Bank Resources and Financial Management

The Bank's financial resources consist of its ordinary capital resources (OCR) and special funds. Both are examined in this chapter. As the steward of these resources, the Bank is guided by a number of financial policies, which have been formulated on the basis of sound and prudent management practices.

Ordinary capital resources

Funding for OCR comes from three distinct sources: (i) private capital markets in the form of borrowings; (ii) paid-in capital provided by government funds; and (iii) accumulated retained income, i.e., reserves, which provides the buffer for any operational risk.

Financial policies: The following are the five financial management and policy concerns that underpin the management of OCR: (i) capital resource management policies, which aim for the efficient use of capital and provide an adequate capital base for lending and borrowing; (ii) borrowing policies and strategies, which aim for efficient mobilization of loanable resources from capital markets at the lowest possible cost, longest possible maturity, and most stable cost; (iii) net income management policies, which ensure that the Bank has the capacity to withstand large event risks from its loan portfolio and to contain interest rate risks in its operations; (iv) liquidity policy, which maintains investor confidence by ensuring that the Bank will have the capacity to meet its cash requirements even in the event of a major disruption of its expected cash inflows; and (v) loan products and credit risk policies, which provide borrowers a wider choice of loan products to suit their exchange rate and interest rate risk management needs.

Capitalization: As of 31 December 1998, the Bank's authorized capital stock amounted to $49.2 billion (SDR34.9 billion). The subscribed capital stock stood at $48.5 billion (SDR34.4 billion). During the year, Tajikistan's membership subscription became effective.

Performance and allocation of net income

At the end of 1998, the Bank's decisive income indicators, the interest coverage ratio (ICR) and the reserve:loan ratio (RLR), stood at 1.39 percent and 27.7 percent, respectively. The ICR, which measures the Bank's capacity to meet interest obligations on its debts from income, is the ratio of net income to financial expenses plus a factor of one. The RLR is the ratio of total reserves to the sum of outstanding loans, equity investments, and the present value of guarantees. The RLR is a capital adequacy ratio that measures the Bank's capacity to generate net income. Both ratios, however, measure the Bank's risk-bearing capacity.

The Bank's income and reserves policy, approved by the Board of Directors in 1997, was reflected in the annual review of the Bank's income outlook and allocation of 1997 net income. On the basis of the review, the Board of Directors approved the following:

(i) the Bank undertake conversion of currencies in reserves in 1998 in the amount of about $300 million as part of its long-term strategy to align currencies in reserve with those of outstanding loans;

(ii) the lending spread used in determining the Bank's pool-based variable lending rate be maintained at 40 basis points;

(iii) a Board of Directors recommendation to the Board of Governors that an amount of $367.5 million of 1997 net income, after appropriation of guarantee fees to the Special Reserve, be allocated to the ordinary reserve, and the balance of net income amounting to $100 million be retained in the surplus account; and

(iv) a Board of Directors recommendation to the Board of Governors that the amount of $80 million currently held in the Bank's surplus account be reallocated to the Bank's Technical Assistance Special Fund (TASF).

The allocation of net income was approved by the Board of Governors in May 1998 with the adoption of Resolution No. 256.

Income and Expenses—Ordinary Capital Resources
($ million)

	Actual				
	1994	**1995**	**1996**	**1997**	**1998**
Total Income	1,525.3	1,745.3	1,561.7	1,449.7	1,832.5
From Loans	1,187.5	1,312.8	1,170.0	1,127.9	1,440.9
From Investments	296.1	418.7	359.8	311.7	382.9
From Other Sources	41.7	13.8	31.9	10.1	8.7
Less: Expenses					
Interest and Other Financial Expenses	878.4	962.6	877.9	853.2	1,206.5
Administrative Expenses[a]	110.7	108.3	108.8	95.7	121.7
Provision for Losses	22.7	14.0	2.9	32.9	37.4
Total Expenses	**1,011.8**	**1,084.9**	**989.6**	**981.8**	**1,365.6**
Net Income[b]	**513.5**	**660.4**	**572.1**	**467.9**	**466.9**

Note: Figures may not add because of rounding.

a Net of administration charge allocated to the Asian Development Fund.

b Before appropriation of guarantee fees to the Special Reserve.

Income and expenses: Gross income increased by 26 percent, from $1.4 billion in 1997 to $1.8 billion in 1998, because of an increase in loan, investment, and other income. Of the total gross income, $1.4 billion was generated by the loan portfolio, $382.9 million by the investment portfolio, and $8.7 million from other sources (*see table*).

The average yield on the loan portfolio declined to 6.8 percent in 1998 from 6.9 percent in 1997, due mainly to an increasing share of lower-yielding variable-rate loans in the portfolio. The share of such loans increased from 91.5 percent in 1997 to 94.3 percent in 1998. The yield on the investment portfolio increased to 5.3 percent in 1998 from 5.2 percent in 1997. This increase was attributed to favorable conditions prevailing in international fixed-income markets during the year. The overall net return on average operating assets achieved for the year was 1.7 percent, compared with 2 percent in 1997.

Total operating expenses were $1.4 billion, up by $383.8 million or 39.1 percent from the previous year. The rise in expenses was because of a $353.3 million increase in financial expenses, a $26 million increase in administrative expenses, and a $4.5 million increase in the provision for losses. Total operating expenses accounted for 74.5 percent of gross income, compared with 67.7 percent in 1997.

Net income for 1998, before appropriation of guarantee fees to the Special Reserve, amounted to $466.9 million, a 0.2 percent decrease from the previous year. This compared with an 18.2 percent decrease in net income in 1997.

Lending rates: The Bank has three lending windows: the pool-based multicurrency lending window, the pool-based single-currency loan window in United States (US) dollars, and the market-based loan (MBL) window. These lending windows were established in 1986, 1992, and 1994, respectively. The lending rates for the pool-based multicurrency and pool-based single-currency loan windows are determined on the basis of the average cost of borrowings plus a Board-approved loan spread (currently 40 basis points). The MBL window provides single-currency loans in US dollars, Japanese yen, or Swiss francs to private sector borrowers and government-guaranteed financial intermediaries at current terms. The interest rates on loans from the MBL window are on either fixed-rate or floating-rate terms.

The Bank's pool-based variable lending rates for the first half of 1998 were 6.01 percent for multicurrency loans and 6.93 percent for US dollar loans. During the second half of 1998, the lending rate on multicurrency loans rose slightly to 6.02 percent, while that on US dollar loans declined to 6.76 percent.

The lending rates for MBLs are determined on the basis of the six-month London interbank offered rate plus a lending spread. A lending spread of 0.4 percent currently applies for MBLs to financial intermediaries in the public sector; while for private enterprises, the lending spread is determined on a case-to-case basis to cover the Bank's risk exposure to the particular borrowers and projects.

Lending Rates[a]
(% per annum)

	1997	1998	
1 January	6.00	6.01	(multicurrency)
	6.79	6.93	(US dollar)
1 July	6.00	6.02	(multicurrency)
	6.82	6.76	(US dollar)

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

Loans

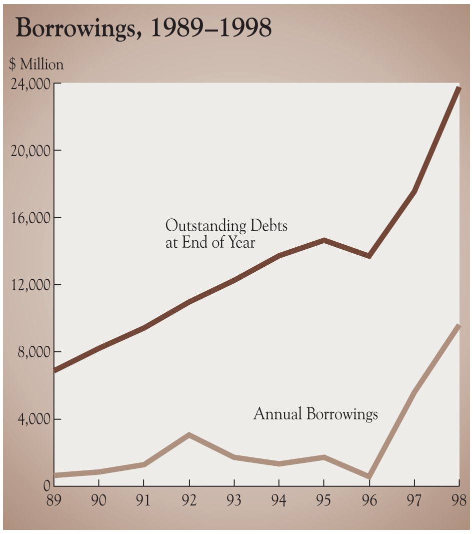
Loan disbursements and repayments: OCR loan disbursements in 1998 totaled $5.6 billion, an increase of 6 percent from 1997. Principal repayments for the year were $968.5 million, of which $48.5 million represented prepayment on loans. On 31 December 1998, cumulative loans outstanding after allowance for possible losses amounted to $24.7 billion.

Status of loans: There were 39 OCR loans approved in 1998, of which 77.8 percent was made to three countries: Indonesia, People's Republic of China, and Philippines.

Two public sector loans to Myanmar and seven private sector loans were in nonaccrual status at the end of 1998. The total outstanding balances of these loans amounted to $900,000 and $51.6 million, respectively, comprising about 0.2 percent of the total OCR loans outstanding.

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, fund



the liquidity portfolio, and 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 these 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.

In 1998, the Bank raised a record level of funds totaling about $9.6 billion, of which $7.8 billion were liabilities with maturities longer than one year and the remainder were euro-commercial paper liabilities. The average life of the 1998 long-term borrowings was about 10.8 years, compared with 12.7 years in 1997. After swaps, about $4.4 billion of the total long-term funds were in US dollar fixed-rate liabilities with an average all-in cost of 5.29 percent per annum, compared with 6.58 percent per annum in 1997. The remainder consisted of US dollar floating-rate liabilities aggregating about $2.7 billion, and a Japanese yen fixed-rate liability in the principal amount of about $741 million equivalent. The 1998 borrowings were used as follows: about $5.7 billion for the US dollar pool-based lending window, $3.2 billion for disbursements under a $4 billion financial sector program loan to the Republic of Korea, and $741 million for the multicurrency pool-based lending window.

Despite the difficult market conditions in 1998, the Bank successfully completed a number of key benchmark transactions during the year: a five-year $2 billion global bond issue, an Australian dollar (A$) domestic public bond issue in the principal amount of A$1 billion with a five-year maturity, and a Hong Kong dollar (HK$)3 billion multitranche public bond offering in the domestic bond market of Hong Kong, China. The Australian dollar offering represents the Bank's first transaction in the domestic bond market of Australia, while the HK$3 billion transaction was the largest ever fixed-rate bond issue in the Hong Kong dollar debt market. The remaining 1998 borrowings were undertaken through targeted opportunistic financing and private placements in a variety of currency debt markets, including those in Japanese yen, pounds sterling, Swiss francs, and US dollars.

Liquid asset investments: As of 31 December 1998, the Bank's liquid assets, consisting of investment holdings (net of Special Reserve investments) and unrestricted cash, totaled $7.9 billion, or approximately 55.4 percent of

Borrowings, 1998
(amounts in millions)

		Borrowing	Principal Amount	US$ Equivalent[a]
Long Term				
Global	Public Offering	5.75% 5-Year Bonds due 2003	US$2,000	2,000.0
Eurobond Market	Private Placement	4.10% 1.08-Year Notes due 1999	¥40,000 [b]	278.3
	Private Placement	1.15% 10-Year Notes due 2008	¥100,000	741.3
	Private Placement	5.37% 10-Year Notes due 2008[c]	US$500	500.0
	Private Placement			
	Tranche I	Zero Coupon 3.65-Year Notes due 2002	US$237.6	237.6
	Tranche II	Zero Coupon 4.13-Year Notes due 2002	US$274.2	274.2
	Tranche III	Zero Coupon 4.06-Year Notes due 2002	US$66.8	66.8
	Private Placement	5.75% 4-Year Notes due 2002	£150	252.1
	Private Placement	5.75% 10-Year Notes due 2008[c]	US$120	120.0
Australia	Public Offering	5.375% 5-Year Bonds due 2003	A$1,000	596.6
Hong Kong, China	Public Offering			
	Tranche A	9.15% 1-Year Bonds due 1999	HK$1,000	129.2
	Tranche B	9.125% 2-Year Bonds due 2000	HK$1,000	129.2
	Tranche C	9.10% 3-Year Bonds due 2001	HK$1,000	129.2
Switzerland	Public Offering	3.00% 8-Year Bonds due 2006	SwF300	205.1
United States	Public Offering	5.82% 30-Year Bonds due 2028[c]	US$750	750.0
	Public Offering	5.593% 20-Year Bonds due 2018[c]	US$500	500.0
	Public Offering	5.593% 20-Year Bonds due 2018[c]	US$200	200.0
	Public Offering	6.375% 30-Year Bonds due 2028[c]	US$410	410.0
	Public Offering	5.80% 10-Year Bonds due 2008[c]	US$300	300.0
Subtotal				7,819.4 [d]
Short Term				
Euro-Commercial Paper (ECP)			US$1,797.5	1,797.5 [e]
Total				**9,616.9**[d]

a At the Bank's exchange rates effective on the date the terms of the borrowings were determined by the President.
b Principal amount payable at maturity is US$273.4 million.
c With put option.
d Total does not tally because of rounding.
e Represents outstanding ECP as of 31 December 1998. Total ECP issuance in 1998 was US$5.4 billion. The increase relative to previous years was necessary to offset temporary cash-flow deficiencies resulting from quick-disbursing loans.

undisbursed loan balances. Year-end levels of liquid assets are maintained at no less than 40 percent of undisbursed loan balances. This helps 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. The investment portfolio in fact generates a substantial portion of the Bank's net income. The Bank actively manages its liquid asset portfolio within the credit-risk 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 $8.1 billion equivalent as of 31 December 1998 from $7 billion equivalent in 1997. The investment portfolio was denominated in 23 currencies. The realized rate of return on OCR investments in 1998 was 5.3 percent, compared with 5.2 percent in 1997. Holdings of securities remained at approximately 55.7 percent of the portfolio, while investments in short-dated time deposits and other banking instruments accounted for 44.3 percent of the portfolio. The duration of the portfolio was 14.6 months at end-1998, compared with 10.8 months at end-1997.

Risk management: The Risk Management Division of the Treasurer's Department—established in September 1998—is responsible for the formulation and implementation of necessary systems, procedures, and guidelines for risk management activities. The Division identifies, quantifies, and monitors credit and market-risk exposure relating to activities of the Treasurer's Department. In addition, it undertakes performance measurement and monitoring relative to benchmarks, and oversees the selection and monitoring of external asset managers for the Staff Retirement Plan.

As wages drop as a result of the crisis, the provision of microfinance to start livelihood activities becomes a vital intervention. In 1998, the Bank examined its strategies and policies that address poverty reduction, in consultation with government officials, development institutions, nongovernment organizations, and communities.

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.

Asian Development Fund

Financial planning framework: In August 1998, the Bank approved recommendations concerning the mobilization and allocation of resources made available as a result of annual loan savings and cancellations in ADF-financed projects.

Loan terms: In December 1998, the Bank approved amended terms for new ADF loans. Project loans, i.e., loans other than quick-disbursing program loans, would have a maturity of 32 years including an 8-year grace period, with an interest charge of 1 percent per annum during the grace period and 1.5 percent per annum during the amortization period, and equal amortization. Quick-disbursing program loans would have a maturity of 24 years including an 8-year grace period, with an interest charge of 1 percent per annum during the grace period and 1.5 percent per annum during the amortization period, and equal amortization. In addition, the service charge was redesignated as an interest charge that would include a portion to cover administrative expenses and a portion that would not. The amended loan terms and the redesignation of the service charge will take effect from 1 January 1999 and apply only to new loans.

ADF VII: On completion of their negotiations in Tokyo in January 1997, donors recommended $6.3 billion as the level of ADF operations for the four-year period 1997–2000.

By the end of 1998, ADF VII Instruments of Contribution had been received from 25 members, including an additional contribution of $10 million from Indonesia, for a total amount of $2.7 billion (at the exchange rates specified in Resolution No. 247 of the Board of Governors, which sets out the terms and conditions of the replenishment). This compares with the level of contributions of $2,609,837,120 (SDR1,781,045,436) pledged by donors at the conclusion of the ADF VII negotiations in January 1997. Twenty two of these members, i.e., Australia; Austria; Belgium; Denmark; Finland; France; Germany; Hong Kong, China; Indonesia; Italy; Japan; Republic of Korea; Malaysia; Netherlands; New Zealand; Norway; Spain; Sweden; Switzerland; Thailand; Turkey; and United Kingdom, deposited unqualified Instruments of Contribution. Canada; Taipei,China; and United States deposited Instruments 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 of amounts released for operational commitments in 1998, see column labeled "Addition" in 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 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 1998, $339 million had not been released for operational commitments ($441 million at the end of 1997).

ADF loan approvals, disbursements, and repayments: In 1998, 27 ADF loans totaling $987.1 million were approved, compared with 49 ADF loans totaling $1.6 billion approved in 1997. The largest borrowers were Viet Nam, Sri Lanka, and Bangladesh. Disbursements during 1998 totaled $1.1 billion, or 0.9 percent decrease from $1.2 billion in 1997. At the end of the year, cumulative disbursements from ADF resources were $14.3 billion. Loan repayments during the year amounted to $147.6 million, and cumulative repayments were $1.2 billion. As of 31 December 1998, ADF loans outstanding amounted to $14.3 billion, net of allowance for possible losses in the amount of $6.3 million.

Four loans to Afghanistan and 27 loans to Myanmar were in nonaccrual status as of the end of the year. Total outstanding loans to Afghanistan and

ADF Commitment Authority
($ million)

	1997	1998
ADF VII Contributions	424.48	1,085.03
ADF VI Arrears and Pro Rata Releases	5.43	118.62
Expanded Advance Commitment Authority	500.00	1,000.00
Total ADF Resources[a]	929.91	2,203.65
Less: Loans Committed	777.38[b]	2,114.73[c]
Provision for Disbursement Risk	27.94	78.24
Total	**124.59**	**10.68**

a 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 of Directors on 15 April 1997.

b 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.

c Excludes loans that were conditionally approved after 30 September 1998, but includes Loan No. 1666 to Bangladesh, which was unconditionally approved on 18 December 1998.

Myanmar amounted to $30.6 million and $466.6 million, respectively, representing about 3.5 percent of the total ADF loans outstanding.

Portfolio position: The ADF investment portfolio at end-1998 amounted to $1.4 billion, compared with nearly $1 billion at end-1997. Of the portfolio, about 92 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 in 1998 was 4.6 percent, compared with 3.9 percent in 1997.

The portfolio was denominated in 18 currencies. Japanese yen and US dollars formed 36.4 percent of the portfolio.

ADF revenue and expenses: In 1998, the excess of ADF revenue over expenses (net income) was $109.7 million, bringing the accumulated surplus to $1.2 billion at the end of the year.

Gross revenue, consisting mainly of revenue from ADF investments and service fees on ADF loans, amounted to $182 million. Expenses consisted mainly of administrative charges allocated from OCR of $71.5 million and provision for losses of $822,000.

Technical Assistance Special Fund

Review of activities: In May 1998, the Board of Governors approved the reallocation of $80 million from the Bank's surplus account to TASF. During the year, Pakistan made the only direct voluntary contribution (its twenty-second) to TASF, amounting to $66,000 equivalent. This was made on a wholly untied basis.

At the end of 1998, total TASF resources amounted to $721.7 million. Of the total TASF resources, $624.5 million had been committed, leaving an uncommitted balance of $97.2 million. *For details, see Table 43 in the Statistical Annex.*

Technical Assistance Special Fund Resources
($ million)

	1997	1998
Regularized Replenishment Contributions	238.0	238.0
Allocations from OCR Net Income	261.0	341.0
Direct Voluntary Contributions	87.0	87.1
Income from Investment and Other Sources	54.1	59.1
Transfers from TASF to ADF	(3.5)	(3.5)
Total	**636.6**	**721.7**

( ) Negative.

Operations and resource position: The TASF contributed 27.1 percent of funding for technical assistance, with 121 technical assistance projects effective during the year. Revenue from investments increased from $5.8 million in 1997 to $5.9 million, due mainly to an increase in the size of the investment portfolio resulting from an allocation of $80 million from the Bank's surplus account, while technical assistance committed decreased from $58.2 million in 1997 to $36 million. During 1998, $15.6 million ($5.5 million in 1997), representing completed and canceled technical assistance projects, was written back as a reduction in technical assistance for the period and the corresponding undisbursed commitment was eliminated. As a result, the uncommitted balances available for future commitments increased from $54 million in 1997 to $97.2 million in 1998.

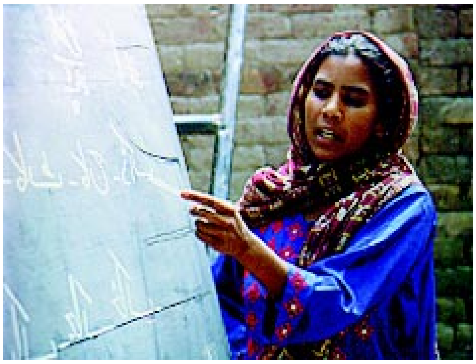
At the end of the year, TASF investments stood at $183.1 million, up 18.6 percent from 1997. Other assets—comprising dues from banks, advances to consultants, and others—totaled $15.2 million. Accounts payable to OCR and others amounted to $82,000.

Japan Special Fund

Review of activities: In 1998, the Government of Japan provided a total amount of yen (¥) 7.9 billion for its tenth yearly contribution to the JSF. The amount included ¥5.9 billion in regular contributions and ¥2 billion in supplementary contributions. This brought Japan's cumulative contributions to JSF, since its inception on 10 March 1988, to ¥80.7 billion (equivalent to about $696.4 million at historical exchange rates). *For details, see Table 44 in the Statistical Annex.* The cumulative total included regular contributions of ¥66.5 billion and supplementary contributions of ¥14.2 billion.

Of the total contributions received, $537.7 million had been used as of 31 December 1998, mainly for technical assistance, including organizing symposia/training, and activities supporting gender and development, environment, and promoting the private sector. As of 31 December 1998, a number of technical assistance projects and programs had been approved by the Bank and the Government of Japan, which had not yet become effective. Technical assistance totaling $35.1 million had been approved by both the Government of Japan and the Bank, and further technical assistance totaling $29 million had been approved by the Government of Japan and was being processed by the Bank. During 1998, $9.2 million ($3.3 million in 1997), representing completed and canceled technical assistance projects, was written back as a reduction in technical assistance for the period and the corresponding undisbursed commitment was eliminated. The uncommitted balances available for new commitments were $63.4 million at end-1998 ($70.6 million in 1997).

Sectoral activities: In 1998, JSF financed 84 percent of the total project preparatory technical assistance approved by the Bank. The breakdown of JSF approvals by sector is shown in the table.



The social infrastructure sector, including education, received the largest share of technical assistance from the Japan Special Fund in 1998.

Japan Special Fund Technical Assistance by Sector,[a] 1998

	$ Million	%
Social Infrastructure	15.2	22.3
Others	12.5	18.3
Agriculture and Natural Resources	12.2	18.0
Transport and Communications	10.7	15.6
Energy	9.2	13.5
Financial	6.3	9.2
Multisector	2.1	3.1
Total	**68.2**	**100.0**

a Excludes regional technical assistance.

ADB Institute Special Fund

The costs for the operations of the ADB Institute continue to be met from the ADB Institute Special Fund, which is administered by the Bank in accordance with the Statute of the ADB Institute. Japan made its second contribution in the amount of ¥2 billion (equivalent to $16.3 million) in March 1998.

As of 31 December 1998, the cumulative commitments, since receipt of the first monies on 24 March 1997 from Japan, amounted to ¥3.5 billion (equivalent to about $28.1 million) excluding translation adjustments. Of the total contributions received, $15.1 million had been used as of 31 December 1998, mainly for start-up operations, administrative expenses, and research and capacity-building activities, including organizing symposia, training, and preparing research reports and publications. Certain ongoing program activities will be carried over to 1999, with the attainment of total staff and visiting scholar strength for a full-year work program.

As of 31 December 1998, the balance of liquid assets available for future projects and programs of the Institute was around $13 million.