republic of Korea, total lending in 1997 amounted to \$5,399 million, reflecting a 2.6 percent

**Lending and Investment Modalities, 1996 and 1997**

	1996		1997	
	Number of Loans	\$ Million	Number of Loans	\$ Million
<b>LENDING</b>				
Project Loans	51	3,463.53	53	3,145.72
Program Loans	5	400.00	5	510.00
Sector Loans	14	814.70	9	689.00
Credit Lines	10	650.00	6	591.10
Detailed Engineering (Technical Assistance) Loans	2	7.35	1	2.60
Private Sector Loans without Government Guarantee	6	156.00	2	45.00
Sector Development Program Loans <sup>a</sup>	4	53.50	15	4,430.62
<b>Total Lending</b>	<b>92</b>	<b>5,545.08</b>	<b>91</b>	<b>9,414.04</b>
<b>EQUITY INVESTMENT</b>				
	10	107.28	6	74.29

<sup>a</sup> A lending window that combines a program loan, sector/technical assistance loan, or credit line.

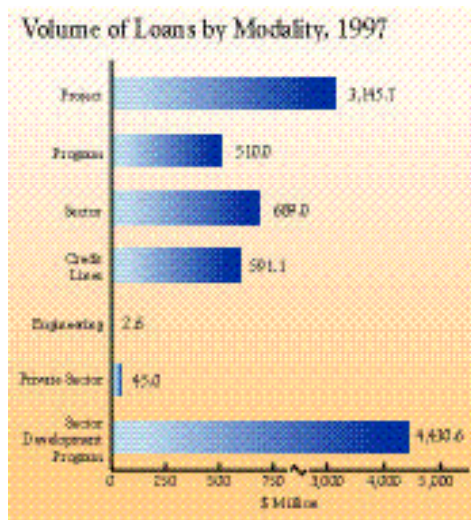


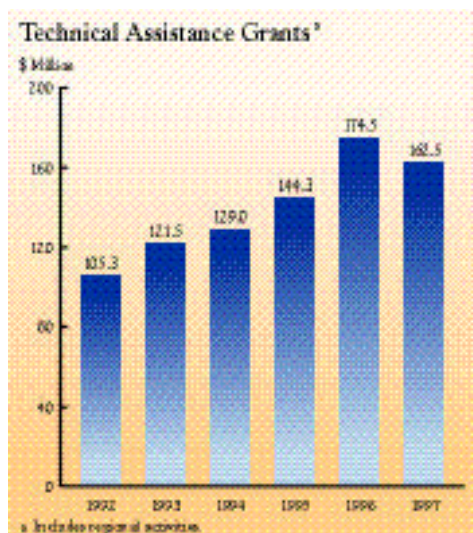
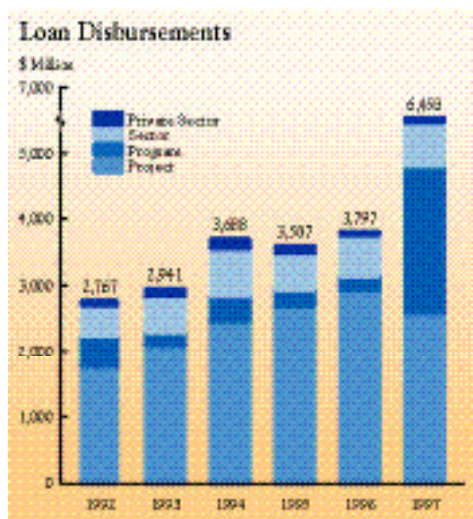
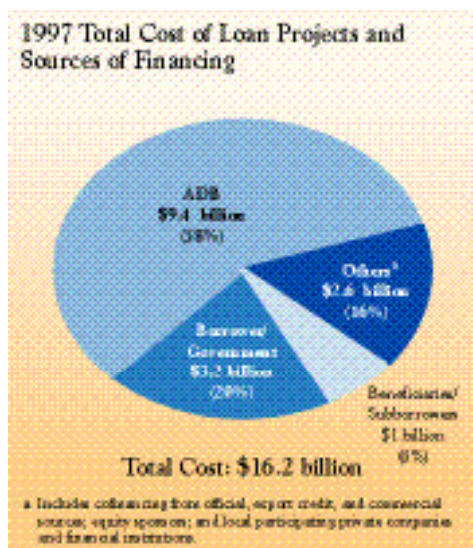
decrease from the previous year's level of \$5,545.1 million. Loans from OCR amounted to \$3,779.4 million, a 2.6 percent decrease from last year's level of \$3,879.5 million.

Of the total lending, loans with government guarantee amounted to \$9,369 million for 73 projects, comprising \$7,749.4 million from OCR and \$1,619.6 million from ADF. In the private sector, two direct loans without government guarantee, amounting to \$45 million, were approved.

**Equity investments:** The Bank approved six equity investments in the private sector amounting to \$74.3 million. The Bank's equity operations, which began in 1983, reached a cumulative total of \$563 million.

**Technical assistance:** The Bank's technical assistance operations are financed through grants or loans, or a combination of both. Grants are funded from voluntary contributions to





the Technical Assistance Special Fund (TASF) by members; reflows from reimbursable technical assistance; annual transfers of OCR net income to TASF; annual contributions from the Japan Special Fund (JSF); and monies from multilateral and bilateral sources (under joint and exclusive financing arrangements).

During 1997, technical assistance grants were approved for 298 projects amounting to \$162.5 million (a decrease of 6.9 percent in dollar amount from 1996).

This includes \$27.4 million for regional activities. Of the 298 projects approved in 1997, 78 were project preparatory, 165 were advisory and operational, and 55 were for regional activities. Technical assistance components of loans amounted to \$353.6 million (an increase of 5.6 percent from 1996).

Sixty three loans approved in 1997, involving \$4,298.8 million, resulted from earlier technical assistance projects. Of this, \$2,793 million were from OCR and \$1,505.8 million from ADF.

**Total cost of projects**

The 75 projects that received loans (or a combination of loan and equity investment) during the year involved an estimated total project cost of about \$16.2 billion. Bank financing of these projects in loans and equities amounted to \$9.4 billion or 58 percent of the cost. Borrowers, governments, or both provided \$3.2 billion or 20 percent. About \$2.6 billion or 16 percent were financed through cofinancing from official and commercial sources, equity sponsors, and local financial institutions. Project beneficiaries and subborrowers provided about \$1 billion or 6 percent of the total project cost.

**Review of operations**

Lending to the public and private sectors during 1997 increased in dollar amount by 70 percent, while the number of loans decreased to 91 from 92 in the previous year. The rise was mainly due to the extraordinarily large Financial Sector Reform Program loan to the Republic of Korea, and an increase in the number of sector development program loans under the new program lending modality approved in 1996.

**Grant-Financed Technical Assistance from Other Sources,<sup>a</sup> 1997**

	Number of Projects	\$ Thousand
Australia	4	1,125.00
Belgium	2	809.00
Denmark	2	998.00
Finland	1	19.80
France	3	1,770.00
Netherlands	2	7,212.66
Norway	3	2,050.00
Switzerland	1	1,400.00
<b>Total</b>	<b>18</b>	<b>15,384.46</b>

<sup>a</sup> Administered by the Bank.

**1997 Technical Assistance by Sector:  
Grant- and Loan-Financed**  
(amounts in \$ million)

Sector	Component of Loan	Grant <sup>a</sup>	Total Loan and Grant	%
Agriculture and Natural Resources	92.40	28.55	120.95	24.8
Energy	10.55	11.90	22.45	4.6
Financial	20.00	13.32	33.32	6.8
Industry and Nonfuel Minerals	–	0.42	0.42	0.1
Social Infrastructure	143.93	30.29	174.22	35.6
Transport and Communications	82.75	15.45	98.20	20.1
Multisector	–	0.60	0.60	0.1
Others	4.00	34.52	38.52	7.9
<b>Total</b>	<b>353.63</b>	<b>135.05</b>	<b>488.68</b>	<b>100.0</b>

a Excluding technical assistance grants for regional activities amounting to \$27.45 million.

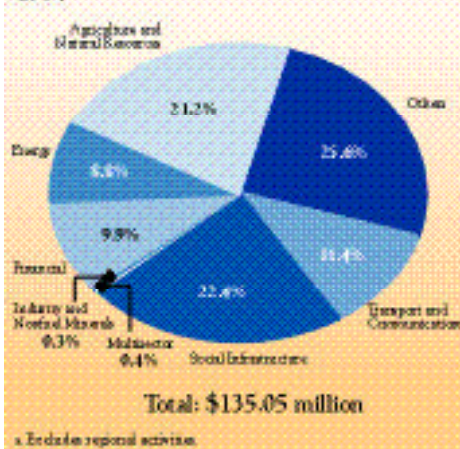
Excluding the large loan of \$4 billion to the Republic of Korea, the average size of loans for the year was \$61 million, a slight increase from the previous year's average of \$60 million.

Twenty-four countries received Bank loans in 1997 with the Republic of Korea leading the top ten borrowers with \$4,015 million, followed by Indonesia with \$1,108.8 million, People's Republic of China (\$656 million), India (\$563 million), Thailand (\$550 million), Pakistan (\$501 million), Bangladesh (\$459.7 million), Viet Nam (\$359.6 million), Philippines (\$341.6 million), and Kazakstan (\$185 million).

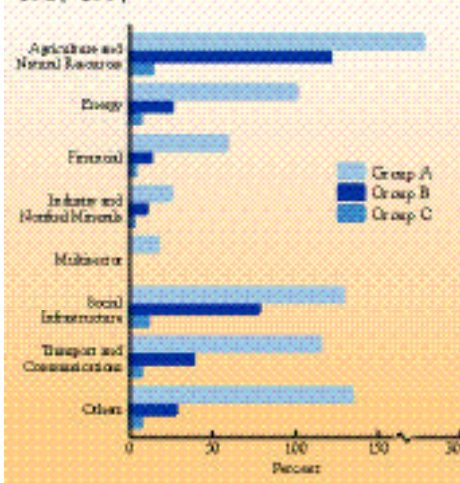
The *financial* sector received the highest share of loans with 49.5 percent of the total lending in 1997, followed by *social infrastructure* (which includes water supply and sanitation, urban development and housing, education, and health and population) at 18.9 percent, and *agriculture and natural resources* at 10.7 percent. The share of lending to other major sectors was as follows: *transport and communications* at 9.9 percent; *energy*, 7.1 percent; *industry and nonfuel minerals*, 0.4 percent; and *multisector and others*, 3.5 percent.

Borrowings undertaken by the Bank during the year raised a total of \$5,587.7 million, of which bridge financing accounted for \$3,325 million and long-term borrowings for \$2,262.7 million. The average life of long-term borrowings undertaken in 1997 was 12.7 years, compared with 9.5 years in 1996. The year's long-term borrowings included a \$1 billion global bond issue, a deutsche mark (DM) 1.5 billion Euro-fungible bond issue, a yen (¥) 5 billion dual-currency private placement, a \$300 million put bond issue, and a Swiss franc (SwF) 100 million private placement. About \$2,149.6 million of these long-term borrowings were fixed-rate US dollar liabilities with an average after-swap cost of 6.58 percent, compared with 5.92 percent in 1996.

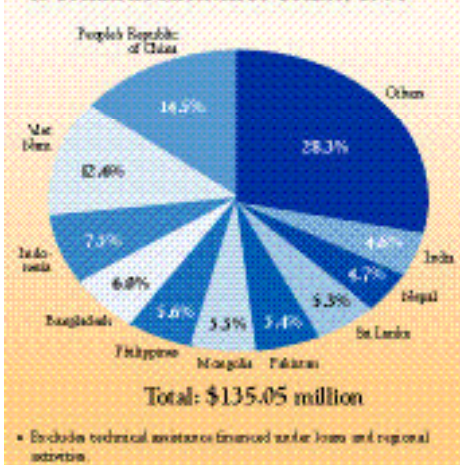
Technical Assistance Grants by Sector, 1997<sup>a</sup>



Technical Assistance Grants by Sector, 1967-1997



Top Recipients of Technical Assistance Grants, 1997<sup>a</sup>



## The Financial Crisis in Developing Asia

THE MOST significant event in the world economy in 1997 was the financial crisis that affected much of Asia. The crisis began in Thailand in July 1997 when the value of the Thai baht plummeted, following the abandonment of the country's pegged exchange rate system. This crisis, which began as a currency crisis, spread and engulfed Indonesia, Republic of Korea, Malaysia, and Philippines by the end of 1997. The currencies of these countries depreciated sharply, bringing with them downward pressures on other currencies perceived to be vulnerable, not only in Asia but around the world. The financial crisis was reflected in the collapse in stock markets, and the poor health of bank and nonbank financial institution portfolios. The speed of the crisis took everyone by surprise. Even those skeptics who argued that the claims of an Asian economic miracle were overstated had not expected such a precipitous collapse.

From the end of June through the end of December 1997, the nominal exchange rate (dollar price of the local currency) depreciated significantly across the most affected countries. The Indonesian rupiah depreciated by about 80 percent; the Thai baht by about 50 percent; and the Korean won, Malaysian ringgit, and the Philippine peso by about 40 percent each. In hindsight, it can be seen that deterioration in investor confidence preceded the currency crisis. Stock markets in Thailand and the Republic of Korea had been under pressure since the beginning of 1996. In Malaysia and the Philippines, the pressure began in early 1997, and stock prices declined by about 50 percent and 60 percent, respectively, in local currency terms. In Indonesia, the stock market remained buoyant during the early part of the year, but with the onset of the currency crisis it declined sharply (about 80 percent).

This crisis was not limited to individual countries but spread across the region. The contagion effect of the crisis has been felt, to varying extents, not only in neighboring countries but also in financial markets as far away as Australia and New Zealand. The Singapore dollar depreciated by 40 percent, the Lao kip by about 19 percent, and the Indian and Pakistani rupees by about 10 percent from end-June to end-December. However, despite speculative attacks on a number of occasions and a sharp fall in the Hang Seng index by about 33 percent from its August peak, the Hong Kong dollar has remained firm.

While globalization rapidly brought substantial benefits to developing Asia, it also heightened the risks associated with failing to address inappropriate policies, weaknesses in financial sector institutions, and problems in corporate and public governance. The economies most affected by the crisis displayed relatively few vulnerabilities in their macroeconomic indicators, but a significant warning signal was there in the large and growing current account deficits in Malaysia and Thailand. During 1990-1996, the current account deficit to GDP ratio averaged 7 percent in Thailand and 6.3 percent in Malaysia. The current account deficits were somewhat lower in the Philippines (averaging 4 percent), Indonesia (2.8 percent), and Republic of Korea (1.7 percent).

These current account deficits were partly caused by structural changes in the "real" side of these economies and partly by appreciation of their real exchange rates. In recent years, countries such as Malaysia and Thailand have faced an erosion in their competitiveness in labor-intensive products vis-à-vis lower-wage Asian competitor countries. In 1996, an export slow-

down was compounded by a sharp cyclical decline in the demand for semi-conductors and other electronic products (as well as slower growth of world trade compared with previous years). In addition to the export slowdown, an increase in imports due to appreciation of the real exchange rates also caused increases in the current account deficits in the countries most affected by the crisis. During the period June 1995 to June 1997, the real exchange rate appreciated by 21 percent for the Philippines, 14 percent for Thailand, and 12 percent for Indonesia and Malaysia. The Republic of Korea also experienced some appreciation but only by a modest 1.5 percent.

The combination of increased current account deficits and rising real exchange rates was sustained by private capital flows from abroad. Since the late 1980s, many Asian developing economies have experienced surges in capital inflows. Aside from the PRC, the surges were largest in the countries that later experienced the strongest effects of the crisis. On a cumulative basis from 1987 through 1996, the Republic of Korea received \$80 billion, Thailand \$75 billion, Indonesia and Malaysia \$68 billion each, and the Philippines \$23 billion. These inflows were nearly 12 percent of GDP per annum on average in Malaysia, followed by 7.4 percent in Thailand, 5.7 percent in Indonesia, 5.1 percent in the Republic of Korea, and 4.3 percent in the Philippines. Only a small fraction of this flow came in the form of foreign direct investment; the remainder was either through portfolio investment or through the banking sector.

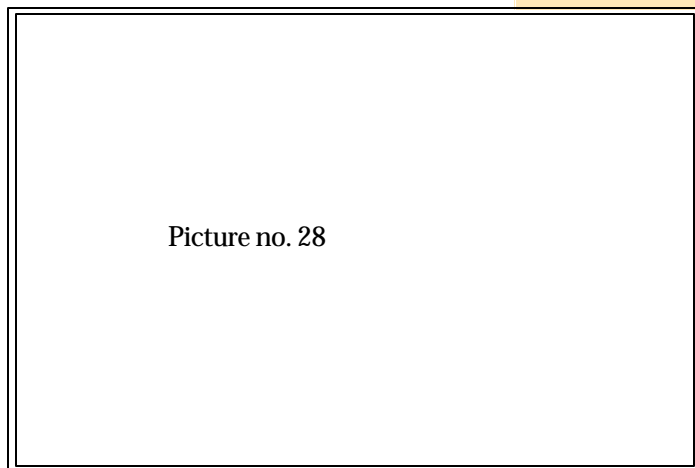
Once the surge of private capital inflows started — partly driven by the fundamentals of these economies and partly driven by the speculative tendencies of investors — a rampant increase in domestic asset prices ensued. This rise in asset prices, which increases returns to capital, in turn induced further capital inflows and by mid-1996, private capital flows into these countries had reached an all-time high.

The surge of private foreign capital brought about imbalances in the banking sector of the five most affected countries (Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand). First, the foreign liabilities of the commercial banks between 1993 and 1996 increased by about 12 percent per annum while foreign assets increased by only about 7 percent per annum. In contrast, in the less-affected Asian developing economies, such as Hong Kong, China; Singapore; and Taipei, China, foreign assets of the banking sector increased at the same rate as foreign liabilities and the net foreign debt position remained virtually unchanged. Second, much of the collateral which the banking sector accepted for loans was real estate and equities, assets whose prices contained a large “bubble” element. Finally, there was an imbalance in the maturity structure of assets and liabilities of the banks. As much of the capital inflow was short term, they were borrowing short and lending long.

Some financial institutions — such as the Thai finance companies and Korean banks — reflected an implicit belief that their financial liabilities were guaranteed by their respective governments. This implicit guarantee was visible in the strong political connections of the ownership of these

Picture no. 13

*Lending for financial market reforms has increased in light of the currency turmoil in Asian economies.*



Picture no. 28

*Capital market development has received priority to facilitate long-term domestic debt financing to meet critical infrastructural needs.*

institutions and government assistance in times of financial distress. In addition, these financial entities were subject to nontransparent and lax regulatory enforcement. In the context of surging capital inflows, implicit government guarantees to creditors encouraged excessive risk-taking, raised investors' overoptimism, and allowed loan quality to deteriorate. The implicit belief that effectively fixed exchange rates would be maintained indefinitely also discouraged the prudent hedging of foreign liabilities.

The financial institutions of affected countries were ill equipped to deal with globalization's sudden surges in capital flows, and with the frenetic pace of economic activity during their period of rapid growth. Poorly regulated banks channeled funds from savers to investors in an inefficient manner, encouraged by rising asset prices. Standards of loan appraisal and portfolio management were generally inadequate, and weak or poorly enforced disclosure requirements deterred accurate information from coming to light. Thus, while saving was generally high, it often was not invested most productively. As returns began to disappoint investors, their irrational exuberance faded rapidly. The five economies most adversely affected by the crisis recorded an aggregate

net foreign capital outflow of \$12 billion in 1997, compared with aggregate net inflow of \$93 billion in 1996, according to the Institute of International Finance. The value of currencies began to plummet and interest rates to skyrocket in these countries. High, unhedged debt-to-equity ratios, which had been a boon in better times, began to imperil company finances and those of the financial institutions which had lent to them.

As the crisis deepened and broadened, international institutions responded rapidly. The different dimensions of the crisis (for example, banking failures in the Republic of Korea and Thailand, and corporate failures in Indonesia) called for differing focuses in each country. In coordination with other multilateral financial institutions, the Bank, for example, approved a \$300 million financial markets reform program loan for Thailand. The program was designed to (i) strengthen market regulation and supervision; (ii) improve risk management; (iii) facilitate investor access to domestic financial markets; and (iv) develop long-term institutional sources of funds by promoting an integrated system of pension and provident funds.

In the Republic of Korea, the Bank approved a \$4 billion program loan for financial sector reforms in three major areas: (i) capacity building of

banking and nonbank financial institutions; (ii) building financial market infrastructures; and (iii) improving corporate accounting and disclosure standards. This is the Bank's largest single loan ever. In addition, a technical assistance loan of \$15 million was negotiated with the Korean Government to (i) create a Financial Supervisory Agency; (ii) assist the Korea Asset Management Corporation in managing nonperforming loans of commercial and merchant banks; (iii) strengthen credit rating agencies; and (iv) create a special purpose vehicle for a mortgage-backed securities market.

In Indonesia, the Bank has been working on a \$1.5 billion capital market reform program to improve regulatory and supervisory functions, develop the fixed income securities and financial derivatives markets, and strengthen the institutional capability of contractual savings institutions. In addition, the Bank is expected to become involved with restructuring the banking system, focusing on private national banks and regional development banks.

The Republic of Korea and most of Southeast Asia are now undergoing wrenching macroeconomic and sectoral adjustments, but the implications for real economic activity, as opposed to the financial sector, are only gradually being revealed. The social consequences of the crisis are likely to be serious. Many of those least able to protect themselves, such as migrant workers, will be among those most severely affected. The expectations of many of Asia's emerging middle class have also suffered. Social safety nets, which are weak or poorly developed in many places, are coming under increasing stress. The Bank will continue to assist its developing members to address such difficulties.

Notwithstanding the current crisis, the longer-term outlook for the region is far from bleak. Human capacities have not been destroyed, social and physical infrastructure remain largely intact, and there has been a strengthening of policies and institutional structures that promote openness and macroeconomic stability. The capacity for resource mobilization (savings rates exceed 30 percent), reasonably good infrastructure, favorable demographics, an open trading system, and a general commitment to macroeconomic prudence — all these factors should stimulate growth. In time, structural weaknesses in financial systems can and will be rectified, more efficient capital markets will evolve, and foreign capital will return.

Economic growth will resume once appropriate adjustment policies are implemented and take effect. However, fast growth in Asia is unlikely to resume quickly. The necessary institutional responses to the crisis cannot be implemented overnight. For some economies, the road back may be longer than for others, but provided policy corrections are made and institutional reforms carried through, the foundations which propelled fast growth in the past should once again come to the fore.

# The Record

(amounts in \$ million)

	1966-1997 <sup>a</sup>	1994	1995	1996	1997
<b>OPERATIONAL ACTIVITIES</b>					
<b>TOTAL LENDING</b> (amount)	<b>71,568.0<sup>b</sup></b>	<b>3,679.0</b>	<b>5,485.9</b>	<b>5,545.1</b>	<b>9,414.0</b>
Number of Projects <sup>c</sup>	1,448	47	71	83	75
<b>OCR Loans</b> (amount)	<b>50,790.4</b>	<b>2,502.3</b>	<b>4,031.0</b>	<b>3,879.5</b>	<b>7,794.4</b>
Number of Loans	822	23	36	48	42
Disbursements (amount)	29,549.6	2,501.4	2,442.1	2,562.6	5,303.7
<b>ADF Loans</b> (amount)	<b>20,777.6</b>	<b>1,176.7</b>	<b>1,454.9</b>	<b>1,665.6</b>	<b>1,619.6</b>
Number of Loans	765	26	37	44	49
Disbursements (amount)	13,135.5	1,186.5	1,144.9	1,234.1	1,154.1
<b>A Government and Government-Guaranteed Loans</b> (amount)					
<b>Guaranteed Loans</b> (amount)	<b>70,650.6</b>	<b>3,679.0</b>	<b>5,417.9</b>	<b>5,389.1</b>	<b>9,369.0</b>
Number of Projects <sup>c</sup>	1,386	47	66	78	73
OCR Loans (amount)	49,887.5	2,502.3	3,963.0	3,723.5	7,749.4
Number of Loans	764	23	31	42	40
Disbursements (amount)	28,858.8	2,375.2	2,341.6	2,521.1	5,237.5
ADF Loans (amount)	20,763.1	1,176.7	1,454.9	1,665.6	1,619.6
Number of Loans	760	26	37	44	49
Disbursements (amount)	13,120.1	1,186.3	1,144.9	1,234.1	1,154.1
<b>B Private Sector Loans<sup>b</sup></b> (amount)					
<b>Private Sector Loans</b> (amount)	<b>917.4</b>	<b>—</b>	<b>68.0</b>	<b>156.0</b>	<b>45.0</b>
Number of Projects <sup>c</sup>	62	—	5	6	2
OCR Loans (amount)	902.9	—	68.0	156.0	45.0
Number of Loans	58	—	5	6	2
Disbursements (amount)	690.8	126.2	100.5	41.5	66.2
ADF Loans (amount)	14.5	—	—	—	—
Number of Loans	5	—	—	—	—
Disbursements (amount)	15.3	0.2	—	—	—
<b>EQUITY INVESTMENT<sup>b</sup></b> (amount)	<b>522.5</b>	<b>50.9</b>	<b>106.4</b>	<b>107.3</b>	<b>74.3</b>
Number of Investments	99	14	10	10	6
<b>EQUITY UNDERWRITING<sup>b</sup></b> (amount)	<b>40.5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Number of Commitments	6	—	—	—	—
<b>TECHNICAL ASSISTANCE<sup>d</sup></b> (amount)	<b>1,454.7</b>	<b>129.0</b>	<b>144.3</b>	<b>174.5</b>	<b>162.5</b>
Number of Projects	3,692	290	296	285	298
<b>COFINANCING<sup>e</sup></b> (amount)	<b>27,160.3</b>	<b>1,559.6</b>	<b>2,462.6</b>	<b>2,662.5</b>	<b>2,702.5</b>
Number of Projects	468	15	20	29	39
<b>RESOURCES</b>					
<b>Ordinary Capital Resources</b>					
Authorized Capital (at end of period)	47,102	50,789	51,893	50,103	47,102
Subscribed Capital (at end of period)	46,411	30,151	43,078	49,368	46,411
Borrowings (gross)	25,305	1,335	1,715	584	5,588
Outstanding Debt (at end of period)	17,542	13,717	14,636	13,697	17,542
Ordinary Reserve (at end of period)	5,867.4	4,650.3	5,003.3	5,522.7	5,867.4
Special Reserve (at end of period)	179.0	177.7	178.1	178.6	179.0
Gross Income	19,227.9	1,525.3	1,745.3	1,561.7	1,449.7
Net Income after Appropriation of Commissions/ Guarantee Fees to Special Reserve	7,139.9	513.1	660.0	571.6	467.5
<b>Special Funds Resources</b>					
Asian Development Fund:					
Total Resources (at end of period)	18,219.2	19,444.8	20,166.6	19,339.1	18,219.2
Technical Assistance Special Fund:					
Total Resources (at end of period) <sup>f</sup>	636.6	532.2	623.1	630.0	636.6
Japan Special Fund:					
Total Resources (at end of period)	657.8	490.8	601.7	671.1	657.8

a Cumulative totals may not add due to rounding.

b Amounts and numbers adjusted to exclude cancellations.

c Projects with multiple loans are counted only once. Cumulative number of projects excludes supplementary loans.

d Comprising technical assistance grants funded by the Bank and other sources. Regional technical assistance projects included.

e Adjusted to reflect changes in cofinancing arrangements.

f Figures revised to include other resources and transfers to ADF.

# Operational Highlights, 1966–1997

## Resources

- Authorized capital equivalent to \$47.1 billion as of 31 December 1997.
- About \$25.3 billion borrowed from international capital markets for ordinary capital lending and private sector investments.
- About \$18.2 billion from the Asian Development Fund for concessional lending to lower-income developing member countries (DMCs), and about \$636.6 million in Technical Assistance Special Fund (TASF) resources for financing technical assistance grants.
- \$71.6 billion in total public and private sector loans involving 1,448 projects; \$563 million in equity investments and equity underwritings.
- \$1,455 million in technical assistance grants: \$377.7 million for project preparation (resulting in 735 Bank loans, totaling \$33 billion); \$831.2 million for project implementation and advisory purposes; and \$245.7 million for regional activities. Of this, \$678.2 million was from TASF and ordinary capital resources; \$504 million from the Japan Special Fund; and \$272.5 million from others, which include multilateral and bilateral sources.
- \$27.2 billion mobilized by way of cofinancing, of which official sources contributed \$18.7 billion, and commercial sources (including commercial banks, insurance companies, and export credit sources), \$8.5 billion.

## Sectoral Activities

- Agriculture and Natural Resources: 202 irrigation and rural development projects; 102 fisheries, livestock, and forestry projects; 45 projects for industrial crops and agro-industry; and 95 projects for agricultural support services, including fertilizer production.
- Energy: 241 projects, including 201 power projects for the creation of 26,502 megawatts of generation capacity, and for about 188,755 kilometers of transmission/distribution circuits. Nonpower energy projects provided for expanded production of natural gas and coal, and rehabilitation of refineries and distribution networks for gas.
- Financial: 143 credit lines totaling \$10.6 billion to 88 financial intermediaries in 24 DMCs, which have been used so far to create 23,929 subloans to small- and medium-scale enterprises, as well as 21 program loans amounting to \$6.8 billion.
- Industry and Nonfuel Minerals: 70 projects, including 63 industry projects and 7 nonfuel mineral projects.
- Social Infrastructure: 102 water supply and sanitation projects benefiting nearly 140 million people; 88 education projects involving the establishment, as well as rehabilitation and expansion, of primary, secondary, and tertiary-level education and training institutions; 45 projects providing physical and institutional support for housing and/or a variety of urban infrastructure facilities; and 35 health and population projects, providing physical and institutional support.
- Transport and Communications: 55 projects in the ports and shipping sector for the construction, rehabilitation, modernization, and expansion of port facilities; 124 projects for the construction, rehabilitation, and maintenance of primary, secondary, and feeder roads; 14 railway projects primarily to increase freight capacity; 17 airport projects for the expansion and upgrading of airport facilities; and 23 telecommunications projects for the improvement and extension of services.
- Multisector: 34 projects aimed at more than one of the Bank's major economic sectors.
- Others: 14 projects not classified in any of the Bank's current major sectoral classifications. This classification category came into Bank use in 1992 with the first tourism project.