Bank Resources and Financial Management

THE BANK'S resources are derived from its ordinary capital resources (OCR), and its Special Funds. Both are examined in this chapter.

Ordinary capital resources

The funds for the operations of the Bank's OCR are sourced from paid-in capital, reserves, and borrowings. In managing these resources, there are five financial management and policy concerns: (i) capital resources management policies, (ii) borrowing policies and strategies, (iii) net income management policies, (iv) loan products and credit risk policies, and (v) liquidity policies.

Financial policies: The Bank's Income and Reserves Policy was reviewed in 1997. Highlights of the Board-approved recommendations include the following: (i) adopt a long-term minimum policy objective for the interest coverage ratio (ICR) of 1.31 which is deemed prudent to protect the Bank's risk-bearing capacity; (ii) establish a planning goal of about 25 percent for the reserve:loan ratio (RLR), and allocate the net income to surplus when the level of equity capital associated with the planning goal for the RLR is not sufficient to meet minimum income requirements resulting from the minimum policy objective for the ICR of 1.31; (iii) effect a medium-term plan to reduce the actual RLR to about 25 percent by 2001; (iv) use the surplus account in the annual income planning process to protect the Bank's risk-bearing capacity and, at the same time, impart flexibility in the disposition of net income, i.e., the Technical Assistance Special Fund (TASF) and the Asian Development Fund (ADF); (v) give priority in the allocation of excess net income on an annual basis to TASF and then to ADF; (vi) maintain the current policy on loan charges; (vii) align the composition of currencies in reserves to those of outstanding loans with the alignment substantially achieved by 2001; and (viii) maintain the Bank's current policy of funding liquidity with equity.

Capitalization: As of 31 December 1997, the Bank's authorized capital stock amounted to $47,102.2 million (SDR34,909.9 million). The subscribed capital stock stood at $46,411.5 million (SDR34,398 million).

Performance and allocation of net income

The Bank's decisive income indicators are the ICR and the RLR. The ICR is the ratio of net income (before deducting financial expenses on borrowings) to financial expenses on borrowings, and measures the Bank's capacity to meet interest obligations on its debts from income. The RLR is a capital adequacy ratio that measures the Bank's capacity to generate net income, and is computed by dividing total reserves by outstanding loans plus equity investments and the present value of guarantees. Both the ICR and RLR measure the Bank's risk-bearing capacity. As of 31 December 1997, the ICR and RLR were 1.55 and 33.6 percent, respectively, compared with 1.7 and 40.6 percent at end-1996.

On the basis of a review of the Bank's income outlook and allocation of the 1996 net income, the Board of Directors recommended to the Board of Governors in March 1997 that the 1996 OCR net income of $571.6 million, after appropriation of guarantee fees to the Special Reserve, be allocated as follows: $315 million to the Ordinary Reserve, and the balance of $256.6 million be retained in the surplus account. The allocation of net income was approved by the Board of Governors in May 1997 with the adoption of Resolution No. 250.

Income and expenses Gross income decreased by 7.2 percent, from $1,561.7 million in 1996 to $1,449.7 million in 1997, despite relatively no change in the Bank's average operating assets due to a decrease in the realized rate of return on the investment portfolio. Of the total gross income, $1,127.9 million was generated by the loan portfolio, $311.7 million by the investment portfolio, and $10.1 million from other sources. *For details, see Income and Expenses – Ordinary Capital Resources table.*

The average yield on the loan portfolio declined to 6.9 percent in 1997 from 7.1 percent in 1996 due mainly to an increasing share of lower-yielding variable-rate loans in the portfolio. The share of such loans increased from 85 percent in 1996 to 91.5 percent in 1997. The yield on the investment portfolio decreased to 5.2 percent in 1997 from 5.6 percent in 1996. This decrease was attributed to less favorable conditions prevailing in international fixed-income markets during the year. The overall net return on average operating assets achieved for the year was 2 percent, compared with 2.5 percent in 1996.

Total operating expenses amounted to $981.8 million, down $7.7 million, or

Income and Expenses – Ordinary Capital Resources
($ million)

	Actual				
Income and Expenses	**1993**	**1994**	**1995**	**1996**	**1997**
Total Income	1,510.0	1,525.3	1,745.3	1,561.7	1,449.7
From Loans	1,075.8	1,187.5	1,312.8	1,170.0	1,127.9
From Investments	410.0	296.1	418.7	359.8	311.7
From Other Sources	24.2	41.7	13.8	31.9	10.1
Less: Expenses					
Interest and Other Financial Expenses	831.8	878.4	962.6	877.9	853.2
Administrative Expenses[a]	88.9	110.7	108.3	108.8	95.7
Provision for Losses	19.5	22.7	14.0	2.9	32.9
Total Expenses	**940.2**	**1,011.8**	**1,084.9**	**989.6**	**981.8**
Net Income[b]	**569.8**	**513.5**	**660.4**	**572.1**	**467.9**

Note: Figures may not add due to rounding.

a Net of administration charge allocated to Asian Development Fund.

b Before appropriation of guarantee fees to Special Reserve.

0.8 percent from the previous year. The fall in expenses was due to a $24.6 million decrease in interest and other financial expenses, a $13.1 million decrease in administrative expenses, and a $30 million increase in the provision for losses. Total operating expenses accounted for 67.7 percent of the gross income, compared with 63.4 percent in 1996.

Net income for the year, before appropriation of guarantee fees to the Special Reserve, amounted to $467.9 million, an 18.2 percent decrease from the previous year. This compared with a 13.4 percent decrease in net income in 1996.

Transfer of OCR surplus to ADF: To augment the ADF nondonor resources, the Bank and ADF donors considered the possibility of transfers to ADF from OCR net income and surplus. To enable such transfers, the Board of Directors confirmed an interpretation of the relevant section of the Bank's Charter. Approval by the Board of Governors must nevertheless be given for each transfer. In April 1997, the Board of Directors recommended to the Board of Governors that the total amount of $230 million held in the Bank's OCR surplus (consisting of $70 million from the 1994 net income and $160 million from the 1995 net income) be transferred to ADF. The recommendation was approved by the Board of Governors under Resolution No. 251 adopted in May 1997.

Lending rates: As a development institution, the Bank aims to provide funds to its borrowers at the lowest possible cost. The Bank's lending rate is basically derived by adding a spread (currently 40 basis points) to the average cost of borrowings. In addition, a commitment fee of 0.75 percent per annum is charged on undisbursed portions of the loans. Currently, the Bank has three lending windows for loans from OCR. These are (i) the pool-based multicurrency loan window, established in July 1986, where loan disbursements are made in a variety of currencies of the Bank's choice; (ii) the pool-based single-currency loan window in US dollars, established in July 1992; and (iii) the market-based loan (MBL) window, established in December 1994, which provides single-currency loans to private sector borrowers and to financial intermediaries in the public sector.

The Bank's pool-based variable lending rates for the first semester of 1997 were 6 percent for multicurrency loans and 6.79 percent for US dollar loans. During the second semester of 1997, the lending rate for the multicurrency loans remained the same, while the lending rate for US dollar loans increased to 6.82 percent.

The lending rates for MBLs are determined on the basis of the six-month London interbank offered rate (LIBOR) plus a lending spread. For private sector borrowers, the spread is determined on a case-by-case basis, while for financial intermediaries in the public sector, the spread is the same as that which applies to pool-based variable-rate loans (currently 40 basis points). MBL borrowers have the option of having the interest on their loans either fixed (at each disbursement) or floating, on the basis of the six-month LIBOR.

Lending Rates[a]
(% per annum)

	1996	1997	
1 January	5.97	6.00	(multicurrency)
	6.89	6.79	(US dollar)
1 July	6.00	6.00	(multicurrency)
	6.82	6.82	(US dollar)

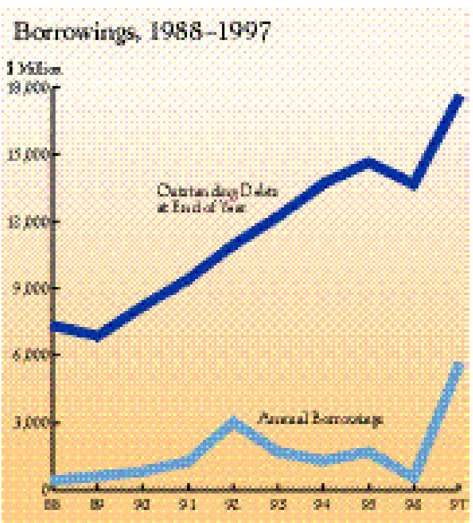
a Lending rates are set on 1 January and 1 July every year and are valid for six-month periods.

Loans

Loan disbursements and repayments: OCR loan disbursements in 1997 totaled $5,303.7 million, a significant increase of 106.97 percent from 1996, caused mainly by the Bank's lending activities in the financial sector programs for the Republic of Korea and Thailand. Principal repayments for the year were $1,332.7 million, of which $449.3 million represented prepayment on loans. On 31 December 1997, cumulative loans outstanding after allowance for possible losses amounted to $18,788.5 million. *For details, see Table 22 in the Statistical Annex.*

Status of loans: There were 42 OCR loans approved in 1997. About 73.7 percent of cumulative loan approvals were made to three countries, viz., Republic of Korea, Indonesia, and People's Republic of China.

Borrowings



The major objectives of the Bank's borrowing and liability management strategy are to ensure the availability of long-term funds for lending operations and to minimize the cost of borrowing for the Bank and its borrowing members. To achieve these objectives, the Bank seeks to

(i) maintain a borrowing presence in the major capital markets and, where possible, increase the size of its public bond issues to provide "benchmark issues" that increase liquidity in the secondary markets, broaden the distribution of its bonds, and favorably align its funding and trading spreads with those of other supranational borrowers;

(ii) emphasize borrowings in the longer-maturity range (to the extent that the related borrowing costs remain attractive) to minimize fluctuations in its lending rates and to ensure a reasonable maturity relationship between borrowings and loans;

(iii) expand its investor base by borrowing in the private placement markets of various currencies;

(iv) tap new markets, especially where this will help develop capital markets in the Asian and Pacific region;

(v) use swap markets where cost-efficient arbitrage can significantly lower the cost of target currencies and transform structured financing into conventional fixed-rate liabilities; and

(vi) use short-term bridge financing should temporary deficiencies arise in currencies required for disbursements or debt service, and if market conditions are not attractive for bond issues with longer maturities.

Under its borrowing program for 1997 of $2.6 billion approved by the Board of Directors at the beginning of the year, the Bank raised funds totaling $2,262.7 million through long-term borrowings and $325 million through Euro-commercial paper (ECP) issuance. The average life of the long-term borrowings in 1997 stood at 12.7 years, compared with 9.5 years in 1996. Of the total long-term borrowings, fixed-rate US dollar liabilities amounted to $2,149.6 million with an average after-swap cost of 6.58 percent, compared with 5.92 percent in 1996. The remaining $113.1 million was raised in the form of floating-rate liabilities. *For more details, see table below.*

The Board approved an increase in the 1997 borrowing program by $3 billion to $5.6 billion in December 1997, when the deteriorating financial crisis in the region led to the provision of a financial sector reform program loan by the Bank to the Republic of Korea in the amount of $4 billion. Following this approval, the Bank expediently raised additional funds in the amount of $3 billion through a combination of bridge loans from commercial banks and ECP issuance, bringing total borrowings for 1997 to $5,587.7 million. The Bank's credit strength and borrowing presence in the international capital markets contributed to the success of this large funding transaction.

Borrowings, 1997
(amounts in millions)

Type		Borrowing	Principal Amount	US$ Equivalent[a]
Long-term borrowings:				
Global	Public Offering	6.75% 10-Year Bonds due 2007	US$1,000	1,000.0
Eurobond Market	Private Placement	5.15% 25-Year Bonds due 2022[b]	¥5,000	44.0
	Public Offering	5.50% 10-Year Bonds due 2007	DM1,500	849.6
Switzerland	Private Placement			
	Tranche A	3-Year Floating Rate Notes due 2000	SwF50	34.6
	Tranche B	2.5-Year Floating Rate Notes due 2000	SwF50	34.6
United States	Public Offering	6.22% 30-Year[c] Bonds due 2027	US$300	300.0
Subtotal				2,262.7[d]
Short-term borrowings:				
Euro-commercial Papers		US$825	825.0	
Bridge Loans			US$2,500	2,500.0
Subtotal				3,325.0
Total				**5,587.7**

a At the Bank's exchange rates effective on the date the terms of the borrowing were determined by the President.
b Interest payable annually in Australian dollars, deutsche mark, or US dollars at the Bank's option.
c With put options every five years starting from year 10.
d Total amount does not tally due to rounding.

Of the total borrowings, $3,000 million were designated for the program loan to the Republic of Korea, $2,149.6 million for the pool-based US dollar single-currency loan window, $369 million for the market-based loan window, and the remaining $69.1 million for liability management activity. The cash requirements of the pool-based multicurrency loan window were adequately covered by cash reflows and, therefore, no borrowings were necessary for this loan window.

The year's borrowings were denominated in deutsche mark (DM), Japanese yen (¥), Swiss francs (SwF), and US dollars. As in previous years, global bond issuance continued to be a key strategy of the Bank for maintaining its market presence in the global institutional investor community. Therefore, the Bank launched its third and largest US dollar global bond issue in June in the principal amount of $1 billion with a ten-year maturity. In preparation for the third stage of the European Monetary Union on 1 January 1999, the Bank launched its debut European currency benchmark bond issue in the principal amount of DM1.5 billion in October. Based on its pricing, the issue positioned the Bank's funding spread in deutsche mark appropriately against comparable issuers in the Euromarket. With a view to expanding its investor base, the Bank launched a 30-year, $300 million put bond issue in August with distribution targeted toward US domestic institutional investors. In addition, the Bank entered into a 25-year, ¥5 billion dual-currency private placement with one of the major institutional investors in Japan.

As of 31 December 1997, the Bank's outstanding long-term borrowings amounted to $14,216.5 million, with an average remaining maturity of 6.36 years, and an average after-swap cost of 6.1 percent while the Bank's outstanding short-term borrowings amounted to $3,325 million, with an average remaining maturity of 0.42 years, and an average cost of 5.94 percent.

Liquid asset investments: As of 31 December 1997, the Bank's liquid assets, consisting of investment holdings (net of special reserve investments) and unrestricted cash, totaled $6,885 million, or approximately 41.9 percent of undisbursed loan balances. Year-end levels of liquid assets are maintained at no less than 40 percent of undisbursed loan balances. This helps to ensure the uninterrupted availability of funds for the Bank's operations and adds to flexibility in borrowing activities, especially when borrowings may be temporarily affected by adverse conditions in the capital markets.

The Bank invests its liquid assets with the primary objective of ensuring the security and liquidity of funds invested. Subject to meeting this objective, the Bank seeks to maximize income on its investments. Indeed, the investment portfolio generates a substantial portion of the Bank's net income. The Bank actively manages its liquid asset portfolio within the credit and market-risk parameters outlined under the Investment Authority approved by the Board. Under this Authority, the Bank is permitted to invest in the obligations of government and government-guaranteed entities, engage in securities lending and borrowing, enter into "short" securities positions, execute transactions in exchange-traded financial futures and options, and engage in covered forward investments.

The Bank's OCR investments increased to $7,041.6 million equivalent as of 31 December 1997 from $6,332 million equivalent a year earlier. The investment portfolio was denominated in 23 currencies. The realized rate of return on OCR investments in 1997 was 5.2 percent, compared with 5.6 percent in 1996. Holdings of securities remained at approximately 42 percent of the portfolio, while investments in short-dated time deposits and other banking instruments accounted for 58 percent of the portfolio. The duration of the portfolio was 10.8 months at end-1997, compared with 12.6 months at end-1996.

To further streamline the investment operations, a back-office automation system and a digital information delivery system were installed during 1997.

Special funds

The Bank is authorized by its Charter to establish and administer Special Funds, which currently consist of the Asian Development Fund (ADF), the Technical Assistance Special Fund (TASF), the Japan Special Fund (JSF), and the ADB Institute Special Fund.

The ADF, whose resources consist mainly of contributions mobilized under periodic replenishments from the Bank's members, is designed to provide loans on concessional terms to those developing member countries (DMCs) with a low per capita gross national product (GNP) and limited debt-repayment capacity. At the end of 1997, loans from the ADF accounted for 29 percent of cumulative Bank lending. The ADF and TASF are multilateral sources of concessional assistance dedicated exclusively to the needs of the Asian and Pacific region.

The TASF was established to provide technical assistance on a grant basis to DMCs and for regional technical assistance activities. TASF resources consist of direct voluntary contributions by member countries, allocations from the net income of OCR and from ADF contributions, and revenue from investments and other sources.

The JSF was established in 1988, when the Government of Japan and the Bank entered into a financial arrangement whereby the Government of Japan agreed to make an initial contribution to the Fund and the Bank became the administrator. The purpose of the JSF is to help DMCs restructure their economies and broaden the scope of opportunities for new investments, thereby assisting in the recycling of funds to DMCs.

Discussions were held at the ADF VII Conference in Tokyo, Japan, in January 1997.

The ADB Institute Special Fund became operational in 1997 when the Government of Japan made an initial contribution to meet the costs for the setup and operations of the ADB Institute.

Asian Development Fund

New financial planning framework: In April 1997, the Bank approved recommendations for the establishment of a new financial planning framework for the management of ADF resources. Developed in association with the negotiations on the sixth replenishment of the Asian Development Fund (ADF VII), the new financial planning framework was derived from lessons learned from implementation of the policies on ADF income and loan repayments associated with the previous ADF replenishment (ADF VI). This new framework will maximize efficiency in the use of resources other than donor contributions to the current replenishment to increase the ADF commitment authority. At the same time, it is an essential component in the implementation of a long-term strategy for financing ADF that was outlined in the Report prepared by ADF donors in the course of the ADF VII negotiations (the Donors' Report).

ADF VII: On completion of their negotiations in Tokyo in January 1997, donors recommended $6,300,000,000 (SDR4,299,343,497) as the level of ADF operations for the four-year period 1997-2000. They also recommended that initially total new donor contributions amount to $2,609,837,120 (SDR1,781,045,436) at the average of daily exchange rates during the first quarter of 1996. In addition, the donors recommended that nondonor resources amount to $3,300,000,000 (SDR2,252,037,069). In March 1997, the Board of Governors adopted Resolution No. 247 which set out the terms and conditions of the replenishment. ADF VII became effective on 30 September 1997 when the total amount of unqualified contribution commitments received by the Bank exceeded the minimum trigger of $1,316,193,560 required by the Resolution.

By the end of 1997, ADF VII Instruments of Contribution had been received from 16 members, including an additional contribution of $10 million from Indonesia, for a total amount of $2,004 million (at the Resolution exchange rates). Fifteen of these members, i.e., Australia; Denmark; Finland; France; Germany; Hong Kong, China; Indonesia; Japan; Malaysia; Netherlands; New Zealand; Norway; Sweden; Switzerland; and United Kingdom deposited unqualified Instruments of Contribution. Canada deposited an Instrument of Contribution containing a qualification, as permitted by the Resolution, that all installment payments, except the first, would be subject to budgetary appropriations. *For details, see Table 42 in the Statistical Annex.*

The Resolution envisaged that the contributions would become available to the Bank for operational commitments in four equal tranches over the four years covered by the replenishment.

ADF Commitment Authority
($ million)

	1996	1997
Multipurpose Special Fund, ADF I-VI		
Contributions	18,203.26	–
Additional Resources[a]	1,135.85	–
ADF VII Contributions	–	424.48
ADF VI Arrears and Prorata Releases	–	5.43
Expanded Advance Commitment Authority[b]	–	500.00
Total ADF Resources	19,339.11	929.91[c]
Less: Loans Committed	18,758.66	777.38[c,d]
Provision for Disbursement Risk	180.36	27.94
Total	**400.09**	**124.59**

a Consists of set-aside resources, transfers from the Technical Assistance Special Fund, unrealized investment holding gains/losses, accumulated translation adjustments, and accumulated surplus.
b Incorporates additional resources for 1997.
c Excludes pre-ADF VII amounts for the determination of ADF commitment authority under the new financial planning framework for the management of ADF resources, as approved by the Board on 15 April 1997.
d Excludes loans that were conditionally approved after 29 September 1997 and Loan No. 1513 to the Marshall Islands which was a commitment of ADF VI resources, but includes Loan No. 1588 to the Cook Islands which was unconditionally approved on 8 December 1997.

ADF VI: The fifth ADF replenishment (ADF VI) was intended to cover the four years 1992-1995. At the end of the period, a few contribution payments were still outstanding. In addition, as a consequence of the outstanding payments, some donors had not released the balance of their contributions to the Bank for operational commitments, as permitted by Resolution No. 214 authorizing the replenishment. At the end of 1997, $441 million had not been released for operational commitments.

ADF loan approvals, disbursements, and repayments: In 1997, 49 ADF loans were approved, compared with 44 ADF loans approved in

1996. Total ADF loans amounted to $18,468.5 million, down by 1.5 percent, from $18,758.7 million in 1996. The largest borrowers were Pakistan, Bangladesh, and Sri Lanka. Disbursements during 1997 totaled $1,154.1 million or 6.5 percent decrease from $1,234.1 million in 1996. At the end of the year, cumulative disbursements from ADF resources were $13,135.5 million. Loan repayments during the year amounted to $147.6 million, and cumulative repayments were $1,047.6 million. As of 31 December 1997, ADF loans outstanding amounted to $12,260.5 million, net of allowance for possible losses in the amount of $5.6 million.

Four loans to Afghanistan and 12 loans to Solomon Islands were in nonaccrual status as of the end of the year. Total outstanding loans to Afghanistan and Solomon Islands amounted to $28 million and $33.4 million, respectively, comprising about 0.5 percent of the total ADF loans outstanding.

Portfolio position: The ADF investment portfolio at the end of 1997 amounted to $969.1 million, compared with $459.4 million at the end of 1996. Of the portfolio, about 91 percent was invested in deposits and other bank instruments in member countries. The remaining amount was held in securities issued or guaranteed by governments of member countries. The return on ADF investments over the year was 3.9 percent, compared with 4.2 percent in 1996.

The portfolio was denominated in 18 currencies. Japanese yen and US dollars formed 29 percent of the portfolio.

ADF revenue and expenses: In 1997, the excess of ADF revenue over expenses (net income) was $56.7 million, bringing the accumulated surplus to $1,067.5 million at the end of the year.

Gross revenue, consisting mainly of revenue from ADF investments and service fees on ADF loans, amounted to $157 million. Expenses consist mainly of administration charges payable to OCR of $96.5 million and provision for losses of $3.8 million.

Technical Assistance Special Fund

Review of activities: There was no allocation of net income of OCR to TASF for 1997. During the year, there were four further direct voluntary contributions to TASF amounting in total to approximately $1,318,000. Singapore volunteered $1,000,000, its second contribution, and India offered approximately $126,000, its fifteenth contribution. Both are completely untied and may be used to finance the costs of services and facilities from all member countries. Pakistan offered its twenty-first partially tied contribution amounting to approximately $62,000, which will be made available for procurement from all DMCs. India's fourteenth partially tied contribution of approximately $130,000, which was offered in 1996, was accepted by the Bank on 24 January 1997.

As of end-1997, total TASF resources amounted to $636.6 million. Of the total TASF resources, $582.6 million had been used/committed, leaving an uncommitted balance of $54 million. *For details, see Table 43 in the Statistical Annex.*

Technical Assistance Special Fund (TASF) Resources
($ million)

	1996	1997
Regularized Replenishment Contributions	238.0	238.0
Allocations from OCR Net Income	261.0	261.0
Direct Voluntary Contributions	85.7	87.0
Income from Investment and Other Sources	48.7	54.1
Transfers from TASF to ADF	(3.5)	(3.5)
Total	**630.0**[a]	**636.6**

( ) Negative.

a Figures do not add due to rounding.

Japan Special Fund Technical Assistance by Sector,[a] 1997

	$ Million	%
Social Infrastructure	21.7	26
Agriculture and Natural Resources	17.5	21
Transport and Communications	12.8	15
Energy	9.6	11
Financial	8.2	10
Others	14.5	17
Total	**84.3**	**100**

a Excluding regional technical assistance.

Operations and resource position: The TASF contributed 45 percent of funding for services to member countries, with 162 technical assistance projects effective during the year. Revenue from investments decreased from $8.8 million in 1996 to $5.8 million, due mainly to a decrease in the size of the investment portfolio resulting from a decline in contributions received during the year, while services to member countries increased from $55.1 million in 1996 to $58.2 million. As a result of these, the uncommitted balances available for future commitments decreased from $118.1 million in 1996 to $54 million.

At the end of the year, TASF investments stood at $154.4 million, down 27 percent from 1996. Other assets, comprising dues from banks, accounts receivable from ADF and contributors, advances to consultants, and others, totaled $14.8 million. Accounts payable to consultants and others amounted to $234,000.

Japan Special Fund

Review of activities: As of 31 December 1997, Japan's cumulative commitments, since JSF inception on 10 March 1988, amounted to ¥72.83 billion (equivalent to about $633.9 million, excluding translation adjustments). *For details, see Table 44 in the Statistical Annex.* The cumulative total included regular contributions of ¥60.6 billion and supplementary contributions of ¥12.23 billion.

Of the total contributions received, $442 million had been used as of 31 December 1997 for technical assistance, including organizing symposia/training and supporting women in development, environment-related activities, and activities to promote the private sector. As of 31 December 1997, there were a number of technical assistance projects/programs that had been approved by the Government of Japan and the Bank, but which had not yet become effective. This amounted to $49 million. A further $44 million had been approved by the Government of Japan and was being processed by the Bank. The uncommitted balance available for new commitments was $71 million as of 31 December 1997.

The Government of Japan agreed in November 1997 to allow the Bank to convert available yen into US dollars prior to disbursement to address better the mismatch between the available resources and the US dollar denominated technical assistance. At year-end, a total of ¥20.02 billion (equivalent to $154.91 million) was converted for this purpose.

Sectoral activities: In 1997, the JSF financed 90 percent of the total project preparatory technical assistance approved by the Bank. The breakdown of the aggregate JSF-funded technical assistance approvals by sector, including those not yet effective in 1997, is shown in the table.

Asian Development Bank Institute Special Fund

In March 1997, the Government of Japan provided ¥1,500 million as an initial contribution to the ADB Institute Special Fund.