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ASIAN DEVELOPMENT BANK ANNUAL REPORT 1986



The Asian Development Bank

The Asian Development Bank, an international partnership of 47 member countries, is engaged in promoting the economic and social progress of its developing member countries in the Asia-Pacific region.

The Bank started functioning in December 1966 with its Headquarters in Manila, Philippines. It is owned by the governments of 32 countries from the Asia-Pacific region and 15 countries from Europe and North America.

In 20 years of operations, the Bank has become a major catalyst in promoting the development of the most populous and fastest growing region in the world today. The Bank's principal functions are: (i) to make loans and equity investments for the economic and social advancement of developing member countries; (ii) to provide technical assistance for the preparation and execution of development projects and programs and advisory services; (iii) to promote investment of public and private capital for development purposes; and (iv) to respond to requests for assistance in coordinating development policies and plans of member countries. In its operations, the Bank is also required to give special attention to the needs of the smaller or less developed countries and give priority to regional, subregional and national projects and programs which will contribute to the harmonious economic growth of the region as a whole.

The financial resources of the Bank consist of ordinary capital resources, comprising subscribed capital, reserves and funds raised through borrowings; and Special Funds, comprising contributions made by member countries and amounts previously set aside from the paid-in capital. Loans from ordinary capital resources, which account for 68 per cent of Bank lending, are generally made to member countries which have attained a somewhat higher level of economic development. Loans from the Asian Development Fund are made on highly concessional terms and almost exclusively to the poorest borrowing countries.

The Bank has borrowed funds for its ordinary operations from the capital markets of Europe, Japan, the Middle East and the United States. The Bank's callable capital, which at the end of 1986 accounted for nearly 88 per cent of its subscribed capital, backs its borrowings in the capital markets.

The Bank's operations cover the entire spectrum of economic development, with particular emphasis on agriculture, rural development, energy and social infrastructure. Most Bank financing is designed to support specific projects. In certain cases, the Bank also provides program, sector and multiproject loans.

The Bank actively pursues co-financing activities with official as well as commercial and export credit sources. The Bank has also entered into equity investment operations.

The Bank's highest policy-making body is its Board of Governors which meets annually. The direction of the Bank's general operations is the responsibility of the Board of Directors — composed of 12 Directors (each with an Alternate) — eight representing regional countries and four representing non-regional countries. The Board of Governors conducts an election for the Board of Directors every two years.

The President of the Bank is elected by the Board of Governors for a term of five years, after which he may be re-elected. The President is Chairman of the Board of Directors and under its direction he conducts the business of the Bank. In this he is assisted by the Vice-Presidents, who are appointed by the Board of Directors on the recommendation of the President.

The Bank has 21 departments and offices — including a Resident Office in Dhaka, Bangladesh, and a South Pacific Regional Office in Port Vila, Vanuatu — dealing with various operational, financial, administrative and general support functions.

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ASIAN DEVELOPMENT BANK ANNUAL REPORT 1986



IN 20 YEARS of operations, the Bank has provided loans and technical assistance for projects covering a wide range of activities including agriculture, energy, social infrastructure and transportation. Depicted (clockwise from top left) are aspects of the Crop Intensification Program in Nepal (for which the Bank approved loans totalling \$19 million in 1981 and 1983), the Surabaya Distribution and Sulawesi Power Project in Indonesia (\$76 million in 1981), the Technical and Vocational Education Project in the Philippines (\$27 million in 1981) and the Road Improvement Project in the Republic of Korea (\$43 million in 1975).

BANK HIGHLIGHTS, 1967-1986

Loans and Technical Assistance

- * The Bank has committed a total of \$19.5 billion in loans for 746 projects. It is estimated that each dollar lent by the Bank will be matched by an additional investment of \$1.50 mainly provided by borrowing countries but also by co-financiers. The total capital formation for Bank projects is expected to amount to \$48.7 billion, of which \$23.4 billion would be provided by borrowing DMCs and \$5.8 billion by co-financiers.
- * Technical assistance, in grants and loans, has amounted to \$1.6 billion. Of this amount, \$231 million was provided for project preparation technical assistance which has so far resulted in 327 Bank loans totalling \$8.9 billion, \$1,152 million was provided for project implementation technical assistance, \$135 million for advisory technical assistance and \$37 million for regional technical assistance.

Resource Mobilization

- * Authorized capital stood at the equivalent of \$19.7 billion as of 31 December 1986.
- * A total of \$7.6 billion has been borrowed from international capital markets for lending from ordinary capital resources.
- * About \$7.9 billion has been mobilized in ADF contributions for concessional lending to poorer DMCs, and about \$81.9 million in TASF contributions for financing technical assistance grants.

Sectoral Activities

- * Agriculture and Agro-Industry: 107 irrigation and area development projects benefiting about 16.2 million people; 66 fisheries, livestock and forestry projects; 64 projects for industrial crops, agro-industry and support services; and seven fertilizer projects to help increase the region's fertilizer supplies by about 1.22 million tons of nitrogen nutrients and about 68,850 tons of phosphate nutrients per annum.
- * Energy: 129 projects for creation of 11.5 million kW. of generation capacity of which over 75 per cent will be based on indigenous resources, and for about 68,000 km. of transmission-distribution circuits.
- * Industry and Development Banks: 11,969 subloans to small and medium-scale enterprises through credit lines to DFIs.
- * Transport and Communications: construction, rehabilitation, modernization and expansion of ports to increase cargo-handling capacity to about 43.5 million tons per year, and of roads serving an estimated population of 106 million, railways (36 million) and telecommunications facilities (81 million).
- * Social Infrastructure: 56 water supply and sanitation projects benefiting over 62 million people; upgrading and expansion of vocational, technical, science and professional education in nearly 10,000 institutes; housing schemes and other facilities benefiting over 3.7 million people; establishment or upgrading of hospitals/polyclinics and rural health facilities; supply of essential drugs and improvement of drug distribution systems; and provision of better malaria protection for about 20 million people.

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ASIAN DEVELOPMENT BANK
Manila

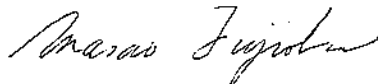
Office of the President

20 March 1987

Dear Mr. Chairman:

In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the enclosed Annual Report of the Bank for 1986, including a separate report on the activities of the Special Funds of the Bank, which has been prepared under the direction of the Board of Directors. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



MASAO FUJIOKA
President and
Chairman of the
Board of Directors

Chairman of the
Board of Governors
Asian Development Bank

THE BOARD OF DIRECTORS

THE Board of Governors is vested with all the powers of the Bank. With the exception of certain powers specifically reserved to them under the Charter of the Bank, the Board of Governors has delegated its powers to the Board of Directors which is responsible for the direction of the general operations of the Bank. The Board of Directors performs its duties on a full-time basis at the Bank's Headquarters and meets in formal session under the chairmanship of the President of the Bank.

The Charter provides for a Board of 12 Directors who are elected by the Governors. A list of the 12 Directors and their Alternates follows in this Chapter, while more details on the Board membership and voting groups are provided in Appendix 4.

Spain became a member of the Bank in February 1986 and joined the constituency of Belgium, France, Italy and Switzerland. Following the admission of the People's Republic of China to membership of the Bank in March 1986, arrangements were made for the representative of the People's Republic of China to attend the Board meetings on a non-voting basis, pending the biennial election of Directors to be held at the 1987 Annual Meeting. The Bank's membership now covers half the population of the world.

General

The Board held 48 formal meetings in 1986 as well as informal meetings and seminars on various policy and other issues.

The Board approved 52 loans totalling \$2,001 million for 48 projects, four equity investments amounting to \$8.2 million and 134 grant-financed technical assistance projects amounting to \$38.6 million of which \$14.6 million is being provided from non-Bank sources.

The Board approved borrowings totalling the equivalent of \$812.8 million in US dollars, Swiss francs, Japanese yen, Deutsche mark and Dutch guilders, including the Bank's first zero coupon bond issue in the Swiss capital market.

Notable "Firsts"

Following approval in 1985 of the Bank's policy on lending to the private sector without government guarantee, the Board approved the first loan to a private sector enterprise without government guarantee for the Cherat Cement Company, Ltd. in Pakistan to assist the company to double its existing capacity. The loan was given in Swiss francs equivalent to \$5 million.

The first Bank loan to a financial institution without government guarantee was approved for the National Development Leasing Corporation, Ltd. (NDLC) of Pakistan. This loan, also equivalent to \$5 million in Swiss francs, was to enable NDLC to finance the foreign exchange cost of directly-imported equipment intended for acquisition through lease financing by its private sector customers, mainly in the manufacturing sector.

The Bank's first loan to India was approved for the Industrial Credit and Investment Corporation of India, Ltd. (ICICI) in the amount of \$100 million to provide a credit line for on-lending to private sector industrial enterprises.

Policy Review

Early in 1986, the Board reviewed the policies and procedures in managing the environmental aspects of the Bank's various development projects, and noted the accomplishments since the latest formal review of environmental considerations in 1980. The Board urged Management to increase its efforts in assessing the environmental effects of Bank projects and in promoting the development of the institutional capacities of the Bank's developing member countries (DMCs) to plan and follow a sound environment policy.

The Board reviewed the Bank's domestic procurement policy and approved the adoption of a domestic preference scheme for the procurement of works and goods under international competitive bidding. This scheme is on similar

lines to the World Bank scheme and will be in operation for a trial period of five years, during which it will be reviewed by the Board.

The Board, in view of the importance it places on technical assistance to DMCs, discussed the future direction of the Bank's technical assistance operations and authorized various adjustments in technical assistance practices and procedures with the aim of improving its quality and effectiveness. A sum of \$72 million of the fourth replenishment of the Asian Development Fund (ADF V) was earmarked for transfer to the Technical Assistance Special Fund (TASF), thereby ensuring a systematic replenishment of the TASF.

The variable lending rate system, approved by the Board in 1985, came into effect on 1 July 1986. The lending rate, which is adjusted every six months taking into account the cost of the Bank's borrowings, was initially determined at 7.65 per cent per annum. In January 1987, the rate was lowered to 7.36 per cent per annum. As part of a planned review of various aspects of financial policy in connection with the move to the variable lending rate system, the Board reviewed the Bank's policy and practices regarding the levying of premiums on prepayment of OCR loans. The Board decided to retain a schedule of premiums on prepayment of such loans, although calculated under a new methodology suitable to the variable lending rate system. The Board also agreed that the Bank should continue to consider sympathetically any request for a waiver of the premium in the light of prevailing circumstances.

At the Nineteenth Annual Meeting, the Board of Governors requested the Board of Directors to undertake a study of the Bank's future resource requirements for its ordinary operations. As the first step in this study, the Board (in informal session) commenced a review of the Bank's financial policies, focusing particularly on liquidity, income, reserves and borrowing limitations. Further steps in the process will include a review of the Bank's operational priorities and plans for the rest of the 1980s, and consideration of the possible OCR lending program in the period of the next General Capital Increase (GCI IV) and the organizational, staffing and financial implications of such a program. The study, which will continue through 1987, is intended to culminate in the submission of a specific proposal on GCI IV to the Board of Governors.

A preliminary discussion was held on the establishment of criteria for considering new requests for Special Capital Increases (SCI). The Board twice extended the date for subscriptions to the SCIs already approved by the Board of Governors in 1985.

Board members continued to be concerned by the uneven scheduling of projects for Board consideration, which resulted in "bunching" of loan proposals towards the end of the year. The problem was particularly acute in 1986, with the Board considering and approving in the final quarter about 77 per cent of the total lending commitments for the year. It was recognized that certain unusual country specific reasons had contributed to the imbalance in 1986; nevertheless, Directors asked Management to review the causes and offered their support in seeking to ensure a smoother project cycle in 1987 and beyond.

Special Project Implementation Assistance

The Board held several informal meetings during the year to discuss the specific difficulties being faced by two of its borrowers — Indonesia and the Philippines — and to attempt to develop types of assistance best suited to their situations.

After approving no loans to the Philippines in 1985, the Board approved, in April, two Special Project Implementation Assistance loans totalling \$100 million equivalent (half from OCR, half from ADF) to finance the Government's local currency expenditures in 1986 and 1987 for 36 ongoing Bank-assisted projects. Four other loans and one equity investment were also approved in 1986.

In recognition of the Indonesian Government's severe fiscal and budgetary constraints in the face of falling oil and commodity prices, the Board approved in July the use of loan savings to meet local currency shortfalls of ongoing Bank-assisted irrigation projects in Indonesia while in November the reallocation of loan savings and accelerated loan disbursements were approved to help meet local currency shortfalls of several ongoing projects in other sectors. In December, a Special Project Implementation Assistance loan of \$30.6 million was approved to meet the local currency shortfalls of six ongoing Bank-assisted projects in Indonesia's education sector.

Equity Operations

A further allocation of \$25 million was made available for commitment under the Bank's equity investment operation bringing the total allocation to \$35 million. Although such operations had been slow to start since the Bank introduced its equity financing program in 1983, increasing interest has been shown in utilizing this window of the Bank's operations.

Resident Offices

With a view to increasing the effectiveness of the Bank's lending operations in Indonesia, the Board approved the establishment of an Indonesia Resident Office (IRO) in Jakarta by mid-1987.

The Board approved an increase from four to six in the professional staff of the South Pacific Regional Office (SPRO). This followed a Bank review of SPRO's operations which recommended the strengthening of country economic and programming work in the field and freeing existing staff to spend more time on project administration.

The Board also established general criteria for use in evaluating the need for Bank resident offices in DMCs and authorized the Bank's management to review the need for temporary or "facilitating" offices in special situations.

A Working Paper was discussed on the possibility of establishing a Bank resident office in a second time zone to increase the effectiveness of the Bank's treasury operations. It was decided to resume discussions at a later date, after various financial and other issues had been clarified.

Administration

On the recommendation of the President, the Board reappointed Mr. Günther Schulz as a Vice-President of the Bank for a term of three years and three months from 1 April 1986.

The Board approved a nine per cent increase in salary and an adjustment of the dependency allowance for supporting staff. For professional staff, it approved a three per cent increase plus continuation of the \$950 modified dependency allowance and raised the ceiling for the education grant. The Board also approved a Housing Loan Program for supporting staff which is aimed at providing its staff members with the means to secure housing of a suitable standard.

The Board approved capital expenditure programs to advance the Bank's computer and office automation systems during the period 1986-88.

ADF Replenishment

The Board followed the progress of negotiations for the fourth ADF replenishment (ADF V) which culminated in an agreement on a replenishment total of \$3.6 billion at the meeting of ADF donors held in Manila from 28 to 30 April 1986.

The Board reviewed the arrangements agreed upon at this meeting relating to country strategies, policy dialogue and project quality and submitted a draft Resolution on the arrangements which was subsequently approved by the Board of Governors.

Directors' Visits

Short visits were made to the following DMCs by small groups of Directors to enable them to obtain a first-hand impression of the Bank's operations. The participants also held discussions on relevant policy issues with DMC authorities:

- (i) Thailand and Malaysia — 23 February to 9 March 1986
- (ii) Indonesia — 18 to 28 October 1986.

Standing Committees

Membership of the Board's three Standing Committees is contained in Appendix 5 of this Annual Report.

The *Audit Committee* reviewed the Bank's Financial Statements and the scope of the outside audit and considered various internal audit matters. Considering the importance of post-evaluation results which can serve as an effective tool to improve project design and implementation of subsequent projects, the Committee examined the activities of the Post-Evaluation Office (PEO) and reviewed eight Project Performance Audit Reports (PPARs). The Committee considered and endorsed the Report of the President on Post-Evaluation Activities in 1985 and the Eighth Review of Post-Evaluation

Reports. As a result of its review the Committee, after discussion with staff, made a number of suggestions for future action.

The *Budget Review Committee* examined in detail the proposals of the 1987 Administrative Budget for which an expenditure commitment of \$94.2 million was submitted for Board consideration. In recommending the 1987 Budget, the Committee emphasized in its report the importance of further improving staff productivity (through various means such as redeployment, training and early retirement schemes) to enable the Bank to make maximum use of existing personnel. Particular importance was attached to the development and pursuit of appropriate personnel policies which would enhance work efficiency and restrain the growth of the Budget. The Board approved the Budget noting that it stood reduced by \$805,000 to \$93.4 million due to the lower-than-assumed general salary increase for professional staff in 1986.

The *Committee on Administrative Matters Relating to Members of the Board (CAMB)* examined the needs of Board members for computer/word processing facilities and recommended the provision of these facilities to Directors' Offices. Among other activities, it reviewed the guidelines of the scheme for Directors' visits to developing member countries.

THE BOARD OF DIRECTORS

(As of 31 December 1986)

President and Chairman of the Board of Directors

Masao Fujioka

Directors	Alternate Directors
Chandi Channugam	Ha Dan Huan
Sofjan Djajawinata	Cliff F. Sproule
Keith J. Horton-Stephens	Ralph Hillman
Takatoshi Kato	Yukio Saruhashi
Tunku Abdul Malek	Suwan Pasugswad
Jean-Marc Métivier	Wim Kluit
Paolo Nardi	Paul Obrist
N. M. Qureshi	Joker P. Arroyo
K. V. Ramanathan	K. F. Rahman
Hans Martin Schmid	David Craxton
Sung-Yong Wei	John Natara
(Vacant)	William R. Thomson

THE RECORD

(amounts in \$ million)

	1967-1981	1982	1983	1984	1985	1986	1967-1986
OPERATIONAL ACTIVITIES							
Loan Approvals ^a							
Number of Projects ^b	509	56	53	47	46	48	746
Amount of Loans	9,770.9	1,683.6	1,893.2	2,234.3	1,908.1	2,001.3	19,491.4
Ordinary Loans							
Number of Loans	317	32	26	26	25	27	453
Amount of Loans	6,799.4	1,137.5	1,189.8	1,550.7	1,271.2	1,368.1	13,316.7
Disbursements	2,822.7	619.6	715.4	702.2	620.3	611.8	6,092.0
Asian Development Fund Loans ^c							
Number of Loans	246	25	29	23	23	25	371
Amount of Loans ^d	2,971.5	546.1	703.4	683.6	636.9	633.2	6,174.7
Disbursements	886.9	175.5	221.5	298.3	389.8	412.4	2,384.4
Equity Operations							
Number of Projects	—	—	2	1	4	4	11
Amount	—	—	3.0	0.4	3.7	8.2	15.2
Technical Assistance ^e							
Number of Projects	768	99	107	118	110	129	1,326
Amount	755.0	150.0	186.7	141.2	175.3	121.0	1,518.2
Regional Activities							
Number of Projects	85	24	30	25	32	33	228
Amount	12.6	2.5	5.7	3.7	5.5	7.4	37.4
RESOURCES							
Ordinary Capital Resources							
Authorized Capital (at end of period)	8,404	7,965	15,461	14,476	16,222	19,663	19,663
Subscribed Capital (at end of period)	8,297	7,899	11,510	14,058	15,970	19,476	19,476
Borrowings (gross)	3,123	882	979	972	792	813	7,561
Outstanding Debt (at end of period)	2,274	2,810	3,429	3,893	5,569	7,135	7,135
Ordinary Reserve (at end of period)	512.0	665.7	830.1	997.8	1,158.5	1,372.9	1,372.9
Special Reserve (at end of period)	99.9	123.3	151.3	167.3	176.5	176.5	176.5
Gross Income	1,718.3	413.7	478.0	568.6	684.8	870.2	4,733.6
Net Income after Appropriation of Commissions to Special Reserve	652.9	151.4	151.6	190.4	247.9	287.1	1,681.3
Special Funds Resources							
Asian Development Fund:							
Total Resources (at end of period) ^c	3,184.7	3,616.9	4,207.2	4,615.1	6,081.5	7,764.5	7,764.5
Technical Assistance Special Fund:							
Contributions (at end of period)	52.0	59.2	63.5	69.2	76.0	81.9	81.9
MEMBERSHIP AND STAFF							
Member Countries (at end of period)	44	45	45	45	45	47	47
Professional Staff (at end of period)	468	517	551	570	581	595	595

Cumulative totals may not add due to rounding.

a Includes loans to the public and private sectors and loan-financed technical assistance.

b Projects financed from both OCR and ADF are counted only once.

c The Asian Development Fund was established in 1974. Previously, the resources for concessional lending were administered principally in the Multi-Purpose Special Fund.

d ADF loans negotiated after 1 January 1983 are denominated in terms of SDR, and in this Report, unless otherwise indicated, the United States dollar equivalents of such loans are at the rates of exchange applicable at the time of loan negotiation.

e Comprising technical assistance grants and loans funded by the Bank and other multilateral and bilateral sources. Regional technical assistance is excluded.

THE BANK IN 1986

DURING 1986, the 20th year of Bank operations, lending commitments rose to \$2,001 million, 4.9 per cent above the 1985 figure of \$1,908 million. This slight increase was less than had been anticipated, reflecting high debt levels and budgetary constraints in some developing member countries (DMCs) as well as generally low commodity prices worldwide which depressed their export earnings. Other factors include the limited ability of some DMCs to absorb external assistance efficiently and the cutback in planned investments in oil-exporting DMCs due to lower oil prices.

Lending was lower to most traditional major borrowers. On the other hand, the Bank approved its first loans to India and resumed lending to the Philippines.

Loans from ordinary capital resources (OCR) amounted to \$1,368 million, an increase of 7.6 per cent over \$1,271 million in 1985. Loans from the Asian Development Fund (ADF) amounted to \$633 million, fractionally less than \$637 million a year earlier.

The Bank approved three equity investments during the year amounting to \$3.2 million and one line of equity of \$5 million, bringing the cumulative total to \$15.2 million after four years of equity operations.

Technical assistance grants approved by the Bank, and funded by the Bank and other sources, increased to \$38.6 million from \$34 million in 1985.

NOTE ON DOLLAR AMOUNTS

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

From 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, the capital stock has been valued for purposes of the Bank's financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by IMF. For a more detailed discussion, see OCR-7, Notes to Financial Statements of Ordinary Capital Resources.

Other Highlights:

- The Nineteenth Annual Meeting of the Board of Governors was held in Manila, Philippines, from 30 April to 2 May. The People's Republic of China and Spain, which became members of the Bank earlier in the year, attended the Meeting as members for the first time. Mr. Masao Fujioka was unanimously elected President for a second five-year term.

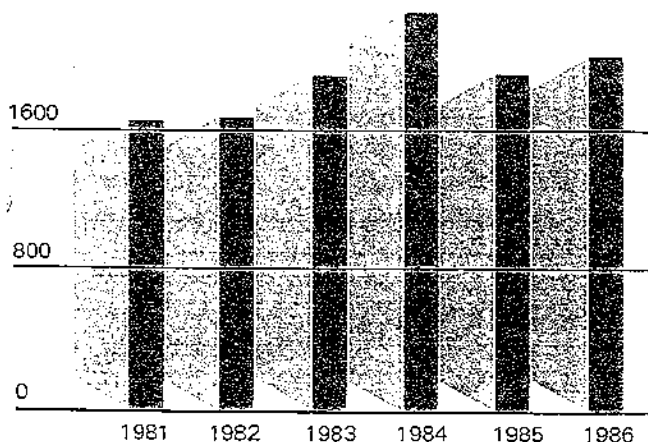
- Donor countries agreed in April upon a fourth ADF replenishment (ADF V) of \$3.6 billion which is intended to finance the Bank's concessional lending program in the four years 1987-90.

- The Bank commenced direct lending to private enterprises and financial institutions without government guarantees.

- A pool-based variable lending rate system approved by the Board of Directors in October 1985 came into operation on 1 July.

Loan Approvals

\$ Million
2400



Borrowings in the international capital markets rose to \$813 million from \$792 million in 1985.

The Bank approved Special Project Implementation Assistance loans to Indonesia and the Philippines.

During the year, 52 loans were approved for 48 projects in 19 DMCs compared with 48 loans for 46 projects in 13 DMCs in 1985. The average loan size decreased by 3.3 per cent to \$38.5 million from \$39.8 million. The size of individual loans ranged from \$700,000 for a loan to Kiribati to \$150 million for loans to India and Pakistan.

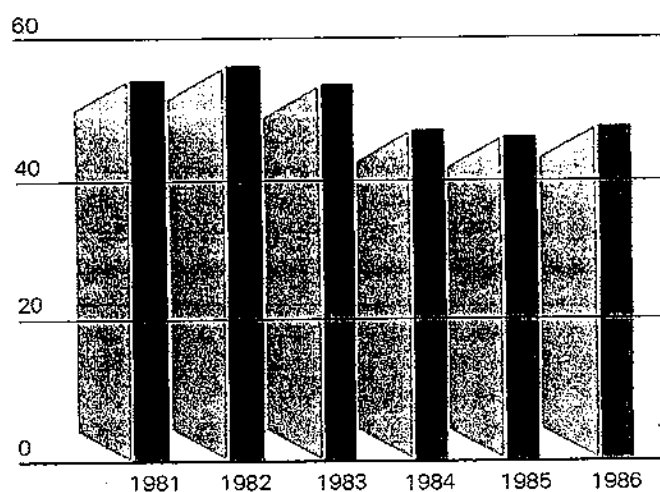
Co-financing declined by about 23 per cent to \$492 million from \$640 million in 1985. Official sources of co-financing rose by 13 per cent to \$379 million from \$335 million in 1985, and their share of total co-financing rose sharply to 77 per cent from 52 per cent in 1985. Co-financing from commercial sources, at \$113 million, was only about one-third of the 1985 figure of \$305 million, or 23 per cent of the total compared with 48 per cent a year earlier.

On a sectoral basis, Bank lending for *agriculture and agro-industry* increased very sharply to \$822 million, or 41 per cent of total lending, from \$559 million, or 29 per cent, in 1985. This rise, as well as the broad distribution of loans in this sector to 11 DMCs, reflects the continued priority given both by the DMCs and the Bank to agriculture, the main source of employment and overall economic growth in the Asia-Pacific region.

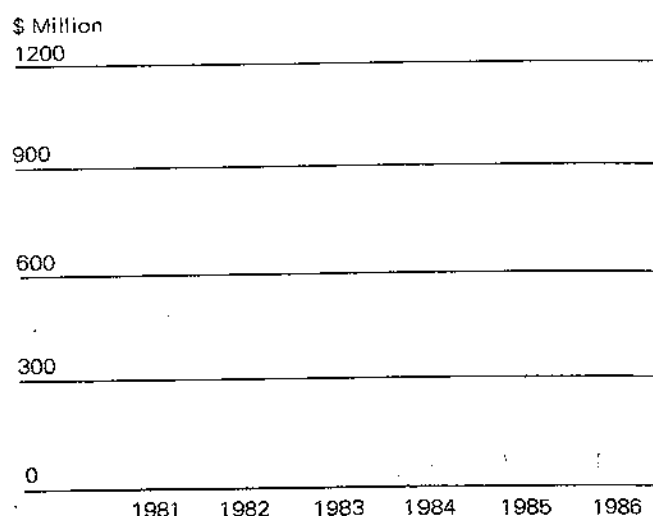
Lending for *energy* projects more than doubled in 1986, both in volume (to \$515 million from \$245 million a year earlier) and as a percentage of overall Bank lending (to 26 per cent from less than 13 per cent in 1985). Loans for rehabilitating and constructing transmission and distribution lines, as well as the Bank's first power loan to India, contributed to the increase.

On the other hand, lending for *social infrastructure* — water supply and sanitation, urban development and housing, education, and health and population — dropped to

Number of Loan Projects



Amount of Co-Financing



\$272 million from \$544 million, while the percentage share slid to 14 per cent from 28 per cent — the second highest share — in 1985. The decline was partly due to the approval of only one urban development and housing loan of \$55 million in 1986 compared with three loans totalling \$215 million in this subsector in 1985. Nevertheless, the 1986 social infrastructure figures were above those of 1984, when lending for this sector amounted to \$240 million and constituted 11 per cent of the total.

Bank lending for projects in the *transport and communications* sector also declined to \$179 million (9 per cent of the total) from \$310 million (16 per cent) in 1985. Activities included three road improvement projects in response to substantial traffic growth in many DMCs, a roadworks mechanization project designed to support construction and maintenance capabilities and supplementary assistance provided to complete an airport terminal building.

The decline in lending to the social infrastructure and transport and communications sectors partly reflected restrictions on borrowing by two countries (Indonesia and Thailand) which had been major borrowers for large-size projects in these sectors in 1985.

Lending to the *industry and non-fuel minerals* sector, including *development banks*, fell steeply to \$110 million, or 5.5 per cent of the total, from \$243 million (13 per cent) in 1985. This was mainly due to fewer requests for credit lines as well as the access which certain development finance institutions had to the international capital market.

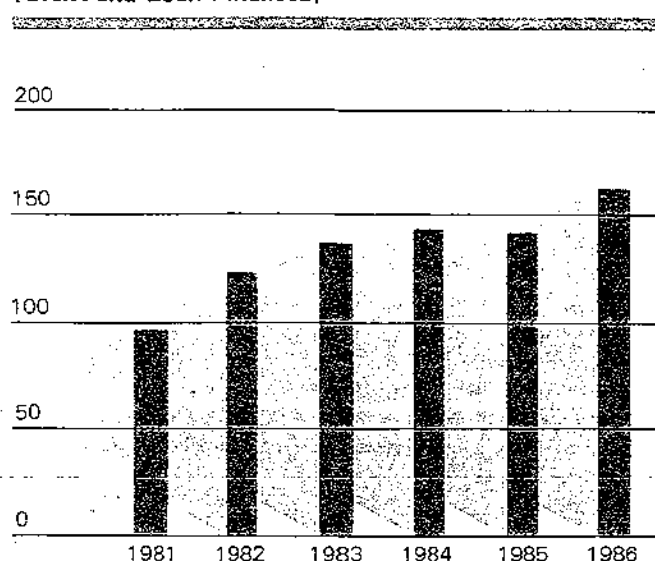
During the year, the Bank approved Special Project Implementation Assistance loans amounting to \$130.6 million — to the Philippines (\$100 million) and Indonesia (\$30.6 million). These loans will finance the local currency requirements of high-priority ongoing Bank-financed projects, implementation of which has been affected by a shortage of local currency resources.

Technical assistance (grant and loan financed) for the preparation of projects, for advisory and project implementation activities, and for regional activities amounted to \$128.5 million for 162 projects during 1986 compared with \$181 million for 142 projects in 1985. By the end of 1986, project preparatory technical assistance amounting to \$231 million had been provided which has so far resulted in 327 Bank loan projects amounting to \$8.9 billion and involving an estimated total investment cost of about \$22.2 billion. By the end of 1986, the Bank had approved \$1.3 billion for advisory and project implementation technical assistance and \$37.4 million for regional activities.

Loan disbursements rose 1.4 per cent and slightly exceeded \$1 billion for the third consecutive year. Disbursements under ADF loans rose 5.6 per cent to \$412 million from \$390 million in 1985 — the fifth consecutive rise. The better ADF disbursement performance in 1986 was partly due to ADF disbursements under the Special Project Implementation Assistance loan to the Philippines and partly due to better project implementation performance in certain sectors. Ordinary capital resources loan disbursements fell 1.3 per cent to \$612 million from \$620 million in 1985 due to the lower-than-expected price bids received for civil works contracts, the delay in the awarding of contracts for some power projects against which substantial down payments were expected to have been made in 1986, as well as the unusually large amount of OCR loan cancellations (\$530.8 million in 1986 compared with \$305.8 million in 1985).

During 1986, the net transfer of resources by the Bank to its DMCs (i.e., loan disbursements less repayments of principal, interest and other charges) fell to \$237.4 million from \$421.3 million in 1985. The reasons for this variance are increasing loan repayments compared with stable

**Number of Technical Assistance Projects
(Grant and Loan Financed)^a**

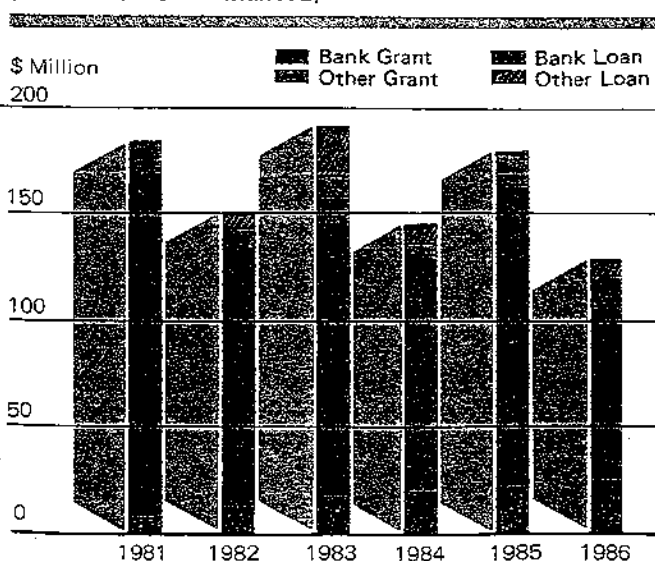


^a Includes regional activities.

disbursements and also the effect of exchange translation gains on repayments in currencies that have appreciated against the US dollar during the year, such as the Deutsche mark and Japanese yen.

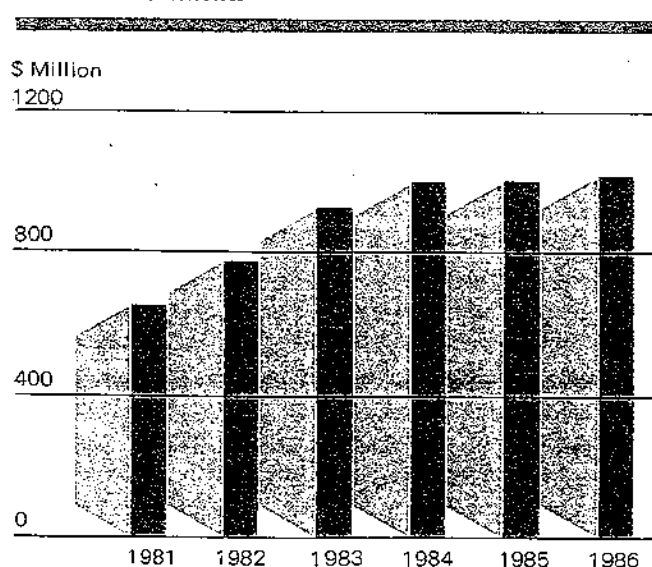
The implementation of Bank-financed projects proceeded satisfactorily in several DMCs in 1986. In others, progress was hampered by such problems as shortages of counterpart funds, manpower and institutional constraints, cumbersome pro-

**Technical Assistance Approvals
(Grant and Loan Financed)^a**



^a Includes regional activities.

Loan Disbursements



cedural requirements which delayed the awarding of contracts and the appointment of consultants, lack of coordination between line agencies, unfamiliarity with Bank procedures and requirements, poor performance of contractors, cost overruns and technical problems during construction. Steps taken by the Bank in 1986 to tackle project administration problems included a further streamlining of disbursement procedures and of the project reporting system as well as fielding project administration missions and Country Project Review Missions to several DMCs. Efforts continued to help strengthen the management capabilities of executing agencies and help them identify project implementation problems and issues.

Business opportunities seminars were held in Canada, India, Republic of Korea and Netherlands to encourage greater interest in international competition.

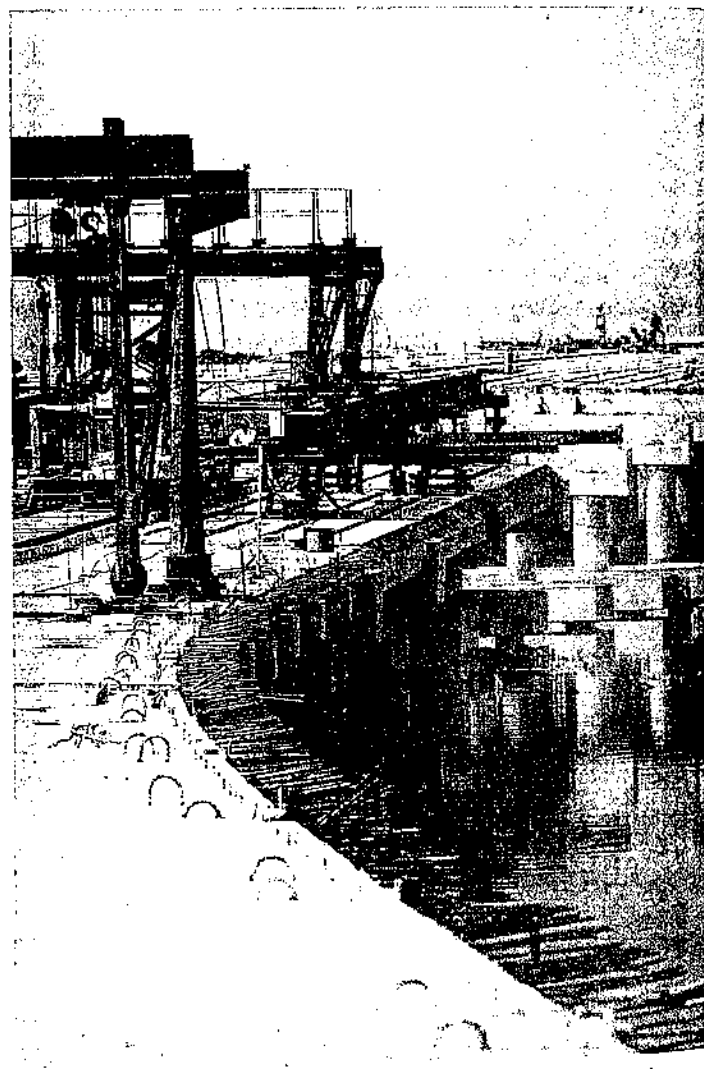
During 1986, 35 projects were completed, bringing the total number of projects completed to 337 out of 746 approved by the end of the year.

On the resources side, the Board of Governors in May adopted Resolution No. 179 requesting the Board of Direc-

tors to undertake a study of the Bank's future resource requirements and to report its findings and recommendations to the Board of Governors for consideration and action.

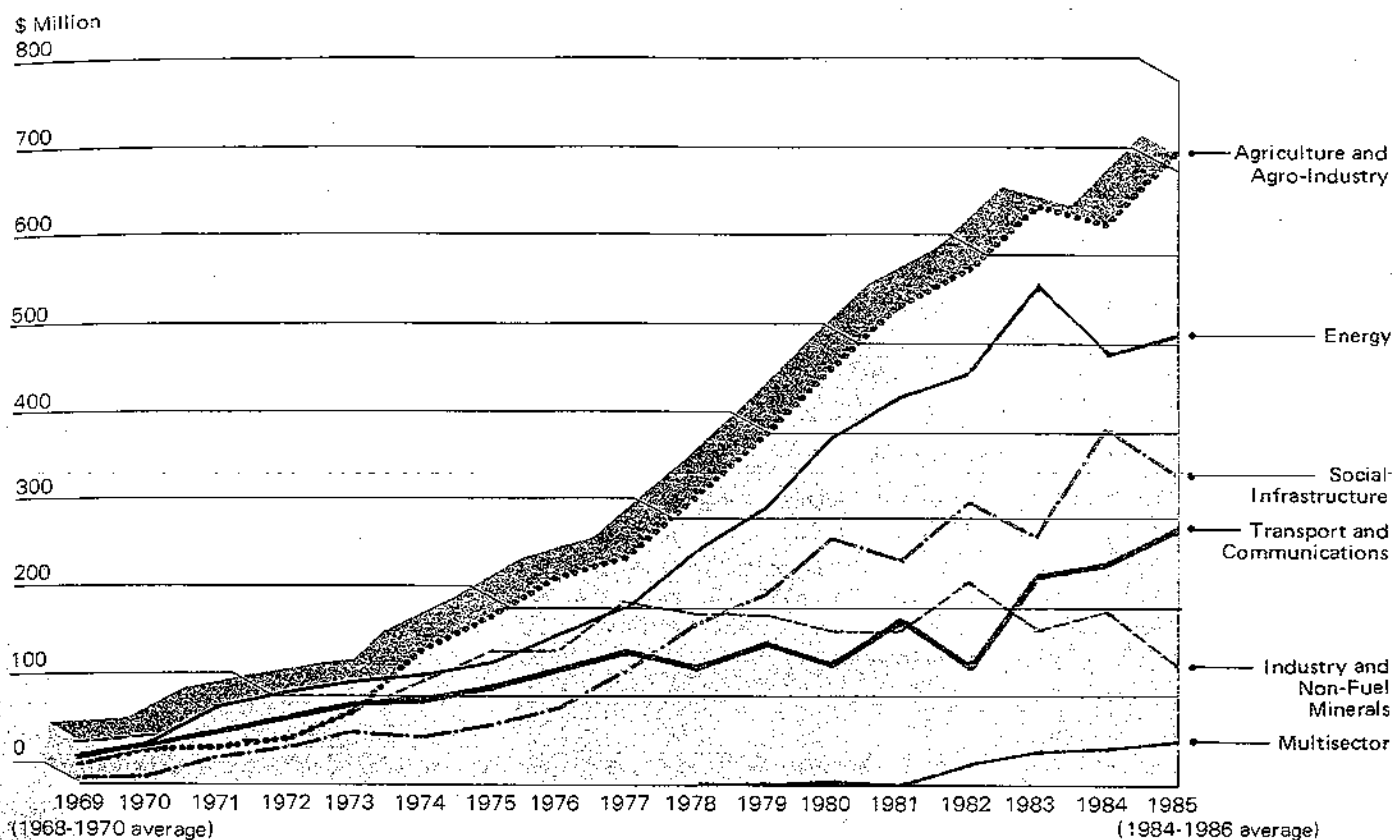
On 31 December 1986, the Bank's authorized capital stock amounted to \$19.7 billion (SDR16.1 billion). The subscribed capital stock stood at \$19.5 billion (SDR15.9 billion) including subscriptions to the third general capital increase totalling \$9 billion (SDR7.4 billion), the new membership subscriptions of Spain and the People's Republic of China totalling \$1.5 billion (SDR1.2 billion) and the special increases in the capital subscriptions of Finland, France and Switzerland totalling \$205 million (SDR167 million).

During 1986, the Bank made eight public bond issues and one private placement totalling \$813 million in the capital markets of Federal Republic of Germany, Japan, Netherlands, Switzerland and United States and in the Euro-dollar market. The average maturity of the year's borrowings, weighted by amount, was 14.4 years and the average life of outstanding borrowings at the end of 1986 was 8.24 years. After swaps, the average cost of the 1986 borrowings, weighted by the



THE NEW Surabaya-Gempol limited access highway (left) and construction work on a viaduct (right) are part of the Second Road Project in East Java, Indonesia. The project, which is aimed at meeting traffic growth up to the 1990s, is supported by a Bank loan of \$48.2 million.

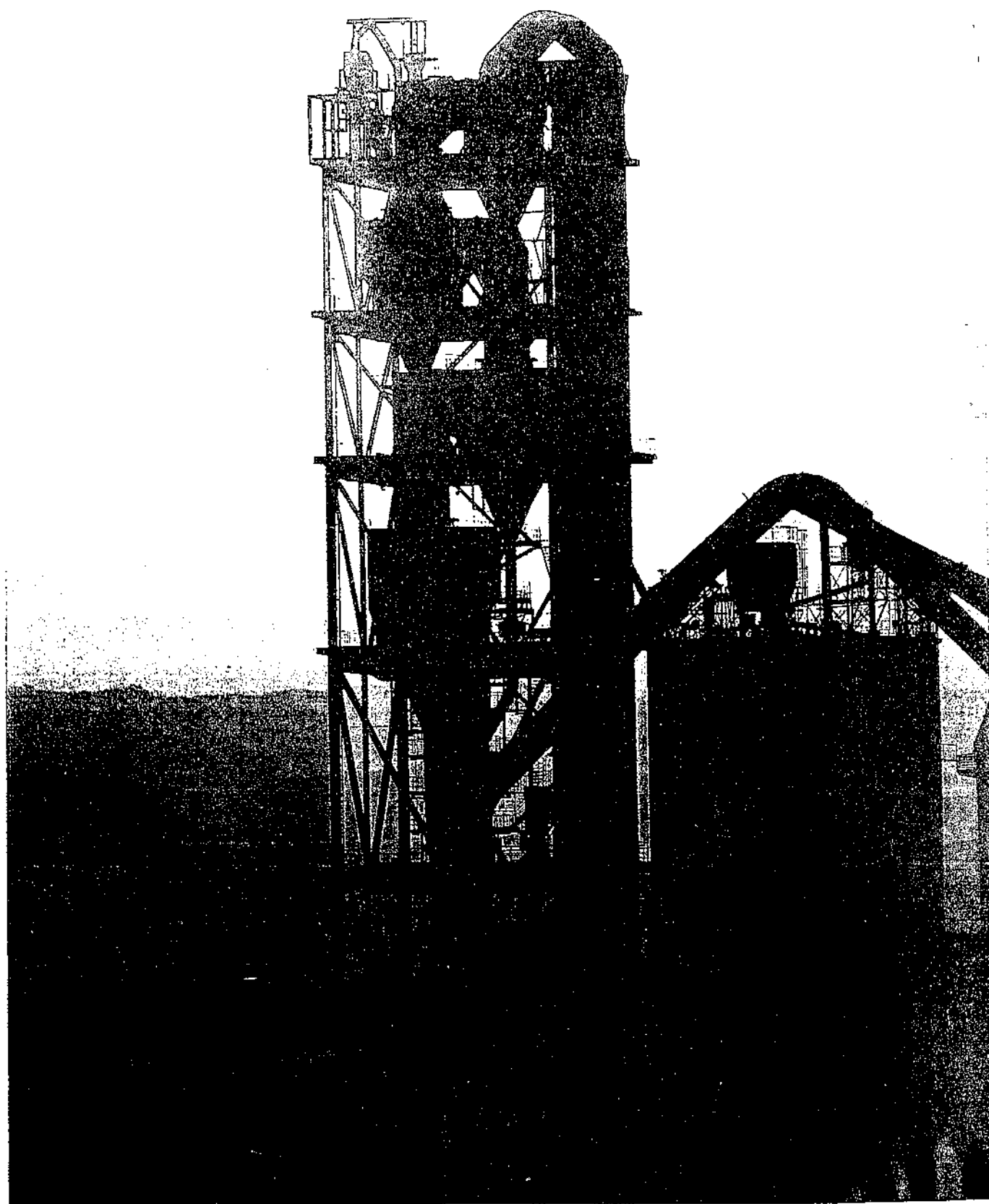
Loan Approvals By Sector: Three-Year Moving Averages, 1968-1970 – 1984-1986



amount of each borrowing, was 5.9 per cent per annum.

Negotiations on the fourth ADF replenishment (ADF V), which is intended to finance the Bank's concessional lending program in the four years 1987-90, were concluded in April. The replenishment agreed upon was \$3.6 billion (at the average of daily exchange rates during the first quarter of

1986). Of this amount, \$72 million would be set aside and allocated to the Technical Assistance Special Fund for technical assistance to poorer DMCs and for regional technical assistance. Contributions to the replenishment would be provided by the developed member countries and by Indonesia and the Republic of Korea.



SUNSET silhouettes the D. G. Khan Cement complex in Punjab Province, Pakistan. Supported by a \$51.5 million loan from the Asian Development Fund, this project produces more than 600,000 metric tons of cement annually for the country's rapidly-growing domestic market and has provided about 500 new jobs.

ECONOMIC DEVELOPMENTS

DURING 1986, a majority of the Bank's developing member countries (DMCs) improved their overall economic growth performance. However, some DMCs dependent on primary commodity exports experienced recession for the second successive year due to depressed levels of commodity prices. The aggregate trade deficit of DMCs declined sharply and their average inflation rate remained at a moderate level. DMCs generally pursued more stringent borrowing and debt-management policies, made efforts to improve their domestic economic policies and institutions to support increased mobilization of domestic resources, and adopted measures to enhance productive efficiency and allocate resources more in line with market signals and comparative advantage.

International Setting

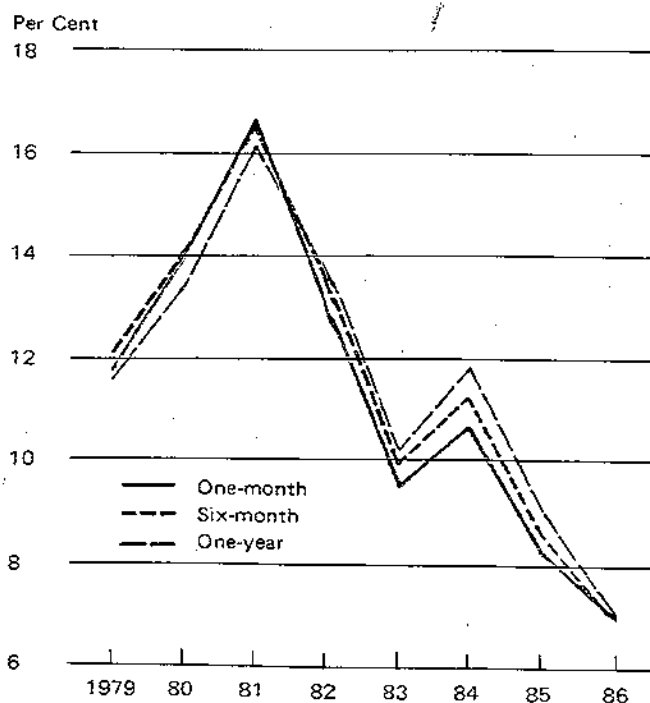
During the year, the world economy experienced a major realignment of exchange rates, low and declining prices of primary commodities, including oil, and falling interest rates. The yen and several major European currencies appreciated markedly against the US dollar. Interest rates in the international capital market also came down considerably during the year. While the effect of these developments will take some time to be fully felt, in 1986 world economic growth was lower than in 1985.

The worldwide economic recovery which began in 1983 after four years of recession lost some of its momentum as the growth rate of world output declined to 2.8 per cent from 3.1 per cent in 1985 and 4.4 per cent in 1984. On the other hand, the world inflation rate fell to 9.4 per cent in 1986 from 13.8 per cent in 1985 and the rate of expansion of world trade increased to 4.3 per cent from 3.1 per cent in the same period.

Despite several favorable factors, including reduced interest rates and an improved balance-of-payments position, economic activity in industrialized countries slowed down. The growth in their aggregate real gross national product (GNP) fell to 2.7 per cent in 1986 from 3 per cent in 1985, as economic activity remained below potential in European countries, Japan and the United States. The appreciation of European currencies and the yen against the US dollar reduced the stimulus provided by their foreign trade sectors. Unemploy-

ment remained at high levels in many industrialized countries. However, because of the fall in import prices, the average rate of increase in consumer prices dropped to 2.2 per cent in 1986 from 4 per cent in 1985. The combined current account position of the industrialized countries improved significantly in 1986 as the deficit of \$53.5 billion in 1985 was virtually wiped out, primarily due to the favorable terms-of-trade effect of the fall in oil and other commodity prices. Despite the appreciation of their currencies, the current account positions of Japan and the Federal Republic of Germany strengthened considerably although export volumes

INTEREST RATES (LIBOR)^{1/}, 1979-1986
(Period average)



^{1/} London Interbank Offered Rates on US dollar deposits.

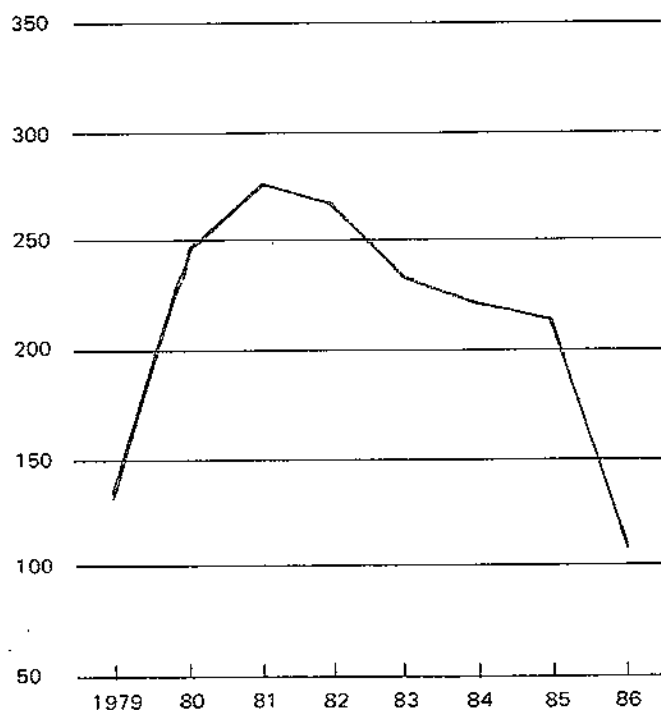
declined and import volumes increased. The US deficit widened despite the significant depreciation of the dollar against the currencies of these two countries because the favorable impact on exports took time to be realized and imports from countries with currencies tied to the US dollar were maintained at high levels.

For developing countries as a group, the sharp decline in commodity prices led to a fall in export earnings and slower growth. Oil-exporting countries¹ were hard hit by the fall in petroleum prices as growth faltered, the balance of payments deteriorated and inflation went up. The price of their major export declined by almost 50 per cent and their combined gross domestic product (GDP) declined by 0.5 per cent in 1986. They recorded an aggregate current account deficit of \$31 billion compared with a surplus of \$5 billion in 1985. In the face of falling oil revenue, the money supply showed a rapid increase and the average inflation rate nearly doubled to 8.3 per cent.

For non-oil developing countries, the average GDP growth rate declined to 3.7 per cent in 1986 from 4.4 per cent in 1985. The inflation rate fell significantly from an average of 53 per cent to 36 per cent, primarily because of the success achieved in curbing high rates of inflation by several developing countries in Latin America. The combined current account deficit of the non-oil developing countries rose to \$27 billion

1 Oil-exporting countries include Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

CRUDE OIL PRICES, 1979-1986
(Index 1977 = 100)



in 1986 from \$24 billion in 1985. The rise in the deficit was less drastic than in the case of oil-exporting countries, because the adverse effect of the fall in non-oil commodity price declines was partially offset by lower prices of energy imports. Many countries also continued to restrain their imports due to foreign exchange constraints.

Economic Developments in DMCs

A majority of the Bank's developing member countries (DMCs) were able either to improve or sustain satisfactory growth despite a fall in the prices of non-oil primary commodities and slower growth in developed countries. With the exception of Singapore, the newly industrializing countries (NICs)² were able to take advantage of their enhanced competitiveness in international markets as a result of currency alignments to boost substantially their production and exports of manufactured products, improve their current account position and achieve relatively high rates of growth. Lower oil prices and the fall in interest rates also helped to stimulate their economies. These favorable developments enabled these countries to reduce their debts and maintain an unusual degree of price stability.

In Southeast Asia, economic performance was adversely affected by low and falling commodity prices. The combined growth rate of these countries which include Indonesia, Malaysia, Philippines and Thailand was less than one per cent for the second consecutive year. Indonesia and Malaysia were hit hardest by the fall in oil prices, which severely affected both foreign exchange earnings and government revenues. This in turn put severe strains on government budgets and public investment programs. In Southeast Asia, Thailand was the least affected since lower energy prices offset lower earnings from primary exports while the exchange rate realignment improved the competitiveness of its non-oil exports. In all these countries, external debt management remained a major concern and new borrowings were drastically reduced. Prices remained relatively stable during 1986. This was particularly remarkable for Indonesia which devalued its currency by 31 per cent during the year.

In South Asia, overall growth in 1986 was significantly below that in the previous year. Since trade plays a relatively minor role in their economies, overall performance was not materially affected by the fall in the prices of primary commodities. Indeed, the overall growth greatly depended on agriculture, and lower growth in Burma, India and Sri Lanka during 1986 was largely explained by relatively low growth in this sector. The industrial sector generally performed better due to the liberal economic environment which prevailed in most South Asian countries during the year. Although price increases were single digit, they were generally higher than in 1985.

2 Four DMCs (Hong Kong, Republic of Korea, Singapore and Taipei, China) are included in this group because of the high share of manufactured output in their exports and GDP.

GDP Growth

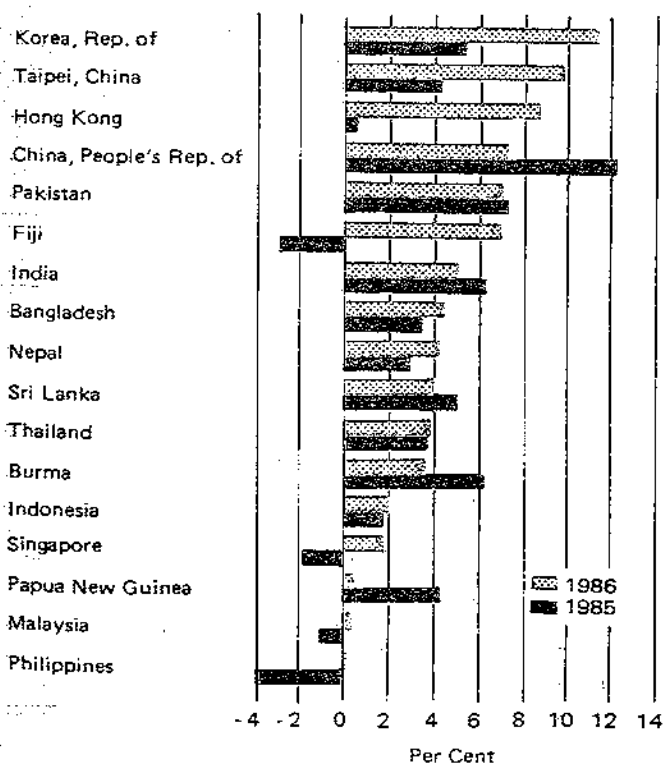
The combined GDP of 17 DMCs¹ rose by 6 per cent in 1986, the same increase as in 1985. The overall growth rate, however, is greatly influenced by the inclusion of the People's Republic of China which sharply reduced its growth rate during 1986 from an unusually high growth rate in 1985. Excluding the People's Republic of China, the DMCs improved average GDP growth to 5.6 per cent in 1986 from 3.8 per cent in 1985.

Of the DMCs listed in Table 1,² a majority recorded improved GDP growth during 1986, albeit from a low level in some cases. The NICs, which had experienced a drop in GDP growth rates in 1985 after two consecutive years of high economic growth, made a robust recovery in 1986. In the period from 1985 to 1986, the GDP growth in Hong Kong rose to 8.7 per cent from 0.6 per cent, in the Republic of Korea increased to 11.4 per cent from 5.4 per cent and in Taipei, China expanded to 9.9 per cent from 4.3 per cent. The GDP growth of 1.9 per cent in Singapore represented a recovery from its 1.8 per cent decline in 1985. The dynamism of their large export sectors was the principal factor behind these improvements.

1 At the time of writing, GDP estimates for 1986 are available for only 17 DMCs. However, DMCs not covered would account for less than 1 per cent of the combined GDP of all DMCs.

2 The Tables referred to in this chapter appear on pages 120-129.

ESTIMATED RATE OF REAL GDP GROWTH
OF SELECTED DMCs, 1985-1986



The overall economic performance of Southeast Asian DMCs was poor for the second successive year largely due to the low prices of commodities which constitute their principal exports. Indonesia's 1986 GDP growth of 2 per cent was only marginally higher than that in 1985. Lower receipts from oil exports and the consequent cutback on public development outlays were the principal factors. Malaysia's 1986 GDP increased by a modest 0.5 per cent after a 1 per cent decline in 1985. Nearly all sectors suffered as the prices of the country's major exports remained depressed. The GDP of the Philippines registered marginal growth of 0.2 per cent after suffering two consecutive declines of 5.7 per cent and 4 per cent, respectively, during 1984 and 1985. Agricultural output increased by 3.3 per cent but industrial output fell by 3.7 per cent. Thailand's growth record was relatively satisfactory. Its GDP growth rate of 3.8 per cent in 1986 and 3.7 per cent in 1985 was largely due to an export boom in manufactured goods. The loss it suffered from low prices of agricultural exports was offset by low import prices of crude oil and petroleum products.

The GDP growth rate of the People's Republic of China fell to 7.4 per cent in 1986 from 12.3 per cent in 1985. The slowdown was the result of deliberate policy measures taken to bring down the high trade deficit and inflation experienced during the previous year.

In South Asia, Pakistan achieved the highest GDP growth. Its GDP increased by 7.2 per cent in 1986 and 7.4 per cent in 1985. An impressive increase in both agricultural and industrial production contributed to this performance. In Bangladesh, GDP increased by 4.4 per cent in 1986 compared with 3.7 per cent in 1985. The expansion was based on productivity gains in agriculture and higher output of energy and non-traditional exports. Nepal's GDP growth rate improved to 4.2 per cent in 1986 from 3 per cent in 1985, as both agricultural and industrial production improved. India registered GDP growth of about 5 per cent, down from 6.3 per cent the previous year. The growth rate in agriculture declined. However, improved incentives and liberalized imports benefited other sectors of the economy. Burma's GDP growth declined to about 3.7 per cent in 1986 from 6.2 per cent in 1985. Rice production was constrained in an increasingly competitive export market where low-quality Burmese rice was at a discount. The country also encountered serious financial constraints in the public sector and a widening current account deficit. Sri Lanka's GDP increased by about 4 per cent in 1986 compared with 5 per cent in the preceding year. This decline was due to the depressed prices of tea and other agricultural exports as well as the strains and interruptions caused by severe domestic political problems.

The GDP growth rates of smaller South Pacific DMCs were generally depressed by the unfavorable prices of copra on which depend most of their export earnings and income. Of the two larger DMCs in the subregion, Fiji's GDP grew by 7 per cent as the economy recovered from the 3 per cent decline in GDP in 1985 induced by cyclones and low production and prices of sugar. Papua New Guinea's GDP grew 0.6 per cent in 1986 compared with 4.4 per cent in 1985, mainly due to the lower prices of its traditional commodity exports.

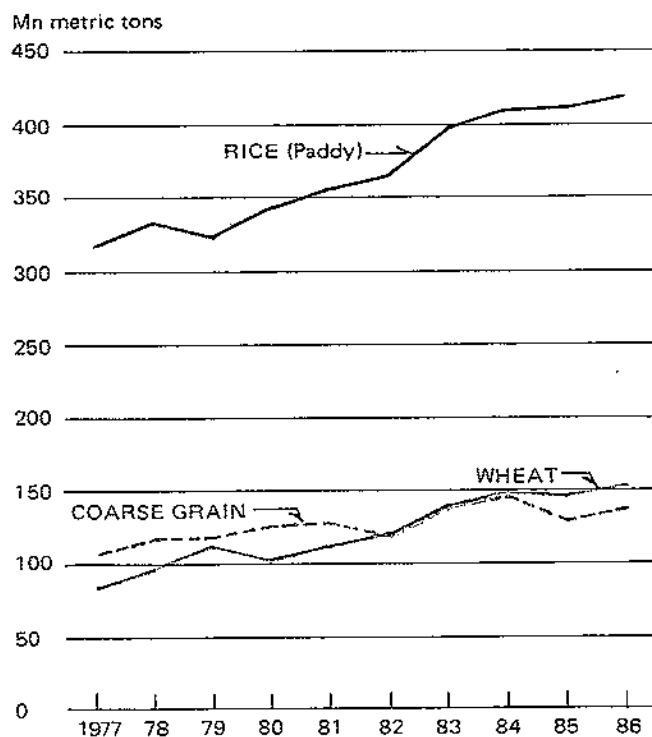
Sectoral Performance

Agricultural sectors of DMCs continued to perform well in 1986 as foodgrains production continued to show the rising trend of the last four years. The production of agricultural crops for export generally increased, although revenue from export sales declined with the low export prices of these commodities.

Cereals output in DMCs increased to 707 million tons in 1986 from 689 million tons in 1985.¹ The increase of 2.6 per cent exceeded the DMC population growth rate of 1.7 per cent. Rice output increased by 1.6 per cent to 419 million tons (see Table 2). Production gains were recorded by Bangladesh, People's Republic of China, India, Indonesia, Nepal and Pakistan while output declined in Afghanistan, Burma, Republic of Korea, Malaysia, Philippines, Sri Lanka, Thailand and Viet Nam. The production of wheat in the DMCs increased by 4.7 per cent to 154 million tons in 1986 from 147 million tons in 1985 (see Table 3). This was mainly due to higher output in People's Republic of China, India and Pakistan and was partly offset by lower output in Afghanistan and Bangladesh. The output of coarse grains in the DMCs increased in 1986 by 3.8 per cent to 135 million tons. The

1 Output estimates for individual crops in the chapter are for the calendar year while GDP estimates are for the fiscal year, which differs from the calendar year in several DMCs (see footnote to Table 1)

GRAIN OUTPUT OF DMCs, 1977-1986



higher production in People's Republic of China, India, Indonesia and Pakistan was partly offset by lower output in Afghanistan, Republic of Korea, Nepal, Philippines and Thailand.

Among the major commercial crops of DMCs, the overall output of coconut, palm oil, rubber and sugar increased in 1986 while that of cotton, jute and tea decreased. The 8.7 per cent growth in coconut output was largely due to the 23 per cent increase in the Philippines, the largest DMC producer. Palm oil production increased by 17.3 per cent, which was shared by all the DMC producers except the Philippines. Rubber production increased by 2.1 per cent. Output increased in People's Republic of China, India, Indonesia, Philippines, Sri Lanka, Thailand and Viet Nam but declined in Malaysia, the largest producer. Sugar production increased by 5.3 per cent with higher production in People's Republic of China, Fiji, India, Indonesia, Malaysia and Thailand, partly offset by lower output in Bangladesh, Burma, Pakistan, Papua New Guinea, Philippines and Sri Lanka. The output of cotton declined by 4.3 per cent, with lower output in all major DMC producers. The 41 per cent fall in jute was due to large declines among the major producers, namely, Bangladesh, People's Republic of China and India. Tea output declined by 2.4 per cent. All DMC producers, except the People's Republic of China, experienced lower output.

Industrial production rose in many DMCs during 1986. The NICs saw manufacturing output soar with the sharp increase in exports. Hong Kong, Republic of Korea and Taipei, China performed best. In Singapore, manufacturing output grew significantly following the sharp downturn in 1985.

Growth of the manufacturing sector in the People's Republic of China decelerated considerably to around 8 per cent from 17.5 per cent in 1985. This slowdown provided relief from the strains produced by excessive demand on energy resources, transportation and imports.

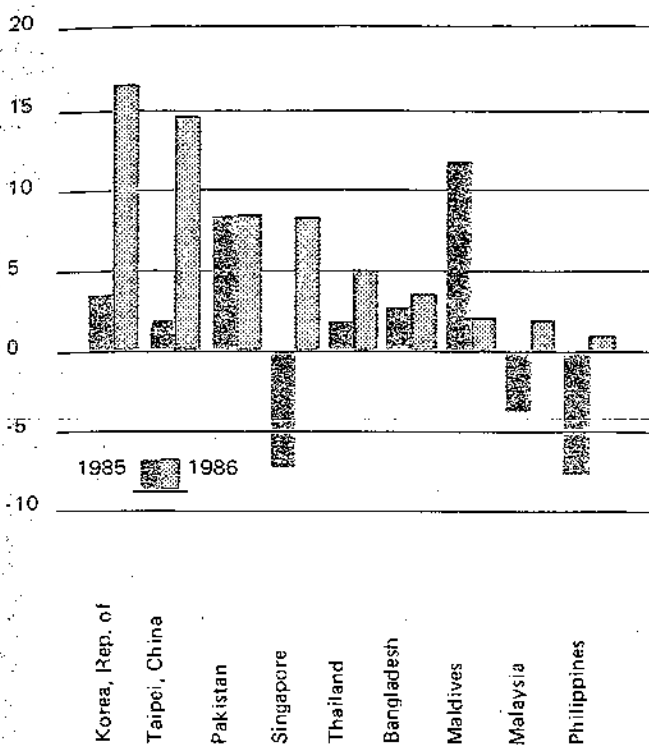
Among Southeast Asian DMCs, industrial production remained depressed in Indonesia and the Philippines, although labor-intensive manufacturing activities performed better than manufacturing in general. Malaysia and Thailand registered some improvements in the growth of manufacturing output as their export-oriented industries expanded.

The growth of manufacturing output in most South Asian DMCs was higher than GDP growth because of the high-income elasticity of demand for manufactured products. India, Pakistan and Sri Lanka experienced higher-than-average growth rates for the region. Bangladesh was the exception where growth of manufacturing output during the last two years was sluggish, partly due to a slowdown in industrial credit disbursements to firms with substantial loan arrears.

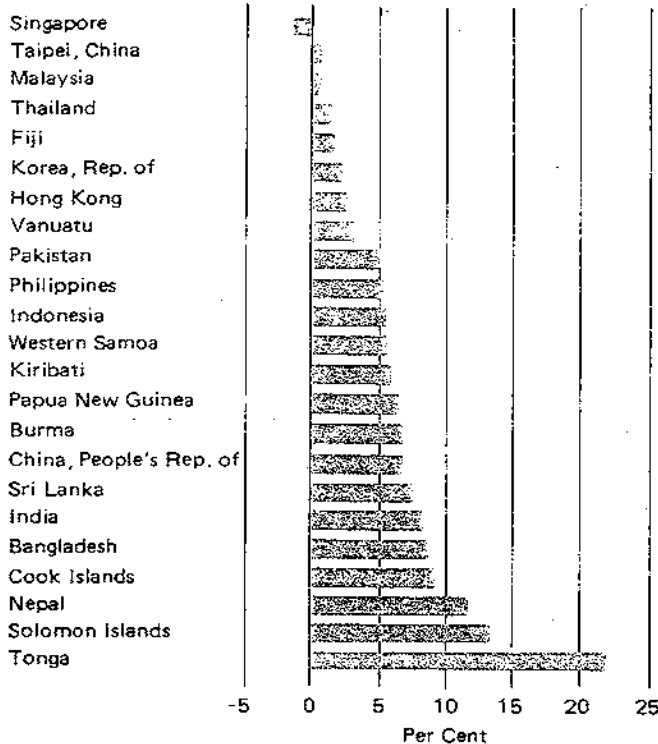
The total output of crude oil in DMCs increased to 259 million tons in 1986 from 247 million tons in 1985 (see Table 4). All DMC producers of oil except Philippines, Taipei, China and Thailand increased output. The revenues from oil exports received by the three oil-exporting DMCs (People's Republic of China, Indonesia and Malaysia), however, fell due to the much lower average price of crude oil in the international market.

ESTIMATED RATE OF MANUFACTURING SECTOR GROWTH OF SELECTED DMCs, 1985-1986

Per Cent



CHANGES IN CONSUMER PRICES OF SELECTED DMCs, 1986



Price Trends

Inflation in most DMCs has moderated during the 1980s. The weighted average inflation rate for DMCs was 5.5 per cent in 1986 compared with 6.6 per cent in 1985 (see Table 5). While the general improvement in the supply situation of many commodities worldwide was an important factor, stabilization measures pursued by some DMCs also contributed to this favorable outcome.

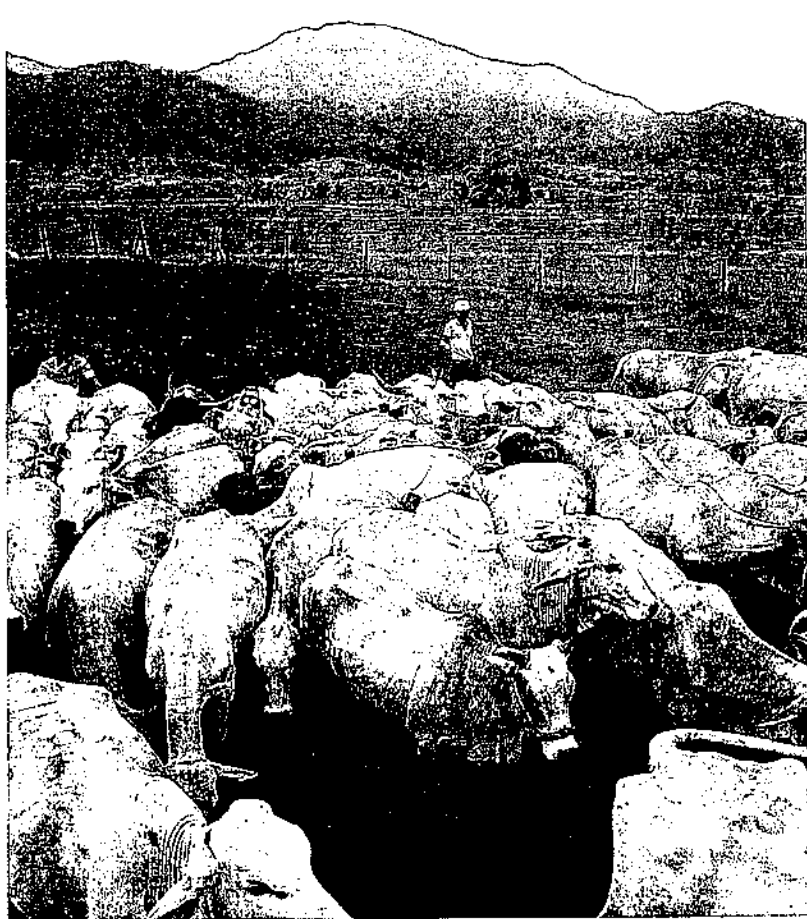
Among DMCs, the best records of price stability in 1986 were maintained by Singapore where prices declined by 1 per cent and by Malaysia and Taipei, China where prices increased by less than 1 per cent. Price increases in Fiji, Hong Kong, Republic of Korea, Thailand and Vanuatu were also low, ranging from 2 to 3 per cent. The Philippines reduced its inflation rate to 5 per cent in 1986 from 21 per cent in 1985. Bangladesh, People's Republic of China, Pakistan and Western Samoa also reduced inflation rates significantly through the adoption of restrictive demand management policies. On the other hand, Burma, India, Indonesia, Nepal and Sri Lanka were among the DMCs where inflation rates significantly increased during 1986. In these countries inflation during 1986 ranged from about 6 per cent to 12 per cent. Depreciation or devaluation of domestic currencies added to the inflationary pressures in some of these countries.

External Sector Developments

The aggregate trade deficit of DMCs sharply declined to \$1 billion in 1986 from \$12.7 billion in 1985 (see Table 6). Among the NICs, the trade deficit of Singapore declined, the Republic of Korea achieved a trade surplus for the first time in many years and Taipei, China further expanded its trade surplus while the surplus of Hong Kong was reduced. The People's Republic of China significantly reduced its trade deficit from the high level of 1985. Among Southeast Asian DMCs, Indonesia witnessed a decline in its trade surplus while the surplus of Malaysia remained unchanged. The Philippines and Thailand reduced their trade deficits. In South Asia, Bangladesh, India and Pakistan had lower trade deficits while Burma, Nepal and Sri Lanka experienced larger trade deficits. Among South Pacific DMCs, while Fiji and Papua New Guinea reduced trade deficits significantly, most had large trade deficits.

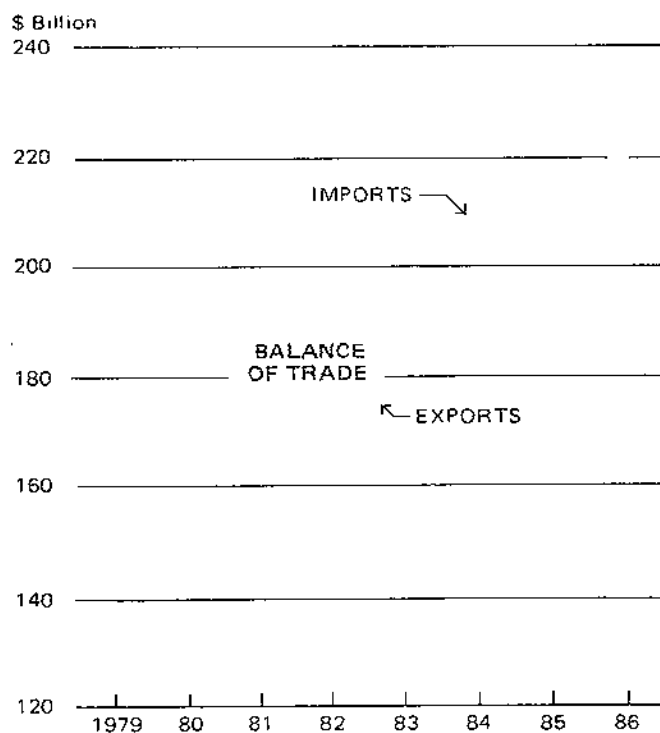
The aggregate value of DMCs' exports increased by 9 per cent to \$221 billion in 1986 from \$202 billion in 1985. This was largely due to the sharp increase in manufactured exports, mainly by the NICs. While the volume of primary commodity exports increased, their dollar value fell because of the low price levels of primary commodities.

Depressed commodity prices since 1985 have seriously



LIVESTOCK (left) and irrigation (right), two aspects of an Integrated Area Development Project in the Island-Province of Palawan in the southern Philippines for which the Bank is providing a \$47 million loan.

FOREIGN TRADE OF DMCs, 1979-1986

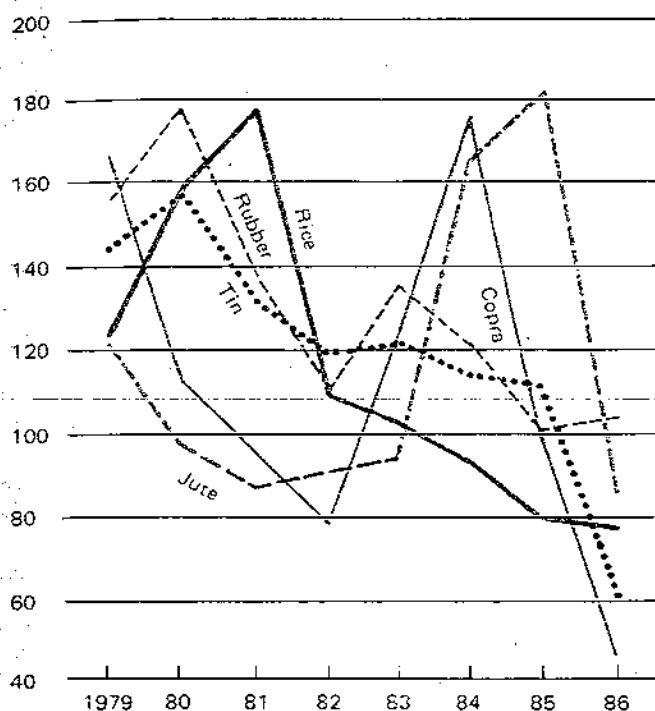


affected the economic wellbeing of the large rural populations in several DMCs by eroding their real incomes. In 1986, commodity prices fell further, taking some of them below the already depressed levels in 1985. Primary commodities exported by DMCs which witnessed a sharp drop in prices in 1986 were copra (52 per cent), palm oil (50 per cent), cotton (25 per cent), jute (51 per cent), tin (44 per cent) and crude oil (49 per cent). Only prices of sugar and logs rose during the year by 51 per cent and 11 per cent, respectively. Despite the increase, sugar prices continued to be unremunerative for farmers. The unfavorable commodity prices inflicted large terms-of-trade losses on major producers (Bangladesh, Indonesia, Malaysia, Philippines and Thailand). Terms of trade improved mainly for the NICs which are major exporters of manufactured goods and they also benefited from the lower prices of oil.

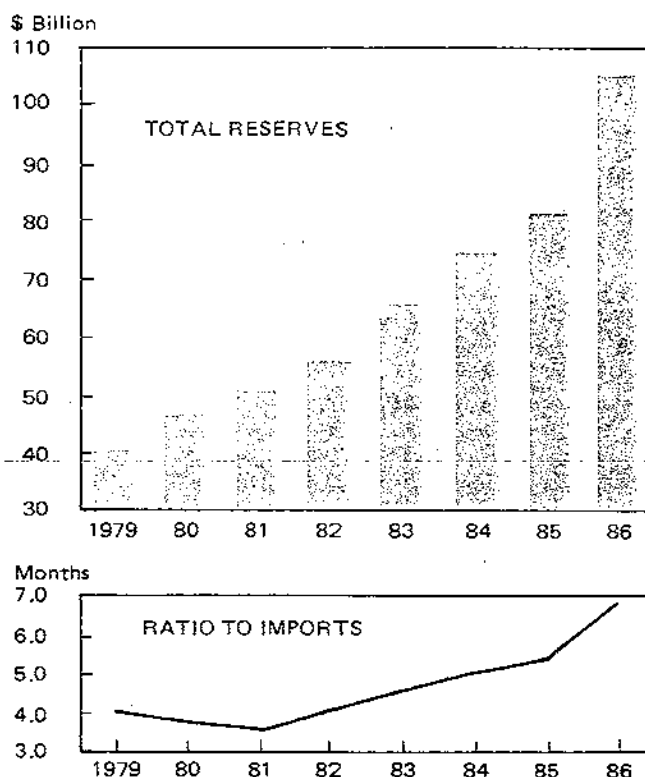
The aggregate imports of DMCs increased by 3.7 per cent to \$222 billion in 1986 from \$214 billion in 1985. The increase was largely due to higher imports by People's Republic of China, Hong Kong, India, Republic of Korea, Taipei, China, Thailand and Viet Nam. Most other DMCs had lower imports. The decline in oil prices and consequent savings in oil import costs contributed to lower imports in several DMCs.

The combined international reserves of DMCs increased to \$105 billion in 1986 from \$81 billion in 1985 (see Table 7). This was equivalent to 6.8 months of imports. However, most of this increase was accounted for by Taipei, China whose reserves went up by \$24 billion. Other DMCs which made significant additions to their international reserves during 1986

PRIMARY COMMODITY PRICES, 1979-1986
(Index 1977 = 100)



INTERNATIONAL RESERVES OF DMCs, 1979-1986



were Republic of Korea, Malaysia, Philippines, Singapore and Thailand. On the other hand, reserves fell in People's Republic of China, India, Indonesia, Pakistan and Sri Lanka.

Domestic Savings and Investment

The macro aggregates — domestic savings and investment in the period 1983-85 (see Table 8) — reflect the overall level of resource mobilization efforts by the DMCs in recent years. The average level of investment (gross capital formation) in DMCs ranged from 13 per cent to 44 per cent of GDP in 1985, the latest year for which data are available. The average domestic savings rate in DMCs varied even more widely — ranging from 3 per cent to 41 per cent of GDP. Bangladesh and Pakistan continued to be the only DMCs with domestic savings ratios of less than 10 per cent in 1985. In 1985, domestic savings exceeded domestic investment in Hong Kong, Republic of Korea, Malaysia and Taipei, China. The DMCs which financed a substantial part — more than 5 per cent of GDP — of their investment through external assistance included Bangladesh, People's Republic of China, Nepal, Pakistan and Sri Lanka. For the remaining DMCs, the gap financed externally ranged from 0.3 per cent of GDP for the Philippines to 3.9 per cent for Thailand.

The net flow of external resources to DMCs declined to \$11.5 billion in 1985 from \$18 billion in 1984, the latest year for which data are available (see Table 9). Concessional flows

increased marginally to \$7.8 billion in 1985 from \$7.7 billion in 1984 while non-concessional flows declined sharply to \$3.7 billion from \$10.3 billion. This reflected both the general tightening of commercial credit and the cautious policies of some traditional borrowers among DMCs.

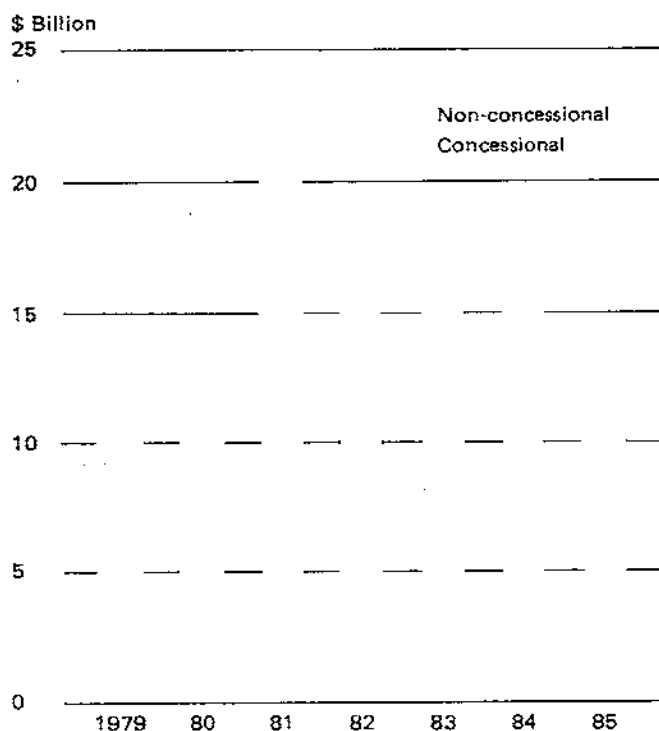
The external public debt of DMCs¹ increased by 17 per cent to \$158 billion in 1985 from \$135 billion in 1984 (see Table 10) compared with an increase of 7 per cent the previous year. People's Republic of China, India, Indonesia, Republic of Korea, Malaysia, Philippines and Thailand accounted for 92 per cent of the aggregate increase in external public debt. DMCs which could reduce their external public debt during the year were Singapore and Taipei, China.

The debt-service payments of DMCs rose to \$22.2 billion in 1985 from \$17.9 billion in 1984 and \$15.5 billion in 1983. The overall debt-service ratio increased to 10.8 per cent in 1985 from 7.5 per cent in 1984. The debt-service ratios of individual DMCs varied widely, ranging from 51.8 per cent in Burma to 0.2 per cent for Hong Kong. Besides Burma, debt-service ratios reached 20 per cent or more for Indonesia, Malaysia and Pakistan. In most cases, the ratios were at moderate levels.²

1 Data on total external debt of several DMCs are not available.

2 These ratios cover official external debt only and, therefore, do not adequately reflect the debt-service burden of some DMCs such as Indonesia, Republic of Korea, Philippines and Thailand, which have secured substantial external loans without government guarantee.

TOTAL NET FLOWS OF RESOURCES TO DMCs, 1979-1985



Domestic Economic Policies

Despite the difficult global economic environment, the overall economic performance of DMCs during 1986 compared favorably with that of other regions of the world. The relatively greater vigor and superior resilience of DMC economies resulted from sound economic and institutional policies pursued by them. Some of the policy initiatives and efforts undertaken during the year are described below.

Fiscal and Monetary Policies

Fiscal policies pursued by DMCs were aimed at reducing budgetary imbalances, stimulating the private sector and attracting foreign investment. The thrust of resource mobilization efforts was more toward improving tax administration than raising tax rates.

Bangladesh and India reduced marginal tax rates while taking measures to improve tax administration. The Hong Kong Inland Revenue (Amendment) Ordinance 1986 instituted anti-avoidance powers which yielded substantial additional revenue to the government. Nepal withdrew subsidies on exports and cancelled tax concessions for a number of industries while introducing a system of auctioning licenses for certain 'luxury' imports as a revenue-generating device.

The NICs generally pursued expansionary fiscal policies to combat the recessionary external influences experienced in the previous year. Singapore undertook tax reforms aimed at stimulating investment and increasing personal expenditure. Republic of Korea and Taipei, China adopted measures to increase domestic demand through higher public sector investment expenditure. Tax reforms in Taipei, China and Thailand were aimed at reducing the burden on households and business corporations to stimulate consumption and investment.

Most DMC monetary policies were aimed at combining economic growth with price stability. Bangladesh, People's Republic of China, Nepal and Philippines pursued restrictive monetary policies to combat the relatively high rate of inflation experienced during the preceding year. Some of them succeeded in reducing the rate of price increases in 1986. Republic of Korea, Hong Kong and Taipei, China increased the availability and reduced the cost of credit in view of the low inflation rates in these countries. However, they also took measures to contain the excessive domestic liquidity generated by balance-of-payments surpluses. The prevailing inflation rates in most DMCs were below nominal returns on financial assets; this yielded positive real interest rates conducive to higher savings and the efficient allocation of resources. Some DMCs with large international borrowings (Indonesia, Republic of Korea, Malaysia, Philippines and Thailand) took steps to bring down or to arrest the growth of their foreign debt.

Investment and Trade Policies

DMCs continued with their efforts to liberalize foreign trade and promote domestic and foreign investment. Pakistan deregulated both domestic prices and distribution of nitrogenous fertilizers, and the price and import controls on edible oils. The Philippines lifted restrictions on the importation of a variety of food products and announced a comprehensive program of tariff restructuring. India expanded the range of products which can be manufactured by firms in the automotive and machine tool industries and removed restrictions on domestic capacity expansion of existing industries where the extra output would be exported. Indonesia eliminated some of its import monopolies.

Indonesia, Republic of Korea, Malaysia, Philippines, Singapore and Thailand provided a wide range of additional incentives to attract foreign investment. The Republic of Korea relaxed its minimum investment limits by foreign investors in small and medium-scale industries and increased the capital of the Korea Fund, a closed-end investment company established in the US. Taipei, China also opened its stock market to limited foreign participation through the highly successful flotation of a closed-end investment fund on the New York Stock Exchange. Malaysia relaxed regulations relating to local participation in firms established by foreign investors. Indonesia opened areas to foreign investors hitherto reserved for domestic entrepreneurs. The Philippines undertook to sell publicly-owned enterprises to foreign investors on favorable terms. Singapore eased regulations which effectively reduced labor costs for businesses in the country. Thailand

reduced income taxes on dividends and capital gains received by foreign investors from investment in mutual funds to 10 per cent and 12.5 per cent, respectively. The London-based, open-end Thai Fund was established to attract portfolio investment by foreign investors in the Thai stock market and was oversubscribed, leading to an increase in the size of the Fund.

Reducing the large involvement of the public sector in the directly productive activities of the economy continued to figure prominently in the economic policies pursued by several DMCs. Bangladesh promulgated an industrial policy with an improved role for the private sector and disinvested more government enterprises. Malaysia extended the range of activities under consideration for privatization to include construction and maintenance of highways and water supply facilities. Moves were also initiated to study and put into effect the privatization of the Sabah Gas Utilization Project as well as flotation to the public of shares in the Malaysian International Shipping Corporation. The latter was successfully effected in January 1987. Indonesia initiated moves to establish a program to review the performance of public enterprises and to identify appropriate areas for reform. The Philippines created a Committee on Privatization to supervise the sale of non-performing assets being held by government financial institutions and other government corporations. Thailand continued to implement its longer-term policy of privatization of state enterprises and services in areas where public sector involvement is not necessary. Nepal too continued its program of public enterprises divestiture.

Exchange Rate Movements

The balance-of-payments situation of most DMCs remained critical during 1986, although a few, mostly the NICs, experienced significant improvements and added to their international reserves. Exchange rate adjustments figured quite prominently as an instrument of DMC trade policies. The People's Republic of China devalued its currency by an average of 16 per cent against major currencies. Indonesia devalued its currency vis-a-vis the US dollar by 31 per cent in recognition of the severe impact of the decline in oil export receipts on its economy. Fiji devalued its currency by 5 per cent and Vanuatu by 22 per cent to improve their respective balance-of-payments positions. The currencies of India and Malaysia depreciated against the US dollar and even more so against other major currencies. Although the currencies of most other DMCs remained unchanged in value vis-a-vis the US dollar or appreciated in some cases, the sharp decline in the value of the US dollar vis-a-vis other major currencies meant that DMC currencies tied to the US dollar also depreciated in tandem. These developments improved the competitiveness of DMC exports in major world markets.

Energy Policies

The drop in oil prices provided considerable relief to oil-importing DMCs, while the People's Republic of China,



TENDING seedlings at a nursery in Rajshahi District, Bangladesh, part of a Bank-financed project to increase the supply of fuelwood by 178,000 cubic meters annually by encouraging more community involvement in planting trees.

Indonesia and Malaysia were adversely affected. The saving in energy imports enabled a number of DMCs to lower their domestic prices of oil and oil products. Some DMCs (Bangladesh, India, Pakistan and Thailand) either kept prices unchanged or passed on only a part of the drop in international prices and the difference accrued as additional revenue to their budgets.

While lower oil prices reduced the pressure for developing domestic energy sources and led to increased oil imports, several countries continued to develop alternative sources of domestic energy. Bangladesh continued to substitute domestic natural gas for imported oil and oil-based products. Burma placed priority on exploitation of its large natural gas resources as a substitute for oil. People's Republic of China, India, Indonesia and Thailand significantly increased the production of coal as an energy source. Exploration for oil and natural gas continued in several countries, and Bangladesh, People's Republic of China, India, Indonesia and Viet Nam announced discoveries of hydrocarbon reserves during the year.

Regional Cooperation

Several steps were taken during 1986 to promote regional cooperation among DMCs. The Foreign Ministers of the Association of South East Asian Nations (ASEAN), in their meeting at Manila in June, signed a petroleum security agree-

ment. Under the terms of the agreement, the six member nations are to share regional oil production in the event of critical shortages caused by war or natural disaster and to buy from the producing member countries in cases of oversupply.

The concept of establishing an ASEAN common market by the year 2000 was studied further by the ASEAN Economic Ministers in Manila, Philippines, in August 1986. They agreed: (i) to raise margins of preference on products produced under the private sector ASEAN industrial joint venture (AIJV) program from the present 50 per cent to 75 per cent; (ii) to approve two new AIJV projects, one to produce automobile lamps and another for motorcycle lamps; (iii) to supplement the current ASEAN preferential trading agreement with a "preferential tariff quota" system;¹ and (iv) to include at least one ASEAN contractor in the final list of bidders for each of the local projects financed by multilateral agencies.

The Heads of State or Government of the seven member countries of the South Asian Association for Regional Cooperation (SAARC) held their second annual summit in Bangalore, India, in November. The leaders agreed to set up a SAARC meteorological information center in India and an agricultural information center in Bangladesh. They also agreed to establish a permanent secretariat in Kathmandu, Nepal. Proposals for joint strategies on global economic issues and joint collaboration in processing agricultural commodities were discussed and will be considered further in subsequent meetings. With the agreement on holding a meeting of economic ministers in early 1987, SAARC moved closer to setting up a permanent ministerial level committee for consultation in the areas of economic, trade and industrial cooperation.

At the South Pacific Forum meeting in Suva, Fiji, in August, the ten member countries agreed to establish a South Pacific Maritime Development Programme. They also pressed the United States to conclude a fisheries agreement with the Forum countries. Subsequently, a fishing accord was signed by the countries concerned, and the United States is to contribute \$12 million annually for the next five years to the South Pacific Forum. The Forum countries also established the South Pacific Coconut Industry Federation which is to collect and disseminate information on coconut research and markets.

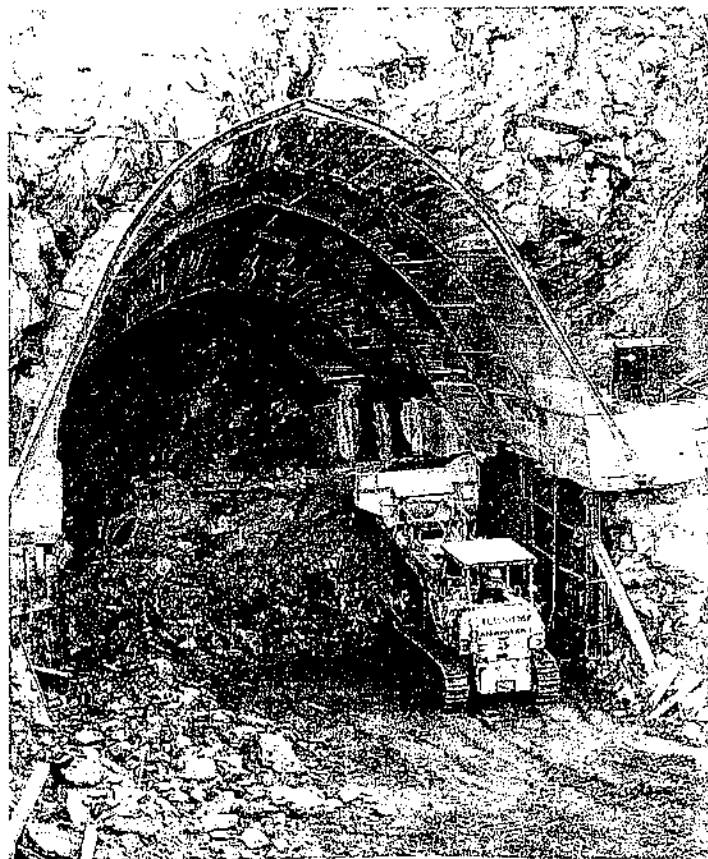
International Cooperation

In 1986, several steps were taken by the major industrialized countries to coordinate their economic policies in order to reduce the risks and uncertainties in the global economy. One of the first among these was concerted action to reduce official interest rates in the early part of the year. This action, which followed the coordinated action by the Group of Five countries — United States, Britain, West Germany, France and Japan — on exchange rates, reduced international interest rates to their lowest level in eight years.

At their Tokyo summit in May, the Heads of State and Government of the seven largest industrial countries (i) called for an early launching of a new round of trade negotiations under the General Agreement on Tariffs and Trade (GATT); (ii) agreed to create a new mechanism for closer coordination of policies based on several key economic indicators; and (iii) created the Group of Seven by expanding the membership of the Group of Five to embrace Italy and Canada, for consultations on monetary and financial matters.

In the field of international trade, preliminary steps were taken in early 1986 for a new round of multilateral trade negotiations. Despite the differences among the GATT contracting parties on the agenda and procedures for negotiations, a compromise was finally reached in Punta del Este, Uruguay, in September, with an agreement to launch the eighth round of trade negotiations.

The agreement reached in Uruguay sought to phase out all trade-restrictive and distorting measures inconsistent with GATT guidelines. Further, the trade ministers agreed to: (i) liberalize trade in agriculture by improving market access through reduction of import barriers and create a more competitive environment by increasing discipline on the use of subsidies and other measures; (ii) achieve a comprehensive agreement on safeguards and improve rules and procedures of the dispute settlement process; and (iii) cover within the purview of GATT negotiations, for the first time,



TUNNELLING through a mountain in Sabah, East Malaysia, part of the Tenom Pangi Power Project, which has been supported by a technical assistance loan of \$1.2 million from the Bank.

¹ Under the "preferential tariff quota" system, if export volumes are below a certain agreed ceiling a preferential tariff rate applies.

trade in services, including banking, insurance and telecommunications, and protect intellectual property rights. The negotiations under the popularly-known "Uruguay Round" began in October and are expected to be concluded within four years.

Discussions on trade between developing countries figured prominently in various international fora held in 1986. In a Cairo, Egypt meeting of the Group of Seventy-Seven in August, delegates called for a dismantling of trade barriers among Third World countries. Similarly, the Non-Aligned Summit held in Harare, Zimbabwe, in September, set up a committee to study ways for promoting South-South trade.

In August, the Multi-Fibre Agreement (MFA) was renewed for another five years. The new MFA extends its coverage from cotton, wool and man-made fibres to silk and other vegetable fibres like linen and ramie and also protects the importing countries against import surges from the developing world. Under the broad terms of the MFA, a series of bilateral agreements between the importing and exporting countries have been concluded.

In November, the world's leading sugar-trading nations agreed to extend the present International Sugar Agreement for a year from the end of 1986. This Agreement has no power to regulate the market and merely provides the forum for continuing talks which seek to draft a replacement accord with economic provisions. Under the auspices of the United Nations, in October, an attempt was made to renegotiate the present International Natural Rubber Agreement. Conflicting demands from the producers and consumers, however, led to a collapse of the talks.

Outlook

Recent developments in the international economy, namely, exchange rate realignments, the decline in interest rates and the continuing fall in prices of primary commodities,

including oil, affected DMCs in different ways. The impact of these developments is likely to be felt for some time so that the economic growth outlook of DMCs during 1987 and beyond is rather mixed. With the possible exception of Singapore, the NICs are likely to experience lower growth rates of 6 to 8 per cent. The cost advantages reaped by them from recent developments are likely to decline while the demand for their products in the developed countries is likely to slow down on account of low GDP growth, protectionist pressures and greater competition by affected countries. The adjustment problems of Singapore are continuing and, therefore, its GDP growth rates are expected to be around 5 per cent, much below the country's average growth rate in the past decade.

DMCs with a past record of high GDP growth but experiencing a slowdown (Indonesia, Malaysia and Thailand) and the Philippines, which suffered severe economic reverses during the last few years, are expected to improve their growth performance. Structural adjustments begun by them should bring some positive results and some of the adverse external factors (low commodity prices, high debt burden and large trade deficits) may begin to ease. The adjustment process is, however, likely to be longer for Indonesia and the Philippines than for Malaysia and Thailand.

The People's Republic of China and the DMCs of South Asia with relatively less exposure to external markets have ridden the difficult years of the 1980s quite well, depending largely on expansion in domestic demand for their growth. Recent efforts in these countries to encourage the private sector and to open up their domestic economies to external competition and market forces will stimulate economic growth by improving efficiency and resource allocation. Overall growth in these countries is expected to stay around existing levels. However, trade liberalization moves may be frustrated by a sharp growth in current account deficits to unsustainable levels. This could only be avoided by maintaining a commensurate growth in exports and the availability of external resources at reasonable cost to finance current account deficits.



LABORATORY technician examines a specimen of azolla, a tiny free-floating fern used as a fertilizer, in a laboratory in the Philippines. The Bank has supported the Philippine Government's azolla research program with a \$250,000 technical assistance grant.

PERFORMANCE EVALUATION

Background

AID effectiveness is a matter of increasing concern among both donor and developing countries. The decline in recent years in the flow of official development assistance (ODA) and in private flows to the Bank's DMCs makes it even more important to achieve the most effective delivery and use of the Bank's assistance to DMCs. Toward this objective the Bank set up in 1972 an independent system for evaluating the performance of its development assistance. The evaluation system is designed to provide a comprehensive review of the Bank's operations aimed at improving the design, implementation and operation of development projects and to enable the Bank to report to its member governments on the effectiveness of its activities. The evaluation system has been continuously improved and refined over the years and its scope has been expanded to cover a broad range of Bank operations. In view of the increasing interest in this subject, it has been considered appropriate to explain the Bank's evaluation system in this year's Annual Report, and to highlight some of the major findings to date.

Since the Bank opened its doors 20 years ago, there has been constant and systematic "supervision" to monitor the uses to which Bank funds are put, to record progress and assist in implementation. Currently, 40 per cent of the time of Bank operational staff, equivalent to about 180 work-years, is spent each year in supervising the 400 or so Bank-assisted projects now under implementation throughout the region. As part of this supervision process, evaluation takes place continuously resulting in improved implementation procedures and practices.

The ex-post evaluation of projects after implementation broadens this traditional focus of supervision from implementation efficiency to benefit achievement. Post-evaluation systematically re-examines, about one to two years after completion of Bank-financed projects and programs, the prospects of achieving the objectives for which the expenditures were first incurred, in light of the implementation experience and of such effects as may be visible after completion. Deviations from expectations in the work accomplished and its cost, duration, and the likely socioeconomic impact are identified, their

causes analyzed and their significance assessed. Objective evaluations by the Post-Evaluation Office are vital for assessing how effectively and efficiently Bank-financed projects and programs are promoting the economic and social progress of its DMCs.

In 1972, as an increasing number of Bank-assisted projects reached completion, a program for the Bank's post-evaluation activities was begun. Initially post-evaluation studies were undertaken jointly by staff drawn from the Bank's Economics Office and the (then) Operations and Projects Departments. In 1973, the Economics Office was made solely responsible for this activity. On the basis of the revised arrangements, post-evaluation studies were prepared by staff in the Economics Office with necessary support from short-term consultants hired from outside the Bank, without the participation of Bank operational staff. Subsequently, a program for post-evaluation, including guidelines for preparation of post-evaluation studies, was approved by the Board of Directors in 1974.

As the number of completed projects grew, the role of post-evaluation in providing information for the improvement of project design and implementation expanded. In 1977, the Audit Committee of the Board of Directors was established; its terms of reference included, inter alia, oversight of post-evaluation activities, their adequacy and efficiency. In 1978, the Bank's post-evaluation activities were comprehensively reviewed by the Audit Committee and several recommendations were made for the consideration of the Board to strengthen the function of post-evaluation. They included the introduction of a system for preparing Project Completion Reports (PCRs), and the establishment of procedures for the feedback of lessons learned from post-evaluation into operational activities.

The Bank's Evaluation System

In 1978, in line with the Audit Committee's recommendations, the Board approved the upgrading of the Post-Evaluation Unit into a separate, independent Post-Evaluation Office (PEO), headed by a Chief reporting directly to the President. This was intended to ensure that the PEO would have independence of judgment, freedom of reporting its findings

and direct access to top management. The Audit Committee continues to monitor closely the post-evaluation process and periodically reviews selected post-evaluation reports with operational and PEO staff.

With the establishment of PEO, a two-step evaluation system was adopted by the Bank. The first step consists of the preparation of PCRs by the operational divisions of the departments responsible for the processing and implementation of the projects. For the most effective learning and impact on future operations, the initial evaluation is best carried out by those who have been directly involved.

To ensure an independent evaluation, however, the second step consists of the preparation of Project Performance Audit Reports (PPARs) by PEO. The PPAR makes a comprehensive evaluation of the effectiveness of a project in achieving its objectives, and provides an analytical commentary on and supplement to the PCR. The PPAR audits the PCR for adequacy and integrity, and focuses on specific issues meriting closer attention. To reinforce self-evaluation by the Bank's operational divisions and to meet accountability requirements of its shareholders, PCRs and PPARs are prepared for all completed projects.

The PEO maintains a close working relationship with the Bank's operational departments and offices to minimize work duplication and ensure cost-effective and timely preparation of PCRs and PPARs. PEO reviews draft PCRs and comments on their completeness and presentation. Operational departments, in turn, furnish comments on PEO's draft post-evaluation reports. Substantive views on factual statements, findings and conclusions, both agreeing and disagreeing, are appropriately incorporated.

Under current procedures, the PCR focuses on the efficiency of project processing and implementation, describing the history of the project and evaluating its implementation, while the PPAR focuses on assessment of project results and effectiveness, assessing the physical achievements, operating performance, institutional development, socioeconomic benefits, environmental and other impacts, including the re-evaluation of the financial and economic rates of return where appropriate. Abbreviated PPARs are prepared in cases where earlier evaluations of projects implemented by the same executing agency had not revealed substantial problems and where the PCR for the new project indicated that no major difficulties were encountered in its implementation and operation.

By the end of 1986, 200 PPARs had been prepared covering 212 projects. PPARs have now been made for projects in most of the economic sectors and in most DMCs.

In 1978, another key element of the Bank's evaluation system was introduced: project benefit monitoring and evaluation (PBME) for rural development projects. The ongoing supervisory role of PBME (see page 69) is built in at project design and complements ex-post evaluation. By providing an ongoing assessment of performance during project implementation, PBME prepares the data base for Management to adapt project design to changes in the project environment. More recently, PBME has extended to other sectors of Bank operations, particularly to projects which include a large component of services, as in social infrastructure.

Since 1982, with the project performance auditing system firmly in place, PEO has also undertaken more intensive analyses of particular issues or subjects of broader relevance to the Bank's operations, practices and procedures which are frequently raised by PPARs. Special Studies have become a particularly valuable tool for drawing and disseminating lessons, not only in specific sectors and subsectors, but also with regard to lending programs and the quality of sector work.

By the end of 1986, three Special Studies had been completed. The first examined the strengths and weaknesses of Bank-organized regional training programs for development finance institutions (DFIs). The second dealt with the effectiveness of project executing agency arrangements. The third focused on the effectiveness of project-related technical assistance. An ongoing study is examining the effectiveness of various types of covenants in Bank loans and is expected to be completed during 1987. It will list and classify loan covenants and examine their relevance and record of compliance, as well as review the Bank's monitoring arrangements, make proposals to improve the formulation of loan covenants in order to achieve project objectives and help in effective monitoring by the Bank.

As the major objective of Bank lending is economic and social development, the Bank's participation in projects is predicated on the assumption that projects will yield benefits for a substantial period after the investment phase. While project audits address the issue of project benefits actually generated during loan disbursement, benefits anticipated in appraisal reports do not materialize until the operational phase. Consequently, since project audits are prepared shortly after the closing of Bank loans, the full project impact may not be realized by that time. To provide an overview of the longer-term aspect of Bank lending, PEO has initiated some second-look studies selectively for those cases which are likely to yield valuable insights. Such Impact Evaluation Studies usually cover a range of projects financed by the Bank in a particular country. Some of the projects studied might already have been covered by a PPAR while others might not yet have been post-evaluated. Other Impact Evaluation Studies re-examine a number of projects in the same sector but in different countries. These Studies provide insights into the extent to which the benefits of Bank lending in particular sectors are sustained and spread.

To date, PEO has completed two Impact Evaluation Studies. The first examined Bank assistance to the fisheries sectors in Indonesia, Pakistan and Sri Lanka, reviewed the technical, economic, financial, institutional and socio-cultural impact of the Bank's completed projects in marine fisheries, and considered implications for ongoing and future projects. The second, on the effectiveness of water usage in irrigation projects in the Philippines, was completed in 1986. Overall, these Impact Evaluation Studies highlighted a number of points which could help resolve implementation problems of ongoing projects and improve the design of future projects.

The quality of post-evaluation studies depends on the active participation of all those involved. The Bank's borrowing member countries, the beneficiaries of the Bank's development assistance, are encouraged to participate by preparing their own PCRs (few at present, but their number is increas-

ing) and by collaborating with and commenting on draft PPARs and Special Studies.

To maintain a continuing overview of the development experience, including the major lessons and their implications for the Bank and its members, PEO since 1980 has prepared an annual Review of all PPARs and other post-evaluation studies completed during the preceding year. The Review analyzes, summarizes and synthesizes the findings and conclusions regarding areas where Bank procedures could be improved. To date, nine annual Reviews have been prepared. Since 1982, the Review has been submitted to the Board of Directors by the President in conjunction with a brief report on post-evaluation activities, outlining action taken or proposed with respect to important post-evaluation findings or recommendations.

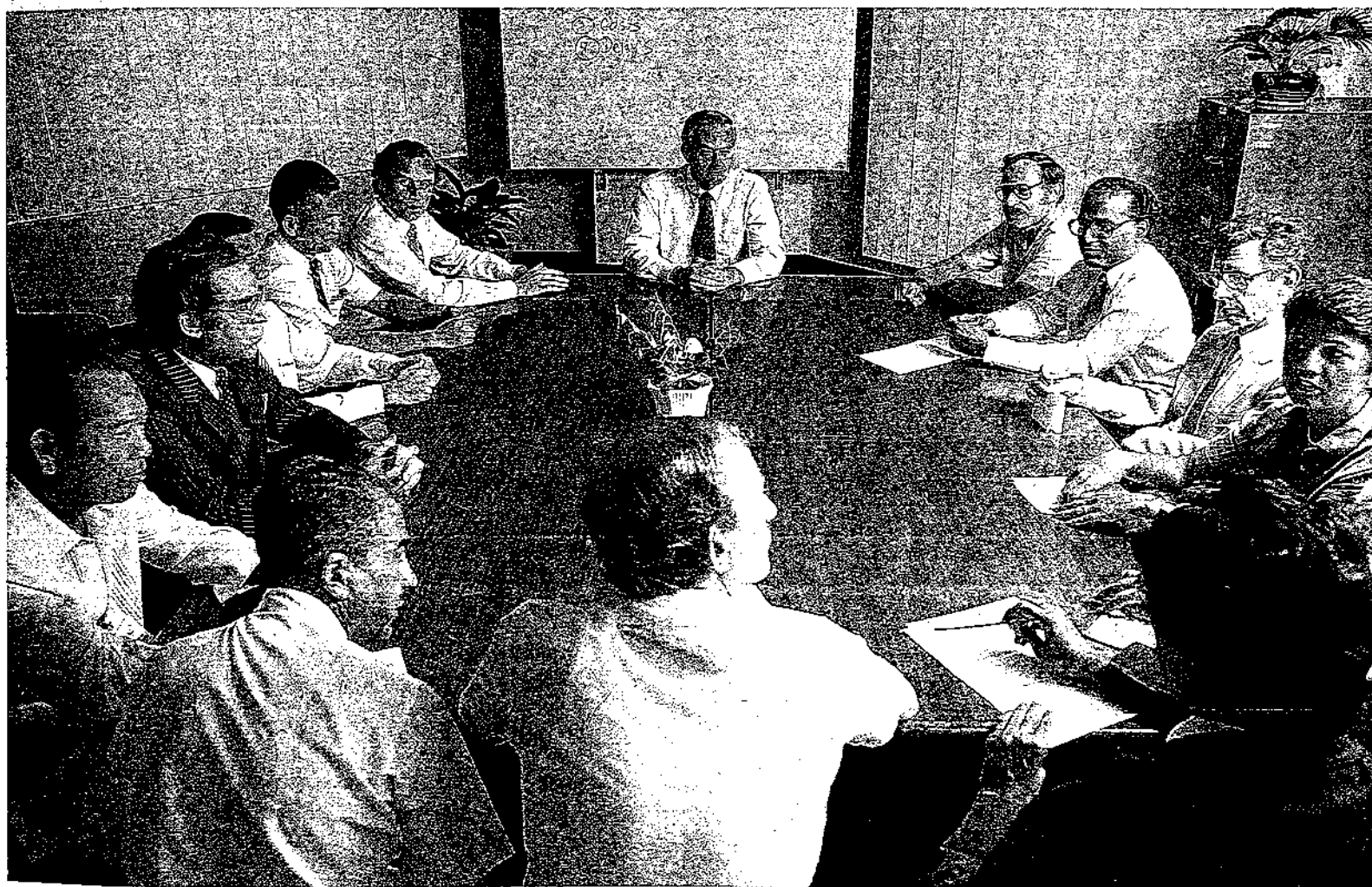
Some Important Findings

Evaluation of project effectiveness or impact is difficult to make with any precision. The impact of a particular project can be measured in several ways: by comparing post-project

with pre-project data, or speculating what might have happened if the project had not been undertaken. Except in straightforward physical terms — the length of road added to a country's transport network, for instance — such comparisons have to rely on judgment drawing on past experience and relative performance of similar projects in different countries.

Bearing these qualifications in mind, the most important post-evaluation finding is that over two-thirds of Bank-assisted projects have substantially achieved their physical, institutional and socioeconomic objectives. Overall, projects have provided needed facilities and services that positively contributed to social development and economic growth; they have strengthened local organizations and firms that provide and maintain these facilities and services; and they have benefited millions of users. However, it has also been found that there has been a tendency toward optimistic estimation of economic internal rates of return (EIRR) at appraisal.

There are a number of reasons why some projects are more successful than others. First, there are external factors, which neither the Bank nor the recipient country can control. Changes in commodity prices, market access, and exchange



BANK staff discussing a post-evaluation report on an irrigation project in Nepal. The Post-Evaluation Office maintains a close working relationship with the Bank's operational departments and offices.

rates, variations in climate, and unforeseen political events can all have a marked effect on project performance. Second, there are country-related factors, such as the institutional and policy environment. Prospects for successful implementation and operation of projects are considerably enhanced in conducive environments or, conversely, impaired if these environments are not consonant. Third, there are factors connected with the projects themselves, including project design and implementation.

Post-evaluation findings show that project design and external factors were the most crucial to project success, with other factors varying in effect depending on relative performance, country group and sector. Many aspects of project preparation have been highlighted, including the need for completion of detailed designs before appraisal for a larger number of projects than has been the case thus far. However, in practice, the Bank deals with a whole range of projects in different implementation environments and one approach cannot apply to all of them. At one end are the infrastructure projects and the civil works components in the relatively advanced DMCs. In these, detailed preparation of the engineering aspects leads to success because the technology is known. Thus technical design is not a major issue. At the other extreme are projects, including institution-building components of rural and urban development schemes, which are heavily determined by behavioral patterns about which little may be known in advance. In such projects, design and implementation issues predominate, and flexibility during the project cycle is essential.

In the agriculture sector, the adoption of improved technology is a strong factor in achieving project objectives, with performance being improved through flexible project design that encourages adaptive reactions to changes in the project environment. Projects must be sufficiently well developed to enable immediate implementation, but flexible enough to allow for adequate adaptation without causing waste of resources or deferred benefits. This might require, for example, the project to be broken up into discrete phases or components. Only primary components would be appraised initially, with the appraisal of subsequent activities being dependent on a review process involving the Bank and implementing agencies.

To respond to local needs, appropriate levels of flexibility must be built into project design, and this will have implications for evaluation procedures. As projects are phased to allow for progressively increased understanding of the behavioral response of the target population, monitoring and evaluation will become the integrating link between design and implementation activities. To enhance further the durability of performance in rural development projects, PBME should be expanded to link all stages of the project cycle including the post-investment phase. However, PBME should be seen as part of the process of efficient design and management and not as an end in itself.

Project results also suggest that the outcome is dependent on the quality of institutions responsible for operation as well as implementation. Few projects will sustain benefit flows unless organizations are able to carry them forward. In many cases, institutions have been strengthened during the im-

plementation process. These organizations have been able to continue operating effectively after external support stopped. Building organizational capacity, therefore, has become a key element in the Bank's approach to sustaining development.

At the macroeconomic level, the formulation of country programs over the first decade of Bank operations drew heavily from the countries' own development plans and investment proposals and was guided by their broad sectoral priorities. Projects incorporated into DMC investment plans were accepted for financing subject to detailed analysis and satisfactory financial and economic rates of return. As the Bank has become more familiar with the countries and the sectors in the countries, its ability to develop comprehensive country strategies and to promote and identify well-conceived project proposals has strengthened.

Concerning the post-evaluation process itself, experience shows that evaluation is facilitated if the project's objectives, planned achievements and inputs are stated in explicit and measurable terms at the project formulation and appraisal stage. If significant implementation issues and expected benefits and costs of projects are systematically recorded during the implementation period, the incremental costs of preparing PCRs and PPARs can be kept moderate; and as the numbers of completed projects increase, some degree of selectivity in the auditing system may be warranted without jeopardizing the integrity of the audit function.

Dissemination and Follow-Up

While the principal focal point for follow-up of the findings and recommendations of project performance evaluation has been the preparation of the annual Review, the usefulness of post-evaluation depends on how effectively the lessons learned from experience identified in post-evaluation reports are fed back into the operational system of the Bank. One of the principal responsibilities of PEO is to follow up with operational departments concerned (and through them the project authorities concerned) to assess possible action to be taken.

Post-evaluation follow-up has been systematized since 1982. An annual meeting attended both by operational and PEO staff is convened to review and discuss the findings and recommended follow-up actions contained in the post-evaluation reports prepared by PEO during the preceding year, and the actions taken by the operational units of the Bank are reported in PEO's annual Review.

To ensure that findings of post-evaluation studies lead to improved new projects, project appraisal is required to take into account the Bank's experience with completed projects. In addition, PEO takes part in new project processing by reviewing and commenting on draft Board documents as well as participating in loan processing meetings.

A computerized Post-Evaluation Information System (PEIS) has been developed. It includes information for each audited project covering such items as project components, costs and loan amounts, financial and economic internal rates of return and implementation periods at both the appraisal and the post-evaluation stages. The system also stores information on prin-

cial reasons for changes in scope, costs, implementation periods and rates of return and an overall assessment as to whether the project was generally or only partially successful. The system can generate statistical tables with cross tabulation to identify significant relationships between variables, thus facilitating analysis and evaluation of results by countries, sectors or time series. The system is expected to be of considerable use in providing up-to-date information for regular or occasional reporting and research work.

To facilitate the timely dissemination of findings, PEO maintains a comprehensive reference listing of post-evaluation findings — a compilation of lessons learned from past projects/programs, indexed by specific stage of project cycle and categories, sector and country. This listing is intended to help Bank operational staff identify those aspects of past experience which individual post-evaluation reports have noted as being of more general and continuing interest in improving the performance of present or future Bank-funded projects and programs.

Overall, the feedback of conclusions and lessons is mainly achieved through the presentation of PEO reports to Bank staff and the Board of Directors including its Audit Committee, and PEO comments on project and policy documents. To improve the system further, in 1987, senior operational and PEO staff will meet informally during three one-day workshops covering different sectors for intensive discussions of PEO findings, their implications for Bank operations and the efficiency of existing feedback and follow-up mechanisms.

In recent years, there also has been a growing interest in evaluation among bilateral and multilateral aid agencies. The Bank, and PEO in particular, has remained in close touch with these developments so that experience may be shared and cooperative efforts enhanced. For example, PEO has been represented in collaborative work undertaken by the Organization for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) Expert Group on Aid Evaluation. In addition, comments received from co-financiers on draft evaluative documents are reproduced as part of these documents.

The effectiveness of Bank assistance to its DMCs depends a great deal on the management capabilities of the governments concerned. Performance evaluation is seen as an important activity in assisting DMCs to improve the development management capabilities. Executing agencies are now routinely required to prepare PCRs and concerned government of-



A HUGE hydraulic pipe is installed at an underground power station in the Republic of Korea. This is one aspect of the Samrangjin Pumped Storage Power Project, supported by a Bank loan of \$52.6 million, which is designed to provide 600 MW capacity to the national power system.

ficials are increasingly exposed to evaluation activities of the Bank under training programs and by association with post-evaluation studies carried out in their respective countries. DMC governments are naturally most concerned that maximum benefits are obtained from Bank-assisted projects. Towards this end, they aim to ensure the most efficient and effective implementation and operation of projects. To assist these efforts, the Bank through PEO encourages the development and strengthening of their own evaluation capabilities.



A MACHINE-TOOLING class in Indonesia, part of the Second Senior Technical Schools Project, designed to develop technical manpower and supported by the Bank with a \$26 million loan.

BANK OPERATIONS

Loan and Equity Operations

BANK lending in 1986 took the form of project and multiproject, program and sector loans; credit lines; and special project implementation assistance.

Lending Modalities, 1986

	No.	Amount (\$ million)
Projects ^a	36	1,228.96
Program Loans	2	179.00
Sector Loans	4	254.73
Credit Lines ^{a&b}	3	205.00
Multiproject	1	3.00
Special Project Implementation Assistance	2	130.60
Total	48	2,001.29

^a Includes private sector loans.

^b Includes loans to development finance institutions and agricultural credit.

Bank lending amounted to \$2,001 million in 1986. This was lower than originally envisaged but slightly above the 1985 total of \$1,908 million. Loans from ordinary capital resources (OCR) totalled \$1,368 million, representing a nominal increase of 8 per cent over the level of \$1,271 million achieved in 1985. Loans from the Asian Development Fund (ADF) amounted to \$633 million, representing a decrease of 0.6 per cent in nominal terms over the 1985 level of \$637 million.

The lower-than-programmed lending level reflected various factors. Overall, the impact of falling oil prices benefited the balance-of-payments position of most developing member countries (DMCs), but the adverse impact in oil-exporting DMCs led to cutbacks in planned investments. The fall in commodity prices continued to depress export earnings for many

DMCs. For some countries, the situation was aggravated by the continuing problems created by inefficient absorption of external assistance.

In addition, many DMCs have built up a high level of external debt and are pursuing more prudent borrowing policies. Together, these factors have adversely affected the capacity of most DMCs to increase development financing and accelerate project implementation.

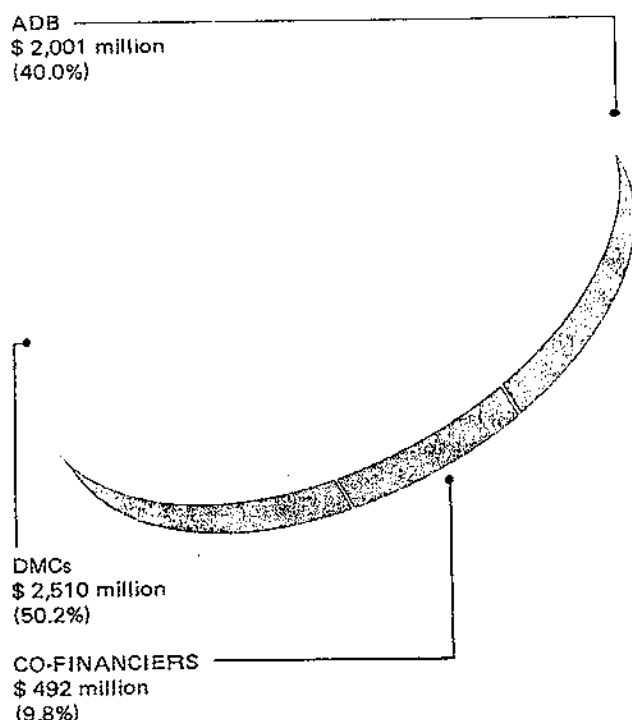
In some DMCs, development has been adversely affected by budgetary constraints, while in others political considerations have had a similar effect. Delays in resolving policy-related issues also hindered project processing in some DMCs.

In 1986, the Bank approved Special Project Implementation Assistance loans totalling \$130.6 million — to the Philippines (\$100 million) and Indonesia (\$30.6 million). The loans will finance local currency requirements of high-priority ongoing Bank-financed projects, implementation of which has been delayed due to shortage of local currency resources. In the Philippines, a total of 36 projects in key areas such as agriculture, irrigation, water supply, transport, education and energy will be assisted. In Indonesia, the loan will help in the expeditious implementation of six ongoing education projects.

In addition to the Bank's lending operations, the Bank approved three equity investments totalling \$3.2 million: \$2.14 million to finance a major expansion of the Cherat Cement Company, Ltd. (Pakistan), \$0.495 million to Planters Development Bank (Philippines) and \$0.52 million to Northeast Agriculture Company, Ltd. (Thailand). A further line of equity was approved for \$5 million to the National Development Finance Corporation and Bankers Equity Ltd. in Pakistan. These raised total cumulative equity approvals to \$15.2 million since the Bank began equity financing in 1983.

During the year, 52 loans were approved for 48 projects in 19 DMCs. This compares with a total in 1985 of 48 loans approved for 46 projects in 13 DMCs. "Blended" loans financed from both OCR and ADF were provided for four of the 1986 projects — the Second Agricultural Development Bank and the Agricultural Inputs Program loans in Pakistan, the Special Project Implementation Assistance loan in the Philippines and the West New Britain Smallholder Development loan in Papua New Guinea.

Projects Approved in 1986: Total Cost and Sources of Finance



Total Cost^a: \$ 5,003 million

^a Total cost of program and sector loans and credit lines is estimated from previous Bank experience.

The average size of loans decreased marginally in 1986 to \$38.5 million from an average of \$39.8 million in 1985. The average size of OCR loans was little changed at \$50.7 million in 1986 compared with \$50.8 million in 1985. The average size of ADF loans decreased to \$25.3 million from \$27.7 million in the previous year.

Loans financed exclusively from OCR were provided to six DMCs: Indonesia (\$319.1 million), India (\$250 million), Malaysia (\$105.2 million), Republic of Korea (\$53 million), Thailand (\$50.9 million) and Fiji (\$4.4 million). Loans from OCR and also from ADF were provided to three DMCs: Pakistan (\$543.9 million, comprising \$285 million from OCR and \$258.9 million from ADF), Philippines (\$316.8 million, comprising \$266.8 million from OCR and \$50 million from ADF) and Papua New Guinea (\$49.6 million, comprising \$33.7 million from OCR and \$15.9 million from ADF). Ten DMCs received loans exclusively from ADF: Sri Lanka (\$102.3 million), Bangladesh (\$85.7 million), Nepal (\$51.3 million), Burma (\$35 million), Lao PDR (\$12 million), Bhutan (\$8.8 million), Western Samoa (\$5.4 million), Solomon Islands (\$4.2 million), Tonga (\$3 million) and Kiribati (\$0.7 million).

As in 1985, the constraints on overall Bank lending in 1986 were also reflected in its co-financing activities. The amount

of co-financing by official and commercial sources in Bank-assisted projects decreased to \$492 million from \$640 million in 1985. Continued constraints on borrowing by member countries as well as the relatively small size of projects limited the need to seek additional resources from co-financiers.

Projects approved during 1986 — including credit lines, special assistance, program and sector loans — had a total estimated cost of \$5 billion, 40 per cent of which was accounted for by Bank financing, 50 per cent was to be provided by borrowing DMCs and 10 per cent was to be provided by co-financiers.

Local cost financing in 1986, exclusive of Special Project Implementation Assistance loans, amounted to \$267.5 million for 23 projects in 11 DMCs. OCR provided \$130.2 million of this amount, and ADF \$137.3 million, representing 9.5 per cent and 21.7 per cent, respectively, of OCR and ADF loans approved during the year.

The Bank's cumulative lending by the end of 1986 had reached \$19.5 billion for 746 projects in 28 DMCs of which \$13.3 billion was from OCR and \$6.2 billion from ADF. About \$1.7 billion was provided for local cost financing.

Technical Assistance

The Role of Technical Assistance and Its Funding

Technical assistance continues to play an important role in the Bank's operations. Its main function is to facilitate the transfer of resources and technology to DMCs by assisting them to design, formulate, implement and operate development projects efficiently and effectively. In addition, technical assistance is used to enhance DMC capability to formulate economic development policies, strategies, programs and plans to improve the allocation of scarce domestic and external resources.

Following a recent review of the Bank's technical assistance operations, increased emphasis is now being placed on technical assistance for: (i) institutional development, particularly in the less and least developed DMCs; (ii) meeting other needs of these countries and the small island DMCs; (iii) studies of broad and sectoral policy and other issues which may complement the Bank's evolving operational strategy in each DMC or enhance its role as a regional Development Resource Center; and (iv) efforts to improve regional cooperation.

Technical assistance activities are financed by the Bank through grants and loans and combinations of both. Funding sources available for grant-financed technical assistance activities comprise: (i) voluntary contributions to the Technical Assistance Special Fund (TASF) from both developed and developing member countries; (ii) grant funds provided by other multilateral and bilateral sources under co-financing and exclusive financing arrangements; (iii) allocation to TASF from the fourth ADF replenishment; and (iv) income from the Bank's OCR.

Funding sources for loan-financed technical assistance are

the Bank's OCR and ADF resources, together with other multilateral and bilateral sources under co-financing and exclusive financing arrangements.

Total Volume of Technical Assistance

By the end of 1986, the Bank's technical assistance had been provided for 1,554 projects and regional activities in 28 DMCs, and had totalled \$1.6 billion. Of that assistance, about 76 per cent was financed by Bank loans and 16 per cent by grants financed by the Bank and other sources but executed by the Bank. The remaining 8 per cent was financed and executed by other sources under co-financing arrangements.

For most of its technical assistance projects financed from other sources, the Bank acts as executing agency. Such projects were financed in 1986 by agencies including the United Nations Development Programme (UNDP) and the Governments of Norway and Switzerland. For the preparation of agricultural projects, the Bank also continued to cooperate with the Food and Agriculture Organization/Investment Centre (FAO/IC) (see Table on page 148).

As of the end of 1986, 40 per cent of cumulative technical assistance to DMCs had been provided to Group A (low-income) DMCs, 51.5 per cent to Group B (middle-income) DMCs and 8.5 per cent to Group C (higher income) DMCs. Among Group A DMCs, 22 per cent of the total amount of technical assistance provided went to the seven least-developed countries (Afghanistan, Bangladesh, Bhutan, Lao PDR, Maldives, Nepal and Western Samoa). One per cent of the total went to Group A DMCs in the South Pacific (Cook Islands, Kiribati, Solomon Islands, Tonga and Vanuatu). The share of Group A DMCs has increased from about 19 per cent during 1967-72 to about 40 per cent during 1981-86 while the share of Group B DMCs has remained constant at about 50 per cent and the share of Group C DMCs has declined to about 10 per cent during 1981-85 from 29 per cent during 1967-71.

The sectoral distribution of the total amount of technical assistance provided to DMCs during 1967-86 is 40 per cent to agriculture and agro-industry, 18 per cent to the energy sector, 20 per cent to social infrastructure, 15 per cent to transport and communications, 5 per cent to industry and non-fuel minerals, including development finance institutions (DFIs), and 2 per cent to the multisector and others. The share of the agriculture and agro-industry sector declined to 32 per cent during 1982-86 from 53 per cent during 1967-71 while, over the same period, the share of the energy sector increased to 21 per cent from 7 per cent, the share of the transport and communications sector declined significantly to 14 per cent from 33 per cent, and the share of the industry and non-fuel minerals sector (including DFIs) increased from 4 per cent to 6 per cent.

Grant-Financed Technical Assistance

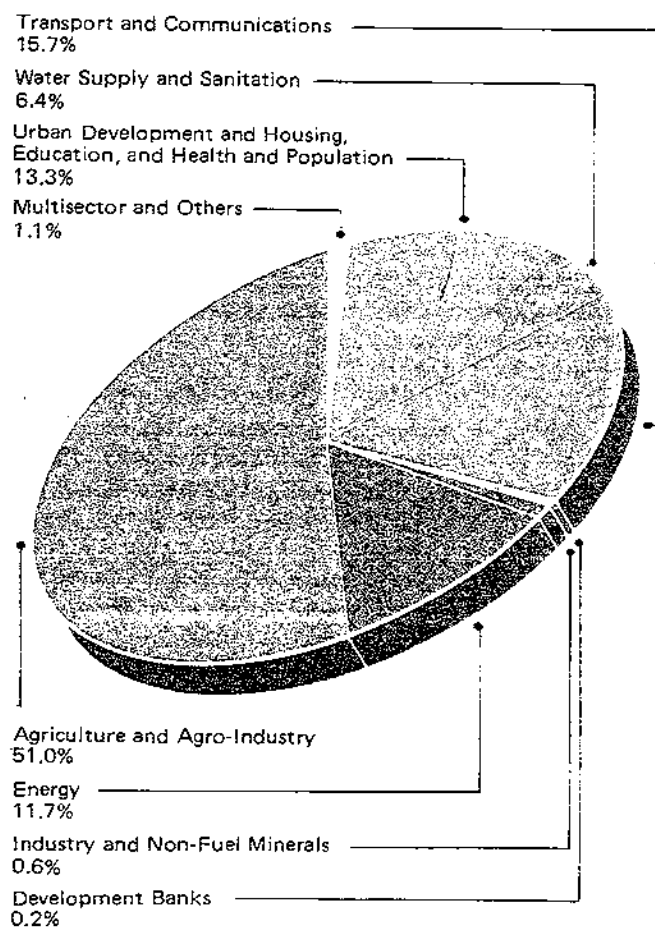
In 1986, technical assistance grants approved by the Bank (funded by the Bank and other sources) amounted to \$38.6 million for 134 projects including regional activities. This compares with \$34 million for 112 projects approved in

1985, and brought the cumulative total to \$242 million. The increase in volume in 1986 reflected increased utilization of relatively large technical assistance projects for institution building and project implementation, while the increase in number largely reflected the extension in 1986 of a small-scale (up to \$75,000) technical assistance facility to advisory and operational as well as regional technical assistance projects. Of the 1986 total amount, 60 per cent was provided for advisory and operational purposes, 21 per cent for project preparation and 19 per cent for regional activities.

Seventy-one per cent, or \$22 million of the total amount, of technical assistance grants to DMCs in 1986 went to countries fully eligible for ADF loans. These were Bangladesh, Bhutan, Burma, Kiribati, Lao PDR, Maldives, Nepal, Pakistan, Solomon Islands, Sri Lanka, Tonga, Vanuatu and Western Samoa. The rest, amounting to \$9.2 million, went to People's Republic of China, Fiji, Indonesia, Republic of Korea, Malaysia, Papua New Guinea, Philippines and Thailand.

The agriculture and agro-industry sector retained the largest share of the total amount of grant-financed technical assistance

Technical Assistance By Sector: 1986^a



Total: \$ 121.0 million

^a Excludes regional activities.

**Grant-Financed Technical Assistance
Approvals Funded from Other Sources,^a 1986**
(amounts in \$ thousand)

Agency	No. of Projects	Amount
United Nations Development Programme	12	9,465.0
Switzerland	5	2,370.0
Norway	1	2,800.0
TOTAL	16^b	14,635.0

a With the Bank acting as Executing Agency.

b A project financed by more than one source is counted once

with 54 per cent, a slight decline from 63 per cent in 1985. Transport and communications accounted for 21.5 per cent, sharply up from 10 per cent the previous year, followed by social infrastructure with 8.6 per cent, energy with 8.5 per cent, industry and non-fuel minerals with 3.2 per cent and multisector and others with 4.2 per cent.

The total technical assistance amount included technical assistance grant components amounting to \$17.5 million approved in conjunction with 22 Bank loan projects of which \$16.3 million was for advisory and project implementation purposes and \$1.2 million for project preparation.

The importance of technical assistance to the Bank's overall lending program is highlighted by the fact that, as of the end of 1986, 327 Bank loan projects amounting to \$8.9 billion had resulted from earlier project preparatory technical assistance grants amounting to \$65 million (the total amount of project preparatory technical assistance approved was \$231 million). Taking 1986 alone, 31 Bank loan projects totalling \$1,104 million resulted from earlier technical assistance. Of this amount, \$676 million came from OCR and \$428 million from ADF, representing 49 per cent and 68 per cent, respectively, of total loans approved during the year from these sources.

Regional technical assistance grants in 1986 increased to \$7.4 million for 33 projects from \$5.5 million for 32 projects in 1985. During the year, 22 per cent of the total amount for regional activities went to regional studies and workshops, 25 per cent for conferences and seminars, 33 per cent for training and 20 per cent for research and other activities.

In 1986, 106 grant-financed technical assistance projects were completed. This brought the total number of such projects completed to 650.

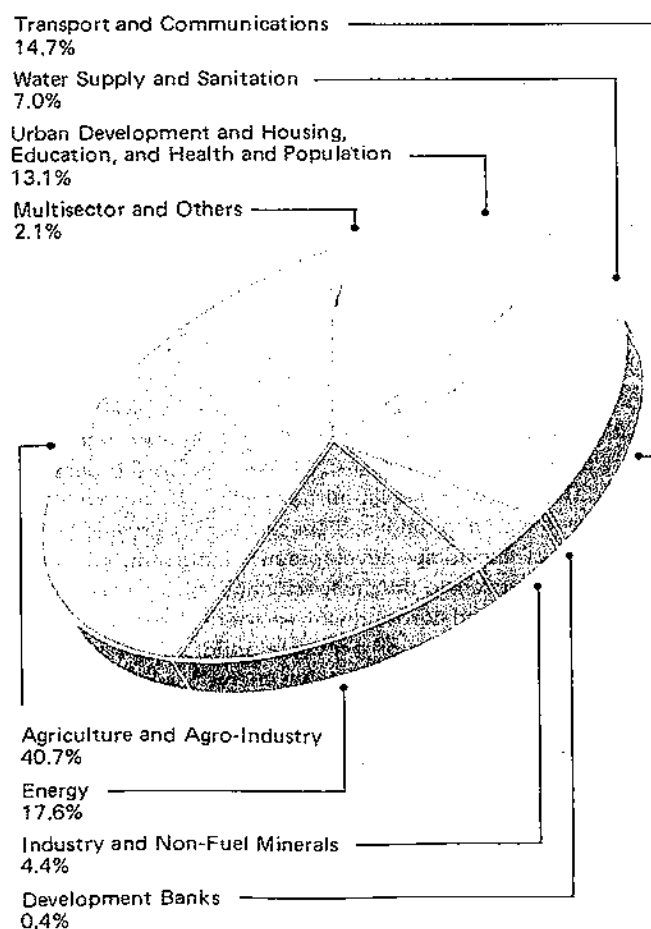
Loan-Financed Technical Assistance

Since Bank operations started in 1967, loan-financed technical assistance amounting to \$1.3 billion had been provided for 590 projects by the end of 1986. Of this amount, 59 per cent was funded from OCR, representing 6 per cent

of cumulative OCR lending, 31 per cent from ADF, representing 7 per cent of cumulative ADF lending and the balance from other sources. About \$128 million of the total amount of loan-financed technical assistance was provided as separate technical assistance loans for project preparation activities. Some \$49 million was provided from project loan financing during project implementation for advisory activities such as institutional strengthening and training. About 86 per cent of the total, or about \$1.1 billion, was provided from project loan funds for project implementation activities — mainly consultant services — to assist in the implementation, operation and management of a project. These services included evaluation of bids, construction supervision, training of local personnel and the improvement of the implementation capability of project entities.

During 1986, technical assistance components of loans included \$6.8 million for project preparation activities and about \$84 million for project implementation and advisory technical assistance activities, a decrease of 51 per cent and 37 per cent, respectively, over the unusually large amount

Technical Assistance By Sector: 1967-1986^a



Total: \$1,518.2 million

^a Excludes regional activities.

of loan funds provided during 1985 for the same activities.

Group A DMCs received about 42 per cent of the total amount of loan-financed technical assistance approved in 1986 compared with 38 per cent during 1985, Group B DMCs received 53 per cent compared with 57 per cent in 1985, and Group C DMCs received 5 per cent in 1986 — the same as in 1985.

The sectoral distribution of the total amount of loan-financed technical assistance approved in 1986 included 50 per cent to the agriculture sector and 24 per cent to social infrastructure. This was followed by 14 per cent to transport and communications and 12 per cent to the energy sector.

Training Activities

Recognizing that the development of human resources is crucial to socioeconomic development in the developing member countries, the Bank continues to emphasize this as the most durable basis for economic progress. Training for skill development is the principal vehicle of such efforts. In addition, there is strong support for education to create the necessary knowledge base.

Of the 48 loan projects approved in 1986, 31 were either wholly for education/training or had training components totalling \$141.8 million. Training components were selectively built into project schemes in all sectors, in some cases to assist the implementing authorities in executing the project effectively, and in others to serve the longer-term purpose of enhancing their institutional capacity. The Highland Livestock Project in Bhutan, for example, had a training component amounting to \$670,000 to assist implementation while the Malaysian Health Services Project had a \$4.3 million training component to enhance the institutional capacity of the health sector.

Several methods are employed for training DMC personnel. They include offering fellowships for specific studies in countries with appropriate training arrangements (one example of this in 1986 was the Second Road Improvement Project in Lao PDR which contained a substantial fellowship training component); engaging specialist consultants either to conduct on-site training courses (as in the Karachi Urban Development Project in Pakistan, also approved in 1986) or to work with host country staff and initiate a process of on-the-job training; arranging study or observation tours for technical staff (as in the Azolla Research and Development Project in the Philippines, for which the Bank approved technical assistance in 1986); and prescribing collaborative arrangements between expatriate and domestic consultants to ensure a steady transfer of technology during the project. All these types of training were integrated into the Irrigated Command Area Development Project in Indonesia and the Second Aquaculture Development Project in Nepal, both of which were approved by the Bank in 1986.

A total of \$5.3 million was provided for training components in project preparatory, and advisory and operational technical assistance projects during the year. Technical assistance was widely used to ascertain institutional, educational and manpower weaknesses in DMCs, and design a training response

tailored to meet them. For example, the Second Road Project in the Solomon Islands, for which the Bank provided technical assistance in 1986, was designed to determine, among other things, the training needs of that sector. In some cases, technical assistance was also used to review and evaluate past training inputs and so improve future design work in the field. In this context, the Betio Shipyard Improvement Project in Kiribati, for which the Bank provided supplementary technical assistance in 1986, was implemented to determine the future training needs in the ship industry.

Seminars and workshops, undertaken as regional technical assistance, constituted the other major area of the Bank's training activities (see page 151). Training components in such seminars and workshops totalled \$3.9 million. A number of these were designed to raise the standard of development management in the region; for example, two regional technical assistance projects provided training programs which focused on raising the development management ability of senior managers in development finance institutions in Asia and the South Pacific. Another regional technical assistance enabled key decision makers from various DMCs to participate in the Regional Training in Community Forestry, which focused on the clarification of critical sectoral issues in forestry. In addition, seminars on procurement, use of consultants and project implementation management were conducted in six DMCs.

In recent years there has been an increase in the number of training-related projects in the education sector. Some address central manpower issues in the DMCs, while others seek to provide an educational base — in major areas such as agriculture, engineering or basic science/technical education — for creating the skills necessary for economic growth. Two projects for which the Bank approved loans in 1986 illustrate this. In Indonesia, the Ministry of Public Works Manpower Education and Training Project, for which the Bank approved a \$29 million loan, will provide overall in-service training for site engineers employed by the Ministry. In the Republic of Korea, the Marine Sciences Education Project, for which a \$53 million loan was approved, will provide basic education in the marine sciences.

Sectoral Review

Three sectors sharply increased their share of Bank lending in 1986 — *agriculture and agro-industry*, which soared to 41 per cent of total lending from 29 per cent in 1985, *energy*, which doubled its share to 26 per cent from 13 per cent a year earlier, and *multisector*, which rose to over 5 per cent from 0.4 per cent in 1985. On the other hand, *social infrastructure*, which had the second largest share in 1985 with 28 per cent, fell to less than 14 per cent, while the shares of *transport and communications*, with 9 per cent compared with 16 per cent in 1985, and *industry and non-fuel minerals*, including *development banks*, with 5.5 per cent compared with 13 per cent in 1985, were also considerably reduced.

Lending to the *agriculture and agro-industry* sector (which covers irrigation and rural development, fisheries, livestock, agricultural credit and support services, forestry, fertilizer and

agro-processing) increased to \$822 million from \$559 million a year earlier, reflecting the continuing high priority assigned both by the DMCs and the Bank to agricultural development.

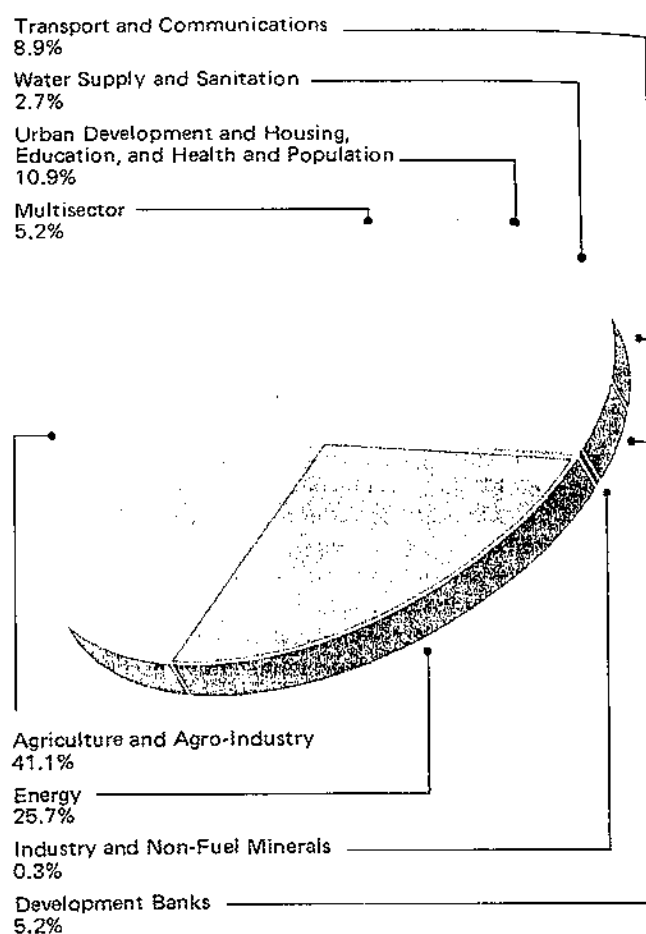
In irrigation and rural development, the thrust of Bank lending in 1986 was directed towards helping increase or stabilize food crop production, generate rural employment and improve farmers' incomes, particularly in the less developed areas in DMCs, and conserve foreign exchange. Greater emphasis continued to be placed by the Bank and the DMCs on the fuller utilization of existing irrigation facilities and promoting crop diversification. Means of achieving these objectives included the financing of agricultural inputs programs in Pakistan and Sri Lanka to sustain the production of food crops; the rehabilitation of drainage and flood control systems in the Khulna area in Bangladesh to restore land productivity devastated by floods; command area development in Indonesia to derive maximum benefits from existing irrigation facilities; support for the production of vegetables and other cash crops together with marketing improvement in the Philippines and Fiji; and the introduction of new trickle irrigation techniques in Baluchistan, Pakistan, to make the most effective use of scarce irrigation water for fruit growing.

Advisory assistance was provided to Lao PDR and Sri Lanka to help develop their institutional capacity in planning, implementation and management of irrigation and rural development projects. Other Bank assistance was provided to Bhutan, Papua New Guinea and Philippines to study specific agricultural issues of strategic importance and a regional seminar on irrigation service fees was held. A report on an internal review of the Bank's operations in the irrigation subsector during 1966-85, undertaken in 1985, was published in 1986.

The accelerated development of Asia's significant potential for expanded fish and shrimp production, for both domestic consumption and export, from aquaculture received increased emphasis with the approval of loans for this purpose to Bangladesh, Nepal and Thailand. Strong emphasis was also given to improving the production, productivity and utilization of selected industrial crops with the approval of loans to Burma (oilseeds), Indonesia (palm oil) and Pakistan (cotton); export market considerations figure prominently in the latter investment while the Burma and Indonesia loans focus on filling expanding domestic requirements. Cotton, as well as tea and grains, received additional attention in the form of Bank funding of investment studies involving these commercial crops in Bangladesh, Nepal and Burma, respectively. Involvement in and support for the private sector and smallholders was a prominent element in all the investments noted above, as well as in a loan to the Agricultural Development Bank of Pakistan and in the Bank's first loan to Bhutan for livestock development.

Support for DMC efforts to rationalize and diversify resource utilization and to resolve constraints to resource development was also a major thrust of Bank assistance to the sector in 1986. A loan and technical assistance in Sri Lanka and Nepal, respectively, are to help upgrade land use planning capabilities in those countries. Detailed assessments of the livestock and fisheries subsectors in Pakistan and the tea industry in Nepal, as well as a review of development strategies for forestry and

Loan Approvals By Sector: 1986

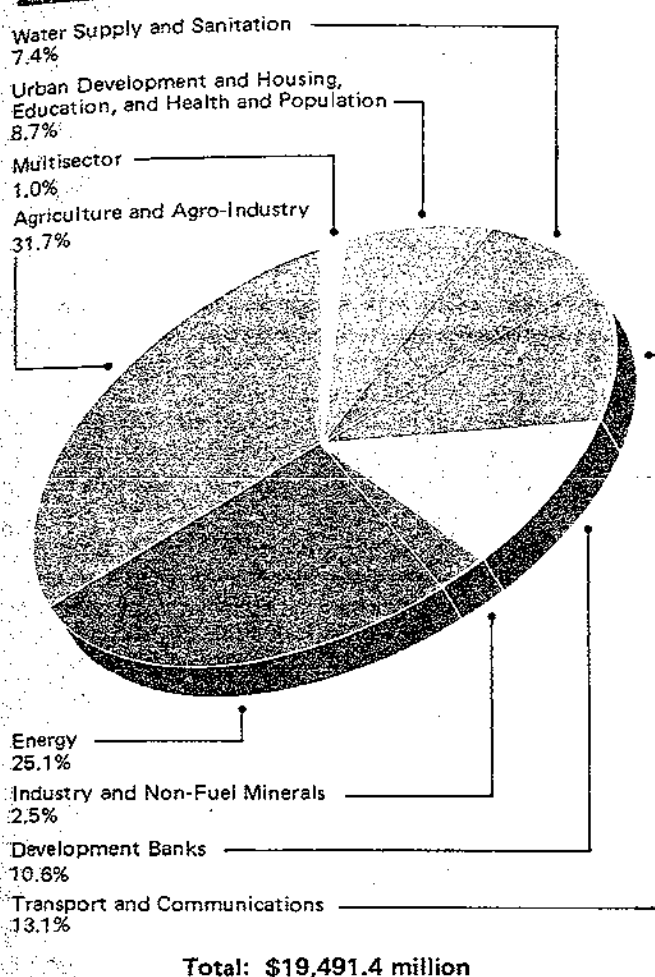


Total: \$2,001.3 million

the forestry industry in Indonesia, are aimed at formulating development strategies, facilitating dialogue, resolving development constraints and identifying priority investment opportunities in these subsectors. Under projects approved in 1986, forestry development will also be studied in Pakistan, as will opportunities and investments in crop diversification in Sri Lanka. Forestry conservation and development, and soil management will be the focus of attention in regional workshops supported by the Bank. The Bank will also help establish a Regional Community Forestry Training Center in Thailand with co-financing from the Government of Switzerland. These efforts, as well as support for certain activities of established regional institutions, such as the International Rice Research Institute in the Philippines, demonstrate the continuing emphasis by DMCs and the Bank on wise resource utilization and environmental considerations.

There was a substantial increase in assistance to the energy sector during 1986. Loans amounted to \$515 million compared with \$245 million in 1985. Loan growth continued to be lower than anticipated in the power subsector despite some improvement in the economic growth rate in some DMCs,

Loan Approvals By Sector: 1968-1986



and Bank assistance was provided largely for improving the quality and reliability of the power supply in many DMCs through the rehabilitation and construction of transmission and distribution lines. The first loan to the power sector in India also contributed substantially to the increase in 1986. A review of investment needs of the power subsector over the period 1986-90 initiated by the Bank has indicated that substantial investments will need to be made by the DMCs to rehabilitate or provide additional generating capacity and transmission and distribution lines in order to meet the growing demand for power and to improve the quality and reliability of power supplies. As the Bank's share of total investments in the power subsector of the DMCs is only about 10 per cent, there is scope for increasing Bank assistance in the future.

Bank lending for the *social infrastructure* sector fell to \$272 million in 1986 from \$544 million a year earlier. Within this sector, lending for *urban development and housing* declined considerably from 1985 levels with only one loan approved, for the Karachi Urban Development Project in Pakistan.

The improvement of *water supply and sanitation* facilities

is of critical importance to the health and socioeconomic progress of Asia. The Bank's financing in this sector in the past has been mainly in expanding water supply and sanitation facilities in the major cities. However, Bank financing is shifting from major urban projects towards those serving the needs of smaller provincial towns and rural areas. Emphasis is also being placed on the rehabilitation of existing facilities to reduce water losses. During 1986, the Bank approved loans to the Philippines and Sri Lanka for water supply projects.

In 1986, the recent trend in *education* away from formal vocational education projects continued with the first wholly in-service training project for the Ministry of Public Works, Indonesia and the Marine Sciences Education Project in the Republic of Korea. A loan was also provided to meet part of the local cost of ongoing education projects in Indonesia. Seven technical assistance approvals — four project preparatory, one advisory and operational, and two regional — were processed. Additionally, two regional technical assistance projects were successfully implemented. The first, a Regional Workshop on Training for Entrepreneurship and Self-Employment, attracted participants from 19 DMCs and the second, a Seminar on Distance Education, focused on possible future development in this field in the Asia and Pacific region.

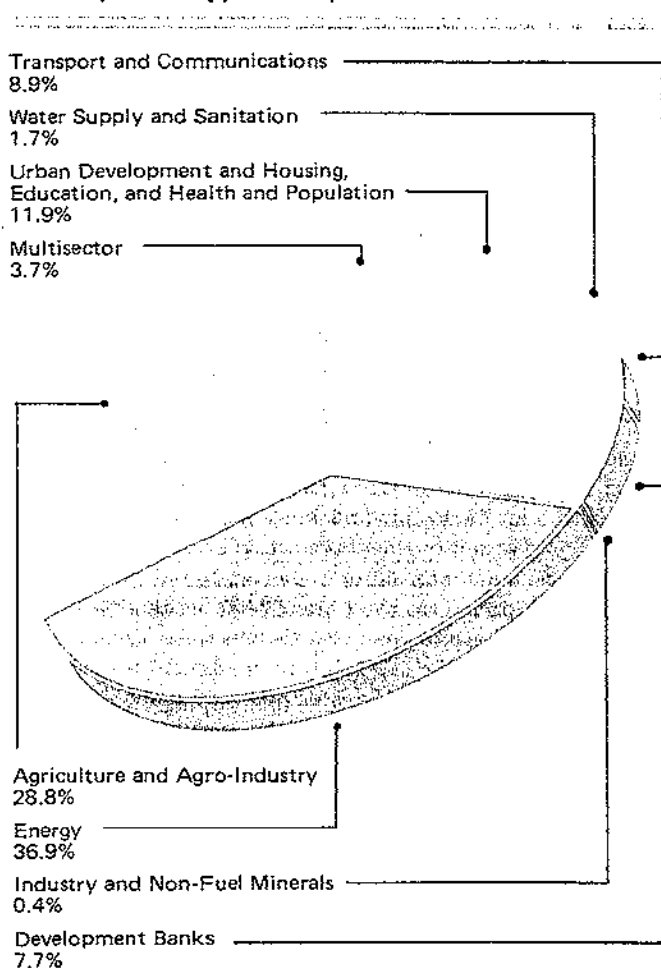
In 1986, continuing its primary focus on improvement of *health* facilities, the Bank approved its first ever health sector loan to Malaysia to finance part of its Fifth Malaysia Plan health sector activities. Technical assistance activities in the sector included assistance to Pakistan to prepare a project to improve health services in Baluchistan and the Northwest Frontier Province. In addition, and particularly relevant to the resource constraints being experienced in this sector due to the sharp economic downturn in the region, the Bank approved technical assistance that will help Malaysia establish a National Health Security Fund, and assistance to help organize a regional seminar on exploring alternative mechanisms for additional resources for health care financing.

Bank lending for the *transport and communications* sector amounted to \$179 million in 1986 compared with \$310 million in 1985. In the airports and highways subsector, loans were approved for the Roadworks Mechanization Project in Bhutan, three road improvement projects in Lao PDR, Nepal and Philippines, and for an airport project in Nepal. The emphasis of Bank lending on road improvements reflects the substantial traffic growth in many DMCs which has frequently surpassed the original capacity of the roads. At the same time, traffic composition has also changed with an increasing share of heavier vehicles for which the roads were not designed. In conjunction with the loan projects, the Bank has granted technical assistance focusing on strengthening the institutions responsible for road planning, construction and maintenance. In order to ensure adequate future maintenance of roads and efficient allocation of resources in this sector, the Bank has entered into extensive policy dialogue with the agencies in the governments concerned with road transport which center on pricing of transport infrastructure and services as well as financing of road construction and maintenance budgets. In 1986, the Bank provided the Eighth Port Project loan to help upgrade the facilities of two ports in Kalimantan,

Indonesia (Banjarmasin and Balikpapan). In addition, technical assistance was granted for strengthening the institutional and operational capabilities of the executing agencies. In order to assist the Government of Tonga in implementing a package of small but high priority subprojects relating primarily to the transport and communications sector, the Bank approved the third Multiproject loan, including a technical assistance grant to finance consulting services to prepare and appraise these subprojects.

Lending to the *industry and development banks* sector declined substantially to \$110 million from \$243 million in 1985. This fall is attributable to such factors as the reduced number of requests for credit lines because of the continuing recession in several DMCs and the access that certain development finance institutions (DFIs) had to the international capital market for borrowing at competitive rates. While the Bank continued to provide credit lines to DFIs as a means of supporting the private sector (for further information, see next column), assistance for industry was mainly focused on the provision of grant-financed project preparatory technical assistance for the development of industrial sites and estates.

Ordinary Loan Approvals By Sector: 1986



Total: \$1,368.1 million

The first loan to a DFI in India highlighted activities in this sector during 1986, together with the process of diversifying institutional channels of assistance such as capital market institutions and leasing enterprises.

Private Sector Assistance Activities

During 1986, the Bank launched a new lending program designed to enlarge and diversify its support for private enterprises in DMCs by introducing direct lending to private enterprises and financial institutions without government guarantees. In view of the associated risks and uncertainties, such loans are envisaged not to exceed about \$75 million from OCR and \$25 million from ADF during the first two years of operation. These loans, to be provided on terms comparable to those of similar loans from commercial sources, will finance up to 25 per cent of total project costs and enable borrowers to mobilize additional funding from other foreign and domestic sources.

A new Private Sector Division was established in the Bank early in the year to facilitate such lending and to act as a focal point for all the Bank's private sector operations. Staff missions were sent to several DMCs to promote awareness of the Bank's new facility and to identify appropriate lending opportunities. In general, responses to these initiatives have been quite encouraging and, to facilitate commencement of such lending in their countries, several DMC governments have extended the general assurances sought by the Bank with regard to its right to repatriate, free of tax, payments arising from these operations.

Three loans without government guarantees totalling \$11.46 million were approved during the year — in Pakistan, \$5 million for expanding a cement plant and a credit line of \$5 million to a leasing company and in Thailand, \$1.46 million to a food processing company.

The loans to the cement company in Pakistan and the food processing company in Thailand were combined with equity investments of \$2.14 million and \$0.52 million, respectively. The Bank was already a shareholder in the Pakistani leasing company. Aside from these two new equity investments, the Bank approved an investment of \$0.5 million in the equity of a private DFI in the Philippines, as well as an umbrella equity line of \$5 million to two DFIs in Pakistan. These will facilitate Bank support for relatively small private enterprises with DFI co-financing as well as assist in project selection and supervision. The four equity investment projects approved during the year aggregated \$8.15 million, raising to \$15.18 million the cumulative equity approvals since the Bank commenced equity financing in 1983. The Board approved during the year a further allocation of \$25 million from OCR for equity investment operations beyond the initial allocation of \$10 million.

The Bank assisted the Governments of Fiji and Western Samoa with technical assistance grants amounting to \$656,500 for studying the possibilities of privatizing some public enterprises.

Most of the Bank's assistance to the private sector, however, continued to be channelled through credit lines to DFIs. Of

two such credit lines aggregating \$101 million approved during the year, one, of \$100 million, was extended to a DFI in India for onlending to medium-size private enterprises for expanding and modernizing capacity, enhancing productivity and technological development. This was the Bank's first loan to India. A second credit line of \$1 million was provided to a DFI in Tonga for financing relatively small productive private enterprises. With these two credit lines, the cumulative amount of such lending since the Bank's inception reached just over \$2 billion to 31 DFIs in 20 DMCs. In addition, as part of its institution-building efforts, the Bank approved a technical assistance grant of \$75,000 to help a DFI in the Philippines to set its portfolio in order, and another technical assistance grant of \$160,000 to the DFI in Tonga to improve its institutional capabilities.

Aside from the funding and institution building of specific DFIs, the Bank in its financial sector operations broadened its range to cover the various aspects of DMC financial systems that concern the expanded availability of long-term capital and related financial services to private enterprises. Since equipment leasing is emerging as an increasingly popular technique for asset financing, the Bank carried out a study of leasing in seven DMCs, namely, Bangladesh, Indonesia, Republic of Korea, Malaysia, Pakistan, Sri Lanka and Thailand. Similarly, a study of the potential for venture capital financing in DMCs was also carried out during 1986 in Indonesia, Malaysia, Pakistan, Sri Lanka and Thailand. The final reports on these studies are expected to be available early in 1987. Furthermore, a fresh technical assistance grant of \$71,000 was approved during the year to finance a study of the capital market in Fiji.

Co-Financing

A total of 23 Bank projects was co-financed in 1986, the same number as in 1985. The contributions of co-financiers decreased to \$492 million from \$640 million in 1985 while the Bank's contribution fell to \$752 million from \$1,024 million. As of the end of 1986, 219 Bank projects had involved co-financing, with co-financiers providing about \$5.8 billion and the Bank \$7.8 billion.

Co-financing, being closely linked to the Bank's overall lending operations, had another difficult year in the light of domestic resource constraints, heavy debt service burdens and low primary commodity prices which continued to depress economic growth in most DMCs and thus reduce demand for investment resources. Owing to these factors, development projects in most DMCs were cut back and additional resources normally associated with co-financed projects were reduced.

Co-financing is attractive for sectors like energy, industry and development banks where additional resources are always welcomed as these projects are normally quite self-liquidating financially. As in 1985, lending to these sectors by the Bank was relatively quiet in many of the DMCs, which in turn affected the demand for co-financed resources.

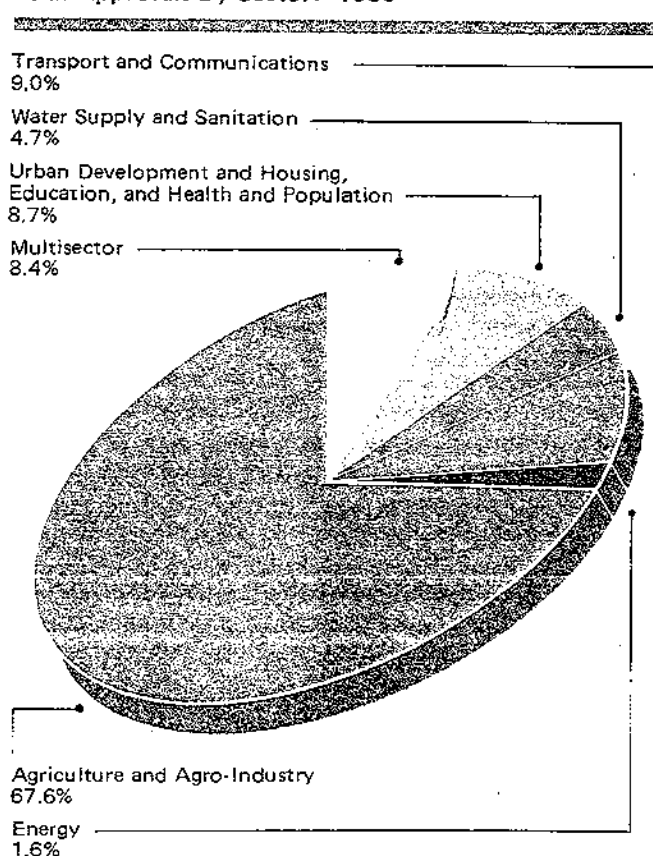
Co-financing from official sources continues to be popular, owing to the concessionality introduced into projects by these resources. As a result, the Bank stepped up its efforts in

mobilizing concessionary assistance from official co-financing sources. Bilateral sources, such as Australia, Japan, Norway, Sweden and United States, provided \$144 million in respect of six projects, and multilateral sources — the World Bank Group, European Economic Community (EEC), European Investment Bank, International Fund for Agricultural Development (IFAD), Islamic Development Bank, OPEC Fund and United Nations Development Programme (UNDP) — provided \$235 million for 17 projects. The Bank co-financed with the Nordic Investment Bank for the first time in a project in Indonesia.

Co-financing with export credit/commercial sources declined to \$113 million in respect of four projects compared with \$305 million for five projects in 1985. A complementary financing scheme from commercial sources was being organized for a project in Bangladesh for cost-overrun financing of the construction of a fertilizer complex. Export credits were associated with electric power projects in Malaysia, Pakistan and Thailand.

In addition to the co-financing of construction projects, the

**Asian Development Fund
Loan Approvals By Sector: 1986**



Total: \$633.2 million

Bank mobilized external grant assistance to complement the Bank's technical assistance operations. Of the 134 grant-financed technical assistance projects totalling \$38.6 million approved in 1986, \$14.6 million for 16 projects was financed by external sources, the highest level so far. The assistance was provided by UNDP and the Governments of Norway and Switzerland.

Development Resource Center Activities

During the year, the Bank further strengthened and expanded its role as a development institution providing information and training with a view to strengthening institutions and policies in the DMCs.

In addition to overall policies, governmental systems and procedures in the DMCs have direct relevance to the effective implementation of Bank-assisted projects. Bank missions discussed streamlining existing systems and procedures and overall policies and problems with ministers and senior officials in several DMCs. Regional and country seminars were sponsored to enhance domestic capability to implement projects. Symposia were also organized on the development of national consultants and improving their competitiveness in the international market, on procurement practices and on matters relating to executing agencies for agricultural projects.

With a view to further streamlining operations, the Bank published handbooks on the management of project implementation, on problems of procurement for projects financed by the Bank, on uses of consultants and on sample bidding documents for supply, delivery and installation of goods. The proceedings of a regional seminar on irrigation service fees was also published to assist policymaking in this difficult field.

Regional cooperation in energy in the Pacific Economic Cooperation Conference was strengthened by Bank assistance for data collection and further research. A regional meeting on energy policy was convened after the completion of in-depth studies of the energy policies of nine DMCs.

The Bank continued its research into areas of relevance to policymaking in the DMCs and into strategy studies for Bank operations. It also regularly published the *Key Indicators of DMCs of ADB*, the *Economic Report Series* and the *Bank Staff Papers and Statistical Report Series* with a view to widely disseminating the results of Bank research (see page 175). The *Asian Development Review* also continued to provide a semi-annual forum for contributors, both from within and from outside the Bank.

Technical workshops were held in Manila, Philippines, for studies on Foreign Barriers to DMC Exports, on Financing Public Sector Development Expenditure and on Informal Credit Markets. These are being undertaken in collaboration with research institutes in the DMCs. Preparatory work also began on projects for the Improvement of National Accounts in four South Pacific DMCs, for the Construction of Quarterly National Accounts in Indonesia and for an ADB/ESCAP Workshop on the International Comparison Project.

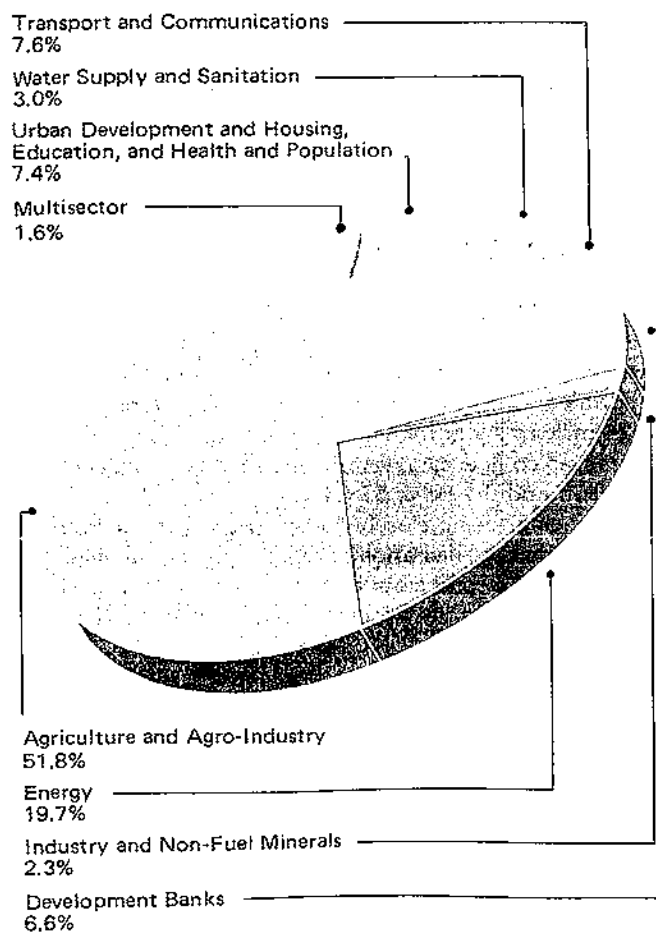
During the year, the Bank continued to promote regional cooperation by granting technical assistance for a wide range of regional activities covering such diverse subjects as distance education, soil management and health care finance (for further details, see page 151).

Regular collaborative training programs and seminars continued during the year with the Asian Productivity Organization/ADB training course in Project Feasibility Appraisal and Implementation and the Asian-Pacific Bankers Club Symposium on Industrial Analysis in the Twenty-First Century: Some Guidelines for APBC Members.

The ADB Development Round Table, which has annually brought together senior policymakers and eminent resource persons from the Bank's member countries, was convened for the fourth consecutive year. The theme in 1986 was "Trade Liberalization and Development".

Preparatory work was undertaken during the year for the 1987 ADB/East-West Center Symposium on Regional Cooperation in South Asia.

Asian Development Fund Loan Approvals By Sector: 1968-1986



Total: \$ 6,174.7 million

Benefits to the Poor

The Bank's approach to poverty alleviation has traditionally emphasized economic growth and the efficient use of resources. This approach has contributed to the creation of numerous employment opportunities and higher average incomes, and has helped make additional revenues available for governments to invest in improving the welfare of the poorest. However, conditions of absolute poverty have persisted and the number of people experiencing these conditions has increased despite the beneficial impact of economic growth and the substantial progress on such indicators as life expectancy, literacy and infant mortality achieved by most DMCs. In recognition of this, the Bank, while continuing to focus on projects which would promote growth, and while adhering to its criteria for determining economic viability of projects, has financed projects which aimed to raise the productivity of the poorest farmers; expand physical infrastructure in regions of DMCs which were less developed; and provide improved health, sanitation and water facilities where these services were not previously available.

vide improved health, sanitation and water facilities where these services were not previously available.

The Bank's efforts in 1986 to contribute to poverty alleviation in DMCs focused on meeting the ongoing needs for investment in projects aimed at raising income levels and improving the quality of life of the poor over the medium to long term. Bank loans for these projects will finance a wide array of economic activities and social services and include agricultural production, irrigation, rural development, aquaculture, livestock, agro-industries, water supply and urban development.

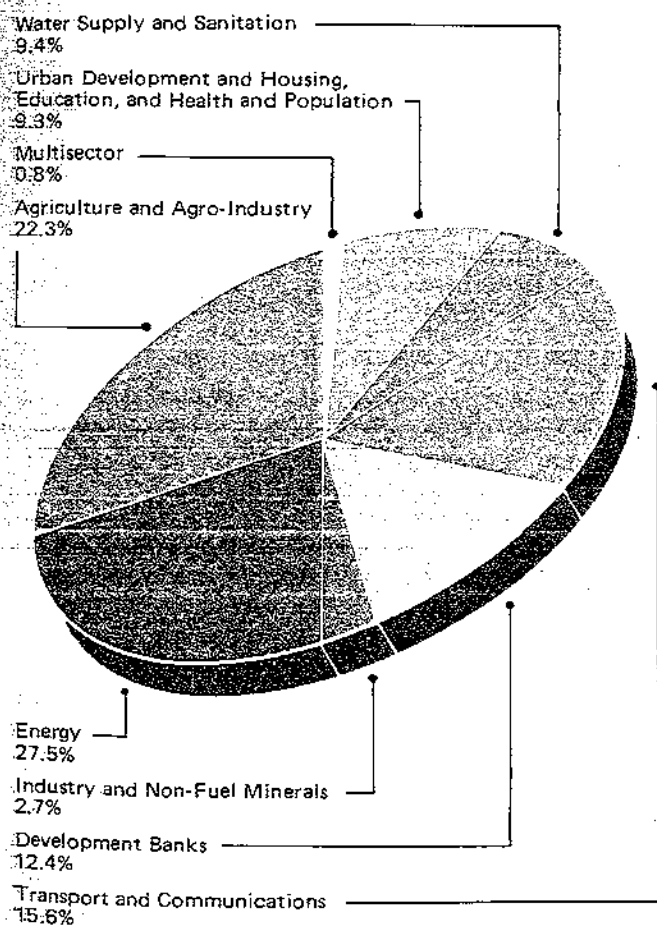
Small farmers and landless peasants are among the principal anticipated beneficiaries of seven Bank-financed projects for agricultural production, irrigation, livestock and rural development in seven DMCs (Bangladesh, Bhutan, Indonesia, Pakistan, Papua New Guinea, Philippines and Sri Lanka). As estimated during appraisal of these projects, about 90,000 generally low-income families would realize increased employment and higher incomes as a result of these projects. For example, it is estimated that 31,000 families, many of them landless, almost all the others small farmers, will benefit from the Khulna Coastal Embankment Rehabilitation Project in Bangladesh.

Two aquaculture projects (in Bangladesh and Nepal) are expected to generate additional employment opportunities in rural areas, help diversify the productive base of the respective economies and improve food supplies. The project in Bangladesh is intended to create an additional 52,000 jobs exclusive of the casual labor used at harvest time. Under the Bank-assisted project in Nepal, 8,000 additional jobs are expected to be created.

Significant improvements in the physical quality of life of the poor are expected to be among the principal benefits arising from three projects financed by the Bank in 1986. The Island Provinces Rural Water Supply Sector Project in the Philippines has been designed to bring safe drinking water to some 1.2 million people spread throughout the country. Mortality and morbidity rates are expected to decline, particularly among young children as exposure to water-borne, water-related and parasitic diseases is reduced. In Sri Lanka, a large proportion of the benefits from the Bank-financed Water Supply Sector Project is expected to accrue to low-income people. Much the same health benefits as those in the Philippines are anticipated from this project as well. The Bank also approved a loan to Pakistan for the Karachi Urban Development Project which has been designed to improve living conditions throughout Karachi, particularly in its low-income areas. The project includes improving accessibility to water supply and sanitation, roads and lanes, street lighting and electricity for public facilities for about 350,000 residents of existing informal settlements which are at present severely deficient in such services.

The Bank will also contribute to employment generation in the agro-industry sector of Pakistan where, under its Second Agricultural Development Bank of Pakistan Project, an estimated 6,600 jobs are expected to be created.

Ordinary Loan Approvals By Sector: 1968-1986



Total: \$13,316.7 million

Women in Development

During 1986, implementation of the Bank's policy on women in development centered on promoting knowledge and understanding of this issue within the Bank itself. This was facilitated by a regional technical assistance on Women in Development which provided about 28 months of consultant services to assist staff in the Country Department, four Projects Departments and the Economics Office assess the need and opportunities to revise present procedures and practices in order to give more explicit consideration to gender issues.

With the assistance of consultants provided by this technical assistance, a start was made to incorporate the consideration of gender issues into the country programming activities for each DMC. These efforts were facilitated by the preparation of Women in Development briefing papers for Bangladesh, Indonesia and Thailand. Others are being prepared for additional countries. Consideration is also being given to gender issues during the formulation of the Bank's longer-term operational strategy in each DMC, and this is being facilitated by the introduction of a section on gender issues in the operational strategy study for each DMC. During 1986, drafts for such studies were prepared for Sri Lanka and Indonesia and these studies were finalized in early 1987.

Preparatory work was completed on the development of guidelines and procedures for giving explicit consideration to gender issues during the preparation of projects in several major sectors. Draft guidelines were prepared for ten sectors and subsectors, including fisheries, forestry, livestock, irrigation and rural development, agro-industry, education, water supply and sanitation, urban development and housing, health and population, and development finance institutions.

Work also commenced on disaggregating by gender certain key indicators of development which are maintained by the Bank for each DMC. Gender disaggregation of the selected socioeconomic indicators will enable the Bank and its DMCs to monitor changes in the welfare of both men and women in each DMC as well as their participation in economic development. During 1986, the *Key Indicators of DMCs of ADB* which are prepared by the Bank's Economics Office as well as other data series maintained by the Bank were critically examined to identify necessary modifications which may be feasibly implemented.

Follow-up activities to implement the policy on Women in Development will be expedited. Recognizing the importance of this subject, the Bank has engaged a Women in Development Specialist who joined the Bank in early 1987.

Environmental Activities

Early in 1986, the Board of Directors endorsed a working paper entitled "*Review of the Bank's Environmental Policies and Procedures*". The paper reaffirmed that the environmental activities should continue to concentrate on: (i) reviewing the Bank's projects to ensure that all potentially significant environmental impacts are identified, appropriate measures are



HARVEST time in Nepal. The Kankai Irrigation Project, which the Bank is assisting with three loans totalling \$11.4 million, has greatly increased crop production and is ultimately expected to benefit an estimated 3,300 farm families

taken to avoid adverse impacts and, where possible, that projects enhance the environment; (ii) promoting environmental awareness among Bank staff; (iii) acting as a regional development resource center; and (iv) supporting projects with direct environmental benefits — such as reforestation, water supply and sanitation, urban development and housing, and the preparation of regional development plans — as well as initiating and processing environmentally-oriented projects *per se*. The paper noted that the most desirable way of promoting sound environmental practices in the Bank's DMCs is by strengthening the institutions dealing with the planning and management of environmental and natural resources together with the line agencies concerned with the monitoring and enforcement of environmental laws and regulations. Future Bank support for these activities might take the form of technical assistance to help establish or revise environmental legislation, formulate environmental regulations and quality standards, establish monitoring/surveillance systems, and strengthen enforcement procedures. Technical assistance could also be used to strengthen the planning and management of environmental and natural resources.

Several new activities were initiated in 1986 to strengthen environmental and natural resources planning activities. These included consolidating the environmental review process during the project cycle, incorporating environmental considerations in the Bank's country sector strategy studies, establishing a liaison system with the environmental and related line agencies of the DMCs concerning the identity of environmentally-sensitive projects and an appropriate work program, completion of selected environmental guidelines, environmental institution strengthening, and a regional symposium on environmental and natural resources planning.

Future activities will pay particular attention to: (i) the integration of environmental and natural resources planning and management into country economic and sector work; (ii) the sociological aspects of economic development projects; (iii) the use of non-governmental organizations in the project cycle; (iv) ecologically-sensitive areas such as mangrove swamps, coral reefs, tropical forests, etc.; (v) in-house and DMC staff training; (vi) environmental legislation and administration; (vii) environmental sector studies; and (viii) resource center activities.

The Bank's environmental policy continues to provide a flexible operational framework in which to blend the environmental dimension with the overall objectives of socioeconomic development programs projects. Further initiatives are aimed at helping the DMCs plan and manage their own environmental resources to ensure sustainable development.

Inter-Agency Cooperation

The Bank's DMCs receive funds from a large number of bilateral and multilateral donors apart from the Bank. In these circumstances, if development assistance is to best serve DMC needs there needs to be continued coordination of donor activities. Donors need to share resources, expertise and experiences, and to ensure that their activities are complementary. The Bank is therefore continuing and strengthening its efforts to cooperate with other agencies.

The Bank organized the Eighth ADB-World Bank Coordination Meeting in May 1986 at the time of the Bank's 19th Annual Meeting. In addition, the President attended the meeting of Heads of Multilateral Financial Institutions and the Development Committee Meeting in Washington, D.C. in

September 1986 and had consultations with the new President of the World Bank.

The United Nations Development Programme (UNDP), an important source of grant assistance for the Bank's lending and technical assistance operations, further increased its level of assistance. The Bank was represented at UNDP's Governing Council Meeting and Inter-Agency Consultative Meeting, and contacts between Bank staff and UNDP resident offices improved greatly. These contacts have facilitated cooperation and resulted in a number of projects being co-financed with the Bank. Bank officials held an annual consultation with a high-level delegation from the Islamic Development Bank at which information on policy and on the organizational evolution of the respective institutions was exchanged. Two projects were co-financed with the International Fund for Agricultural Development (IFAD) in 1986, an aquaculture project in Nepal and an agriculture development project in the Philippines. The Bank also entered into co-financing arrangements with the OPEC Fund in Nepal and Thailand. A hydropower project in Western Samoa was financed jointly with IDA, the European Economic Community and the European Investment Bank.

The Bank collaborated with the Economic and Social Commission for Asia and the Pacific (ESCAP) by holding the Semi-Annual Meeting of Project Link and planning the Joint ADB/ESCAP Workshop on International Comparison. In addition, Bank staff attended several important meetings held under the auspices of ESCAP.

The Bank participates regularly in aid group meetings where donor institutions meet with government representatives to discuss economic and social developments in DMCs, external financing and aid coordination. In 1986, the Bank participated in aid group meetings for Bangladesh, Burma, Indonesia, Nepal, Pakistan, Philippines and a donors' meeting for Solomon Islands. For the first time, after attending for several years as an observer, the Bank participated as a full member at the India aid consortium's 1986 Annual Meeting. The Bank participated in the Second Round Table Conference for least developed countries in Asia and the Pacific for Bhutan, Lao PDR, Maldives and Western Samoa.

Regular coordination meetings between donors are also greatly facilitated in Bangladesh where the Bank has had a Resident Office since 1982. In addition, the South Pacific Regional Office located in Port Vila, Vanuatu, helps to coordinate assistance to the South Pacific DMCs.



CHILDREN in Bhutan. To date, the Bank has approved concessional loans totaling over \$24 million to this landlocked Himalayan kingdom.

COUNTRY ACTIVITIES

Introduction

IN recent years the Bank has been increasing its efforts to develop country strategies for its programs of assistance to DMCs. Recognizing that it should direct its limited resources to sectors and activities which can best serve DMC needs, the Bank is undertaking economic and social analysis to determine the major constraints to development in individual countries, and to evolve medium-term operational strategies for Bank assistance aimed at helping the DMCs to reduce or eliminate these constraints. Major policy issues are examined and these are increasingly forming the basis of fruitful dialogue between the Bank and DMC governments. Details of the Bank's operational strategies and programs of assistance for its DMCs are given in this chapter.

Bangladesh

Operational Strategy: The Bank's operational strategy for Bangladesh focuses on the development of selected sectors and subsectors which are accorded high priority within the framework and objectives of the country's development plans as well as the Bank's lending policies. The broad objectives of the strategy are: (i) increased agricultural production and increased agro-industrial activity; (ii) development of indigenous energy resources to reduce reliance on imported commercial energy; (iii) selected improvement of social conditions, particularly in areas of population control, health and education; and (iv) development/improvement of key infrastructure facilities.

In the agriculture sector, the emphasis is on increasing foodgrain production, broadening the production base through crop diversification and strengthening linkages between agriculture and agro-industry. Assistance is also sought for non-crop projects such as fisheries and livestock. In energy, the Bank is concentrating on the development of gas wells, gas transmission and distribution programs, as well as power generation, transmission and distribution. The Bank has also encouraged adequate energy pricing and improved management of public utilities for the better utilization of energy

resources and improved mobilization of domestic resources.

In social development, the Bank's assistance is basically through financing selected education projects as well as water supply and health projects. Bank assistance in these socially-oriented sectors has been limited, being mainly complementary to the larger-scale programs of other donors. In development of infrastructure, the Bank seeks to support the programs for rehabilitation of rural roads, inland waterways and railways.

The implementation of the Bank's operational strategy is facilitated by the Bangladesh Resident Office (BRO) which continues to play an important role in government liaison, aid coordination, country programming activities and project review and implementation. In 1986, the Chief BRO attended the Bangladesh Aid Consortium Meeting in Paris and chaired a number of donor coordination meetings in Dhaka. Staff of BRO also regularly attended local consultative group meetings.

Loans and Technical Assistance: In 1986, the Bank approved three loans amounting to \$85.7 million for three projects in Bangladesh from ADF compared to six loans amounting to \$212.3 million in 1985. Local currency financing of \$40.6 million was provided for two projects. Co-financing with UNDP amounted to \$3.85 million for two projects while OECF co-financed \$23.2 million for the supplementary loan for the Chittagong Urea Fertilizer Project. Of the three loans approved, two were in the agriculture sector and one in the industry sector.

In the agriculture sector, the Khulna Coastal Embankment Rehabilitation Project will assist the Government to rehabilitate the drainage and flood control systems in the project area, thereby increasing foodgrain production, increasing rural employment and improving family incomes for a large portion of the population in the project area. The Second Aquaculture Development Project will assist the Government to make optimum use of the natural resources of the country and lead to: (i) expansion of shrimp and fish production and thereby generate additional foreign exchange earnings for Bangladesh; (ii) increase the availability of fish for domestic consumption; and (iii) expand employment opportunities and lead to increased incomes in the rural areas.

The supplementary loan for the Chittagong Urea Fertilizer Project will enable the Government to complete the project

Cumulative Bank Lending to Bangladesh
(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	35	992.59	51.6
Energy	13	539.35	28.0
Transport and Communications	6	148.80	7.7
Development Banks	6	107.60	5.6
Education	3	56.50	2.9
Health and Population	2	43.10	2.2
Industry and Non-Fuel Minerals	2	22.00	1.2
Water Supply and Sanitation	1	14.40	0.8
Total	68^a	1,924.34	100.0

^a In addition, the Bank approved a \$17 million Special Assistance loan for selected Bank-financed projects in the agriculture sector

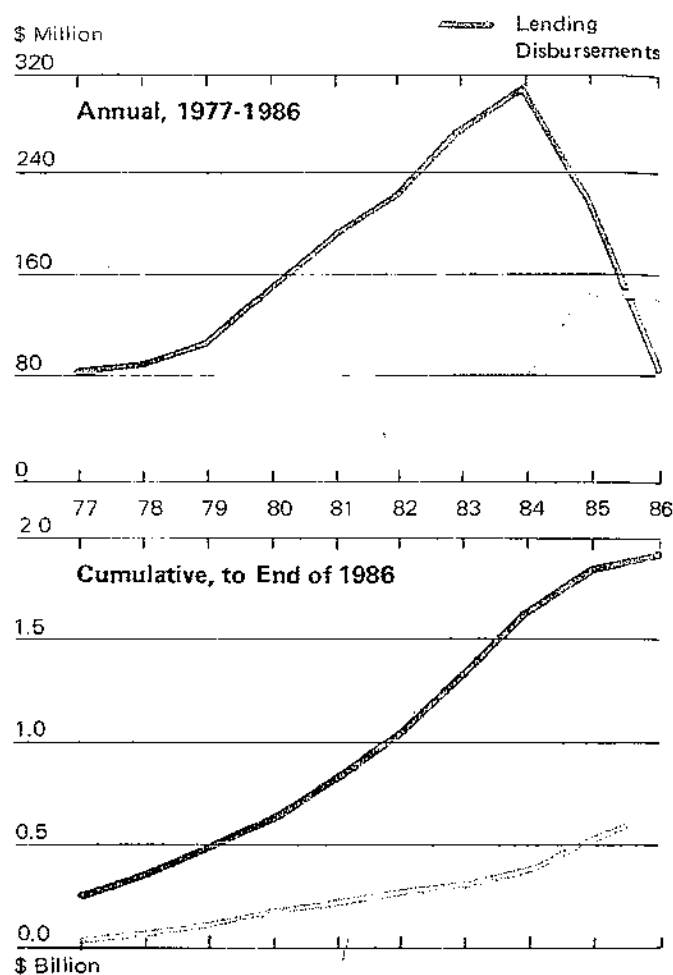
for the production of about 561,000 metric tons of urea fertilizer annually by using indigenous natural gas as feedstock and fuel. This will enable Bangladesh to achieve self-sufficiency in urea fertilizer and to export surplus urea. Increased and more stable supply of fertilizer is considered to be one of the critical factors for Bangladesh to increase foodgrain production. The project will also promote industrial growth and create more employment opportunities in the Chittagong region.

Four project preparatory technical assistance grants amounting to \$545,000 were also approved in 1986. As of 31 December 1986, the Bank had approved 69 loans to Bangladesh amounting to \$1,924.3 million for 62 projects. Of this amount, \$11.4 million was from OCR and \$1,912.9 million from ADF. The Bank had also provided technical assistance amounting to \$38.7 million for 84 projects of which 37 had resulted in Bank loans.

Project Implementation: Of the 69 loans (including one Special Assistance loan) made to Bangladesh as of 31 December 1986, 25 had been completely disbursed and 44 were under administration of which three were awaiting loan effectivity. Disbursements amounted to \$142.2 million during 1986 compared with \$145.5 million in 1985. Five loans were closed during the year. Cumulative disbursements of Bank loans at the end of December 1986 amounted to \$666.6 million, or 35.9 per cent of the total amount of effective loans.

The Bank, at the request of the Government, has been conducting Country Projects Review Meetings (CPRMs) with senior officials of the Government on a semi-annual basis since December 1984. The CPRMs in 1986 covered various problems which were hampering the timely implementation

Bangladesh: Lending and Disbursements



of Bank-assisted projects in Bangladesh. These were mainly related to delays in acquiring land, in procuring vehicles, in implementing command area development schemes for irrigation projects, in processing applications for letters of credit and to procedural problems encountered in using the two-envelope bidding procedure for power sector projects. As a result of the discussions during the first CPRM in 1986, the Government has exempted externally-aided projects from the need for clearance by the Ministry of Industry in the implementation of its annual import policy.

Bhutan

Operational Strategy: In Bhutan's present stage of development and given the country's economic potential, the long-term objectives of Bank lending and technical assistance operations are to help increase agricultural productivity, promote the development of physical and social infrastructure and assist the process of economic diversification through development of its natural resources and export base. The

Bank will also emphasize institution building in order to strengthen the planning, project implementation and monitoring capacity of the Government.

Loans and Technical Assistance: In 1986, the Bank provided two loans totalling \$8.8 million: a loan of \$4.5 million from ADF for the Roadworks Mechanization Project and a loan of \$4.3 million from ADF for the Highland Livestock Development Project. This compared with \$3.5 million approved in 1985. Co-financing was arranged with UNDP and UNCDF amounting to \$1.55 million and \$1.2 million, respectively, for the Roadworks Mechanization Project.

During the year, the Bank also approved seven technical assistance projects totalling \$3.6 million, including \$2.8 million financed by the Government of Norway, of which two were for project preparation (Industrial Estates Development and Bridge Construction) and the other five for advisory and operational purposes (Planning and Development of Integrated Rural Service Center, Supplementary; Tariff Study for Public Services; Study of Agricultural Incentives and Subsidies; Institutional Strengthening of the Public Works Department; and Highland Livestock Development). To date, Bank lending to Bhutan amounts to \$24.7 million in five loans and technical assistance amounts to \$6.5 million for 19 projects.

Cumulative Bank Lending to Bhutan

(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Multisector	2	12.40	50.3
Agriculture and Agro-Industry	2	7.78	31.5
Transport and Communications	1	4.50	18.2
Total	5	24.68	100.0

Project Implementation: Since Bhutan became a member of the Bank in 1982, five loans have been approved, all of which are still under administration, including two that are yet to be signed. Disbursements totalled \$1.5 million in 1986 compared with \$1.6 million in 1985. Cumulative disbursements of Bank loans at the end of 1986 amounted to \$3.1 million, or 16.5 per cent of the total amount of effective loans.

Implementation of the First and Second Multiproject loans and the Chirang Hill Irrigation Project is progressing satisfactorily. Unfamiliarity of government officials with the Bank's procedures remains one of the major constraints on project implementation. To address this problem, the Bank has provided technical assistance to strengthen several key agencies involved in development administration.

Burma

Operational Strategy: The Bank's operational strategy in Burma continues to support a number of areas, including agriculture which remains the primary vehicle for economic development. Following a number of years of productivity gains, mainly in paddy and rice, the focus will now be on structural adjustment with a view to agricultural diversification, particularly to enhance export development. The Bank will continue to support other selected sectors such as industry, energy, water supply, ports and shipyard development with a stress on improving existing capacities through rehabilitation and promotion of operational efficiency. Socially-oriented projects will be supported where urgently required facilities either do not exist or are being operated beyond their useful life. Institution building is also pursued, to ease institutional and manpower constraints on Burma's absorptive capacity.



STAFF housing under construction at the Sedawgyi Multipurpose Dam and Irrigation Project in Burma. Designed to increase agricultural production and employment in the dry zone, the project is supported by a Bank loan of \$45.9 million.

Cumulative Bank Lending to Burma

(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	15	316.10	59.5
Health and Population	2	63.10	11.9
Transport and Communications	2	42.50	8.0
Water Supply and Sanitation	4	35.96	6.8
Energy	5	31.80	6.0
Industry and Non-Fuel Minerals	2	21.40	4.0
Development Banks	2	20.00	3.8
Total	32	530.86	100.0

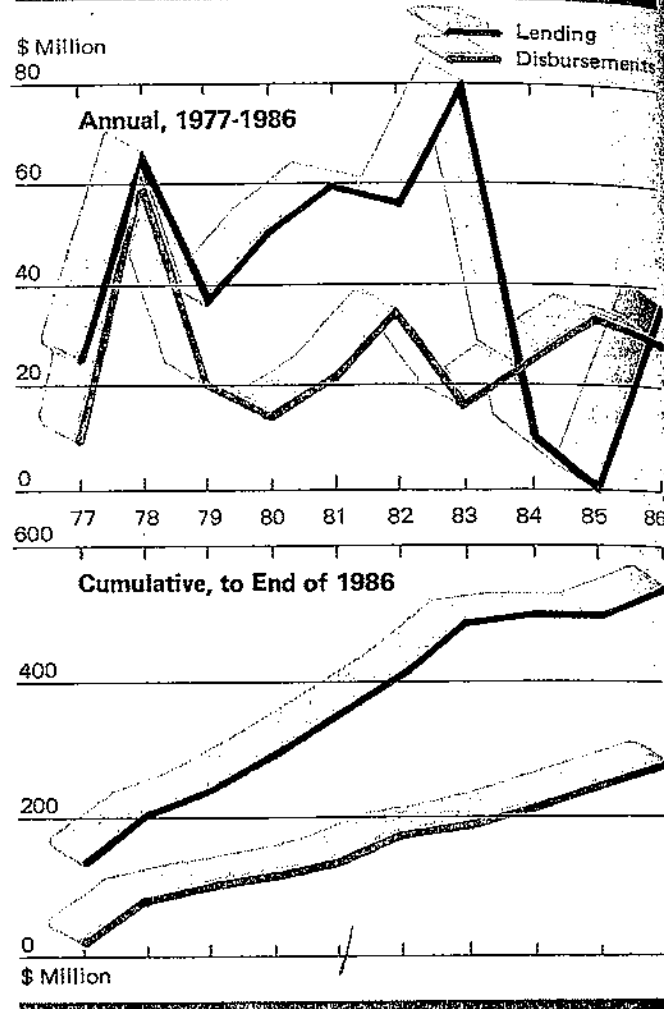
Loans and Technical Assistance: In 1986, the Bank provided a loan of \$35 million from ADF for the Edible Oil Project which is aimed at enhancement of domestic production of edible oils, the second most important item in the Burmese diet after rice. The project also included a technical assistance grant amounting to \$680,000 and financed by UNDP to support implementation of the project. A technical assistance grant was also approved for the preparation of the Grain Export Facilities Project.

As of the end of 1986, the Bank has provided 32 loans to Burma totalling \$530.9 million, including two loans amounting to \$6.6 million from OCR and 30 loans totalling \$524.3 million from ADF. Technical assistance totalling \$9.5 million has been provided for 34 projects of which 15 resulted in Bank loans amounting to \$386.9 million. The agriculture sector has accounted for about 60 per cent of total cumulative Bank lending to Burma.

Project Implementation: Of the 32 loans approved for Burma by the end of 1986, 12 had been completely disbursed and 20 were under administration. Disbursements totalled \$28 million in 1986 compared with \$33 million in 1985. Cumulative disbursements of Bank loans at the end of 1986 amounted to \$273 million, or 51.4 per cent of the total amount of effective loans.

Delays in procurement and recruitment of consultants are among those problems in project implementation which have been continuously discussed by Bank and government officials. The Government fully recognizes the importance of minimizing delays and has welcomed suggestions to improve the situation. A seminar on procurement was held in Rangoon to enhance the knowledge and skills of staff of executing agencies in the procurement process.

Burma: Lending and Disbursements



China, People's Republic of

Operational Strategy: The People's Republic of China became a member of the Bank in March 1986. Bank staff visited the People's Republic of China to discuss with government agencies possible priority areas where Bank assistance could be applied. The country has embarked on its Seventh Five-Year Plan (1986-1990). The Plan emphasizes the importance of continuing the process of reforming the country's economic structure initiated since 1978 and choosing an appropriate growth rate for the 1986-1990 period so as to avoid overheating the economy and jeopardizing the smooth implementation of reforms while at the same time striving steadily to improve the people's living standards. The Bank's operational strategy in the People's Republic of China will consider the country's own plans, priorities and development pace as well as the Bank's general capacity in relation to staff and financial resources. In addition, the strategy will need to be evolved as knowledge and experience are gained through Bank operations in the country.

The Bank's first few years of operations in the People's Republic of China should concentrate on the areas of energy and selected industries (directly or through DFIs). As it is a vast country, the Bank's assistance will be concentrated geographically in the East China area. The eastern part of the country is heavily populated and it is also the industrial and agricultural heartland of China producing more than one-half of its industrial and agricultural products. The eastern region is also where all of the country's Special Economic Zones and opened coastal cities are located. This region, however, is beset with serious power shortages and needs industrial upgrading and transformation to a higher technical level. Selected projects of higher priority in other regions could also be considered on a case-by-case basis when justified. As part of the strategy, the program includes technical assistance for institution building and to expand the operational knowledge base of the country, particularly in the eastern region.

Loans and Technical Assistance: In 1986, the Bank provided a technical assistance amounting to \$75,000 for the preparation of the Fuel Substitution Project. The Loans and Technical Assistance Program for the next few years has been formulated recently, focusing on the energy and industrial sectors as outlined in the operational strategy above.

Fiji

Operational Strategy: The Bank's operational strategy in Fiji supports the Government's principal long-term objectives, as enunciated in its Ninth Development Plan (1986-90), of economic growth and employment generation. This will be achieved by focusing Bank lending and technical assistance activities on increasing productivity and diversifying the country's economic base as well as by developing supportive infrastructure. The strategy also emphasizes supporting the role of the private sector in economic development. Sectorally, Bank assistance will be directed at developing/improving transportation facilities, energy development and lending to the private sector directly or indirectly through development finance institutions.

Loans and Technical Assistance: In 1986, the Bank approved a loan of \$4.4 million. The Bank loan will be utilized mainly for rural development, including improvements to rural roads and the construction of irrigation and drainage facilities and demonstration farms in the Sigatoka valley. The Bank also approved two technical assistance grants for advisory and operational purposes: Privatization of Government Shipping Fleet and Commercialization of Government Shipyard (\$346,500) and Study of Development of Capital Market (\$71,000).

As of the end of 1986, the Bank had approved eight loans amounting to \$60.5 million for eight projects. The energy sector accounted for about two-thirds of cumulative Bank lending to the country. In addition, technical assistance totalling \$2.4 million was provided for 16 projects of which seven were for project preparation and nine were advisory and operational in nature.

Cumulative Bank Lending to Fiji

(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	3	36.90	61.0
Development Banks	2	9.00	14.9
Transport and Communications	1	7.00	11.6
Agriculture and Agro-Industry	2	7.60	12.5
Total	8	60.50	100.0

Project Implementation: Of the eight loans approved for Fiji, four had been completely disbursed and four were under administration at the end of 1986, including one that was awaiting effectivity. Disbursements totalled \$3.3 million in 1986 compared with \$1.4 million in 1985. Cumulative disbursements of Bank loans at the end of 1986 amounted to \$45.2 million, or 80.7 per cent of the total amount of effective loans.

Implementation of Bank-financed projects has generally been satisfactory. The Bank continues to provide technical assistance for strengthening of institutions and agencies in key areas.

Hong Kong

Project Implementation: Of the five loans approved to Hong Kong, all had been completely disbursed and one had been repaid at the end of 1986. Disbursements totalled \$0.4 million during the year. Cumulative disbursements of Bank loans at the end of 1986 totalled \$94.5 million, or 100 per cent of the total amount of effective loans.

India

Operational Strategy: The Bank's operational strategy in India seeks to assist the Government in its industrialization efforts by providing finance for industrial undertakings and by bringing about more efficient use of productive capacity through loans for modernization and rehabilitation. Bank assistance is also aimed at helping to remove infrastructural bottlenecks, particularly in the crucial power, transport and communications sectors. Within manufacturing, preference will be given to the private sector.

Loans and Technical Assistance: Bank lending to India commenced in 1986 with total lending for the year

amounting to \$250 million consisting of two OCR loans. The first loan, in the amount of \$100 million, was approved in April for the Industrial Credit and Investment Corporation of India, Limited (ICICI) to help meet part of the institution's medium and long-term foreign exchange requirements for lending to private enterprises in the industrial sector. The second loan, in the amount of \$150 million, was approved in November for the North Madras Thermal Power Project which is aimed at augmenting the electrical generating capacity in the State of Tamil Nadu, thereby helping to alleviate expected power shortages and meet load growth.

Project Implementation: The first loan approved to India became effective in July while the second loan is still awaiting effectivity.

Indonesia

Operational Strategy: The Bank's operational strategy in Indonesia takes note of the country's present need for labor-intensive development while focusing on the crucial objectives of supporting efficient economic adjustments for the transformation of the oil-dependent economy into one that is more diversified and export oriented. This strategy broadly implies, at the macro level, continuing support of key subsectors and programs in agriculture, initiation of an increasingly direct role for the Bank in the industrial sector, selective involvement in physical and social infrastructure projects necessary for achieving efficiency improvements in the productive sectors and diversification of energy-resource development. On a sectoral basis, Bank strategy in agriculture is aimed at supporting the Government's efforts to diversify the agricultural base and optimize resource use. In the energy sector, the Bank's strategy supports the Government's plan to reduce the country's dependence on oil as a source of energy by non-oil and renewable resources and improve energy demand management and conservation. Bank assistance to education and institutional development in Indonesia is of special significance in view of the severely limited availability of trained and skilled manpower. On a selective basis, Bank assistance is extended to support physical infrastructure, such as ports and roads, and social infrastructure projects in urban development, water supply, and health and population.

Loans and Technical Assistance: Bank lending to Indonesia totalled \$319.1 million from OCR in 1986 compared to \$500.7 million in 1985. A total of six loans were approved in 1986. Local cost financing accounted for \$114.6 million including \$30.6 million in the form of a Special Project Implementation Assistance loan, or about 36 per cent of Bank lending to the country during the year. Besides, loan savings aggregating \$85 million were allowed to be used to meet local currency requirements of 26 ongoing projects. In addition, accelerated loan disbursements amounting to \$5.3 million from the local currency financing provided under the Bank loans for two projects were also allowed to be used to meet their local currency shortfalls. One project involved

Cumulative Bank Lending to Indonesia

(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	55	1,512.82	40.1
Energy	18	647.05	17.1
Transport and Communications	17	623.86	16.5
Education	10	404.00	10.7
Urban Development	5	241.85	6.4
Water Supply and Sanitation	5	127.20	3.4
Industry and Non-Fuel Minerals	4	119.70	3.2
Health and Population	1	41.60	1.1
Development Banks	1	30.00	0.8
Others	1	25.00	0.7
Total	117 ^a	3,773.08	100.0

^a In addition, the Bank approved a \$30.6 million Special Project Implementation Assistance loan in 1986 for selected Bank-financed projects in the education sector.

co-financing totalling \$14.5 million with the Nordic Investment Bank (NIB).

Agriculture accounted for about 69 per cent of the Bank's lending to Indonesia during 1986. The three loans in the agriculture sector helped finance irrigation, command area development and oil palm projects. One port project in the transport sector will improve the maritime transport system in Kalimantan. In education, the Ministry of Public Works (MPW) Manpower Education and Training Project will improve the operational capabilities of MPW, while special project implementation assistance helped finance the local currency requirements for the six ongoing Bank-assisted projects in the education sector to ensure project completion.

In 1986, the Bank also provided \$2.5 million in technical assistance for nine projects compared with \$1.4 million for six projects in 1985. Project preparatory technical assistance totalled \$650,000 for two projects and advisory and operational technical assistance amounted to \$1.9 million for seven projects. Five of the projects were in the agriculture sector (namely: livestock, forestry, irrigation and rural development, and fisheries), and one each for transport, energy, social infrastructure and the construction of quarterly national accounts.

As of the end of 1986, the Bank had approved 118 loans totalling \$3,773.1 million for 112 projects. Of these loans, 95 amounting to \$3,610.8 million were from OCR and 23 amounting to \$162.3 million were from ADF. The Bank had

also provided technical assistance totalling about \$23.1 million for 114 projects of which 67 have resulted in Bank loans amounting to \$2,494.5 million. Bank lending activities have generally followed the Bank's operational strategy in Indonesia and the country's development priorities as embodied in successive national development plans, with agriculture accounting for 40 per cent of the cumulative Bank lending, followed by energy with 17 per cent.

Project Implementation: Of the 118 loans made to Indonesia, 47 had been closed and 71 were under administration at the end of 1986 of which six were awaiting loan effectiveness. Disbursements totalled \$206.7 million during the year compared with \$167.5 million in 1985. Cumulative disbursements of Bank loans at the end of the year amounted to \$1,156.4 million, or 35.7 per cent of the total amount of effective loans.

The pace of implementation and loan disbursements of Bank-assisted projects in Indonesia has been relatively slow. Decision making is hampered by procedural requirements and

this has adversely affected project implementation and loan utilization. Current budgetary difficulties have drawn the Government's attention to the need for timely implementation of ongoing projects. A high-level team was set up by Presidential Decree in July 1986 to accelerate project implementation and aid utilization. Conduct of the tri-annual general country projects review of Bank-assisted projects has now been assigned to this team.

During the year, the Bank responded to a request from the Government for the stationing of Bank staff in Jakarta to assist in project implementation and disbursements. Accordingly, Bank staff were stationed there on an intermittent basis. Project implementation and loan disbursements should continue to be given priority by the Government and the Bank.

Korea, Republic of

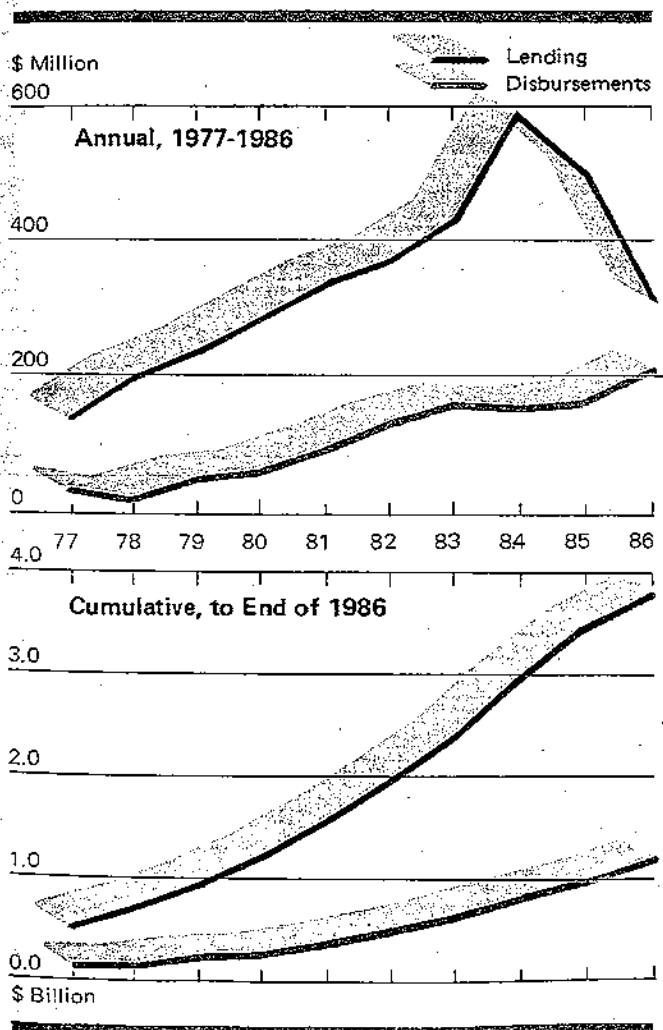
Operational Strategy: The Bank's operational strategy for the Republic of Korea focuses on three major areas: assistance for social and physical infrastructure; industrial restructuring, including technology and manpower development; and assistance for energy saving and development of alternative sources of energy. Bank assistance to social infrastructure projects such as water supply and sewerage will help promote a more equitable distribution of the benefits of economic growth. Support for physical infrastructure will focus on improvement of roads and ports which will contribute to balanced regional development. In the area of industrial restructuring, technology development, including promotion of research and development and manpower training, and assistance to small and medium industries will receive priority. In the energy sector, Bank assistance will emphasize energy rationalization and development of domestic energy resources to help reduce the country's high dependence on imported energy.

Loans and Technical Assistance: In 1986, the Bank approved one loan amounting to \$53 million from OCR to the Republic of Korea compared with three loans totalling \$167 million in 1985.

The Marine Sciences Education Project, the second loan for the education sector in the country, will assist in improving the quality of education and training in the marine and fisheries sector and further develop indigenous research capabilities in oceanography. The Bank's technical assistance program in the Republic of Korea in 1986 consisted of three project preparatory grants (Tenth Water Supply, Marine Sciences Education and Highway Sector) for a total amount of \$233,850.

By the end of 1986, the Bank had approved 75 loans totalling \$2,169.5 million to the Republic of Korea. Of these, 74 loans (\$2,165.8 million) were from OCR and one loan (\$3.7 million) from ADF. The Bank made one equity investment amounting to \$960,000 equivalent. The Bank has also provided 31 technical assistance grants totalling \$4.3 million comprising five for advisory and operational purposes (\$1.4 million) and 26 for the preparation of projects (\$2.9 million), 18 of which have resulted to date in 23

Indonesia: Lending and Disbursements



Cumulative Bank Lending to Republic of Korea

(As of 31 December 1986)

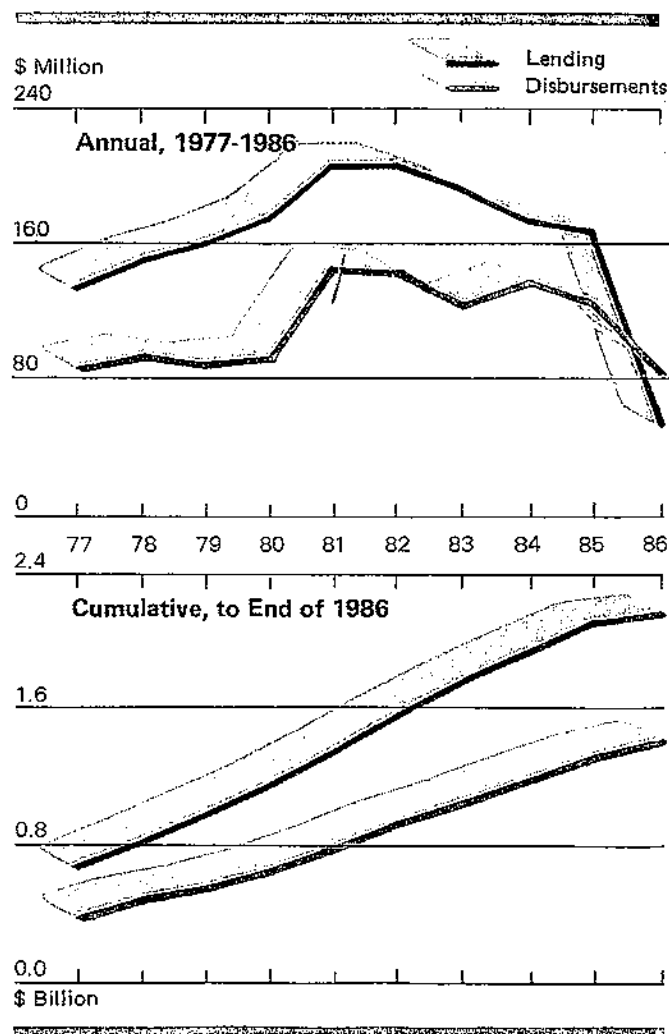
Sector	Number of Loans	Amount of Loans (\$ million)	%
Development Banks	21	795.00	36.6
Water Supply and Sanitation	15	434.60	20.0
Transport and Communications	9	259.55	12.0
Energy	10	234.38	10.8
Agriculture and Agro-Industry	8	163.80	7.6
Industry and Non-Fuel Minerals	8	135.50	6.2
Urban Development	2	90.00	4.2
Education	2	56.70	2.6
Total	75	2,169.53	100.0

investment Bank loans amounting to \$772.4 million.

Of the Bank's total lending, two-thirds has been in sectors directly supporting the country's industrialization efforts — industry, development banks, energy and transport. In lending through DFIs, there has been a shift to a more balanced allocation of funds for the support of small and medium-scale industries. In recent years, the Government has also increased investment in the social infrastructure sector. This change in emphasis is reflected in the Bank's lending since 1977, during which period one-third of its assistance has been for social infrastructure. While this assistance has also had an industry-supportive aspect, a major objective has been to achieve an improvement in the quality of life commensurate with the country's rapid material development. There has also been a rise in Bank lending to the energy sector in response to increased energy consumption levels and the country's dearth of indigenous fuels.

Project Implementation: Of the 75 loans approved for the Republic of Korea, 55 had been completely disbursed,

Republic of Korea: Lending and Disbursements



STORAGE area of a livestock feedmill in the Republic of Korea, one of four such units constructed under a Bank-financed project designed to improve the quantity and quality of feeds for livestock including swine, poultry and cattle.

two were cancelled and 18 were under administration, including two that were awaiting effectivity. Disbursements declined from \$124.2 million during 1985 to \$82.6 million in 1986. Seven loans were closed during the year. Cumulative disbursements of Bank loans at the end of 1986 totalled \$1,403.7 million, or 85.2 per cent of the total amount of effective loans.

Project implementation continued to be satisfactory during 1986 and no major problems were encountered. However, during the year, the Government requested loan cancellations totalling \$185 million, mainly from unutilized DFI credits brought about by lower demand for foreign currency loans, and from savings resulting from low bid prices received for some contracts under project loans. The Government requested full cancellation of the loan for the Ninth Water Supply Project that was approved in December 1984 because the resource position of the local government implementing agency had improved to such an extent that the Bank's loan was no longer needed. The Sixth Korea Long Term Credit Bank loan, approved in December 1985, had not yet been signed as of the end of the year.

During the year, the Bank continued its dialogue with the Government on measures to improve further project accounting and auditing procedures in government agencies involved in project implementation.

Lao PDR

Operational Strategy: The Bank's operational strategy in Lao PDR is aimed at: (i) improving the country's basic infrastructure in order to achieve better integration of the economy, increased efficiency and stimulation of economic activities; and (ii) increasing the country's foreign exchange earnings through development of its most promising exports. To achieve these objectives, support is channeled toward developing road transport, hydropower resources, power transmission and distribution, and forestry and wood processing.

Loans and Technical Assistance: In 1986, the Bank extended one loan of \$12 million from ADF for the Second Road Improvement Project, aimed at rehabilitating and upgrading about 135 km. of roads and strengthening/replacing 28 bridges in the country's southern provinces of Champassak and Saravane. There was no loan to Lao PDR in 1985.

The Bank also extended three advisory technical assistance grants to Lao PDR in 1986, for the preparation of a pilot road maintenance study, a multi-sectoral master plan study (co-financed by UNDP in the amount of \$600,000) for the development of the four southern provinces of Champassak, Saravane, Xekong and Atapeu, and for management reorganization of the Lao Wood Industries Corporation. In addition, the Bank acted as Executing Agency for an advisory technical assistance financed by UNDP for detailed engineering design and construction management for the Bank-financed Second Road Improvement Project.

To date the Bank has provided 13 loans for 12 projects

Cumulative Bank Lending to Lao PDR

(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	5	29.82	41.4
Energy	5	16.32	22.6
Transport and Communications	2	20.00	27.7
Water Supply and Sanitation	1	6.00	8.3
Total	13	72.14	100.0

amounting to \$72.1 million in Lao PDR, all from ADF. Technical assistance totalling \$8.5 million have been provided for 26 projects of which ten have resulted in Bank loans amounting to \$67.4 million. The sectoral distribution of cumulative Bank lending reflects the Bank's support for the development of infrastructure, especially transport and communications and power distribution, and the promotion of forestry and wood processing for export.

Project Implementation: Of the 13 loans approved to Lao PDR, seven had been completely disbursed and six were under administration at the end of 1986, including one that was awaiting effectivity. Disbursements totalled \$5.8 million during 1986 compared with \$4.3 million in 1985. Cumulative disbursements of Bank loans at the end of 1986 amounted to \$34.5 million, or 61.5 per cent of the total amount of effective loans.

Although ongoing Bank-financed projects in Lao PDR are generally progressing satisfactorily, manpower and institutional constraints have hamstrung the country's capability to implement development projects. To alleviate this problem, the Government, under a technical assistance grant from the Bank, has established the Project Implementation Advisory Services Unit (PIASU) in the State Planning Committee to assist executing agencies in the implementation of Bank-financed projects. With the help of a consultant provided under the technical assistance, PIASU staff have been receiving on-the-job training in project implementation. The operation of PIASU was strengthened in 1986.

Malaysia

Operational Strategy: The Bank's operational strategy for Malaysia supports the main objective of the New Economic Policy — fostering structural change by redressing economic and social imbalances. Within this context, the Bank is focusing attention on poverty alleviation, manpower development

and selected physical infrastructure facilities. To address poverty alleviation, the Bank has adopted a multifaceted approach through projects in the agriculture, regional development and social infrastructure sectors. In agriculture, the Bank is guided by the objectives of the National Agricultural Policy which are to improve farm productivity and diversify farm income; regional development has a focus on relatively poor areas; and social infrastructure facilities such as health care and water supply facilities provide for some of the basic needs of the poor. In manpower development, the Bank recognizes the special emphasis placed by the Government on the expansion of technical and vocational education facilities. Support for physical infrastructure mainly pertains to the energy sector in view of its vital input in the development process.

Loans and Technical Assistance: Bank lending to Malaysia amounted to \$105.2 million for two projects from

Cumulative Bank Lending to Malaysia

(As of 31 December 1986)

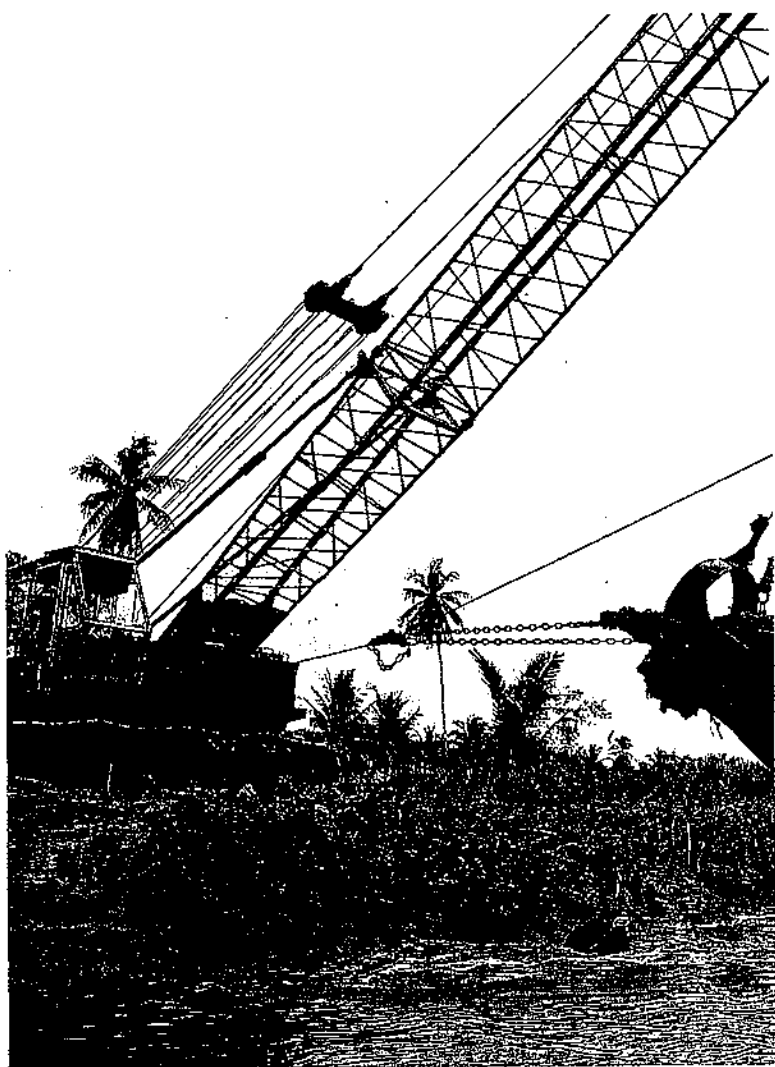
Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	19	380.66	29.7
Transport and Communications	15	255.14	19.9
Energy	10	272.00	21.2
Water Supply and Sanitation	9	114.11	8.9
Urban Development	3	91.20	7.1
Education	2	78.00	6.1
Health and Population	2	76.53	6.0
Development Banks	1	15.00	1.1
Total	61	1,282.64	100.0

OCR in 1986 compared with \$132.4 million approved for four projects in 1985. One loan was in the energy sector for transmission system improvement for which co-financing of \$4.5 million is expected from suppliers' /export credit sources, and the other a sector loan for health services development.

Five technical assistance grants/totalling \$1.2 million were approved in 1986 compared with nine grants totalling \$2.1 million in 1985. Advisory and operational technical assistance amounted to \$820,000 for three projects. Two projects were in the agriculture sector and one each in the energy, health and water supply sectors.

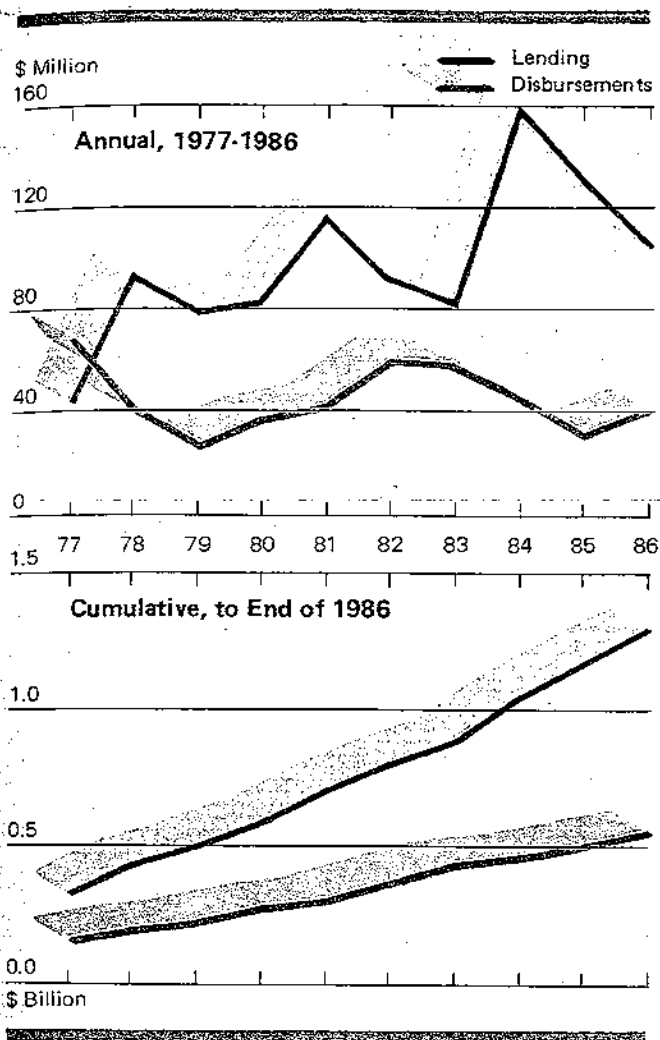
As of the end of 1986, the Bank has approved 61 loans in an aggregate amount of \$1,282.6 million for 59 projects, all but one loan coming from OCR. In addition, technical assistance totalling \$7.4 million has been provided for 34 projects of which ten have resulted in Bank loans amounting to \$336.1 million. The sectoral distribution of cumulative Bank lending to Malaysia partly reflects the past emphasis on physical infrastructure development and partly the more recent thrust towards agriculture and social infrastructure development.

Project Implementation: Of the 61 loans approved to Malaysia, 39 had been completely disbursed and 22 were under administration at the end of 1986, including two loans that were awaiting loan effectivity. Disbursements totalled \$40.7 million in 1986 compared with \$31.2 million in 1985. Three loans were closed during the year. Cumulative disbursements of Bank loans at the end of December 1986 amounted to \$550.3 million, or 55 per cent of the total amount of effective loans.



DRAINING swamps in Sarawak, Malaysia. This Agricultural Drainage Project, assisted by a Bank loan of \$25.4 million, involves drainage and development of about 109,000 ha. of land for farming and is expected to benefit some 38,000 farm families.

Malaysia: Lending and Disbursements



Implementation of Bank-financed projects in Malaysia has been generally satisfactory. However, cutbacks in budgetary allocations in 1983 and 1984 for the Government's public investment program adversely affected Bank-financed projects. However, the allocations provided in the 1986 budget were generally adequate.

Maldives

Operational Strategy: The Bank's assistance program in Maldives has focused on transport, communications and power infrastructure to support the directly productive investments Maldives has made with other assistance. This emphasis is expected to continue.

Loans and Technical Assistance: In 1986, the Bank provided a technical assistance grant of \$60,000 for the preparation of a power system development project.

The Bank has so far provided two loans, both from ADF,

to Maldives for the development of inter-island transport (\$1 million in 1981) and a multiproject loan (\$2.4 million in 1984) for five subprojects supporting ports, communications and power infrastructure. In addition, the Bank has provided four technical assistance grants to prepare a feasibility study for the inter-island transport project, to assist the Government in identifying and planning priority investment projects, to prepare subprojects under the multiproject loan and to review inter-island transport operations.

Project Implementation: Disbursements totalled \$0.5 million during 1986 compared with \$0.08 million in 1985. Cumulative disbursements of Bank loans at the end of 1986 amounted to \$1.3 million, or 35.2 per cent of total amount of effective loans.

The loan for the development of inter-island transport is now under review for possible conversion of the inter-island transport vessels to fish-collector vessels.

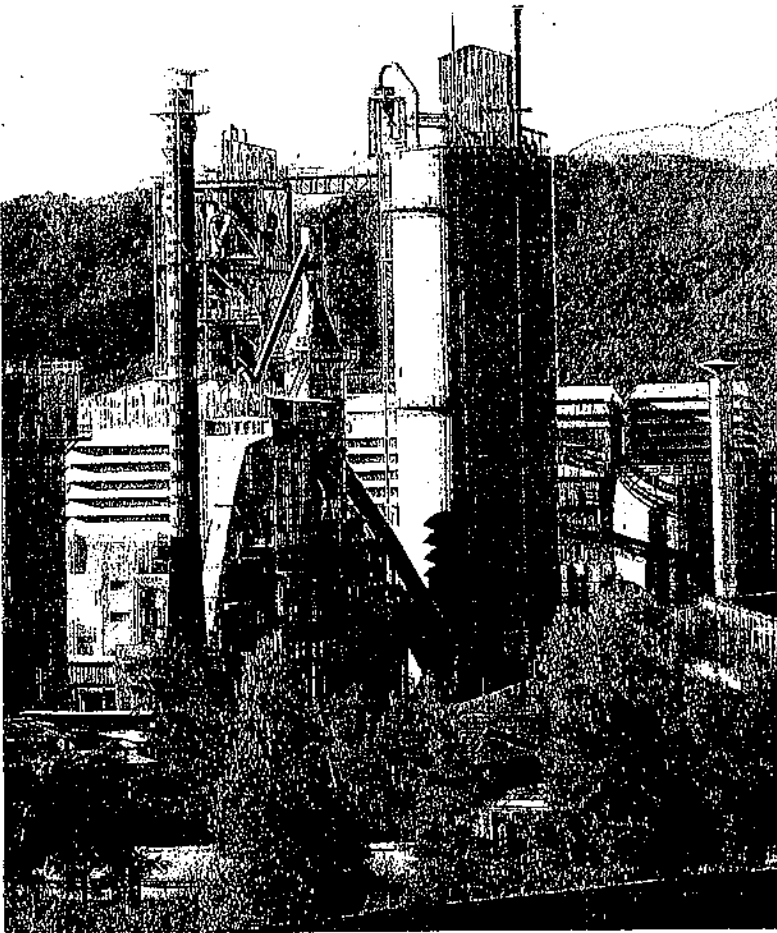
Nepal

Operational Strategy: The Bank's operational strategy in Nepal focuses on agriculture and is designed to enhance agricultural productivity, increase food intake and diversify agricultural products. This general objective is pursued through broadly-based strengthening of the agriculture sector and crop intensification aimed at significantly increasing productivity. Particular emphasis is placed on constructing irrigation facilities, developing rural infrastructure including electrification, providing agricultural inputs and agricultural credit and reversing ecological deterioration. At this stage of Nepal's development, Bank lending to the non-agricultural sectors basically supports the development of agriculture in a way that ensures satisfactory linkage with other sectors while assisting the long-term diversification of the economy.

Cumulative Bank Lending to Nepal

(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	30	275.21	50.1
Energy	8	103.40	18.8
Transport and Communications	8	99.66	18.1
Industry and Non-Fuel Minerals	2	49.50	9.0
Education	2	12.20	2.2
Water Supply and Sanitation	1	9.60	1.8
Total	51	549.57	100.0



THE recently-opened Hetauda cement factory in Nepal has a capacity of about 260,000 metric tons a year. This project was aided by concessional Bank loans totalling \$49.5 million.

Loans and Technical Assistance: Bank lending to Nepal amounted to \$51.2 million for three loans from ADF in 1986, compared with \$58 million approved in 1985. The loans approved in 1986 were in the agriculture and transport sectors and included local cost financing of \$10.5 million. The projects were designed to complete the construction of the new terminal of Tribhuvan International Airport; to alleviate transport constraints by upgrading and improving existing roads as well as reconstructing a bridge; and to increase rural incomes and raise nutritional levels through fish production in the Terai.

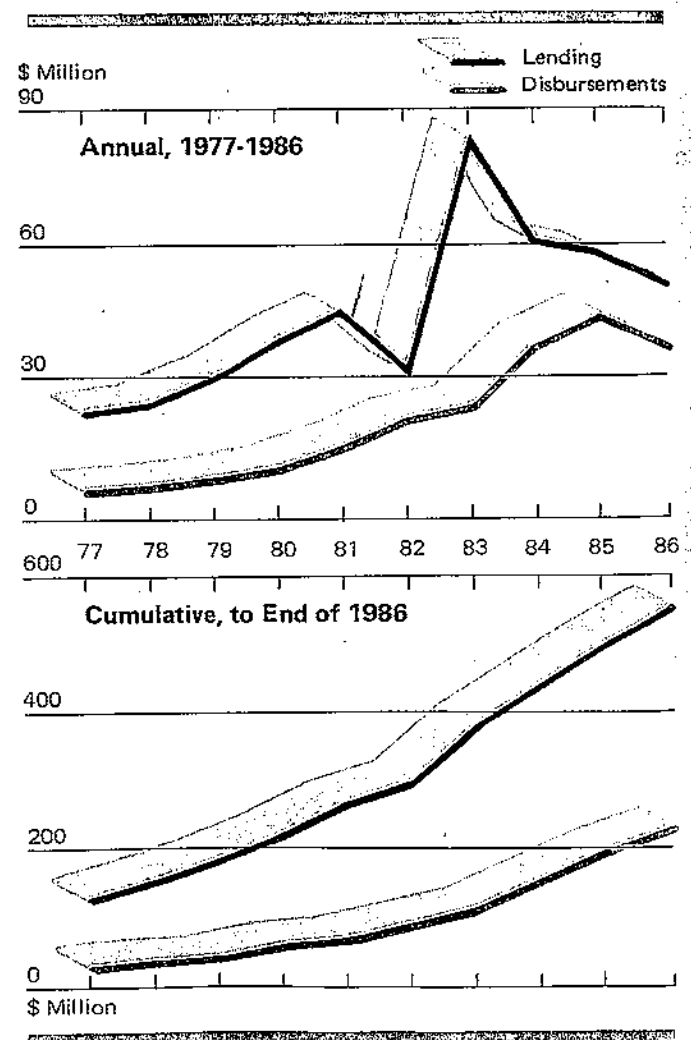
The Bank also approved nine technical assistance projects amounting to \$2.8 million in 1986. Of these, about \$1 million was provided by UNDP for two projects (Program Budgeting and Project Monitoring Systems and Second Aquaculture Development). In addition to these co-financed technical assistance projects, the Bank provided funds for the preparation of the Third Crop Intensification Program, the Third Hill Irrigation, the Seventh Power Project and the Tea Develop-

ment (co-financed with the Government of Switzerland which provided \$50,000) and advisory technical assistance for the Transport Sector Profile, the National Land Use Planning and the Institutional Strengthening of the Department of Roads.

As of end-December 1986, the Bank had approved 51 loans totalling \$549.6 million for 42 projects in Nepal. With one exception, all loans were from ADF. In addition, technical assistance amounting to \$28.9 million for 79 projects had been provided or administered by the Bank. Of the 41 project preparatory technical assistance projects, 25 had resulted in Bank loans for projects totalling \$409.2 million. The Bank's cumulative lending to Nepal has been mainly directed to the agriculture, energy and transport sectors which together account for about 87 per cent of the Bank's total loan portfolio.

Project Implementation: In Nepal, out of the 51 loans approved, 16 had been completely disbursed and 35 were under administration as of the end of 1986, including three that were awaiting loan effectivity. Disbursements in 1986 amounted to \$35.5 million compared with \$43.3 million in

Nepal: Lending and Disbursements



1985. Cumulative disbursements of Bank loans at the end of December 1986 totalled \$229.2 million, or 43.9 per cent of the total amount of effective loans.

Project implementation in Nepal is generally behind schedule mainly due to deficiencies in project preparation as well as delays in project start-up, recruitment of consultants, award of contracts and processing of variation orders during construction. Scarcity of experienced technical staff, including accountants, delays in the release of budgeted local counterpart funds and complex administrative procedures are other factors causing slippage in implementation schedules.

At the request of the Government, Country Projects Review Meetings (CPRMs) have been conducted between the Bank and senior officials of the Government on a semi-annual basis since March 1985. These meetings focused on common project implementation problems and constraints facing Bank-assisted projects. As a result of these CPRMs, the Government adopted in 1986 a new policy on prequalification of local civil works contractors. Another policy on registration and classification of local contractors is also being formulated.

Pakistan

Operational Strategy: The Bank's operational strategy as recommended in the Pakistan Strategy Study — *Strategies for Economic Growth and Development — The Bank's Role in Pakistan (July 1985)* — envisages that the main goals for Bank assistance in Pakistan should be balanced growth and improved equity, to be achieved through activities designed to promote appropriate structural change, improve economic efficiency and strengthen development institutions. The Bank's primary commitments in Pakistan should remain with agriculture, energy and industry. The further development of social and other infrastructure, however, should also merit Bank attention as improvements in these sectors are a precondition for sustained long-term overall economic growth and structural change.

The major focus of Bank assistance in agriculture will be toward increasing the productivity and output of the major crops, with diversification and minor crops to be supported as a secondary and longer-term objective. The Bank's involvement in the energy sector will focus on a program of gradual diversification. While maintaining a continuing interest in the power sector with particular emphasis on acting as a catalyst to mobilize co-financing for the sector and on improving operational efficiency, increased attention will be given to assisting the Government in finding ways to moderate energy usage and to increase the supply of indigenous energy resources. In the industrial sector, traditional lending through the DFIs will be continued; however, the Bank will seek new areas and develop diversified modalities such as equity investment, leasing, direct lending to private industry and industrial parks development. Bank assistance to the social sectors will be increased from the past low levels, with an emphasis on education, primary health care and improvement of the environment in major urban centers.

Cumulative Bank Lending to Pakistan

(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	29	1,197.67	37.1
Agriculture and Agro-Industry	28	1,083.65	33.6
Development Banks	16	462.00	14.3
Transport and Communications	5	176.60	5.5
Industry and Non-Fuel Minerals	4	100.60	3.1
Water Supply and Sanitation	2	61.50	1.9
Education	3	59.80	1.8
Urban Development and Housing	1	55.20	1.7
Health and Population	2	31.00	1.0
Total	90	3,228.02	100.0

Loans and Technical Assistance: In 1986, Bank lending to Pakistan amounted to \$543.9 million (\$258.9 million from ADF and \$285 million from OCR) for eight projects compared with \$571.6 million for nine projects in 1985. Local cost financing accounted for \$39.6 million, or 7 per cent of total Bank lending to Pakistan during the year. Five projects approved in 1986 involve co-financing totalling \$289 million with various donors including the World Bank, the Government of Czechoslovakia, USAID, UNDP and buyers' credit. The Bank's first two loans to the private sector without government guarantee for \$5 million each were extended to Pakistan companies in 1986, as well as a line of equity for \$5 million to two DFIs and an equity participation of \$2.14 million in a cement company.

Agriculture accounted for 60.4 per cent of the Bank's lending to Pakistan during 1986. The four loans in the agriculture sector will help finance agro-industries, importation of phosphatic and potassic fertilizers, cotton research, production and processing, and agricultural development through groundwater and trickle irrigation facilities. An urban development project will help finance slum upgrading, solid waste management and renovation of two sewage treatment plants for Karachi. The Bank's tenth loan to the power sector will help finance priority distribution, rehabilitation, generation and transmission projects of the national power utility company (WAPDA).

The Bank approved 14 technical assistance projects for Pakistan in 1986 totalling \$3.7 million (including \$960,000 financed by UNDP) compared with \$2.7 million for eight projects in 1985. Project preparatory technical assistance

amounted to \$1.7 million for nine projects and advisory and operational technical assistance amounted to \$2.1 million for five projects. There were nine projects in the agriculture sector, two each in the energy and social infrastructure sectors and one in the industry and non-fuel minerals sector.

The Bank has so far provided 90 loans totalling \$3,228 million for 70 projects in Pakistan. Of these, 50 loans amounting to \$1,787.8 million (55 per cent) were from ADF and 40 loans amounting to \$1,440.2 million (45 per cent) from OCR. Technical assistance totalling \$14.5 million has been provided for 61 projects of which 21 have resulted in Bank loans amounting to \$942.6 million. Bank lending has emphasized the energy sector, which accounts for 37 per cent of total cumulative lending to Pakistan, followed by the agriculture and agro-industry sector with 34 per cent and the industry (including development banks) and non-fuel minerals sectors which account for 17 per cent.

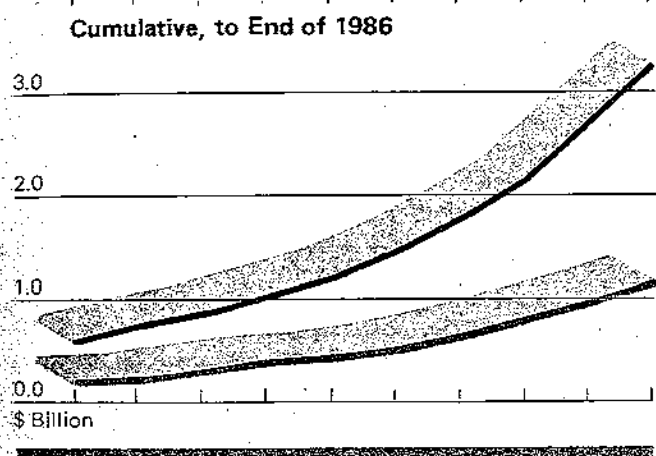
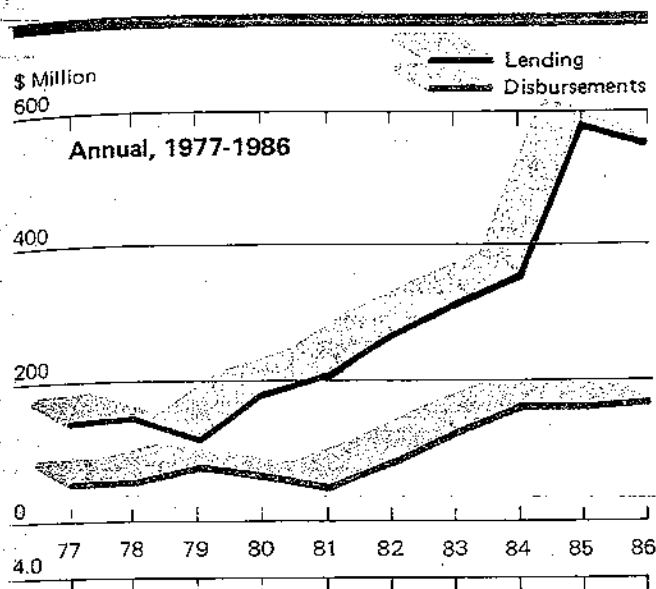
Project Implementation: Of the 90 loans approved to Pakistan, 37 had been completely disbursed and 53 were under administration at the end of 1986 including 11 loans that were awaiting effectivity. During 1986, disbursements totalled \$167.2 million as compared with \$163.3 million during 1985. Cumulative disbursements as of 31 December 1986 amounted to \$1,107.4 million, or 45 per cent of the total amount of effective loans.

Implementation delays in Bank-financed projects are mainly associated with internal government procedures concerning award of contracts and engagement of consultants. The semi-annual Country Projects Review Meetings which were started in 1983 have examined these implementation problems at the highest administrative level. These meetings have been helpful in streamlining the project implementation process and will continue to be accorded high priority by the Bank and the Government of Pakistan.



AN ENGINEER checking water quality in a tubewell drilling operation (left) and a new watercourse (right) in Pakistan, two aspects of the South Rohri Fresh Groundwater Project which was partly financed by a Bank loan of \$33 million and is expected to increase jobs and incomes for about 60,000 farm families in Sind Province.

Pakistan: Lending and Disbursements



Papua New Guinea

Operational Strategy: Within the framework of the Government's development objectives of stimulating economic growth and maximizing income-earning opportunities, the Bank's operational strategy in PNG is geared primarily towards helping the country to: (i) promote balanced growth with emphasis on agricultural development to ensure greater participation of the rural population in economic activities; (ii) build up necessary physical and social infrastructure; and (iii) strengthen human resource development and institutional capacities besides improving economic efficiency.

Loans and Technical Assistance: In 1986, the Bank provided three loans for two projects amounting to \$49.5 million to PNG (of which \$33.6 million was from OCR and \$15.9 million from ADF) compared with \$24.9 million approved in 1985. The two loans for the West New Britain Smallholder Development Project will be used to expand smallholder oil palm production in West New Britain thereby

Cumulative Bank Lending to Papua New Guinea

(As of 31 December 1986)

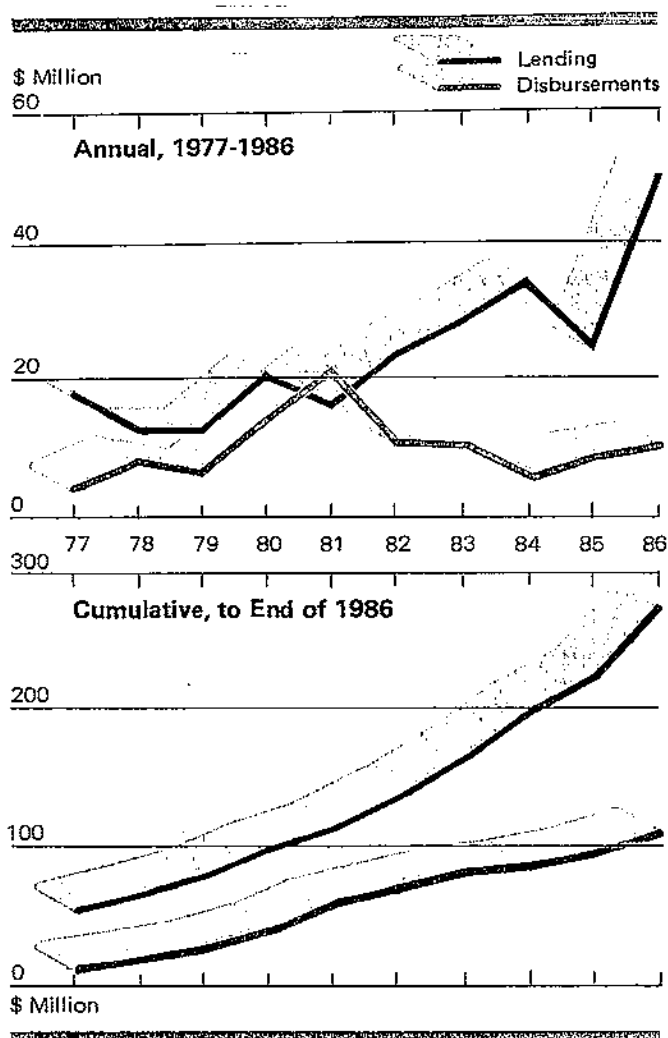
Sector	Number of Loans	Amount of Loans (\$ million)	%
Transport and Communications	8	102.05	37.4
Agriculture and Agro-Industry	4	52.64	19.3
Energy	4	34.60	12.7
Health and Population	3	25.90	9.5
Development Banks	3	22.50	8.3
Water Supply and Sanitation	2	18.90	6.9
Education	2	16.00	5.9
Total	26	272.59	100.0

increasing employment opportunities, augmenting rural incomes and accelerating development activities in the Province. The Ramu Grid Reinforcement Project is aimed at improving the reliability and quality of the Ramu Grid and increasing its capacity to meet growth in demand up to the year 1995. It involves provision of a single-circuit 80 km. long 132 kV transmission line, installation of two gas turbine units, and provision of consultant services for feasibility design and detailed engineering for the Ramu-Port Moresby Interconnection Project. The 1986 technical assistance program to PNG totalled \$1.4 million for six projects — three advisory and three project preparatory. Sectorally, two projects were in agriculture, one in industry, one in power, one in education and one in transport and communications.

At the end of 1986, the Bank had approved 26 loans to PNG totalling \$272.6 million for 20 projects. Of these loans, 12 amounting to \$137.2 million were from OCR and 14 amounting to \$135.3 million from ADF. Technical assistance totalling \$6.6 million had been provided for 35 projects of which seven had resulted in Bank loans amounting to \$109.5 million. The transport and communications sector has accounted for about 37 per cent of total cumulative Bank lending to PNG, followed by agriculture with 19 per cent, and by health and education with 15 per cent.

Project Implementation: Of the 26 loans approved for Papua New Guinea at the end of 1986, nine had been completely disbursed and 17 were under administration, including three that were awaiting effectivity. Disbursements totalled \$10.2 million in 1986 compared to \$8.3 million in 1985. Cumulative disbursements of Bank loans at the end of 1986 amounted to \$104 million, or 45.6 per cent of the total amount of effective loans.

Papua New Guinea: Lending and Disbursements



The Bank held a regular dialogue with the Government in order to solve various problems and difficulties encountered in project implementation. Major areas of concern include delays in recruitment of consultants, a lack of coordination between the various agencies involved in project implementation, unfamiliarity with the Bank's procedures and requirements, and a high turnover of key personnel assigned to project implementation units.

Philippines

Operational Strategy: In response to the economic crises which began in 1983 and continued into 1986, the Bank's lending strategy recognized both the acute external and domestic financial constraints faced by the Government, and the need to address economic recovery and re-establish economic growth. The strategy focused on assisting in the completion of high-priority ongoing Bank-financed projects, rehabilitation of existing infrastructure facilities, improving the

efficiency of existing production and service capacities and assisting projects having a favorable impact on the balance of payments. The medium-term economic development plan (1987-1992) prepared by the new Government will focus on the generation of employment, the alleviation of mass poverty and the more equitable sharing of the benefits of development. Government priority will be given to labor-intensive, rural-based and small-scale activities to generate employment opportunities and increase the real incomes of the people in the rural areas. Accordingly, the Bank's operational strategy has been further modified in 1986 to promote the country's long-term social stability by supporting some new projects that will contribute to more direct employment, income creation, poverty alleviation and satisfaction of basic needs, especially in the rural areas. Nonetheless, while the severe domestic and external resource constraints remain, Bank support will continue to be principally devoted to the completion of ongoing Bank-assisted projects and the maintenance and improvement of existing infrastructure facilities.

Loans and Technical Assistance: Bank lending to the Philippines in 1986 comprised two Special Project Implementation Assistance (SPIA) loans totalling \$100 million (\$50 million each from OCR and ADF resources) and four project loans from OCR amounting to \$216.8 million, totalling overall \$316.8 million. Mainly in response to the country's economic condition, particularly with respect to its severe budgetary constraints and balance-of-payments situation, Bank financing for the four project loans (including co-financing in one case) covered 80 per cent of the total cost of each project, instead of the 60 per cent ceiling normally applicable to the country. With this increased percentage, the Bank provided \$38.2 million of local cost financing for the

Cumulative Bank Lending to Philippines

(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	30	706.74	29.1
Energy	15	658.35	27.1
Transport and Communications	15	378.85	15.6
Water Supply and Sanitation	7	269.20	11.1
Development Banks	10	245.00	10.1
Multisector	—	126.70	5.2
Education	2	43.00	1.8
Total	79^a	2,427.84	100.0

^a In addition, the Bank has approved three Special Assistance loans totalling \$126.7 million for various ongoing Bank-assisted projects.

four project loans. The SPIA loans were also for financing of local cost expenditures of ongoing projects. One project in the agriculture sector approved in 1986 involved co-financing of \$4.6 million with IFAD. Another approved project in the rural water supply sector envisaged co-financing from the Government of Australia amounting to about \$5 million.

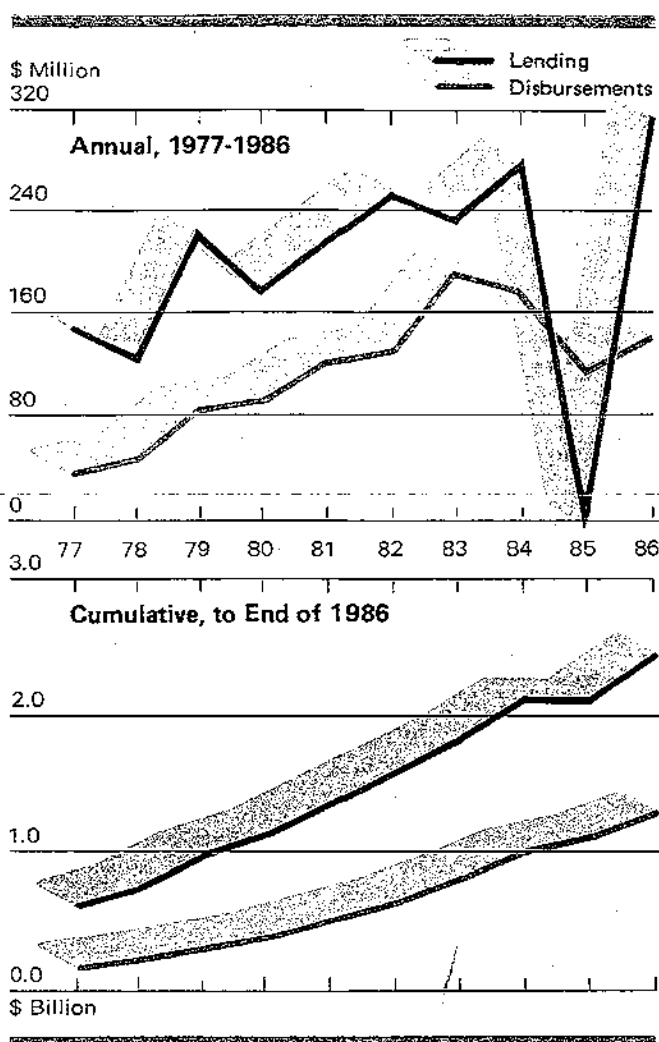
The two SPIA loans provided foreign exchange to meet about half of the Government's local currency expenditures for 36 selected high-priority projects financed by the Bank in key sectors such as agriculture, irrigation, energy, transport, water supply and education. The Fourth Road Improvement Project — the ninth Bank loan to the road subsector in the country — would rehabilitate and improve national roads and provide detailed engineering for rural roads in several areas of the country. The Highland Agriculture Development Project is the first Bank-assisted project to be devoted to the development of highland farmers in Northern Luzon. The Island Provinces Rural Water Supply Sector Project would provide safe drinking water facilities for a rural population living in 16 island provinces throughout the country. The Third Power System Development Project — the twelfth Bank loan to the National Power Corporation (NPC) of the Philippines — would upgrade the overall standard and reliability of electrical power service under the NPC power system.

In 1986, the Bank also provided \$2.5 million in technical assistance for eight projects, including supplementary assistance to an ongoing project in the energy sector. Of the seven new projects, six are advisory technical assistance. The single project preparatory technical assistance provided \$1.05 million for road feasibility studies and was financed by UNDP (\$550,000) and the Government of Switzerland (\$500,000), and administered by the Bank. The six advisory technical assistance projects totalled \$1.4 million. Two were in the energy sector and one each in the agriculture, road, water supply and sanitation, and DFI sectors.

During 1986, the Bank, for the first time, made an equity investment in Planters Development Bank, a small private development bank.

At the end of 1986, the Bank had approved 82 loans totalling \$2,427.8 million to the Philippines for 74 projects and an agricultural inputs program loan. Of these loans, 73 amounting to \$2,298.5 million were from OCR and nine, amounting to \$129.3 million, were from ADF. The Bank had also provided technical assistance totalling \$18.23 million for 78 projects of which 30 have resulted in Bank loans amounting to \$1,052.9 million. Bank lending activities have generally followed its operational strategy for the Philippines which has been modified since 1983 due to the current economic crisis as mentioned above, and the country's development plans and priorities as indicated in the successive national development plans, the latest being the medium-term economic development plan (1987-1992). Cumulative Bank lending to the Philippines as at the end of 1986 has emphasized the agriculture sector which accounts for 29 per cent of total, followed by energy (27.1 per cent), transport and communications (15.6 per cent), water supply and sanitation (11.1 per cent), development banks (10.1 per cent), multisector (5.2 per cent) and education (1.8 per cent).

Philippines: Lending and Disbursements



Project Implementation: Of the 82 loans approved for the Philippines (including one Special Assistance loan and two Special Project Implementation Assistance loans), 35 had been completely disbursed and 47 were under administration, including four that were awaiting effectivity. Disbursements totalled \$138.6 million during 1986 as compared to \$112 million in 1985. Three loans were closed during the year. Cumulative disbursements of Bank loans at the end of 1986 totalled \$1,242.8 million, or 61.9 per cent of the total amount of effective loans.

The first \$50 million tranche of the Special Project Implementation Assistance (SPIA) loans approved in February 1986 was released to the Government on 30 June 1986. As of the end of the year, \$39.1 million of the first \$50 million had been utilized and it is anticipated that the second tranche will be disbursed in early 1987. The Bank and the Government conducted an extensive dialogue to ensure that the funds made available under the SPIA loans were channelled to executing agencies promptly as required. While some procedural problems in utilizing the SPIA loans have been

experienced, project implementation is starting to regain momentum.

As a result of the close dialogue between the Bank and the Government, several improvements have taken place, including the establishment of imprest accounts, an increase in disbursement percentages for Bank loans and clarification of procedures for calculating escalation payments in civil works contracts. The Bank's Country Projects Review Mission in February 1986 urged the Government to review and streamline its procedures for approval of contract; these suggestions were further discussed with the Ministry of Finance in connection with the implementation of the SPIA loans. Procedures delegating greater authority to line ministries and corporations approving contracts have also been adopted.

Singapore

Project Implementation: As of the end of 1986, all 14 loans approved to Singapore had been completely disbursed bringing the amount of cumulative disbursements to \$144.4 million, or 100 per cent of the total amount of effective loans.

Sri Lanka

Operational Strategy: The Bank's operational strategy in Sri Lanka is designed to help reverse the trend towards deterioration of capital assets, seek institutional and policy development in sectors where inadequacies constitute a constraint to development, and give priority to certain structural adjustments needed in the economy. Important underlying themes of the Bank's operational strategy are assistance for private sector and export development. Through its lending and technical assistance program, the Bank will also seek to address financial and industrial policy constraints on private sector industrial development. Concomitantly, the Government's development strategy is dependent on increasing export earnings, and export promotion or efficient import substitution constitute important components of a number of the Bank's pipeline projects.

Loans and Technical Assistance: In 1986, the Bank approved four loans totalling \$102.3 million from ADF to Sri Lanka compared with three loans totalling \$54.4 million in 1985. Local cost financing amounted to \$32.7 million, or



HOMEWORK by the light of a kerosene lamp in Sri Lanka, where an integrated agricultural project, supported by the Bank with a \$15 million loan, is expected to improve living conditions in the project area. The project is designed to raise agricultural production, improve the quality of rural life and protect natural resources from deterioration caused by shifting cultivation practices.

Cumulative Bank Lending to Sri Lanka

(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	24	355.86	62.6
Energy	5	52.65	9.3
Development Banks	4	45.00	7.9
Transport and Communications	5	39.70	7.0
Water Supply and Sanitation	1	30.00	5.3
Education	1	16.10	2.8
Multisector	—	14.70	2.6
Health and Population	1	9.30	1.6
Industry and Non-Fuel Minerals	2	5.15	0.9
Total	43 ^a	568.46	100.0

a. In addition, the Bank approved a \$14.7 million Special Assistance loan for selected Bank-financed projects in various sectors.

about 32 per cent of Bank lending to Sri Lanka in 1986.

Three loans approved during 1986 will assist government efforts to promote agricultural development: the Kirindi Oya Irrigation and Settlement (Phase II) Project, the Land Use Planning Project and the Agricultural Inputs Program. The fourth loan, for the Water Supply Sector Project, will support the Government's program of supplying adequate water to the entire urban and estate population as well as 50 per cent of the rural population by the end of this decade.

In addition, the Bank provided technical assistance for the preparation of five projects: Water Supply Rehabilitation, Subsidiary Crops Production and Processing, Agricultural Inputs Program, Second Road Improvement and Second Technical Education. One advisory and operational technical assistance grant was also provided for institutional strengthening of the Irrigation Department and the Irrigation Management Division of the Ministry of Lands and Land Development. The technical assistance provided by the Bank (including \$800,000 financed by the Swiss Government and UNDP) totalled \$2.09 million.

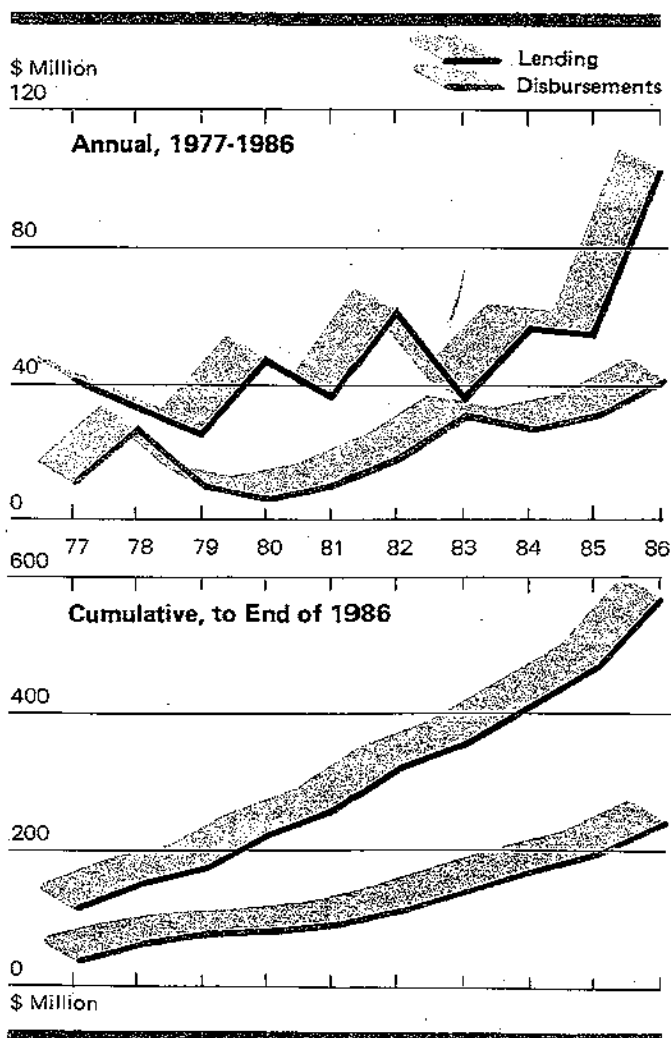
As of the end of 1986, the Bank had provided 44 loans (including a Special Assistance loan) amounting to \$568.4 million for 38 projects in the country. Of these, six loans totalling \$14.1 million were from OCR and 38 loans amounting to \$554.3 million were from ADF. Technical assistance totalling \$8.4 million (including \$2.6 million financed by the Swiss Government, EEC and UNDP) had been approved for 47 projects of which 23 had resulted in

Bank loans amounting to \$395.5 million. The agriculture and agro-industry sector had accounted for 63 per cent of cumulative Bank lending to Sri Lanka.

Project Implementation: In Sri Lanka, of the 44 loans approved (including one Special Assistance loan), 18 loans had been completely disbursed and 26 were under administration at the end of 1986, including four loans which were awaiting effectivity. Disbursements totalled \$40.3 million during 1986 compared with \$29.9 million in 1985. One loan was closed during the year. Cumulative disbursements of Bank loans at the end of December 1986 amounted to \$237.7 million, or 50.7 per cent of the total amount of effective loans.

The performance of Bank-financed projects in Sri Lanka is about the average for the Bank's DMCs. Both contract awards and disbursements showed an improvement in 1986 over 1985. Delays in implementation of Bank-financed projects have been experienced mainly in the agriculture and agro-industry sector, particularly fisheries and forestry, and

Sri Lanka: Lending and Disbursements



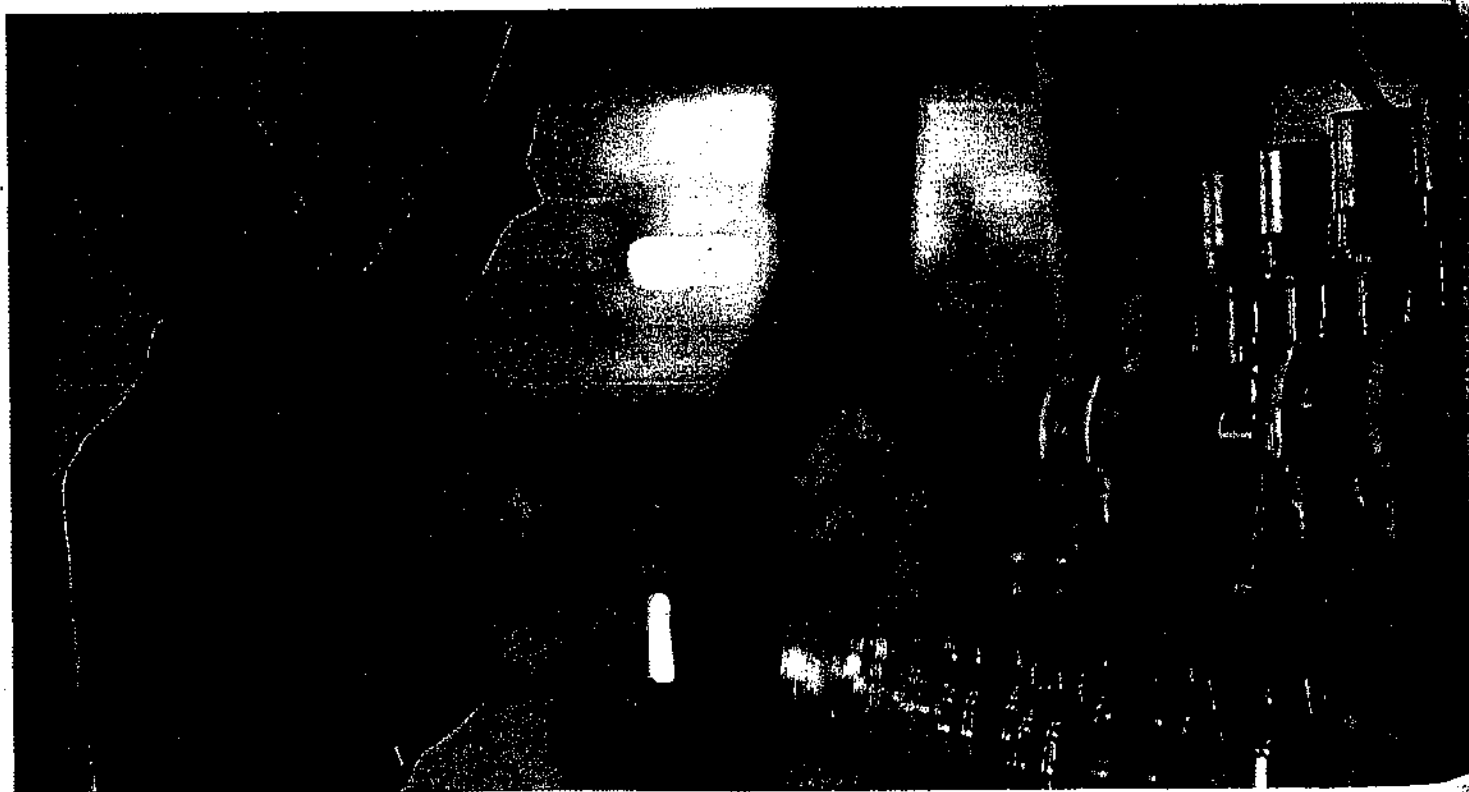
in the roads and transport as well as health and population sectors. Since 1985, the Government and the Bank have been holding Country Project Review Meetings to discuss implementation problems at the highest administrative level. In these meetings, held twice in 1986, various project implementation problems were discussed with government officials and remedial measures taken.

Thailand

Operational Strategy: The Bank's lending strategy in Thailand provides support for the Government's efforts under the Sixth National Economic and Social Development Plan and has the following broad objectives: (i) to assist in the efficient expansion of the productive sectors; (ii) to strengthen the financial sector; (iii) to develop further infrastructure; and (iv) to make public resource management more efficient. Thus, given the critical economic role of the agriculture sector in terms of exports, employment and poverty alleviation, Bank operations will be largely oriented toward assisting government efforts in redirecting farming activities toward agricultural diversification and the development of export opportunities. In the industrial sector, Bank assistance will focus on lending to the private sector without government guarantee. In addition, possibilities of direct equity investments will continue to be explored. As a corollary to these, the Bank will examine opportunities to assist the Government's industrialization program with particular emphasis on basic infrastructure such as transport and communications. In the energy sector, Bank

assistance will continue to provide support for the Government's plans to strengthen the energy base required for the country's industrialization. In support of the Government's regional development programs, Bank assistance will continue to be provided for projects aimed at developing urban infrastructure in the provinces as well as for those helping to improve urban services in the metropolitan Bangkok area. These projects will cover the backlog of unserved areas and address problems associated with congestion, flooding and water and air pollution.

Loans and Technical Assistance: In 1986, the Bank provided three OCR loans totalling \$50.5 million for three projects compared with \$168.9 million for two projects in 1985. A loan for the Brackishwater Shrimp Culture Development Project is expected to increase shrimp production, leading to both improved foreign exchange earnings from exports and increased domestic food supply. Co-financing of \$4 million from the OPEC Fund will finance part of the institutional development and support services for the Project. An energy development loan for the Mae Moh Extension (Unit 9) Power Project will finance the second of the proposed three 300 MW generating units which comprise the final stage of the Mae Moh development scheme, providing a total generating capacity of 1,725 MW upon completion. The Bank provided its first loan to the private sector without government guarantee for \$1.46 million, as well as an equity investment of \$518,000 to the Northeast Agriculture Co., Ltd., to establish a tomato paste factory with a processing capacity of 48,000 mt. of tomatoes for sale to domestic and export



BOTTLE-MAKING in a glass factory, one of several subprojects supported by a Bank loan of \$50 million to the Industrial Finance Corporation of Thailand for relending to private industrial ventures. The subprojects are expected to create about 5,800 new jobs.

Cumulative Bank Lending to Thailand

(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	18	807.27	46.7
Transport and Communications	7	282.10	16.3
Water Supply and Sanitation	4	221.50	12.8
Agriculture and Agro-Industry	10	159.05	9.2
Development Banks	6	140.00	8.1
Urban Development	2	58.00	3.4
Industry and Non-Fuel Minerals	1	39.00	2.3
Education	3	21.40	1.2
Total	51	1,728.32	100.0

markets. Co-financing is expected from suppliers'/export credit sources amounting to \$91.2 million.

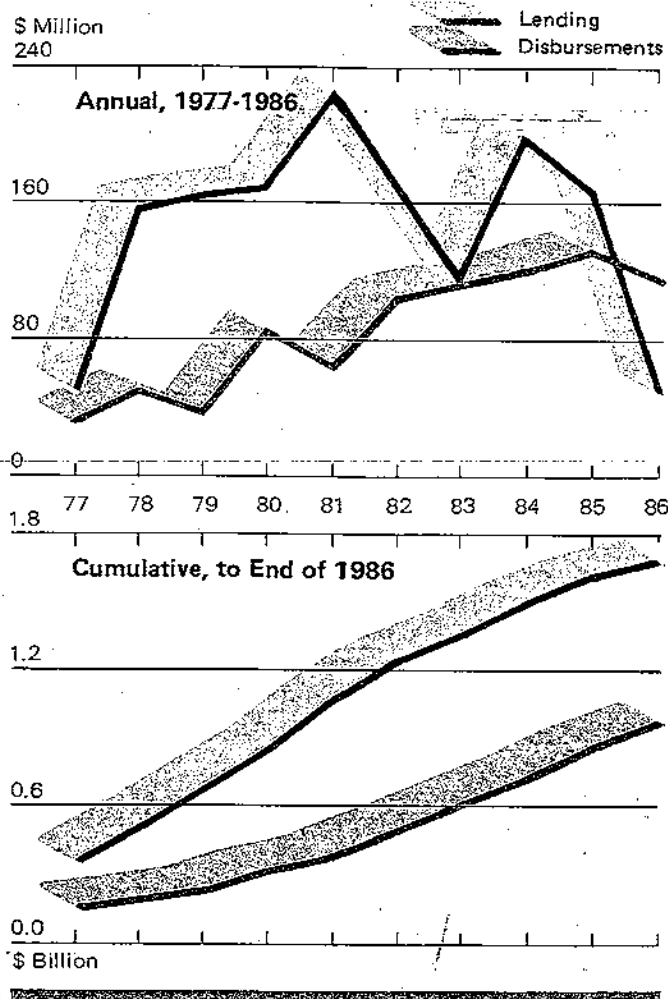
In addition, the Bank in 1986 provided technical assistance to identify and prepare projects in the southern region of Thailand and for a second agricultural credit project. The Bank also provided supplementary financing for a previously approved technical assistance for a second navigational channel providing access to Bangkok. Advisory and operational technical assistance was provided to the Harbour Department, to the National Environmental Board for the Samutprakarn Industrial Pollution Control and Management Project and to the National Economic and Social Development Board for a demographic and economic forecasting pilot study.

As of the end of 1986, the Bank had approved 51 loans totalling \$1,728.3 million for 48 projects in Thailand, with 45 of these loans amounting to \$1,656.3 million from OCR. Technical assistance totalling \$10.6 million has been provided for 45 projects of which eight have resulted in Bank loans amounting to \$338 million. The energy sector has accounted for 46.7 per cent of cumulative lending to Thailand followed by the transport and communications sector with 16.3 per cent.

Project Implementation: Of the 51 loans approved to Thailand, 30 had been completely disbursed and 21 were under administration of which three were awaiting effectiveness. Disbursements totalled \$114 million during 1986 compared with \$132.8 million in 1985. Cumulative disbursements of Bank loans at the end of 1986 amounted to \$975.6 million, or 68.3 per cent of the total amount of effective loans.

Bank-assisted projects in the energy, transportation, water

Thailand: Lending and Disbursements



supply and development banks sectors are being implemented successfully. This may be attributed to the fact that staff of executing agencies have been very professional in planning and executing projects. The implementation of agricultural projects which encountered various initial difficulties in 1984 and in 1985 improved considerably in 1986. Where weaknesses in project implementation capability have been found, Bank assistance was provided by more frequent review missions in 1986.

Viet Nam, Socialist Republic of

Project Implementation: Of the 11 loans approved to Viet Nam, eight had been closed, two had been suspended and one was under administration at the end of 1986. Disbursements totalled \$0.8 million during the year compared with \$2.4 million in 1985. Cumulative disbursements of Bank loans at the end of 1986 amounted to \$25.3 million, or 99.5 per cent of the total amount of effective loans.

Smaller South Pacific Developing Member Countries¹

Operational Strategy: Recognizing the unique characteristics of the smaller South Pacific Developing Member Countries (SPDMCs) as a group as well as individually, the Bank has adopted a flexible approach in its strategy and operating procedures to make them compatible with each country's particular needs and characteristics. In this context, the Bank has emphasized providing necessary physical and social infrastructure facilities, frequently in the form of multi-project loans covering several small projects in key sectors. Support has also been channelled through credit lines to national development banks. In addition, the Bank has focused on institution building through human resource development.

Since its establishment in 1984, the South Pacific Regional Office (SPRO) has gradually assumed the authority delegated to it: this embraces a wide range of Bank operational activities. The SPRO has since assumed responsibility in the formulation of the Bank's operational strategy for Cook Islands, Kiribati, Solomon Islands, Tonga and Vanuatu and the preparation of country programs for these countries. SPRO was also able to assume the administration of DFI loans for most of the smaller SPDMCs and to administer several ongoing projects in other sectors.

¹ Cook Islands, Kiribati, Solomon Islands, Tonga, Vanuatu and Western Samoa.

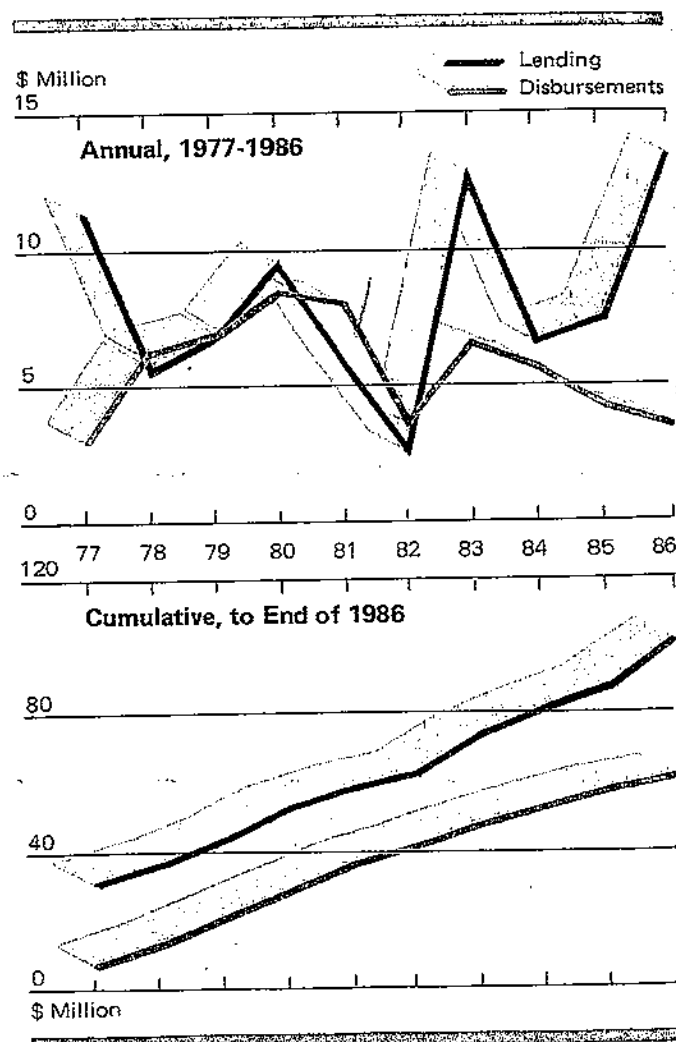
Cumulative Bank Lending to Smaller South Pacific Developing Member Countries
(As of 31 December 1986)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	9	27.89	27.6
Development Banks	10	24.00	23.7
Energy	6	17.46	17.3
Multisector	7	16.48	16.3
Transport and Communications	8	13.19	13.1
Water Supply and Sanitation	1	1.65	1.6
Industry and Non-Fuel Minerals	1	0.37	0.4
Total	42^a	101.04	100.0

^a In addition, the Bank approved a \$1.55 million Special Assistance loan for selected Bank-financed projects in the agriculture sector in Western Samoa.

Loans and Technical Assistance: In 1986, the Bank approved three power project loans to Kiribati, Solomon Islands and Western Samoa and one multiproject loan to Tonga. The aggregate total of these four loans amounted to \$13.3 million from ADF. The loan to Kiribati, which will be co-financed by the Government of Australia in an amount of \$0.16 million, will provide a new diesel power unit to provide an assured supply of power to satisfy existing and projected power demands in South Tarawa which has about one-third of the country's total population. The loan to Solomon Islands will provide diesel power units for the capital Honiara and the newly expanded Noro Port complex. The loan to Western Samoa, which will be co-financed by IDA, EIB and EEC, will provide hydroelectric power through the construction of a dam and the installation of generating equipment and transmission lines. Kiribati, Solomon Islands, Tonga, Vanuatu and Western Samoa received 12 technical assistance grants of which five were for project preparation and seven for advisory and institutional strengthening purposes. The aggregate total of the Bank's technical assistance for these five

Smaller SPDMCs: Lending and Disbursements





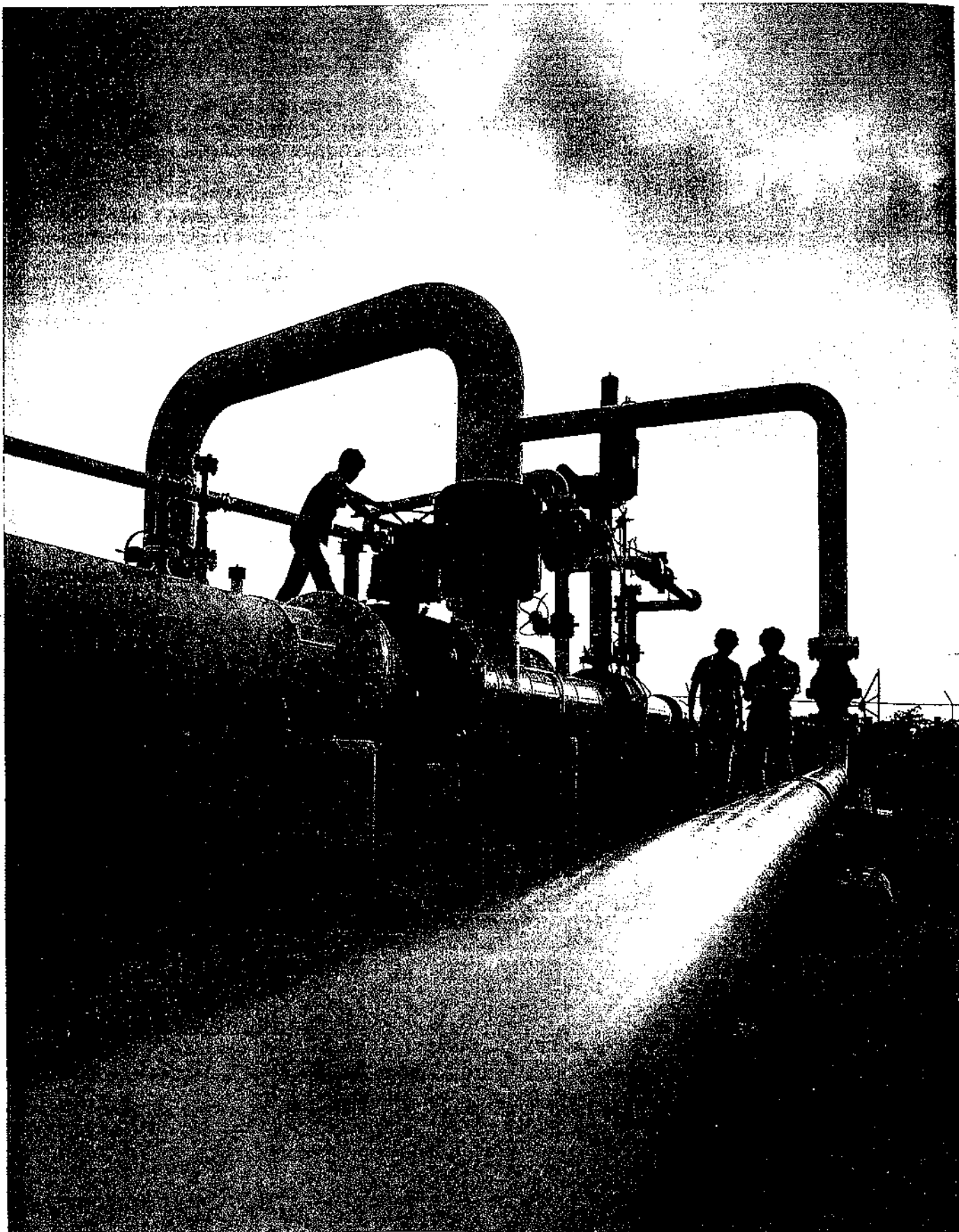
BIRD'S-EYE view of Honiara Port, Solomon Islands. The cargo-handling capacity of this South Pacific DMC has been greatly increased by facilities provided under a Bank-financed project.

countries amounted to \$2 million; in addition, \$1.3 million was provided by UNDP and EEC to co-finance technical assistance for Solomon Islands and Western Samoa, respectively.

At the end of 1986, the Bank had approved 43 loans amounting to \$101 million for 40 projects in the smaller SPDMCs. Technical assistance totalled about \$11.5 million for 76 projects of which 16 had resulted in Bank loans amounting to \$36.9 million. The agriculture and agro-industry sector and lending through DFIs accounted for more than one-half of cumulative Bank lending to the smaller SPDMCs.

Project Implementation: Of the 43 loans (including one Special Assistance loan) approved to the smaller SPDMCs, 25 had been completely disbursed and 18 were under administration at the end of 1986, including three that were awaiting effectivity. Disbursements totalled \$3.5 million in 1986 compared to \$4.4 million in 1985. Cumulative disbursements of Bank loans totalled \$61.7 million, or 67.2 per cent of the total amount of effective loans.

Implementation of Bank-financed projects in the smaller SPDMCs is generally satisfactory. Problems when they occur are often related to geographical remoteness, the small size of the countries, land acquisition problems and unavailability of skilled manpower. The Bank continues to address these problems by providing technical assistance to key institutions. A project implementation management seminar was held in August 1986, in Port Vila, Vanuatu.



GAS pipelines in Bangladesh, part of one of the Natural Gas Development Projects which the Bank has supported with concessional loans totalling about \$200 million. The projects are designed to increase gas production and supplies for industrial, commercial and household consumers as well as create jobs and save foreign exchange.

PROJECT ADMINISTRATION AND POST-EVALUATION

Project Administration

FOLLOWING up on the changes in project administration that were introduced in 1985, and which have resulted in more efficient and more systematic supervision of projects, the Bank in 1986 continued to make additional improvements designed to enable staff to monitor more closely the progress of projects and to adopt more effective measures for dealing with implementation problems. The project reporting system was further streamlined with the adoption of standardized Project Administration Committee (PAC) notes in order to meet the Bank's need for continuity and uniformity. More measurable performance indicators are now being used which make it easier to detect whether a project is lagging behind schedule, is not achieving predetermined targets or is otherwise considered unsatisfactory. To provide Bank staff with practical reference material on matters relating to the selection, engagement and administration of consultants, a handbook entitled *A Guide to Bank Staff on the Engagement of Consultants* was prepared by the Central Projects Services Office.

A major thrust of the Bank's project administration efforts during the year was providing to borrowers and executing agencies assistance in strengthening their implementation management capabilities and in identifying problems and issues that have adversely affected the progress of project execution. Thus, in 1986, several Bank publications were made available to executing agencies such as the *Handbook on Management of Project Implementation*, *Handbook for Users of Consultants*, *Handbook on Problems in Procurement for Projects Financed by the Asian Development Bank* and *Sample Bidding Documents for Supply, Delivery and Installation of Goods*. In addition, practical training for project staff was also provided through regional seminars on project implementation management conducted in Manila, Philippines, and Port Vila, Vanuatu (for the South Pacific countries), country seminars on procurement held in Bangladesh, Burma, Indonesia and Philippines and country seminars on uses of consultants that took place in Bangladesh, Indonesia and Malaysia.

A total of 398 projects was under implementation as of the end of 1986 compared with 408 as of the end of 1985. Based

on the new criteria for assessing the progress of implementation of these projects, 337 were classified as satisfactory, 50 as unsatisfactory and 11 projects were inactive. The unsatisfactory projects were located in 13 borrowing member countries.

Continuing economic difficulties, which caused shortages in local counterpart funds, adversely affected project implementation in a number of countries. Other factors contributing to project delays included cumbersome government procedures and requirements which delayed awarding of contracts, lack of qualified technical staff, inability to comply with loan covenants, poor performance of contractors, cost overruns, poor project management and technical problems encountered during construction.

Many project-specific problems were dealt with by Bank staff through project administration missions of which there were 354 in 1986, covering 492 projects. In addition, to deal with country-wide problems and issues linked to government policies and/or procedures laid down by central government authorities, the Bank initiated consultations with high level government officials and, more specifically, undertook Country Project Review Missions to Bangladesh, Indonesia, Nepal, Pakistan, Philippines and Sri Lanka. These Country Project Review Missions identified government policies, procedural bottlenecks and other major constraints which have affected the progress of project implementation, and explored and formulated possible remedial measures which were discussed with, and in most cases adopted by, the government authorities concerned.

Procurement is a major activity in project implementation and the Bank continued its efforts to improve various aspects of the procurement process. The Bank introduced a domestic preference scheme designed to provide local firms in DMCs with a margin of preference when bidding for goods and services under Bank-financed projects and programs. To encourage greater interest in international competition, business opportunities seminars were held in Canada, India, Republic of Korea and Netherlands, the latter being open to all European member countries. Similar briefings were also arranged for trade delegations and other business-oriented groups that visited the Bank. The seminars on procurement and on uses of consultants mentioned above were intended to upgrade the knowledge and skills of staff of executing agen-

cies; in addition *ad hoc* advice was provided by the Bank's procurement specialists when requested in specific cases. Likewise, disbursement missions were sent to 11 major borrowing countries to assess the progress of contract awards and to expedite the submission of withdrawal applications.

In line with the Bank's mandate to assist in the development of the domestic consulting profession, symposia were held in Pakistan and Bangladesh which were attended by 400 government officials and representatives of domestic consulting firms. These enabled government officials and domestic consultants to exchange views on how to promote the growth of local consultants. A seminar was also held in the Republic of Korea, at which senior officials of consulting firms learned how to prepare technical proposals that comply with the Bank's requirements.

There were 43 consulting firms and 54 individual consultants engaged by borrowers for loan-financed projects while 74 consulting firms and 194 individual consultants were employed by the Bank for technical assistance projects. The net value of supply contracts awarded for all projects amounted to \$1,164.1 million in 1986 of which \$628.7 million was against ordinary loans and \$535.4 million against loans under the Asian Development Fund. This brought cumulative procurement to \$9,443.1 million, or 59 per cent of effective loans.

Loan Disbursements

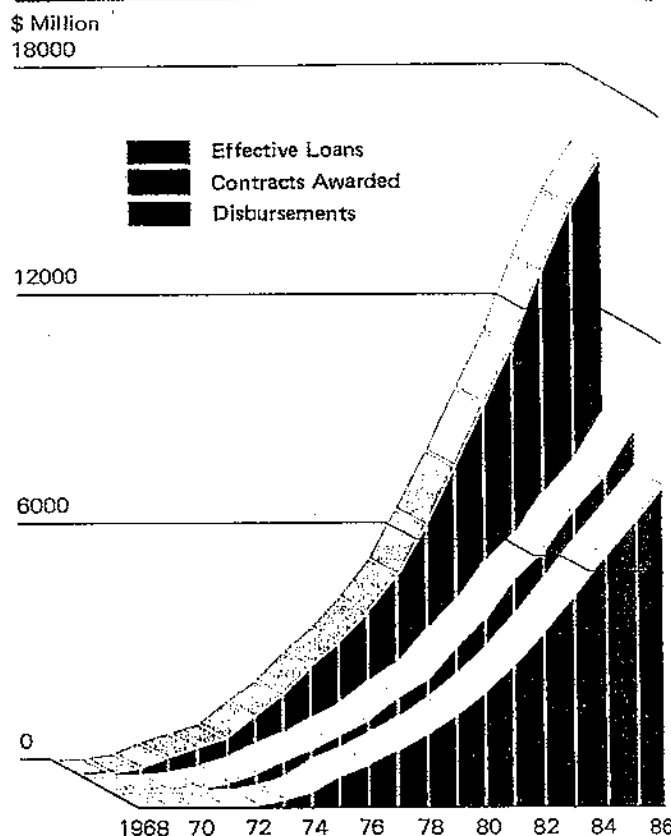
The Bank's loan disbursements are a yardstick of the inflow of funds and the progress of projects in DMCs. In 1986, loan disbursements reached a total of \$1,024 million, an increase of 1.4 per cent over 1985.

Disbursements under ADF loans increased by 5.6 per cent to \$412 million from the 1985 figure of \$390 million. This increase in ADF disbursements, which continued a rising trend, was due partly to better implementation performance in areas such as power, gas, fertilizer and development finance institutions and also to disbursements under the Special Implementation Assistance loan to the Philippines.

Ordinary capital resources loan disbursements dropped slightly (by 1.3 per cent) to \$612 million from \$620 million in 1985 due to the lower-than-expected price bids received for civil works contracts and the delay in awarding of contracts for some power projects against which substantial down payments were expected to have been made in 1986. Another contributory factor was the unusually large amount of OCR loan cancellations (\$530.8 million in 1986 compared to \$305.8 million in 1985) which consequently narrowed the disbursement base.

Loan cancellations in 1986 totalled \$649.9 million compared with \$400.5 million in 1985. These cancellations represent loan amounts that will no longer be utilized due to: (i) low demand for foreign currency loans in the case of DFI credits; (ii) savings resulting from significantly lower bid prices than originally estimated or from overestimation of allowances for price escalation and physical contingencies; (iii) changes made in project scope or components in several projects; and (iv) decisions subsequently taken by some borrowers not to

Contracts Awarded and Disbursements to End of 1986



avail of Bank loans because of the availability of funds from other sources with more favorable terms and conditions. Apart from the large cancellations in DFI loans, other substantial cancellations were made in loans for water supply, agriculture, power and transportation.

The Bank has completed a review of its disbursement procedures and has issued a new *Loan Disbursement Handbook*. Workshops and seminars have also been conducted to promote better understanding of disbursement practices and procedures on the part of projects staff. Special measures taken by the Bank such as provision of additional local cost financing and conversion of loan savings into local cost financing will continue to help improve disbursements.

Projects Completed

Thirty-five projects were completed in 1986, bringing the total number of projects completed to 337 out of a total of 746 projects approved as of the end of the year. These completed projects were mostly approved in the late 1970s and early 1980s with the earliest in 1973 and the most recent in 1984. While implementation delays are still being experienced in the recruitment of consultants and procurement of goods and services, a number of projects are being completed close



WOMEN washing and selecting rice seeds (left) and transporting rice (right) in Central Java. To date, the Bank has provided over \$1.5 billion in loans for agricultural projects throughout Indonesia.

to their original time and cost schedules. Examples of projects completed in 1986 with good implementation performance are the Batang Ai Hydropower Project in Malaysia, and the Fifth Industrial Finance Corporation Project and the Natural Gas Transmission Project in Thailand.

Twenty-nine Project Completion Reports (PCRs) were completed in 1986. As of the end of 1986, a total of 235 PCRs had been circulated to the Board of Directors.

Project Benefit Monitoring and Evaluation

During 1986, the Bank's project benefit monitoring and evaluation (PBME) program continued along lines which have been previously established. These include the development of procedures for preparing and using benchmark information about beneficiaries during the preparation and appraisal of projects, and the introduction of project benefit monitoring activities into completed projects so as to help executing agencies ensure that the project facilities are effectively operated and that maximum benefits are achieved.

Efforts which commenced in 1985 to encourage the preparation and use of benchmark information during the

preparation and appraisal of a project (as compared with the previous practice of getting information ready after the loan became effective) bore fruit during 1986 when three irrigation and rural development loans — the Khulna Coastal Embankment Project in Bangladesh, the Irrigated Command Area Development Project in Indonesia and the Baluchistan Groundwater and Trickle Irrigation Project in Pakistan — were prepared with the assistance of benchmark information about the people who will participate in and benefit from the project. This benchmark information, which is normally prepared by a local organization and is used by the feasibility study team and Bank appraisal mission, has been found to be effective in helping to prepare a project so that its components and implementation arrangements respond to the needs and wishes of the people who will be affected by the project and who will participate in its implementation. The preparation and use of this information is now a routine feature of the project preparation arrangements in irrigation and rural development and consideration is being given to extending the scope of coverage of these procedures to other sectors of the Bank's operations.

In May 1986, a work program was completed to develop and test procedures for preparing and using "agro-institutional

profiles" in small irrigation systems during the implementation of a project. These profiles contain information needed to design institutional development activities for beneficiary groups and also contain data on the agricultural, demographic and economic conditions in project areas. This work was completed with the help of an advisory and operational technical assistance to Indonesia's Directorate General for Water Resources Development (DGWRD) which was approved in May 1983 and successfully implemented in the Second Irrigation Sector loan to Indonesia. Similar profiles will now be prepared for the other subprojects under this loan. They will be used to: (i) design work programs for community organizers to strengthen the water users' organizations in each subproject; (ii) ensure that modifications in canal layouts and distribution structures coincide with farmers' preferred patterns of water distribution; (iii) help resolve questions concerning the delegation of responsibility for water management between the executing agency and water users' groups; and (iv) provide benchmark information for subsequent monitoring and evaluation.

tion. DGWRD will further modify and adapt these procedures to other irrigation projects in Indonesia including the Third Irrigation Package Project, approved in 1986.

To help ensure that completed irrigation projects are effectively operated and provide maximum benefits, project benefit monitoring activities were initiated by executing agencies in several Bank-assisted projects which have been completed or are close to completion in Indonesia, Nepal, Philippines and Thailand. Project benefit monitoring reports, which are prepared once each season, help the executing and other concerned agencies to ensure effective systems operation and are useful for identifying obstacles to increasing agricultural production in these areas.

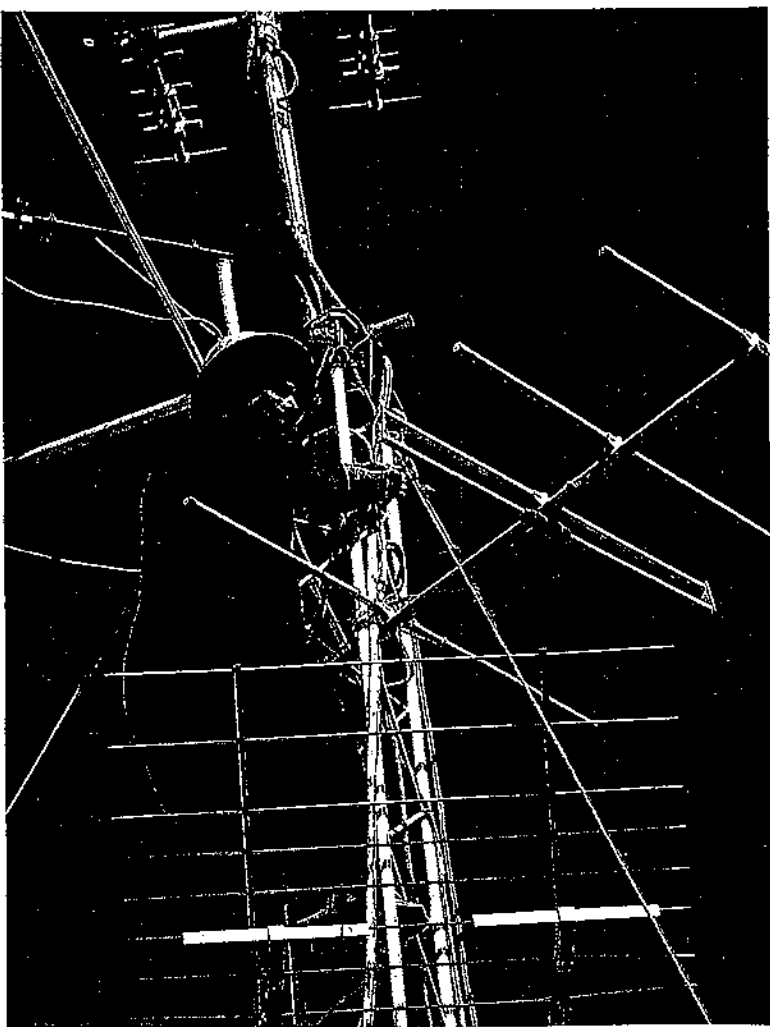
Post-Evaluation

During 1986, 35 Project Performance Audit Reports (PPARs) covering the experience of 36 projects (including two program loans) were circulated, raising the total number of PPARs prepared to date to 200 (covering 212 projects).

All but five of the 36 projects were appraised during the 1970s. In total, they represent some \$927 million in Bank loans and \$3.1 billion in overall investment. In terms of country and sector grouping, 42 per cent of projects were in Group A countries and 36 per cent in the development banks sector, the uneven spread reflecting the pattern of project completion. The largest sectoral grouping — 13 development bank projects — resulted in the transfer of foreign exchange totalling \$292 million, through 11 DFIs in eight DMCs, to finance 4,120 subloans involving an aggregate investment of \$1.2 billion equivalent.

In terms of overall results, the performance of this year's group of projects shows little change from the results of projects assessed during the last three years. A comprehensive assessment of results shows that 24 of the 36 projects (67 per cent) were judged at audit to have been generally successful. The remaining 12 projects — six in the development banks sector, three in agriculture, two in energy and one in transport — were found at post-evaluation to have fallen short of expectations. In terms of capital, however, projects representing 73 per cent of the total investment of \$3.1 billion appeared to have generally achieved their objectives at post-evaluation.

The Bank's first program loan, approved in 1978, for the Low-Lift Pump Maintenance Program in Bangladesh was evaluated during 1985. The 1986 Review covered the third and eighth program loans, both to Burma: the Cement Industry Program (December 1979) and the Crop Intensification Program (November 1981). Experience from these programs provides further evidence of the need for a more systematic and pragmatic approach to policy dialogue. Program experience highlights the importance of policy reform to achieve objectives. However, as policy issues are always sensitive to the political system of each country, a single program by itself may not be sufficient for a complete examination of all relevant factors, and a longer term, more comprehensive approach by the Bank may be required. In terms of macroeconomic appraisal of program loans, experience confirms the critical importance of adequately



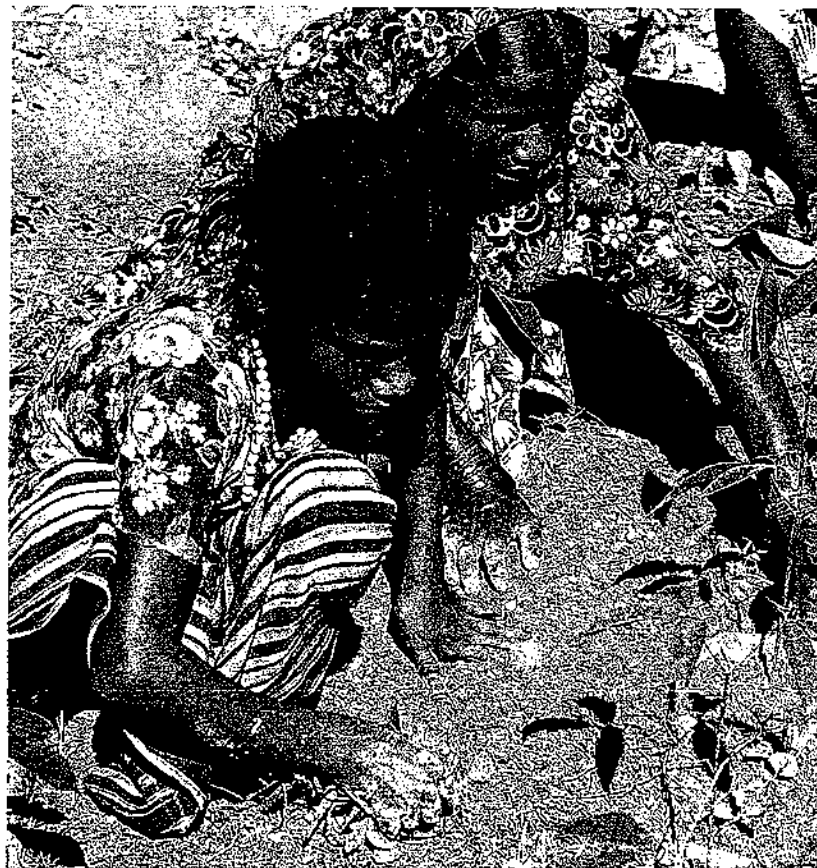
ELECTRICAL engineer wiring aerals in Pakistan. Telecommunications projects, which are supported by Bank loans totalling \$98 million, are expected to improve and expand domestic and international telecommunications facilities and services.

focused sector work as a basis for understanding industry problems, identifying deficiencies in performance, institutional arrangements and policies, and enhancing the Bank's capability to help design sound and easily monitored assistance.

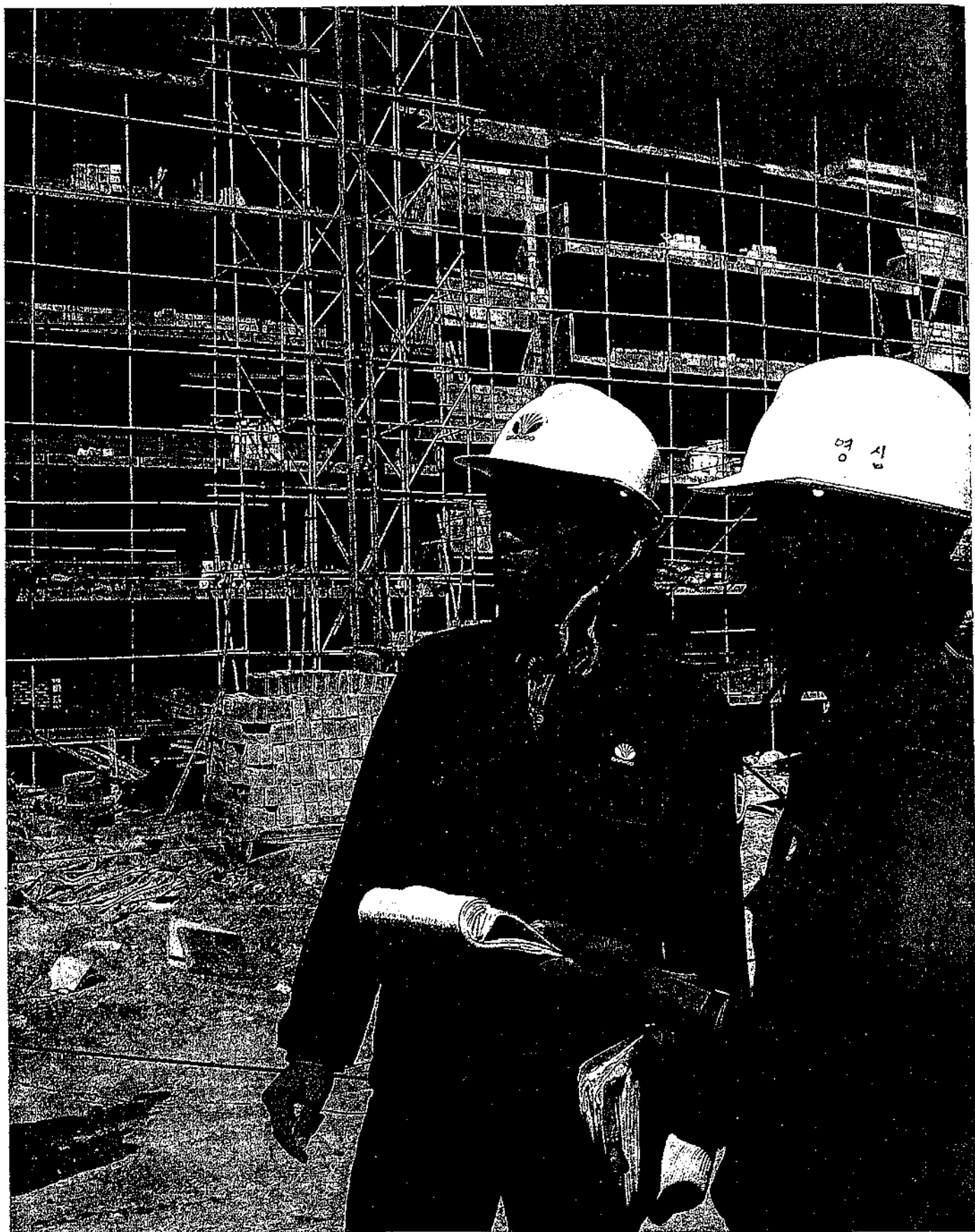
The Impact Evaluation Study of the Effectiveness of Water Usage in Irrigation Projects in the Philippines entailed a detailed study of technical and socio-institutional factors affecting water effectiveness in a number of completed Bank-assisted projects. It also compared their agricultural production performance with other irrigation systems and rainfed areas. The main conclusion of the study is that both technical and socio-institutional factors are crucial to project success and that both aspects will have to be improved, particularly at the design level. This should include intensive assessment of existing agricultural and water control practices in the project area.

The Eighth Review of Post-Evaluation Reports and Fifth Report of Selected Post-Evaluation Findings — summarizing and listing, respectively, the results of post-evaluation studies made during 1985 — were circulated to the Board of Directors in March and April 1986, prior to the Bank's Annual Meeting.

The Audit Committee continues to keep a close watch on the post-evaluation process, particularly to ensure that lessons learned from the experience of completed projects are properly taken into account in the design of new projects and during the implementation of ongoing projects. The Committee reviewed a number of selected Project Completion Reports (PCRs) and PPARs during the year, as well as PEO's Eighth Annual Review of Post-Evaluation Reports. The Committee was satisfied with the conduct of post-evaluation activities.



RUBBER workers planting new seedlings in eastern Bangladesh. The Rubber Rehabilitation and Expansion Project, assisted by a Bank loan of \$20 million, is expected to create jobs and increase rubber production to about 12,500 tons annually.



ENGINEERS at the site of the Second Low Income Housing Project in the Republic of Korea. The Bank has supported this project, which is designed to provide 9,600 housing units, with a \$60 million loan from its ordinary capital resources.

ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Variable Lending Rate System

THE pool-based variable lending rate system approved by the Board of Directors in October 1985 came into operation on 1 July 1986. The new system applies to all loans approved after 30 June 1986 and, at the option of the borrowers concerned, to loans approved in the period from 24 September 1985 to 30 June 1986. Under the new system, the lending rate will be determined every six months, on 1 January and 1 July, by adding a spread (currently 0.50 per cent per annum) to the average cost of a pool of Bank borrowings. All Bank borrowings settled after 30 June 1986 will be added to the pool, and borrowings will be removed from the pool as and when they are redeemed. The variable lending rate for the six-month period ended 31 December 1986 was 7.65 per cent per annum.¹

Financial Policies

The new lending rate system will have a major impact on the Bank's future financial structure. It will enable the Bank to recover all changes in its financial and net administrative expenses. It will also substantially reduce the major income risks inherent in the old fixed lending rate system. Furthermore, it will give the Bank greater funding flexibility than was available under the old system. In view of these features of the new system, a review of the Bank's principal financial policies was considered timely and appropriate. Accordingly, the Board of Directors in 1986 commenced such a review. The review will continue through 1987 and include income and liquidity policies, as well as policies on the commitment charge and other loan charges.

Borrowings

The Bank's borrowings in 1986, consisting of eight public bond issues and one private placement, totalled

\$812.8 million. Details of the year's borrowings are shown in the table on page 157.

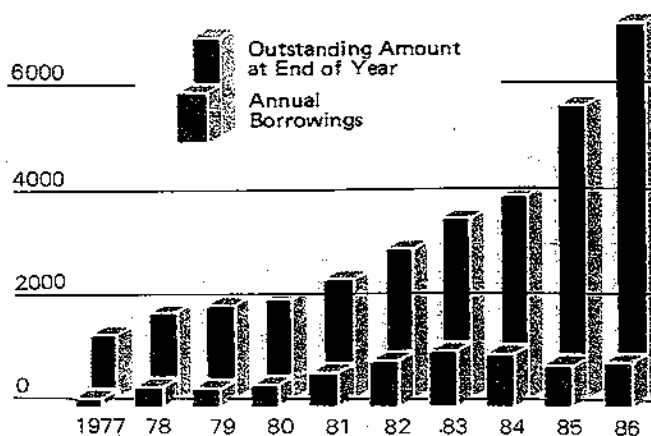
In view of the relatively strong rise in the Bank's liquidity during the year, an effort was made to reduce the liquidity impact of the 1986 borrowing program, and it was decided that no separate program would be undertaken to refund certain outstanding borrowings that were prepaid during the year. Prepayments during the year totalled \$404 million. Consequently, the net impact on liquidity of the 1986 borrowing and liability management programs amounted to \$408.8 million.

The Bank continued its efforts to maintain a presence in the major capital markets. In the Japanese capital market it made a private placement, in March, of 20-year bonds amounting to ¥20 billion and a public bond issue, in December, amounting to ¥30 billion.

The Bank again made two public bond issues in the German capital market. The first, in February, was for DM200 million and the second, in September, was for DM100 million.

Borrowings: 1977-1986

\$ Million
8000



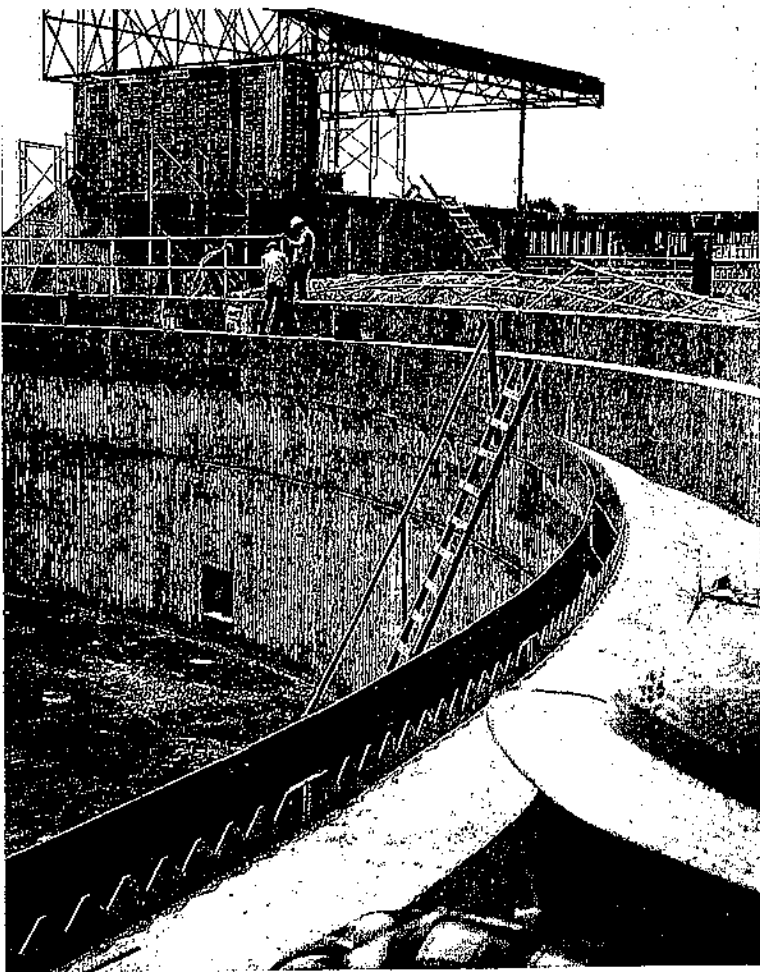
¹ The rate for the first half of 1987 is 7.36 per cent per annum.

In the Swiss capital market, the Bank made two public bond issues including its first-ever issue of Swiss franc zero coupon bonds. This issue of 30-year bonds, in January, was for a redemption amount of SwF500 million with proceeds to the Bank of SwF107.5 million. The other Swiss franc issue, in June, was for SwF100 million.

The Bank made two borrowings in US dollars. The first, in April, was a public offering of 15-year bonds in the United States for \$100 million; and the second, in November, was a \$100 million public bond issue in the Euro-dollar capital market. The proceeds of both US dollar issues were swapped into a low coupon currency under related liability swap transactions.

In May, the Bank floated a public bond issue amounting to £200 million in the Netherlands.

The average maturity of the year's borrowings, weighted by amount, was 14.40 years compared with the average maturity in 1985 of 12.72 years. At the end of 1986, the average life of outstanding borrowings was 8.24 years. After swaps, the average cost of the 1986 borrowings, weighted by the amount of each borrowing, was 5.90 per cent per annum.



AN EFFLUENT pump station in Singapore. Assisted by a Bank loan of \$15.1 million, the Bedok Sewage Treatment Plant Expansion Project will provide sewerage facilities for an equivalent population of 290,000.

Capitalization

The capital stock of the Bank is defined in its Articles of Agreement in terms of United States dollars of the weight and fineness in effect on 31 January 1966. Since the coming into effect of the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) on 1 April 1978, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the value of the Bank's capital stock has been expressed, for purposes of the Bank's financial statements, in terms of the SDR on the basis that each share has the value of SDR10,000. The mutual obligations of each member and the Bank with respect to maintenance of value of currency holdings have also been measured by the same standard, but settlement of such obligations has been held in abeyance. For purposes of the financial statements, the SDR has been translated into current United States dollars at the rate computed by the IMF. As of 31 December 1986, the rate was \$1.22319 per SDR. Further information on the Bank's current practice regarding valuation of capital and maintenance of value is given in Notes A and E of the Notes to Financial Statements of Ordinary Capital Resources, OCR-7.

In October, the International Bank for Reconstruction and Development (IBRD) Board of Directors reached a decision on the future valuation of IBRD capital and the resumption of maintenance of value obligations. The decision will take effect on 30 June 1987, i.e., as of the end of the IBRD's current financial year. These questions have been studied in some depth in the past in the context of the Bank. In the light of the IBRD's decision, however, a fresh examination of them is now being undertaken by Bank staff. The results of such examination are expected to be submitted to the Board of Directors for consideration during 1987.

The third general capital increase (GCI III), approved by Governors' Resolution No. 158 in April 1983, consisted of an additional 754,750 shares in the Bank's authorized capital stock. At the 31 December 1986 exchange rate of \$1.22319 per SDR, the total amount authorized was \$9,232 million (SDR7,547.5 million). In the first half of 1986, two member countries subscribed to GCI III for a total amount of \$61.1 million (SDR50 million), while the subscription of the United States, which was unable to pay the full amount of its third instalment, was reduced by the equivalent of about \$42 million (SDR34.4 million). The United States, however, could restore its subscription by paying the shortfall in its third instalment before the deadline for payment of the final instalment. By 31 May 1986, the extended final date for subscription, GCI III subscriptions had been made by a total of 39 member countries. Altogether, 739,437 shares had been subscribed, representing about 98.4 per cent of the total share entitlements of all member countries.

During the first quarter of 1986, new membership subscriptions were received from Spain and the People's Republic of China.

Resolution No. 174, authorized by the Board of Governors in September 1985, provided for an additional 29,520 shares to be made available for special increases in the capital



ADB President Masao Fujioka addressing Swiss institutional investors and the press in Zurich on the occasion of the Bank's SwF100 million public bond issue in June. Seated at the table are Credit Suisse Executive Vice President Dr. K. Staubli and ADB Treasurer Alan F. Gill.

subscriptions (SCIs) of Finland, France, Italy, Netherlands and Switzerland. During 1986, the SCIs of Finland, France and Switzerland became effective. To enable Italy and the Netherlands to subscribe to their SCI entitlements, the Board of Directors, pursuant to the provisions of the Resolution, extended the final date for subscription to 31 March 1987.¹

At the end of 1986, the Bank's authorized capital stock amounted to \$19,663.3 million (SDR16,075.4 million). The subscribed capital stock stood at \$19,475.9 million (SDR15,922.3 million) including subscriptions to GCI III totalling \$9,044.7 million (SDR7,394.4 million), the new membership subscriptions of Spain and the People's Republic of China totalling \$1,468.1 million (SDR1,200.2 million) and the SCIs of Finland, France and Switzerland totalling \$204.7 million (SDR167.3 million).

Future Resource Requirements

In May, the Board of Governors, recognizing the need for a study of the Bank's future resource requirements to finance

its ordinary operations, adopted Resolution No. 179 requesting the Board of Directors to undertake such a study and to report its findings and recommendations to the Board of Governors for consideration and action. As background to the study, which will eventually lead to the formulation of specific proposals for a further general capital increase (GCI IV), a number of working papers will be considered by the Board of Directors in the course of 1987.

Investments

At the end of 1986, the Bank's OCR investments were denominated in 22 currencies and amounted to the equivalent of \$4,170 million (\$3,471 million at the end of 1985). Of the total investments, 83 per cent (76 per cent at the end of 1985) was held in securities issued or guaranteed by member governments, obligations of other multilateral development banks and of approved government agencies of member countries. The remainder was invested in deposits and other bank instruments in member countries. The realized rate of return on the Bank's OCR investments over the year was 9.52 per cent compared with 11.03 per cent in 1985.

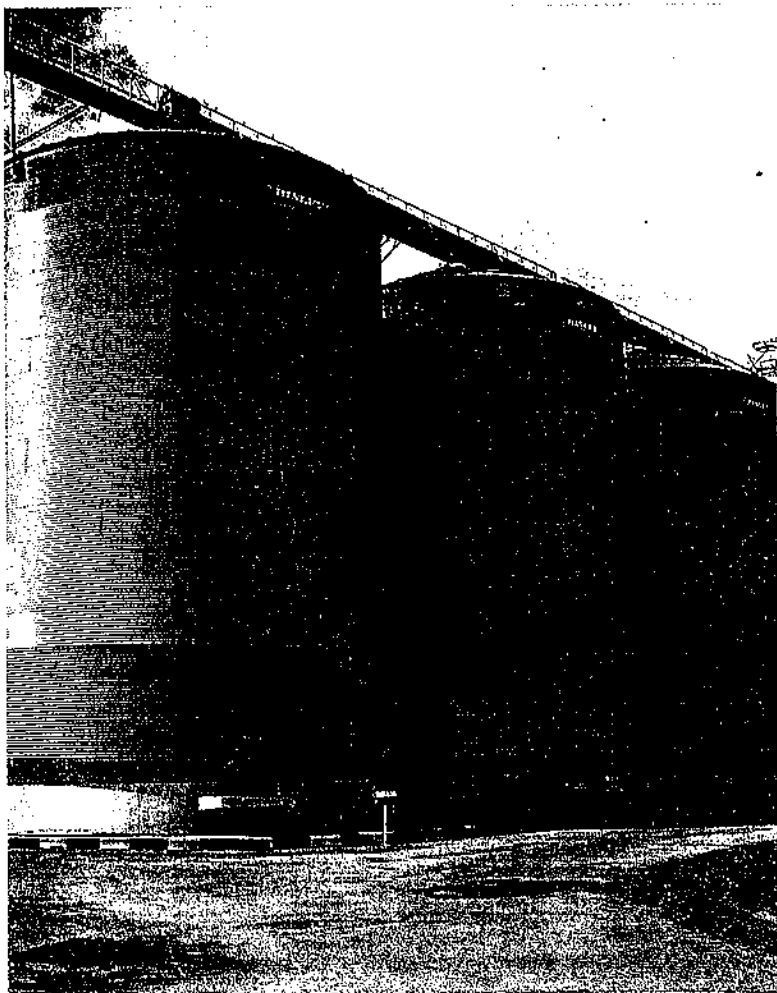
¹ The Netherlands' SCI became effective in January 1987.

Loan Disbursements and Repayments

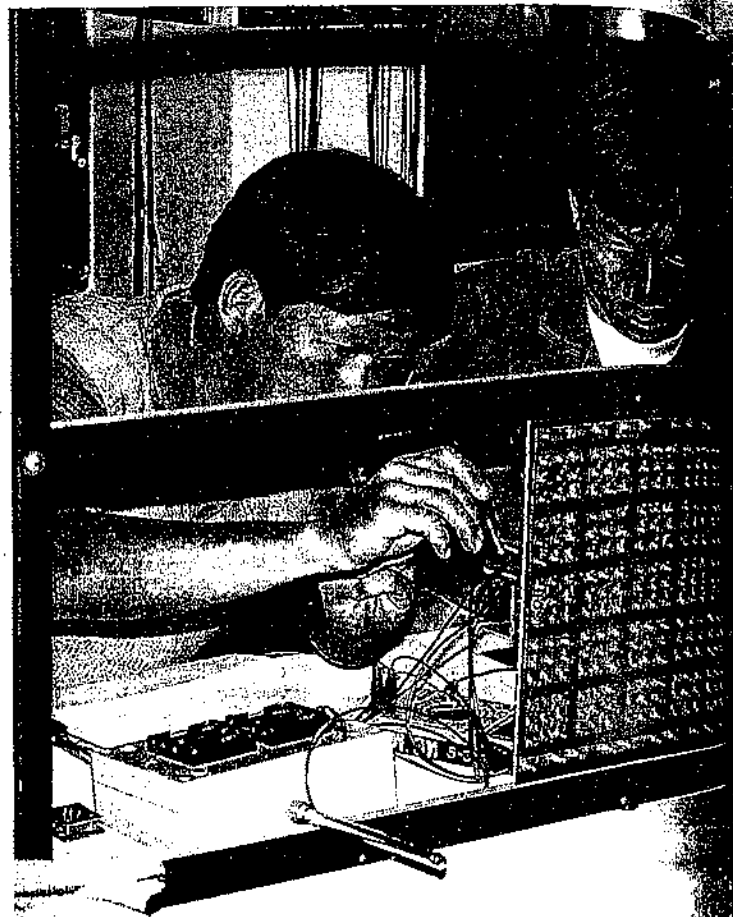
Disbursements from ordinary capital resources during 1986 amounted to \$612 million, bringing the cumulative disbursements from this source to \$6,092 million up to the end of 1986. Repayments during the year from loans held by the Bank amounted to \$248 million. As of end December 1986, cumulative loan repayments reached \$1,478 million. This consisted of \$1,461 million on loans held by the Bank and \$17 million on portions sold to participants.

Exchange Risk Pooling System

Four years after the introduction of the system on 1 January 1983, the amount of undisbursed loans covered under the system increased to \$5,691 million, or 97 per cent of total undisbursed loans as of 31 December 1986. Loans outstanding under the system increased to \$1,879 million, or 40.7 per cent of total outstanding loans as of 31 December 1986.



SILOS for storing dry rice in Malaysia, part of the Bank-assisted Besut Agricultural Development Project which was designed to increase paddy production five-fold to about 50,000 tons a year and benefit about 4,000 farm families.



STUDENTS at an electronics class in Thailand are among the beneficiaries of the Second Vocational Education Project which provides better training facilities for technician courses and offers additional fields of specialization related to regional needs. The project is supported by a Bank loan of \$15 million.

Income and Expenses

The Bank's gross income in 1986, generated mainly from its loans and investments, was \$870 million, a rise of \$185 million, or 27.1 per cent over gross income in 1985. Income from loans and investments rose by \$157 million and \$34 million, respectively, while income from other sources decreased by \$6 million.

Gross expenses in 1986 amounted to \$583 million, an increase of \$156 million, or 36.4 per cent over total expenses in 1985. Financial expenses increased by \$153 million and services to member countries by \$3 million.

Net income increased to \$287 million in 1986 from \$248 million in 1985.

Reserves

As of 31 December 1985, the Bank's Ordinary Reserve amounted to \$1,158 million. During 1986, \$248 million was

INCOME AND EXPENSES - ORDINARY CAPITAL RESOURCES

(amounts in \$ million)

	1985 Actual	1986		1987 Budget
		Budget	Actual	
1. Gross Income	684.8	760.7	870.2	920.4
2. Less Expenses Charged to Ordinary Capital Resources:				
a. Interest and Other Financial Expenses	377.8	468.1	530.4	585.3
b. Administrative Expenses ^a	45.6	51.7	45.5	59.9
c. Services to Member Countries	4.3	3.2	7.2	6.0
TOTAL	427.7	523.0	583.1	651.2
3. Net Income	257.1	237.7	287.1	269.2
4. Appropriation of Commission to Special Reserve	(9.2)	—	—	—
5. Net Income After Appropriation of Commission to Special Reserve	247.9	237.7	287.1	269.2

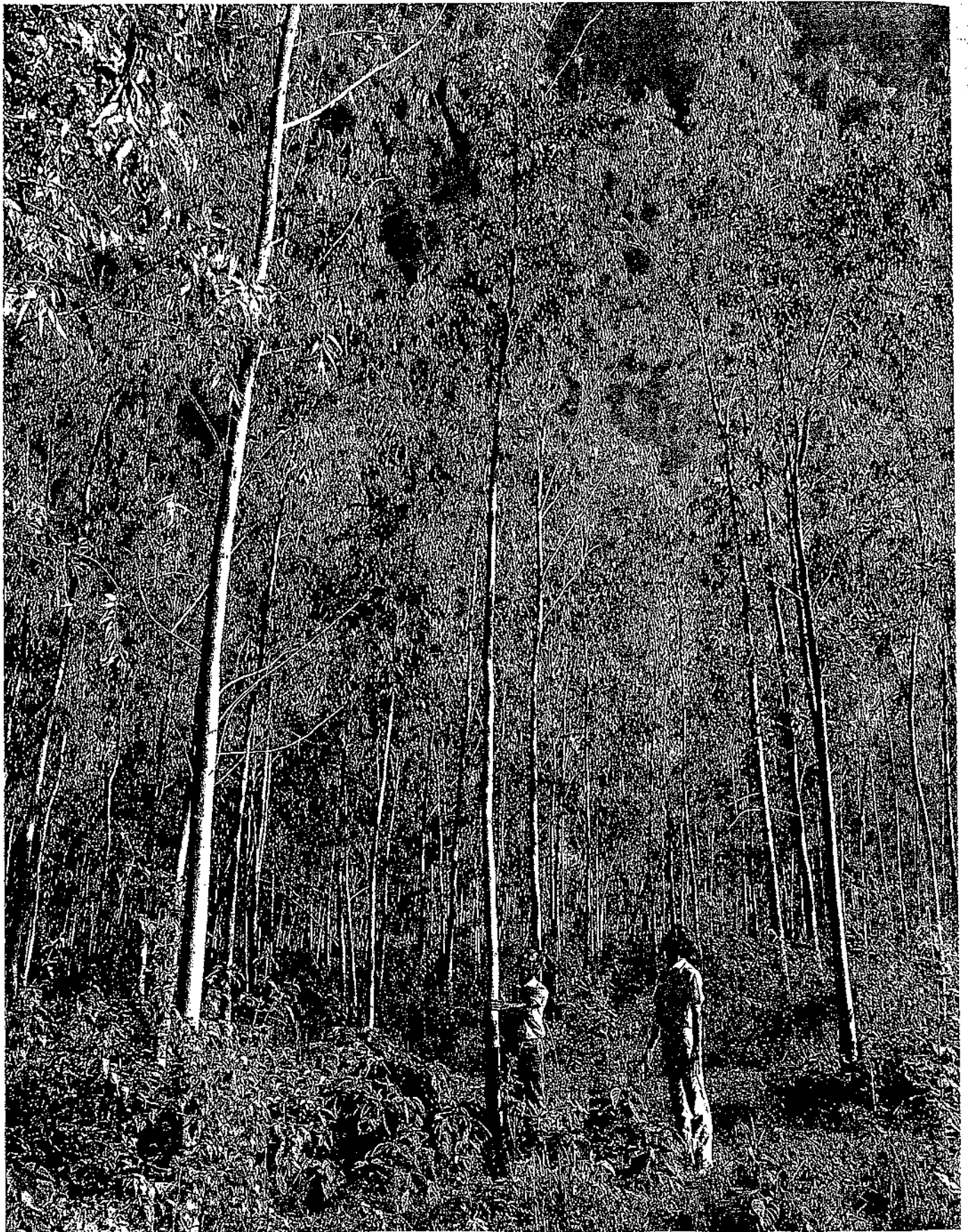
Note: Figures may not add due to rounding.

a. Net of Administration Charge to Special Operations which is allocated on the basis of a formula for apportioning administrative expenses between ordinary capital resources and the Asian Development Fund.

added through the transfer of net income for the year ended 31 December 1985. This, however, was partly offset by a net charge of \$33 million resulting from the restatement of the Bank's capital stock in terms of SDR.

As a result, the balance of the Ordinary Reserve as of 31 December 1986 stood at \$1,373 million prior to any appropriation of net income for 1986.

In accordance with Resolution No. 163 adopted by the Board of Governors in March 1984, the commission on outstanding ordinary operations loans was reduced in 1986 to zero, while no commission has been charged on new loans approved since the date the Resolution was adopted. On 31 December 1986, the balance of the Special Reserve stood at \$177 million.



TWO-YEAR-OLD trees at the Sagarnath Forestry Development Project in Nepal which is designed to counter a fuelwood shortage and depletion of forests. The project has been supported by a loan of \$3.1 million from the Asian Development Fund.

SPECIAL FUNDS: ASIAN DEVELOPMENT FUND AND TECHNICAL ASSISTANCE SPECIAL FUND

Asian Development Fund

Fourth ADF Replenishment (ADF V)

NEGOTIATIONS on the fourth Asian Development Fund replenishment (ADF V), which is intended to finance the Bank's concessional lending program in the four years 1987-90, were concluded in April. The replenishment agreed upon was \$3.6 billion (at the average of daily exchange rates during the first quarter of 1986). Of this amount, \$72 million will be set aside and allocated to the Technical Assistance Special Fund (TASF) for technical assistance to poorer DMCs and for regional technical assistance. Contributions to the replenishment would be provided by the developed member countries and by Indonesia and the Republic of Korea.

Resolution No. 182, incorporating the agreed replenishment arrangements, was adopted by the Board of Governors on 1 October 1986. Pursuant to the Resolution, the ADF V arrangements will become effective when the Bank has received unqualified contribution commitments from the developed member countries totalling at least \$1.8 billion. The target date specified for this purpose is 31 May 1987. It is envisaged that contributions would become available for operational commitments in four equal annual tranches over the period 1987-90, such availability depending on the actual progress in receiving contributions and in securing the necessary appropriations in respect of the annual instalments of qualified contributions. As of 31 December 1986, an Instrument of Contribution to ADF V had been received from France.

Third ADF Replenishment (ADF IV)

The third ADF replenishment (ADF IV) was authorized by Governors' Resolution No. 154, adopted in July 1982, to finance the Bank's concessional lending over the four-year period 1983-86. At the exchange rates specified in the Resolution, the total amount authorized was \$3,214 million.

As permitted by the Resolution, the contribution commitments of Canada and the United States to ADF IV both contain a qualification that payment of their contribution instalments is subject to budgetary appropriations. Under the ADF IV "trigger" arrangements, the release of the second, third and fourth tranches of the unqualified contributions for loan commitments is subject to the availability of the first, second and remaining two tranches, respectively, of the qualified contributions. The fourth tranche will be released in proportion to the extent that each qualified contribution has become available for loan commitments beyond three-fourths of its total amount. By the end of 1985, Canada had made available the first three tranches of its contribution in full, while the United States had made available only its first two tranches. In February, the United States released \$95.7 million of its third tranche, the full amount of which is \$130 million. Also in February, Spain, shortly after becoming a member of the Bank, deposited a contribution commitment to ADF for the equivalent of about \$31 million (at the end-February exchange rates adopted by the Bank). In addition, France's additional contribution to ADF IV amounting to the equivalent of \$15 million (at the Resolution No. 154 exchange rates) was received in June. The first three tranches of both Spain's contribution and France's additional contribution became available immediately for loan commitments.

In August, the fourth tranche of Canada's contribution was released in full. The balance of \$34.3 million of the United States' third tranche, together with \$57.1 million, or 43.93 per cent, of its fourth tranche became available in November, thereby releasing the fourth tranches of the unqualified contributions to the extent of 43.93 per cent. Australia, Belgium and Norway, however, voluntarily released their fourth tranches during the year in full.

Availability and Utilization of ADF Resources

At the beginning of 1986, the net ADF resources available for concessional loan commitments, after allowing a provision for exchange rate fluctuations, were about \$331 million. In 1986, largely reflecting the significant appreciation of most



A STUDENT and teacher at a carpentry class, part of a Community Schools Project in Bangladesh. The project, for which the Bank approved a loan of \$13.5 million, is aimed at providing skills training for the rural population.

contribution currencies against the US dollar, the Bank had adequate resources for completing the year's concessional lending program. Apart from exchange rate gains, additions to resources during the year (at the 31 December 1986 exchange rates) consisted of a total of \$187.1 million from the United States under its ADF IV contribution, \$62 million for Canada's ADF IV fourth tranche, a total of \$35 million for the first three tranches of Spain's initial ADF contribution and France's additional contribution to ADF IV, \$299 million for the 43.93 per cent portion of the unqualified ADF IV fourth tranches released in November, and a total of \$48 million for the fourth tranches of the unqualified contributions of Australia, Belgium and Norway released in full on a voluntary basis. A further \$36 million accrued to ADF by way of net income. After allowing for changes in value in terms of the United States dollar, total ADF resources increased during 1986 by \$1,683 million to \$7,764 million, as shown in the table on page 158. ADF loan approvals during the year totalled SDR532 million, or the equivalent of \$633 million at the exchange rates applicable at the time of loan negotiation.

After taking account of repayments, cancellations and exchange rate adjustments, cumulative net loan commitments increased to \$6,578 million at 31 December 1986, leaving a balance of uncommitted resources at that date of \$1,186 million. After allowing for a provision of about \$402 million for exchange rate fluctuations, the net resources available for further loan commitments at the end of the year were about \$784 million.

Disbursements from ADF resources during 1986 amounted to \$412 million, bringing total cumulative disbursements to \$2,384 million. ADF loan repayments during the year amounted to \$20 million while cumulative repayments up to 31 December 1986 amounted to \$112 million.

ADF Income and Expenses

ADF net income for 1986 amounted to \$36 million, bringing accumulated net income at the end of the year to \$246 million.

At the end of 1986, the Bank's investments of ADF resources were denominated in 18 currencies and amounted to the equivalent of \$618 million (\$441 million at the end of 1985). Of the total investments, 28 per cent (37 per cent at the end of 1985) was held in securities issued or guaranteed by member governments and obligations of approved government agencies of member countries. The balance was invested in deposits and other bank instruments in member countries. The realized rate of return on ADF investments over the year was 8.66 per cent compared with 9.75 per cent in 1985.

INCOME AND EXPENSES AND ACCUMULATED NET INCOME — ASIAN DEVELOPMENT FUND (amounts in \$ million)

	1985	1986
1. Gross Income	56.4	77.1
2. Administrative Expenses	(36.2)	(40.6)
3. Net Income	20.2	36.5
4. Accumulated Net Income at Beginning of the Year	189.2	209.4
5. Accumulated Net Income at End of the Year	209.4	245.9

Technical Assistance Special Fund

During 1986, Spain made its first contribution to the Technical Assistance Special Fund (TASF) and further con-



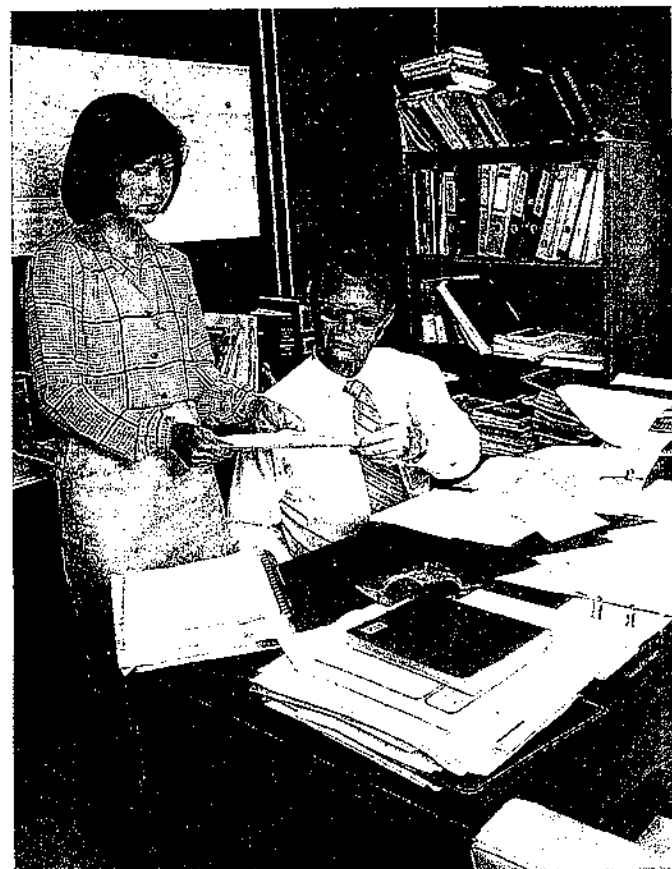
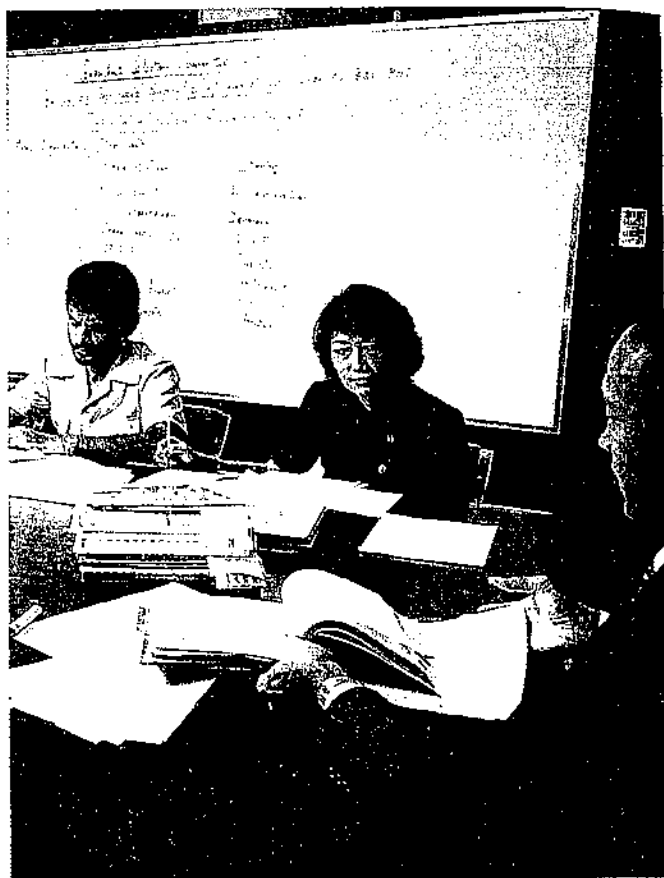
WEIGHING fresh tea leaves in Sri Lanka, where Bank loans have helped improve over 400 tea plantation estates and rehabilitate more than 300 tea factories.

tributions were made by five other member countries totalling \$4.4 million. The contributions received were as follows:

Member Country	Amount	US\$ Equivalent (As of 31 December 1986)
Japan	¥ 477,000,000	2,980,319
New Zealand	NZ\$ 75,000	39,337
Norway	NKr 5,000,000	675,676
Pakistan	PRs 1,050,000	62,310
Spain	Pras 21,700,000	163,903
United Kingdom	£ 300,000	442,350

The contributions from New Zealand and Spain are fully untied and may be used to finance the costs of services and facilities from all member countries. The contributions from Japan and the United Kingdom are available to finance the costs of services and facilities from the respective contributor country, all developing member countries (DMCs) and other developed member countries which contribute on a similarly untied basis. The contributions from Norway and Pakistan are available to finance the costs of services and facilities from the respective contributor country and all DMCs. Also, in the use of the contribution from Norway, priority should, whenever possible, be given to its application for projects in the least developed member countries.

As of 31 December 1986, total contributions to TASF amounted to the equivalent of \$81.9 million of which \$76.3 million had been utilized by the Bank.



BANK staff at work at ADB Headquarters in Manila and (lower left) on mission in Nepal. By the end of 1986, the Bank's total staff had reached 1,580 from 37 member countries.

ADMINISTRATION

President

AT the Nineteenth Annual Meeting, the Board of Governors unanimously elected Mr. Masao Fujioka President for a second term of five years commencing on 24 November 1986.

Vice-President

The Board of Directors, acting on the recommendation of the President, reappointed Mr. Günther Schulz as a Vice-President of the Bank for a term of three years and three months from 1 April 1986.

Staff

The Bank's staff at the end of 1986 totalled 1,580 from 37 member countries: 595 professional staff and 985 supporting staff. During the year, there were 63 professional staff appointments and 49 terminations of appointment. Among supporting staff, 64 were appointed, 44 resigned, three were transferred to the Capital Budget and three were promoted to professional staff.

The Young Professionals Program saw its third intake in 1986 when five young professionals joined the Bank. This group will replace the 1985 intake who will progress to regular professional positions during 1987. Five young professionals are proposed to be recruited in 1987.

During 1986, supporting staff, who are paid in pesos, received a nine per cent increase in salary and an adjustment of the dependency allowance. This was in line with the policy to maintain the Bank's salaries at a level comparable with that of a selected group of comparator organizations in Manila. Professional staff, who are paid in US dollars, received a three per cent salary increase plus the continuation of the \$950 modified dependency allowance. Additionally, the ceiling for education grant was raised in line with World Bank practice.

In September, the Board approved the Housing Loan Program for supporting staff which is aimed at providing its staff members with the means to secure housing of a suitable stan-

dard. By the opening of such a loan facility, the Bank now provides a benefit found in its main comparators, which generally provide the same type of housing assistance to their employees. The package provides financial assistance principally for (i) the purchase or construction of a house and/or lot; (ii) major repair and/or renovation of an existing house; and (iii) refinancing of existing housing loans. The facility is open to all supporting staff members who have completed a continuous seven-years service with the Bank and have fully satisfactory ratings or equivalents for the three years prior to availment of a loan. An important feature of the scheme is that it will not add any costs to the Bank. Staff will pay interest at the OCR rate plus an additional 2.5 per cent to meet administrative costs, exchange risks and other contingencies. The lending rate will be reviewed annually.

Organization

In March, a Private Sector Division was established in the Industry and Development Banks Department to provide a focal point for all Bank private sector activities in the DMCs.

A review was undertaken in May of the South Pacific Regional Office (SPRO) to assess its performance and the experience gained in its nearly two years of operation. As a result, recommendations to improve work coordination, delineation of functions between SPRO and concerned Headquarters units, and staffing were implemented.

The Personnel Division of the Budget, Personnel and Management Systems Department was reorganized in June and two divisions, namely, Compensation and Training Division and the Human Resources Division were established.

The functions in the Treasurer's Department were reorganized in July. The former Treasury Operations Division (which combined the Bank's investment and borrowing functions) was bifurcated into the Investments Division and the Funding Division, thus separating the two functions for more effective management. The Treasury Services Division, less the investment support functions which were transferred to the new Investments Division, will continue with responsibility primarily for cashier's functions.

The Office of Administrative Services was reorganized in



ROOFTOP work at a new Union Family Welfare Center in Bangladesh, part of a Bank-financed project to improve the delivery of health care and family planning services.

October in order to distribute its work more evenly and to improve its support services. This resulted in the conversion of the Building Services Division to a section and the creation of a new Support Services Division.

Following Board consideration in August of a working paper on the Bank's resident offices in DMCs, proposals regarding criteria to be used in establishing such offices in DMCs and on the establishment of a resident office in Indonesia were approved by the Board. A working paper on the establishment of a resident office in a second time zone was also considered in October. It was decided to revert to this matter at a future date.

A reorganization of the Country Department, Agriculture Department and Irrigation and Rural Development Department was endorsed by the Board in November for implementation in the early part of 1987. This is intended to strengthen the country orientation and focus in Bank operations and the quality of its services to the DMCs. The reorganization is based on a geographical decentralization of functions and provides a more effective country-focused span of control and management process.

Internal Audit

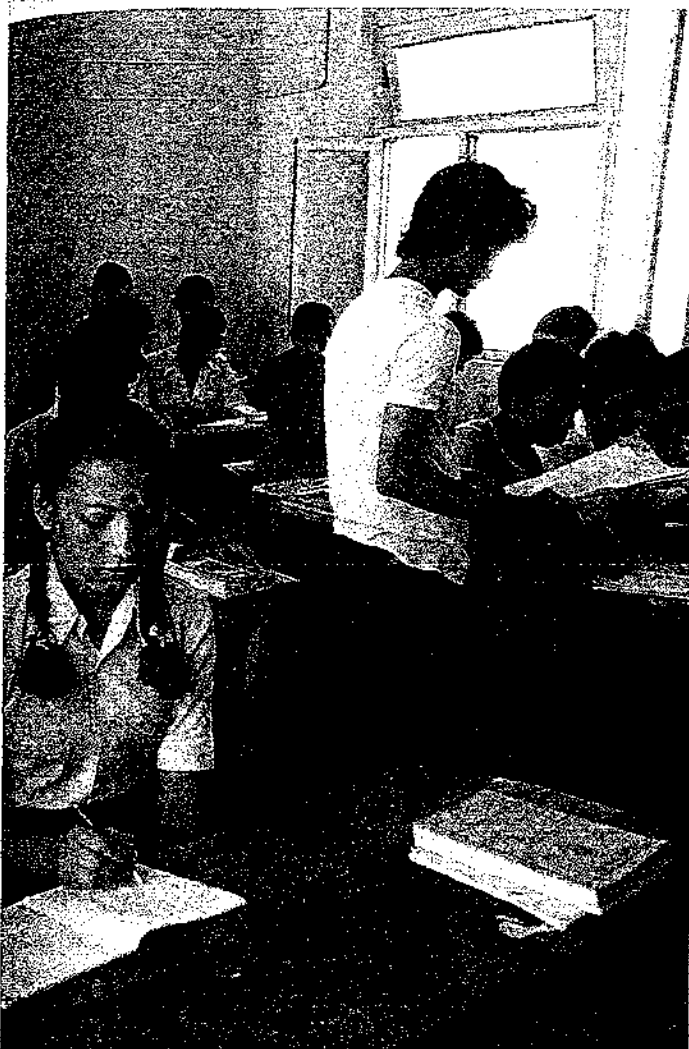
Internal auditing provides Management with independent and objective evaluation of the adequacy and effectiveness of controls, systems and procedures in the financial, accounting, administrative, data processing and other functions of the Bank. The Internal Audit Office (IAO) reports to the President and the Audit Committee of the Board (ACB).

During 1986, IAO reviewed systems and procedures relating to financial, accounting, general administrative matters and project loan administration. A financial audit of the Bangladesh Resident Office was conducted during the year. IAO participated in the development of a number of computer systems and subsystems developed by the Office of Computer Services and took part in the signing off of these systems. In working with the Bank's external auditors, IAO provided integrated assistance to cover in rotation portions of their overall audit coverage and developed computer software for generating schedules, statements and samples of transactions to be used by the external auditors. The external auditors expressed their satisfaction with IAO's responsiveness and attention to their needs. IAO also played an active role in preparing for the audit of consultants' contracts and subsequently reviewed the audit reports submitted to the Bank. IAO participated in reviewing procedures on certain administrative, financial and project-related matters and participated in various Bank committees.

The results of audits and recommendations were conveyed to Management and Heads of Departments and Offices concerned for information and appropriate action. The six-monthly Audit Recommendations Implementation Report serves as a means of informing Management, the ACB and Bank staff of the continued efforts of concerned Departments/Offices to enhance internal controls, economy and efficiency in the Bank's operations in general. During 1986, most of the internal audit recommendations made had been implemented and the remainder are in the process of being implemented. In this connection, the Audit Committee expressed its satisfaction with the progress made in the implementation of audit recommendations.

Computer and Office Automation Systems

The Board of Directors, in March and June 1986, approved capital expenditure programs to advance the Bank's computer and office automation systems during the period 1986-88. During the year, additional microcomputers were also installed, increasing the total number to 330 including 70 portable microcomputers for use during missions. These microcomputers are used as standard tools by staff for sector-specific data files, econometric studies and financial and economic analysis of projects; some are also linked to the central data base to transfer loan administration and accounting data from the data base to microcomputers. The data base was reorganized and related software and hardware upgraded to run on a network of two mainframe computers. To cope with increasingly large files and transaction volumes,



AN AGRICULTURAL class in Lahan, Nepal. Training is part of an Integrated Rural Development Project to increase production in agriculture, cottage and rural industries and in the forestry, horticulture and livestock subsectors. Supported by a Bank loan of \$14 million, this project is expected to benefit about 180,000 families.

network upgrades were programmed. Programs were modified or added to support applications related to variable lending rate procedures, financial projections, financial statement schedules, co-financed and special assistance loans, technical assistance operations, document indexing, staff benefits administration, semi-monthly payroll, library acquisitions, property control, procurement and budget control. The internal electronic mail system was expanded to include additional users in selected departments and offices.

Office Accommodation

During the year, the engineering facilities of the Bank's current Headquarters building were upgraded and improved in order to save substantial operating costs, strengthen safety arrangements and meet Bank needs until the transfer to the

new Headquarters building. Additional office space was also leased in a satellite building to accommodate the Special Projects Office. This will help ease congestion in the Headquarters building and consolidate those departments and offices which have become fragmented.

New Headquarters Building

In April, President Corazon C. Aquino of the Philippines laid the foundation stone of the new Headquarters building in Ortigas Commercial Center. During the year, the main construction phase commenced, and by the end of the year all subcontracts for specialist services, except those for furniture and furnishing, had been awarded. A specialist consultant was recruited and commenced work in April 1986 for the design and procurement of furniture and furnishing for the new building. The new building is expected to be completed and occupied during 1988.



A TERMINAL at Port Qasim in Pakistan, where a project supported by a Bank loan of \$48.6 million is designed to cope with growing seaborne bulk transport demand and relieve congestion at Karachi Port.

Budget

Internal Administrative Expenses for 1986 amounted to \$84.5 million against the original Budget of \$89.3 million, representing 95 per cent utilization of the latter. The difference of \$4.8 million against the Budget is due mainly to savings under Board of Directors, staff salaries and benefits, consultant services, business travel and representation, other administrative expenses and non-use of the general contingency.

The Administrative Budget for 1987, which is summarized in Appendix 1, provided for Internal Administrative Expenses amounting to \$94.2 million. The Board approved the Budget in December 1986 noting that due to the lower-than-assumed general salary increase for professional staff in 1986 the Budget stood reduced by \$805,000 to \$93.4 million. This represents an increase of \$8.9 million over actual expenses in 1986. The increase is largely attributable to: (i) effect of the new staff positions in the past year and additional staff required for 1987; (ii) effect of salary and benefits improvements approved in 1986 and further improvements subject to consideration in 1987; (iii) increase in consultant services due to price and volume factors; (iv) additional business travel required for the Bank's work in 1987; (v) additional overheads, mainly for communications, office occupancy, expendable supplies, contractual services and insurance coverage in support of the Bank's functions; (vi) past and prospective price escalation; (vii) provision for the new Indonesia Resident Office; and (viii) provision for General Contingency.

Commitments for Services to Member Countries in 1986 amounted to \$24 million, representing full utilization of the original Budget and an increase of 23 per cent over actual commitments of \$19.5 million in 1985. Provision is made in 1987 for new commitments amounting to \$26 million, representing an increase of 8 per cent over the actual commitments in 1986.



WORKERS repair irrigation canals as part of an agricultural project in northeast Thailand. The Nong Wai Pioneer Agriculture Project, supported by a Bank loan of \$5 million, is designed to promote integrated development on a 12,000 ha. area containing about 4,000 farms.

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DELOITTE HASKINS & SELLS

Certified Public Accountants

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OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of the Asian Development Bank — Ordinary Capital Resources (OCR):

- OCR-1 Balance Sheet, 31 December 1986 and 31 December 1985
- OCR-2 Statement of Income and Expenses for the Years Ended
31 December 1986 and 31 December 1985
- OCR-3 Statement of Changes in Financial Position for the Years
Ended 31 December 1986 and 31 December 1985
- OCR-4 Summary Statement of Loans, 31 December 1986
and 31 December 1985
- OCR-5 Summary Statement of Borrowings, 31 December 1986
and 31 December 1985
- OCR-6 Statement of Subscriptions to Capital Stock and Voting
Power, 31 December 1986
- OCR-7 Notes to Financial Statements, 31 December 1986
and 31 December 1985

Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Ordinary Capital Resources at 31 December 1986 and 31 December 1985 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

27 February 1987

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

BALANCE SHEET

31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note A)

ASSETS				
	1986		1985	
DUE FROM BANKS (Note B)		\$ 88,577		\$ 120,644
INVESTMENTS (Notes C and G)				
Government and government guaranteed obligations — amortized cost	\$3,441,511		\$2,639,086	
Time deposits and other obligations of banks	<u>728,283</u>	4,169,794	<u>832,155</u>	3,471,241
LOANS OUTSTANDING (OCR-4) (Note A)		5,997,904		4,539,133
EQUITY INVESTMENTS — at cost		2,150		1,030
ACCRUED INCOME				
On investments	83,174		65,310	
On loans	<u>157,011</u>	240,185	<u>116,333</u>	181,643
RECEIVABLE FROM MEMBERS				
Non-negotiable, non-interest-bearing demand obligations (Notes B and D)	401,214		363,604	
Amounts required to maintain value of currency holdings (Note E)	1,370		1,375	
Subscription instalments (Note D)	<u>6,602</u>	409,186	<u>13,938</u>	378,917
OTHER ASSETS				
Notional amounts required to maintain value of currency holdings (Note E)	274,291		184,453	
Unamortized issuance costs of borrowings	<u>82,949</u>		<u>71,584</u>	
Property, furniture and equipment (net of accumulated depreciation of \$3,861—1986, \$2,636—1985) (Note A)	45,723		29,852	
Administration charge receivable from the Asian Development Fund (Note F)	14,495		10,144	
Miscellaneous	<u>29,599</u>	447,057	<u>25,007</u>	321,040
TOTALS		\$11,354,853		\$9,013,648

See notes to financial statements (OCR-7).

LIABILITIES, CAPITAL AND RESERVES

	1986		1985	
BORROWINGS (OCR-5)		\$7,103,949		\$5,539,024
ACCRUED INTEREST ON BORROWINGS		199,929		157,459
ACCOUNTS PAYABLE AND OTHER LIABILITIES				
Notional amounts required to maintain value of currency holdings (Note E)	\$ 124,995		\$ 99,003	
Miscellaneous	82,393	207,388	41,196	140,199
CAPITAL AND RESERVES (SDRs in thousands)				
Capital Stock (OCR-6) (Notes A and D)				
Authorized				
(SDR 16,075,390 — 1986, SDR 14,768,070 — 1985)				
Subscribed				
(SDR 15,922,260 — 1986, SDR 14,539,140 — 1985)	19,475,949		15,970,082	
Less — "callable" shares subscribed	17,121,577		14,036,127	
"Paid-in" shares subscribed	2,354,372		1,933,955	
Less — subscription instalments not due	260,392		187,922	
Subscription instalments matured	2,093,980		1,746,033	
Less — capital transferred to the Asian Development Fund (Note H)	58,236		52,295	
	2,035,744		1,693,738	
Advance payments on subscriptions (Note D)	3,600		1,693	
Accumulated translation adjustments (Note A)	(32,287)		(101,445)	
Ordinary Reserve (Note I)	1,372,922		1,158,540	
Special Reserve (Note G)	176,547		176,547	
Net income after appropriation of commissions to Special Reserve (OCR-2) (Note I)	287,061	3,843,587	247,893	3,176,966
TOTALS		\$11,354,853		\$9,013,648

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

OCR 2

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note A)

	1986	1985
INCOME		
From loans:		
Interest	\$472,753	\$307,204
Commissions (Note G)	—	9,198
Commitment charge	35,595	34,393
From investments (Note C)	361,514	327,930
From other sources — net (Note F)	341	6,043
TOTAL INCOME	\$870,203	\$684,768
EXPENSES		
Interest and other financial expenses (Notes A and F)	530,433	377,771
Administrative expenses (Notes F and J)	45,496	45,568
Services to member countries (Note K)	7,213	4,338
TOTAL EXPENSES	583,142	427,677
NET INCOME	287,061	257,091
APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note G)	—	(9,198)
NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note I)	\$287,061	\$247,893

See notes to financial statements (OCR-7).

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

OCR-3

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note A)

	1986	1985
FUNDS WERE PROVIDED BY		
Operations:		
Net income	\$ 287,061	\$ 257,091
Items not requiring or providing current funds:		
Accrued interest and other expenses	44,064	54,431
Accrued income including interest and commitment charges added to loans	(96,847)	(69,063)
Administration charge (Note F)	(40,621)	(36,141)
Commissions (transferred to Special Reserve)	—	(9,198)
Other — net	58,674	43,955
Funds provided by operations	252,331	241,075
Borrowings:		
Net proceeds of new borrowings	\$ 829,388	\$ 796,061
Increase in borrowings as a result of currency revaluations	1,259,850	967,426
Bonds purchased for redemption and borrowings redeemed	(581,357)	(137,136)
Capital:		
Matured subscriptions	148,957	74,242
Increase in matured and paid capital subscriptions due to substitution of the SDR for the 1966 dollar as the unit of value	208,233	181,360
Demand obligations of members encashed	37,047	31,499
Net maintenance of value adjustments	(63,841)	(72,079)
Demand obligations of members received	(58,863)	(34,932)
Increase in capital set-aside and transferred to Asian Development Fund due to substitution of the SDR for the 1966 dollar as the unit of value	(5,941)	(5,628)
Administration charge collected	36,270	32,886
Net translation adjustments	69,158	21,176
Increase in Special Reserve	—	9,198
Other — net	33,891	22,268
Totals	2,165,123	2,127,416
FUNDS WERE UTILIZED FOR		
Loans:		
Loans disbursed	573,466	591,527
Increase in loans disbursed and outstanding as a result of currency revaluations	1,123,694	834,300
Loans collected	(276,694)	(202,177)
Net charge to Ordinary Reserve due to substitution of the SDR for the 1966 dollar as the unit of value	33,511	29,690
Increase in other assets as a result of currency revaluations	27,564	12,506
Property, furniture and equipment acquired	17,096	9,047
Totals	1,498,637	1,274,893
INCREASE IN DUE FROM BANKS AND INVESTMENTS	\$ 666,486	\$ 852,523

See notes to financial statements (OCR-7).

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF LOANS

31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note A)

Borrowers/Guarantors ¹	Loans Outstanding ²	Undisbursed Balances of Effective Loans	Loans Not Yet Effective	Total Loans	Percent of Total Loans
Bangladesh	\$ 2,538	\$ —	\$ —	\$ 2,538	0.02
Burma	5,121	73	—	5,194	0.05
Fiji	37,308	10,819	4,400	52,525	0.50
Hong Kong	39,478	—	—	39,478	0.38
India	—	100,000	150,000	250,000	2.39
Indonesia	914,520	2,064,744	319,100	3,298,364	31.46
Korea, Republic of	902,444	243,551	153,000	1,298,995	12.39
Malaysia	427,864	449,931	105,230	983,025	9.38
Pakistan	422,167	488,251	285,142	1,195,560	11.40
Papua New Guinea	34,623	65,718	33,650	133,991	1.28
Philippines	981,150	700,042	216,800	1,897,992	18.11
Singapore	62,198	—	—	62,198	0.59
Taipei, China	22,005	—	—	22,005	0.21
Thailand	760,903	428,486	50,970	1,240,359	11.83
Viet Nam	1,108	—	—	1,108	0.01
TOTALS — 31 December 1986	4,613,425	4,551,615	1,318,292	10,483,332	100.00
Adjustments in US\$ equivalents	1,384,479 ³	—	—	1,384,479 ³	—
BALANCES — 31 December 1986	\$5,997,904	\$4,551,615	\$1,318,292	\$11,867,811	—
TOTALS — 31 December 1985	\$4,249,326	\$4,565,847	\$1,078,380	\$ 9,893,553	—
Adjustments in US\$ equivalents	289,807 ³	—	—	289,807 ³	—
BALANCES — 31 December 1985	\$4,539,133	\$4,565,847	\$1,078,380	\$10,183,360	—

See notes to financial statements (OCR-7).

1 Loans other than those made directly to a member or to its central bank have been guaranteed by the member with exception of loans to the private sector amounting to \$11,602 (none — 1985).

2 The interest rates charged on loans outstanding range from 6.875% per annum to 11.00% per annum.

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1987	\$280,679	1996	2,416,083
1988	327,698	2001	2,643,688
1989	361,861	2006	1,733,057
1990	399,239	2011	596,945
1991	429,839	2016	26,401
		Undetermined	1,334,029 ⁴
		Total	<u>\$10,549,519</u>

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1986	1985	Currency	1986	1985
Australian dollar	\$ 12,186	\$ 14,943	Malaysian ringgit	23,416	30,658
Austrian schilling	35,721	30,876	Netherlands guilder	18,412	16,268
Belgian franc	136	221	New Zealand dollar	5,516	4,776
Canadian dollar	1,629	1,862	Norwegian krone	1,333	1,317
Danish krone	49	40	Pound sterling	1,430	1,657
Deutsche mark	1,327,930	1,074,006	Singapore dollar	1,917	2,051
French franc	414	410	Swedish krona	402	400
Hong Kong dollar	1,147	1,263	Swiss franc	1,577,894	1,094,904
Italian lira	17	29	United States dollar	250,977	273,859
Japanese yen	2,736,294	1,988,416			
Kuwaiti dinar	1,084	1,177	Totals	<u>\$5,997,904</u>	<u>\$4,539,133</u>

³ These amounts represent adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

⁴ Represents prepayments, cancellations and translation adjustments which have not been allocated to specific maturities.

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF BORROWINGS

31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note A)

Currency	Balance 31 December 1985	Changes During the Year Ended 31 December 1986		
		Borrowings	Repayments and Sinking Fund and Other Purchases	Translation and Other Adjustments
Austrian schilling	\$ 28,852	\$ —	\$ —	\$ 7,618
Deutsche mark	1,107,138	138,251	81,906	304,984
Italian lira	1,192	—	713	261
Japanese yen	2,241,397	323,142 ⁴	287,588	552,165
Kuwaiti dinar	43,230 ³	—	5,945	(533)
Luxembourg franc	1,459	—	731	262
Netherlands guilder	306,638	76,968	—	95,408
Pound sterling	142,283	—	—	2,955
Swiss franc	1,016,191	107,455	112,786	299,604
United States dollar	681,085 ^{1 3}	200,000	91,688	38,597
Principal amounts outstanding	5,569,485	845,816	581,357	1,301,321
Less — unamortized discounts and premiums on interest- bearing bonds and notes	30,441	855	—	—
TOTALS	\$5,599,024	\$844,961	\$581,357	\$1,301,321

MATURITY OF

Twelve Months Ending 31 December	1986	1985
1986		\$347,704
1987	\$310,732	65,941
1988	363,806	300,050
1989	372,140	304,836
1990	369,539	400,354
1991	375,074	

See notes to financial statements (OCR-7).

- Balance outstanding at 31 December 1986 includes the total amount of \$390,982 (\$283,053 — 1985) for the Ten-Year Zero Coupon Notes of 1982, the Twenty-Year Zero Coupon Bonds of 1984 and the Thirty-Year Swiss Franc Zero Coupon Bonds of 1985 (principal amounts at maturity, \$400,000, \$1,000,000 and SwF 500 million, respectively). Amortization of the original discount at issuance by the interest method is shown as an "Other Adjustment".
- The weighted average effective interest rates are computed on the principal outstanding amounts, taking into consideration discounts and premiums and the effect of currency swaps. For uniformity and consistency, annual effective interest rates for bonds with annual payment dates have been converted into semi-annual equivalents.

Balance 31 December 1986	Weighted Average Effective Interest Rates ^{2 3}		Due for Redemption
	1986	1985	
\$ 36,470	8.18%	8.18%	1987-1993
1,468,467	7.98	8.16	1987-1997
740	7.22	7.22	1987
2,829,116	7.45	7.73	1987-2006
36,752 ³	12.59	12.59	1987-1991
990	6.64	6.64	1987
479,014	8.42	8.93	1988-2000
145,238	11.76	11.76	1987-2009
1,310,464 ¹	6.09	6.14	1987-2016
827,994 ^{1 3}	10.05	10.98	1987-2004
7,135,245	7.79	8.13	
31,296			
<u>\$7,103,949</u>			

Borrowings Outstanding

Five Years Ending 31 December	1986	1985
1996/1995	3,871,196	3,038,624
2001/2000	1,121,637	1,018,716
2006/2005	1,156,991	1,026,968
2011/2010	203,147	183,219
2016	307,977	
Totals	<u>\$8,452,239</u>	<u>\$6,686,412</u>

Including borrowings which have been swapped for other currencies as follows:

Currency	Amount Swapped Out	Amount Swapped In	Effective Interest Rates	
			Before Swapping	After Swapping
Kuwaiti dinar	KD 15 million	\$50,835	11.43%	12.59%
United States dollar	\$ 84,657	SwF 183.1 million	11.97	5.83
United States dollar	\$100,000	SwF 200.8 million	8.17	5.18
United States dollar	\$100,000	SwF 164.8 million	8.02	4.88

Including the re-issuance of ¥5 billion Japanese bonds.

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

31 December 1986

Expressed In Thousands of United States Dollars (Note A)

MEMBERS	SUBSCRIBED CAPITAL					VOTING POWER	
	Number of Shares	Per Cent of Total	Par Value of Shares			Number of Votes	Per Cent of Total
			Total	Callable	Paid-In		
REGIONAL							
Afghanistan	1,195	0.075	\$ 14,617	\$ 9,944	\$ 4,673	9,664	0.488
Australia	102,370	6.429	1,252,180	1,101,838	150,342	110,839	5.568
Bangladesh	18,064	1.135	220,957	194,426	26,531	26,533	1.303
Bhutan	110	0.007	1,346	1,089	257	8,579	0.431
Burma	9,635	0.605	117,854	103,702	14,152	18,104	0.910
Cambodia	875	0.055	10,703	7,278	3,425	9,344	0.468
China, People's Rep. of	114,000	7.160	1,394,437	1,226,970	167,467	122,469	6.153
Cook Islands	47	0.003	575	514	61	8,516	0.428
Fiji	1,203	0.076	14,715	12,941	1,774	9,672	0.488
Hong Kong	9,635	0.605	117,854	103,702	14,152	18,104	0.910
India	112,005	7.035	1,370,034	1,205,552	164,482	120,474	6.058
Indonesia	96,350	6.051	1,178,544	1,037,057	141,487	104,819	5.267
Japan	240,875	15.128	2,946,359	2,592,825	353,734	249,344	12.528
Kiribati	71	0.005	868	758	110	8,540	0.429
Korea, Rep. of	89,123	5.597	1,090,144	959,275	130,869	97,592	4.903
Laos	246	0.015	3,009	2,422	587	8,715	0.438
Malaysia	48,175	3.026	589,272	518,523	70,749	56,644	2.848
Maldives	71	0.005	868	758	110	8,540	0.429
Nepal	2,601	0.163	31,815	27,986	3,829	11,070	0.556
New Zealand	27,170	1.706	332,341	292,440	39,901	35,639	1.789
Pakistan	38,540	2.421	471,417	414,820	56,597	47,009	2.382
Papua New Guinea	1,660	0.104	20,305	17,883	2,422	10,129	0.509
Philippines	42,152	2.647	515,599	453,706	61,893	50,621	2.543
Singapore	6,020	0.378	73,636	64,792	8,844	14,489	0.728
Solomon Islands	118	0.007	1,443	1,272	171	8,587	0.431
Sri Lanka	10,260	0.644	125,499	110,429	15,070	18,729	0.941
Taipei, China	19,270	1.210	235,709	207,417	28,292	27,739	1.391
Thailand	24,087	1.513	294,630	259,255	35,375	32,556	1.636
Tonga	71	0.005	868	758	110	8,540	0.429
Vanuatu	118	0.007	1,443	1,272	171	8,587	0.431
Viet Nam	6,038	0.379	73,856	58,395	15,461	14,507	0.729
Western Samoa	58	0.004	710	575	135	8,527	0.428
Total Regional	1,022,213	64.200	12,503,607	10,990,374	1,513,233	1,293,221	64.976
NON-REGIONAL							
Austria	6,020	0.378	73,636	64,792	8,844	14,489	0.728
Belgium	6,020	0.378	73,636	64,792	8,844	14,489	0.728
Canada	92,543	5.812	1,131,977	996,081	135,896	101,012	5.076
Denmark	6,020	0.378	73,636	64,792	8,844	14,489	0.728
Finland	6,020	0.378	73,636	64,792	8,844	14,489	0.728
France	41,178	2.586	503,685	443,211	60,474	49,647	2.495
Germany, Fed. Rep. of	76,534	4.807	936,156	823,757	112,399	85,003	4.271
Italy ¹	24,087	1.513	294,630	259,256	35,374	32,556	1.636
Netherlands ¹	13,247	0.832	162,036	142,587	19,449	21,716	1.091
Norway	6,020	0.378	73,636	64,792	8,844	14,489	0.728
Spain	6,020	0.378	73,636	64,792	8,844	14,489	0.728
Sweden	2,408	0.151	29,455	24,819	4,636	10,877	0.547
Switzerland	10,325	0.649	126,294	111,127	15,167	18,794	0.942
United Kingdom	36,131	2.269	441,951	388,901	53,050	44,600	2.241
United States	237,440	14.913	2,904,342	2,552,712	351,630	245,909	12.356
Total Non-Regional	570,013	35.800	6,972,342	6,131,203	841,139	697,048	35.024
TOTALS	1,592,226	100.000	\$19,475,949	\$17,121,577	\$2,354,372	1,990,269	100.000

See notes to financial statements (OCR-7).

- 1 These members have not yet subscribed to the 12,788 shares they are entitled to subscribe under a special increase in the Bank's authorized capital stock approved by the Board of Governors on 30 September 1985. Subsequent to 31 December 1985, however, the Netherlands has subscribed to the 4,900 shares it is entitled to subscribe.

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1986 and 31 December 1985

CONTINUED

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

The currencies of members are functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

Valuation of Capital Stock

The capital stock is defined in Article 4, paragraph 1 of the Articles of Agreement Establishing the Bank (the Charter) "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar) and the value of each share is defined as 10,000 1966 dollars. The capital stock had historically been translated into the current United States dollar (the Bank's unit of account) on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the capital stock has been valued for purposes of these financial statements in terms of the Special Drawing Right (SDR) at the value in current United States dollars as computed by the IMF, with each share valued at SDR 10,000.

As of 31 December 1986, the value of the SDR in terms of the current United States dollar was \$1.22319 (\$1.09842 — 1985) giving a value for each share of the Bank's capital equivalent to \$12,231.90 (\$10,984.20 — 1985). However, the Bank could decide to fix the value of each share at \$12,063.50 based on the 31 March 1978 par value of the United States dollar in terms of gold. If the capital stock as of 31 December 1986 had been valued in terms of \$12,063.50 per share, the net maintenance of value obligations would have been \$94,454,000 (\$205,333,000 — 1985) receivable from members instead of \$150,666,000 (\$86,825,000 — 1985) receivable from members.

Translation of Currencies

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice ap-

proximates the application of average rates in effect during the period. Translation adjustments other than those relating to maintenance of value of currency holdings (see Notes E and I), are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in income. Currency swaps made in connection with borrowings are hedged by forward exchange commitments, and accordingly do not result in any net exchange gain or loss.

Loans

The Bank's loans have been made to or guaranteed by members or their governments, with exception of loans to the private sector, and have maturities ranging between 10 and 30 years. The Bank requires its borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies which it has disbursed. The Bank has not suffered any loan losses to date and follows a policy of not taking part in debt rescheduling agreements.

Prior to 1 July 1986, the lending rate of the Bank was based on a fixed lending rate system under which loans carried interest rates fixed at the time of loan approval for the entire life of the loans. The rate from 1 January 1986 to 30 June 1986 was 9.65% per annum. Effective 1 July 1986, the Bank adopted a pool-based variable lending rate system for those loans approved on or after that date plus certain others at the option of the borrowers. Under the system the lending rate is adjusted on 1 January and 1 July of each year and is determined by adding a spread, currently 0.50% per annum, to the average cost of outstanding Bank borrowings included in the pool. The rate adopted on 1 July 1986 was 7.65% per annum.

Property, Furniture and Equipment

The headquarters building of the Bank, including land, facilities and fixtures and the initial cost of necessary staff amenities and other related furnishings have been provided to the Bank by the Government of the Republic of the Philippines (Government) which has also provided additional office space in a second building. The Bank has leased additional office space in other buildings and has fitted and furnished all additional office space. Significant purchases of property, furniture and equipment by the Bank are capitalized and depreciated over estimated useful lives of related assets using the straight-line method. Other purchases are charged to expense.

To meet the Bank's need for future office accommodations, the Bank has purchased parcels of land in Metropolitan

NOTES TO FINANCIAL STATEMENTS

31 December 1986 and 31 December 1985

Manila at the original cost of \$10,053,000 and has awarded a contract for the construction of a new headquarters building. Other costs capitalized in connection with this project, including interest (see Note F), totalled \$31,623,000 as of 31 December 1986 (\$18,462,000 — 1985). Outstanding commitments related to the project aggregate approximately \$102,760,000 (\$85,000,000 — 1985).

Under terms of an agreement with the Government, the Bank will return the present headquarters premises to the Government upon transfer to the new headquarters and the Bank will be compensated for the premises returned as determined in accordance with the agreement as supplemented by a memorandum of understanding.

NOTE B — RESTRICTIONS ON USE OF CURRENCIES AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i) of the Charter, the use by the Bank or by any recipient from the Bank of certain assets may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 28 (27 — 1985) members, cash in banks and demand obligations totalling \$51,489,000 (\$39,504,000 — 1985) and \$239,056,000 (\$227,098,000 — 1985), respectively, may be, but are not currently so restricted.

In accordance with Article 24, paragraphs 2(i) and (ii) of the Charter, the use by the Bank or by any recipient from the Bank of certain assets has been restricted by two members to payments for goods or services produced in their territories. Cash in banks and demand obligations totalling \$39,000 (\$74,000 — 1985) and \$4,459,000 (\$3,919,000 — 1985), respectively, have been so restricted.

NOTE C — INVESTMENTS

As of 31 December 1986, the market value of investments was \$4,245,236,000 (\$3,523,513,000 — 1985), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$1,082,213,000 (\$1,155,566,000 — 1985). During the year ended 31 December 1986, sales of investments resulted in a net gain of \$38,047,000 (\$41,257,000 — 1985). Gains and losses on sales of investments are measured by the difference between average amortized cost and the net proceeds of sales. The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each quarter, including realized gains and losses, was 9.52% (11.03% — 1985).

NOTE D — CAPITAL STOCK

The authorized capital stock of the Bank consists of 1,607,539 shares (1,476,807 — 1985), of which 1,592,226 shares (1,453,914 — 1985) have been subscribed by members. Of the subscribed shares, 1,399,748 (1,277,847 — 1985) are "callable" and 192,478 (176,067 — 1985) are "paid-in". The "callable" share capital is subject to call by the Bank only as and when required to meet the Bank's obligations incurred on borrowings or on guarantees. The "paid-in" share capital is payable or has been paid in instalments, partly in convertible currencies and partly in the

currency of the subscribing member. In accordance with Article 6, paragraph 3 of the Charter, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations.

As of 31 December 1986, all matured instalments amounting to \$2,093,980,000 (\$1,746,033,000 — 1985) were received except \$6,602,000 (\$13,938,000 — 1985). Instalments not due aggregating \$260,392,000 (\$187,922,000 — 1985) are receivable as follows:

	1986	1985
1986		\$90,704,000
1987	\$151,706,000	90,693,000
1988	57,976,000	6,525,000
1989	50,710,000	

Payments in respect of capital subscription instalments in advance of due dates are shown in the balance sheet (under the caption "CAPITAL AND RESERVES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

NOTE E — MAINTENANCE OF VALUE OF CURRENCY HOLDINGS

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars. In accordance with the provisions of Article 25 of its Charter and relevant resolutions of the Board of Directors, the "Amounts required to maintain value of currency holdings" under "RECEIVABLE FROM MEMBERS" represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purpose of computing maintenance of value of the Bank's holdings of certain member currencies.

Since 1 April 1978, inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain. The notional amounts as of 31 December 1986 consisting of receivables of \$274,291,000 (\$184,453,000 — 1985) and payables of \$124,995,000 (\$99,003,000 — 1985) represent (a) the net decrease of \$93,084,000 (\$203,958,000 — 1985) in the value of currency holdings in relation to the United States dollar, the Bank's unit of account, during the period from 1 April 1978 to 31 December 1986 and (b) the increase of \$56,212,000 (decrease of \$118,508,000 — 1985) in amounts required to maintain the value of such currency holdings to the extent of matured and paid capital subscriptions due to the increase (decrease — 1985) in the value of the SDR in relation to the United States dollar during the same period.

NOTE F — INCOME AND EXPENSES

Income from other sources — net includes charges of \$4,826,000 (credits of \$1,460,000 — 1985) which represent the difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity.

Total interest expense incurred amounted to \$476,079,000 (\$333,094,000 — 1985). Of this amount \$2,478,000 (\$1,608,000 — 1985) was capitalized as a part of the cost of the new headquarters building.

Administrative expenses (other than those appertaining directly to ordinary operations and special operations) for the year ended 31 December 1986 have been apportioned between ordinary capital resources and the Asian Development Fund according to the number of loans approved for the year. Of the total administrative expenses of \$86,117,000 (\$81,709,000 — 1985), \$40,621,000 (\$36,141,000 — 1985) has accordingly been charged to the Asian Development Fund.

NOTE G — SPECIAL RESERVE

In accordance with Articles 16 and 17 of the Charter, the Bank charged a commission, calculated at 1/4% per annum in 1985, on the outstanding amount of loans made by it from the ordinary capital resources prior to 28 March 1984 and an amount equivalent to such commissions was appropriated to a Special Reserve. The commission charged on such loans was discontinued after 1985. All amounts previously intended as commission but no longer chargeable as such are levied as interest and are accounted for as such by the Bank. Special Reserve assets consist of government and government guaranteed obligations and are included under the heading "INVESTMENTS".

NOTE H — CAPITAL TRANSFERRED TO ASIAN DEVELOPMENT FUND

Pursuant to the provisions of Article 19, paragraph 1(i) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973 to be used as a part of the Special Funds of the Bank. The resources so set aside, amounting to \$58,236,000 as of 31 December 1986 (\$52,295,000 — 1985) expressed in terms of the SDR on the basis of \$1.22319 (\$1.09842 — 1985) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar — see Note A), were allocated and transferred to the Asian Development Fund.

NOTE I — ORDINARY RESERVE AND NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE

Under the provisions of Article 40 of the Charter, the Board of Governors shall determine annually what part of the net income after appropriation of commissions to Special Reserve (see Note G) shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be

distributed to the members. Net income after appropriation of commissions to Special Reserve for the year ended 31 December 1985 was allocated to the Ordinary Reserve.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Note A) resulted in a net charge of \$33,511,000 to the Ordinary Reserve during the year ended 31 December 1986 (\$29,690,000 — 1985). That charge is the increase in the value of the matured and paid capital subscriptions caused by the change during the period in the value of the SDR in relation to the United States dollar not allocated to members as notional maintenance of value adjustments in accordance with resolutions of the Board of Directors.

NOTE J — STAFF RETIREMENT PLAN

The Bank has a contributory Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant as of the first day of service, provided that as of such a date, the employee shall not have reached the normal retirement date. The Plan applies also to members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet. All costs of administering the Plan are absorbed by the Bank.

Participants are required to contribute 9 1/3% of their remuneration to the Plan and may also make voluntary contributions. The Bank has contributed amounts equal to 18 2/3% of the participants' remuneration. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions. For the year ended 31 December 1986, the amount contributed by the Bank was \$7,128,000 (\$6,821,000 — 1985).

The actuarial present value of vested and non-vested accumulated plan benefits as of 30 September 1986, the date of the last actuarial valuation, totalled \$59,533,000 (\$50,445,000 — 1985) and \$3,224,000 (\$3,624,000 — 1985), respectively. Net assets available for benefits totalled \$133,075,000 as of 30 September 1986 (\$88,992,000 — 1985). The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8%.

NOTE K — SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for grant-financed technical assistance projects and programs totalled approximately \$38,444,000 as of 31 December 1986 (\$32,376,000 — 1985). Ordinary capital resources income is used for these commitments if Technical Assistance Special Fund resources are not available. When technical assistance provided as a grant leads to a Bank loan, the amount of the grant exceeding \$150,000 will be refinanced under the loan. Refinanced amounts of \$1,000 were charged to loans and credited to income of ordinary capital resources during the year ended 31 December 1986 (none — 1985).

DELOITTE HASKINS & SELLS

Certified Public Accountants

1114 Avenue of the Americas
New York 10036

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of the Asian Development Bank — Asian Development Fund (ADF):

- ADF-1 Balance Sheet, 31 December 1986 and
31 December 1985
- ADF-2 Statement of Income and Expenses and Accumulated
Net Income for the Years Ended 31 December 1986
and 31 December 1985
- ADF-3 Statement of Changes in Financial Position for the Years
Ended 31 December 1986 and 31 December 1985
- ADF-4 Summary Statement of Loans, 31 December 1986 and
31 December 1985
- ADF-5 Statement of Resources, 31 December 1986
- ADF-6 Notes to Financial Statements, 31 December 1986 and
31 December 1985

Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Asian Development Fund at 31 December 1986 and 31 December 1985 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

27 February 1987

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note B)

ASSETS	1986		1985	
DUE FROM BANKS		\$ 3,627		\$ 8,356
INVESTMENTS (Note C)				
Government and government guaranteed obligations — amortized cost	\$ 173,929		\$ 161,394	
Time deposits and other obligations of banks	443,744	617,673	279,591	440,985
LOANS OUTSTANDING (ADF-4)		2,750,733		2,000,070
ACCRUED INCOME				
On investments	4,866		4,815	
On loans	9,107	13,973	6,680	11,495
NOTES OF CONTRIBUTORS				
Non-negotiable, non-interest-bearing notes		4,705,021		3,618,824
RECEIVABLE FROM CONTRIBUTORS (ADF-5)		3,495		10,937
OTHER ASSETS		7,910		6,303
TOTALS		\$8,102,432		\$6,096,970
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL				
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note D)		\$ 14,495		\$ 10,144
ACCOUNTS PAYABLE AND OTHER LIABILITIES		5,046		4,343
UNEXPENDED BALANCES AND CAPITAL				
Amounts available for loan commitments (ADF-5)				
Contributed Resources	\$7,428,080		\$5,822,605	
Set-Aside Resources (Note E)	58,236		52,295	
Other Resources	5,080		5,080	
	7,491,396		5,879,980	
Advance payments on contributions (ADF-5)	318,383		996	
Accumulated translation adjustments (Note B)	27,244		(7,933)	
Accumulated net income (ADF-2)	245,868	8,082,891	209,440	6,082,483
TOTALS		\$8,102,432		\$6,096,970

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME

For the Years Ended 31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note B)

	1986	1985
INCOME		
From Investments (Note C)	\$ 49,344	\$ 38,043
From loans	27,116	18,072
From other sources — net	609	366
TOTAL INCOME	77,069	56,481
EXPENSES		
Administrative expenses (Note D)	40,641	36,230
NET INCOME	36,428	20,251
ACCUMULATED NET INCOME AT BEGINNING OF THE YEAR	209,440	189,189
ACCUMULATED NET INCOME AT END OF THE YEAR	\$245,868	\$209,440

See notes to financial statements (ADF-3).

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note B)

	1986	1985
FUNDS WERE PROVIDED BY		
Operations:		
Net income	\$ 36,428	\$ 20,251
Items not requiring or providing current funds:		
Administration charge (Note D)	40,621	36,141
Accrued income including interest added to loans	(3,489)	(3,709)
Funds provided by operations	73,560	52,683
Contributions:		
Contributions drawn ¹	\$ 896,782	\$ 872,850
Increase in contributions drawn as a result of currency revaluations	1,033,522	743,310
Notes of contributors encashed	451,955	417,145
Notes of contributors received	(895,952)	(672,935)
Increase in notes of contributors as a result of currency revaluations	(642,200)	(456,422)
Net translation adjustments	35,177	27,621
Increase in Set-Aside Resources due to substitution of the SDR for the 1966 dollar as the unit of value	5,941	5,628
Totals	958,785	789,880
FUNDS WERE UTILIZED FOR		
Loans:		
Loans disbursed	411,456	389,546
Increase in loans disbursed and outstanding as a result of currency revaluations	359,687	258,240
Loans collected	(21,491)	(14,207)
Administration charge paid	36,270	32,886
Other — net	904	2,183
Totals	786,826	668,648
INCREASE IN DUE FROM BANKS AND INVESTMENTS	\$171,959	\$121,232

See notes to financial statements (ADF-6).

¹ Includes advance payments on contributions of \$269,846 (\$695 — 1985).

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note B)

Borrowers/Guarantors ¹	Loans Outstanding ²	Undisbursed Balances of Effective Loans	Loans Not Yet Effective	Total Loans	Percent of Total Loans
Afghanistan	\$ 25,106	\$ 46,154	\$ 20,100	\$ 91,360	1.50
Bangladesh	649,674	1,171,946	105,689	1,927,309	31.60
Bhutan	3,081	15,631	8,861	27,573	0.45
Burma	264,200	258,468	—	522,668	8.57
Cambodia	643	1,027 ³	—	1,670	0.03
Cook Islands	2,305	195	—	2,500	0.04
Indonesia	105,557	21,052	—	126,609	2.08
Kiribati	683	486	728	1,897	0.03
Korea, Republic of	1,378	—	—	1,378	0.02
Laos	31,545	21,654	12,195	65,394	1.07
Malaysia	1,778	—	—	1,778	0.03
Maldives	1,333	2,451	—	3,784	0.06
Nepal	210,043	292,875	51,873	554,791	9.09
Pakistan	517,049	850,086	394,811	1,761,946	28.88
Papua New Guinea	58,478	58,463	17,013	133,954	2.20
Philippines	62,553	64,634	—	127,187	2.09
Singapore	1,956	—	—	1,956	0.03
Solomon Islands	16,774	8,770	4,223	29,767	0.49
Sri Lanka	211,329	230,807	104,297	546,433	8.96
Thailand	47,776	23,861	—	71,637	1.17
Tonga	7,032	3,836	—	10,868	0.18
Vanuatu	842	4,824	—	5,666	0.09
Viet Nam	20,402	125	13,000	33,527	0.55
Western Samoa	30,831	12,038	5,416	48,285	0.79
TOTALS — 31 December 1986	2,272,348	3,089,383	738,206	6,099,937	100.00
Adjustments in US\$ equivalents	478,385 ⁴	—	—	478,385 ⁴	—
BALANCES — 31 December 1986	\$2,750,733	\$3,089,383	\$738,206	\$6,578,322	—
TOTALS — 31 December 1985	\$1,879,955	\$2,775,124	\$679,633	\$5,334,712	—
Adjustments in US\$ equivalents	120,115 ⁴	—	—	120,115 ⁴	—
BALANCES — 31 December 1985	\$2,000,070	\$2,775,124	\$679,633	\$5,454,827	—

See notes to financial statements (ADF-8).

1 Loans other than those made directly to a member or its central bank have been guaranteed by the member.

2 The Bank makes a service charge on all Special Funds loans approved after 21 March 1974 at the rate of 1% per annum. On loans approved prior to 21 March 1974, the Bank charges interest (including a service fee of 3/4 of 1%) ranging from 1% per annum to 3% per annum. Loans negotiated after 1 January 1983 are denominated in Special Drawing Rights (SDR) for the purpose of commitment whereas loans negotiated before that date were denominated in current United States dollars for the same purpose. The disbursed portions of such loans have been translated into United States dollars at the applicable exchange rates as of the respective dates of disbursements whereas the undisbursed portions are translated into United States dollars at the applicable exchange rates as of the end of a reporting period.

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1987	\$ 32,742	1996	476,381
1988	33,941	2001	687,919
1989	42,078	2006	913,562
1990	49,370	2011	1,027,784
1991	59,471	2016	998,918
		2021	768,957
		2026	269,581
		Undetermined	479,412 ⁵
		Total	<u>\$5,840,116</u>

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1986	1985	Currency	1986	1985
Australian dollar	\$ 49,747	\$ 45,883	Japanese yen	1,550,336	1,067,690
Austrian schilling	13,842	7,570	Netherlands guilder	53,687	34,533
Belgian franc	15,699	10,550	New Zealand dollar	3,426	3,231
Canadian dollar	122,714	95,588	Norwegian krone	7,002	7,032
Danish krone	13,436	8,935	Pound sterling	68,109	58,182
Deutsche mark	194,964	133,403	Swedish krona	11,048	7,071
Finnish markka	5,507	4,822	Swiss franc	39,397	26,309
French franc	36,987	21,594	United States dollar	528,281	438,810
Italian lira	36,551	28,867	Totals	<u>\$2,750,733</u>	<u>\$2,000,070</u>

3 Pending consultation with the government concerning its intentions with respect to the project being financed, the Bank has suspended further disbursement of the loan.

4 These amounts represent adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

5 Represents translation adjustments and undistributed amounts which have not been allocated to specific maturities.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1986

Expressed in Thousands of United States Dollars (Note B)

	Amounts Committed During 1986	Cumulative Amounts Committed	Amounts Not Yet Available for Loan Com- mitments	Amounts Available for Loan Commitments	Amounts Received	Amounts Receivable
CONTRIBUTED RESOURCES						
Australia	\$ —	\$ 243,808	\$ —	\$ 243,808	\$ 243,808	\$ —
Austria	—	63,929	5,055	58,874	58,874	—
Belgium	—	56,733	—	56,733	56,733	—
Canada	—	471,839	—	471,839	471,839	—
Denmark	—	53,330	4,309	49,021	49,021	—
Finland	—	39,563	3,390	36,173	32,678	3,495
France	13,971	249,915	24,465	225,450	225,450	—
Germany, Fed. Rep. of	—	551,249	31,824	519,425	519,425	—
Hong Kong	—	1,000	140	860	860	—
Indonesia	—	3,000	420	2,580	2,580	—
Italy	—	198,089	17,720	180,369	180,369	—
Japan	—	3,979,090	248,252	3,730,838	3,730,838	—
Korea, Republic of	—	3,500	490	3,010	3,010	—
Netherlands	—	176,561	12,855	163,706	163,706	—
New Zealand	—	11,047	587	10,460	10,460	—
Norway	—	37,910	—	37,910	37,910	—
Spain	32,743	32,743	4,590	28,153	28,153	—
Sweden	—	61,054	5,185	55,869	55,869	—
Switzerland	—	103,860	6,873	96,987	96,987	—
Taipei, China	—	2,000	280	1,720	1,720	—
United Kingdom	—	247,058	14,869	232,189	232,189	—
United States	—	1,295,000 ¹	72,894	1,222,106	1,222,106	—
Totals	46,714	7,882,278	454,198	7,428,080	7,424,585 ²	3,495
SET-ASIDE RESOURCES (Note E)	—	58,236	—	58,236	58,236	—
OTHER RESOURCES	—	5,080	—	5,080	5,080	—
TOTALS	\$46,714	\$7,945,594	\$454,198	\$7,491,396	\$7,487,901	\$3,495

See notes to financial statements (ADF-6).

- 1 Including \$72,894 representing the balance of the last tranche of the United States' contribution to the third ADF replenishment (ADF IV) for which the necessary internal procedures had not been completed as of 31 December 1986.
- 2 Excluding \$318,383 equivalent representing advance payments from various donor countries on account of their contributions to ADF IV as this amount was not available for loan commitments as of 31 December 1986.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1986 and 31 December 1985

CONTINUED

NOTE A — GENERAL

The Asian Development Fund (the Fund) was established on 28 June 1974 to streamline special operations of the Bank.

The resources of the Fund have been subsequently augmented by three replenishments, the most recent of which was in July 1982 in a total amount equivalent to US\$3,214,073,000 to cover the operational requirements for the four years ending 31 December 1986.

On 1 October 1986, the Board of Governors authorized the fourth replenishment of the Fund in a total amount equivalent to approximately \$3,600,000,000 for the four years ending 31 December 1990 under a four-year instalment program. The replenishment shall come into effect on or before 31 May 1987 when Instruments of Contribution shall have been received by the Bank of unqualified contribution commitments in an aggregate amount equivalent to at least \$1,800,000,000. Approximately 2% of each contribution (an aggregate amount equivalent to \$72,000,000) is to be allocated to the Technical Assistance Special Fund.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

The currencies of contributing members are functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities and contributions committed are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at

the end of a reporting period. Income and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments relating to contributions are offset by increases or decreases in the contribution accounts. Translation adjustments relating to set-aside resources (see Note E) are recorded as receivable from or payable to Ordinary Capital Resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in income.

Loans

Concessional loans of the Fund have been extended to certain developing member countries, bear only a service charge and generally require repayment over a 40-year period. The Fund requires Borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed. The Fund has not suffered any loan losses to date and follows a policy of not taking part in debt rescheduling agreements.

Contributions

Contributions by member countries are included in the financial statements as amounts committed from the date Instruments of Contribution are deposited and related formalities are completed.

NOTE C — INVESTMENTS

As of 31 December 1986, the market value of investments was \$620,199,000 (\$442,822,000 — 1985), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$508,664,000 (\$350,667,000 — 1985). During the year ended 31 December 1986, sales of investments resulted in a net

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1986 and 31 December 1985

gain of \$890,000 (\$1,534,000 — 1985). Gains and losses on sales of investments are measured by the difference between average amortized cost and the net proceeds of sales. The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each quarter, including realized gains and losses, was 8.66% (9.75% — 1985).

NOTE D — ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include an administration charge from Ordinary Capital Resources amounting to \$40,621,000 (\$36,141,000 — 1985). The charge represents an apportionment of all administrative expenses of the Bank (other than those appertaining directly to ordinary operations and special operations) based on the number of loans approved for the year.

NOTE E — SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(i) of the Articles of Agreement Establishing the Bank, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6,

paragraph 2(b) as of 28 April 1973, to be used as a part of the Special Funds of the Bank. The capital so set aside was allocated and transferred from the Ordinary Capital Resources to the Fund as Set-Aside Resources.

The capital stock of the Bank is defined in Article 4, paragraph 1 "In terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1986, the value of the SDR in terms of the current United States dollar was \$1.22319 (\$1.09842 — 1985). On this basis, Set-Aside Resources amounted to \$58,236,000 (\$52,295,000 — 1985). If the capital stock of the Bank as of 31 December 1986 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

DELOITTE HASKINS & SELLS

Certified Public Accountants

1114 Avenue of the Americas
New York 10036

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of the Asian Development Bank -- Technical Assistance Special Fund (TASF):

- TASF-1 Balance Sheet, 31 December 1986 and 31 December 1985
- TASF-2 Statement of Operations and Unexpended Balances for the
Years Ended 31 December 1986 and 31 December 1985
- TASF-3 Statement of Changes in Financial Position for the Years
Ended 31 December 1986 and 31 December 1985
- TASF-4 Statement of Contributed Resources, 31 December 1986
- TASF-5 Summary Statement of Services to Member Countries for the
Year Ended 31 December 1986
- TASF-6 Notes to Financial Statements, 31 December 1986 and
31 December 1985

Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank -- Technical Assistance Special Fund at 31 December 1986 and 31 December 1985 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

27 February 1987

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

BALANCE SHEET

31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note A)

	<u>1986</u>	<u>1985</u>
<u>ASSETS</u>		
DUE FROM BANKS	\$ 508	\$ 3,757
INVESTMENTS (Note B)		
Government and government guaranteed obligations—amortized cost	—	3,033
Time deposits and other obligations of banks	15,017	11,197
ACCRUED INCOME	94	151
RECEIVABLE FROM CONTRIBUTORS (TASF-4)	254	1,021
OTHER ASSETS	2,595	1,986
TOTALS	\$18,468	\$21,145
<u>LIABILITIES AND UNEXPENDED BALANCES</u>		
ACCOUNTS PAYABLE TO ORDINARY CAPITAL RESOURCES AND OTHERS	\$12,827	\$12,878
UNEXPENDED BALANCES (TASF-2) (Note C)	5,641	8,267
TOTALS	\$18,468	\$21,145

See notes to financial statements (TASF-8).

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF OPERATIONS AND UNEXPENDED BALANCES

For the Years Ended 31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note A)

	1986		1985	
CONTRIBUTIONS COMMITTED (TASF-4)		\$ 4,364		\$ 5,760
INCOME				
From investments (Note B)	\$ 1,047		\$ 961	
From other sources — net (Note D)	286	1,333	351	1,312
Totals		5,697		7,072
EXPENSES				
Services to member countries (TASF-5) (Note D)	10,728		10,143	
Administrative expenses	9	10,737	16	10,159
EXPENSES IN EXCESS OF CONTRIBUTIONS AND INCOME		(5,040)		(3,087)
EXCHANGE GAIN — net (Note A)		2,414		2,307
DECREASE IN UNEXPENDED BALANCES		(2,626)		(780)
UNEXPENDED BALANCES AT BEGINNING OF THE YEAR		8,267		9,047
UNEXPENDED BALANCES AT END OF THE YEAR		\$ 5,641		\$ 8,267

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1986 and 31 December 1985

Expressed in Thousands of United States Dollars (Note A)

	1986	1985
FUNDS WERE PROVIDED BY		
Contributions:		
Contributions drawn	\$ 5,091	\$ 7,154
Increase in contributions drawn as a result of currency revaluations	1,579	1,342
	6,670	8,496
Increase in accounts payable to Ordinary Capital Resources	385	2,850
Totals	7,055	11,346
FUNDS WERE UTILIZED FOR		
Operations:		
Decrease in unexpended balances	2,626	780
Items not providing or (requiring) current funds:		
Accrued contributions committed	5,903	6,790
Accrued income	(57)	9
Accrued expenses	586	661
	9,058	8,240
Funds utilized for operations		
Other — net	459	218
Totals	9,517	8,458
INCREASE (DECREASE) IN DUE FROM BANKS AND INVESTMENTS	\$(2,462)	\$ 2,888

See notes to financial statements (TASF-8).

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CONTRIBUTED RESOURCES

31 December 1986

Expressed in Thousands of United States Dollars (Note A)

Contributors	Contributions Committed During 1986	Cumulative Contributions Committed	Cumulative Amounts Received	Amounts Receivable
Australia	\$ —	\$ 2,484	\$ 2,484	\$ —
Austria	—	139	139	—
Bangladesh	—	47	47	—
Belgium	—	1,273	1,273	—
Canada	—	3,346	3,346	—
Denmark	—	1,962	1,962	—
Finland	—	237	237	—
France	—	1,655	1,655	—
Germany, Federal Republic of	—	3,250	3,250	—
Hong Kong	—	100	100	—
India	—	1,529	1,529	—
Indonesia	—	250	250	—
Italy	—	774	774	—
Japan	2,980	47,045	47,045	—
Korea, Republic of ¹	—	1,450	1,450	—
Malaysia	—	906	906	—
Netherlands	—	1,319	1,168	151
New Zealand	40	1,096	1,096	—
Norway	676	3,053	3,053	—
Pakistan ¹	62	565	565	—
Singapore	—	100	100	—
Spain	164	164	164	—
Sri Lanka	—	6	6	—
Sweden	—	822	822	—
Switzerland	—	1,035	1,035	—
Taipei, China	—	200	200	—
United Kingdom	442	5,580	5,477	103
United States	—	1,500	1,500	—
Totals	4,364	81,887	81,633	254
Transfer to the Asian Development Fund	—	(400)	(400)	—
TOTALS	\$4,364	\$81,487	\$81,233	\$254

See notes to financial statements (TASF-6).

¹ Subsequent to 31 December 1986, the Republic of Korea and Pakistan have made further contributions of \$150 and the equivalent of \$61, respectively, to the Technical Assistance Special Fund.

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

SUMMARY STATEMENT OF SERVICES TO MEMBER COUNTRIES

For the Year Ended 31 December 1986

Expressed in Thousands of United States Dollars (Note A)

Recipients	Project Preparation	Project Implementation/ Advisory	
Bangladesh	\$ 139	\$ 52	191
Bhutan	100	668	768
Burma	206	106	312
Fiji	35	206	241
Indonesia	571	97	668
Kiribati	(8)	34	26
Korea, Republic of	176	20	196
Laos	82	264	346
Malaysia	754	97	851
Maldives	16	120	136
Nepal	435	18	453
Pakistan	692	111	803
Papua New Guinea	368	510	878
Philippines	643	143	786
Solomon Islands	169	3	172
Sri Lanka	410	139	549
Thailand	367	664	1031
Tonga	—	13	13
Vanuatu	—	9	9
Western Samoa	68	227	295
Totals	<u>\$5,223</u>	<u>\$3,501</u>	<u>8,724</u>
Regional Activities			2,090
TOTAL			<u>\$10,728</u>

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1986 and 31 December 1985

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currency and Reporting Currency

The functional currency of the Technical Assistance Special Fund (TASF) is deemed, as a matter of convenience, to be the same as the reporting currency, the United States dollar. The financial statements of TASF are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities and unexpended balances in currencies other than United States dollars are translated at the applicable rates of exchange at the end of a reporting period. As to contributions committed, the used portions have been translated at the applicable exchange rates as of the respective dates of use whereas the unused portions are translated at the applicable exchange rates as of the end of a reporting period. Income and expense amounts in currencies other than United States dollars are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments are accounted for as exchange gains or losses and are charged or credited to operations.

Contributions

Contributions by member countries are included in the financial statements as amounts committed from the date contribution agreements become effective.

NOTE B — INVESTMENTS

As of 31 December 1986, the market value of investments was \$15,017,000 (\$14,311,000 — 1985), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$15,017,000 (\$11,255,000 — 1985). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each quarter was 8.13% (7.66% — 1985).

NOTE C — FUNDING

Since 1967, contributions have been made by 28 member countries (27 — 1985). Contributions in earlier years were restricted in one form or another but there has been a trend in recent years towards contributions being made in a substantially or wholly unrestricted manner.

On 1 October 1986, the Board of Governors, in authorizing a \$3,600,000,000 replenishment of the Asian Development Fund, provided for an allocation to the TASF in an aggregate amount equivalent to \$72,000,000.

NOTE D — SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for grant-financed technical assistance projects and programs totalled approximately \$38,444,000 as of 31 December 1986 (\$32,376,000 — 1985). Technical Assistance Special Fund resources are used for these commitments where available and any balance is financed from Ordinary Capital Resources income. When technical assistance provided as a grant leads to a Bank loan, the amount of the grant exceeding \$150,000 will be refinanced under the loan. Refinanced amounts of \$285,000 were charged to loans and credited to income from other sources of the TASF during the year ended 31 December 1986 (\$350,000 — 1985).

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ECONOMIC DATA OF DMCs

TABLE 1
ESTIMATED RATE OF REAL GDP GROWTH, 1976-1986 AND
PER CAPITA GNP, 1985 OF SELECTED DMCs

Country	Rate of Real GDP Growth (%)				Per Capita GNP ^a in Current \$
	Annual Average (1976-1985) (1)	1984 (2)	1985 (3)	1986 ^b (4)	1985 (5)
Bangladesh ^c	4.5	4.2	3.7	4.4	150
Burma ^d	6.0	5.6	6.2	3.7	190
China, People's Rep. of ^e	7.9	13.5	12.3	7.4	310
Fiji	2.6	8.7	-3.0	7.0	1,700
Hong Kong	9.1	9.5	0.6	8.7	6,640 ^f
India ^d	4.5	3.8	6.3	5.0	250
Indonesia	6.2	6.1	1.9	2.0	530
Korea, Rep. of	7.6	8.6	5.4	11.4	2,180
Malaysia	6.9	7.8	-1.0	0.5	2,050
Nepal ^c	3.2	7.8	3.0	4.2	160
Pakistan ^c	6.2	5.2	7.4	7.2	380
Papua New Guinea	1.8	0.5	4.4	0.6	710
Philippines	2.9	-5.7	-4.0	0.2	600
Singapore	7.4	8.2	-1.8	1.9	7,420
Sri Lanka	5.3	5.1	5.0	4.0	370
Taipei, China	8.3	9.6	4.3	9.9	3,140
Thailand	6.4	6.2	3.7	3.8	830
Average (All DMCs) ^g	6.5	7.7	6.0	6.0	
Average (Without China, People's Rep. of) ^g	6.0	5.7	3.8	5.6	

a World Bank Atlas Methodology, 1983-85 base period, except for Taipei, China; values rounded to the nearest ten.

b Preliminary estimates.

c Refers to fiscal year ending 30 June for Bangladesh and Pakistan; fiscal year ending 15 July for Nepal.

d Refers to fiscal year beginning 1 April for Burma and India.

e Refers to Net Material Product (NMP).

f Refers to per capita GDP.

g Weights are proportional to GDP in US dollars in 1985.

Sources: Country sources for columns (1), (2), (3) and (4).

World Bank, 2 October 1986 for column (5), except for Taipei, China which was taken from country source.

TABLE 2
RICE (PADDY) PRODUCTION OF SELECTED DMCs, 1983-1986^a
(Million metric tons)

Country	1983	1984	1985	1986 ^b	Annual Growth Rate (%)		
					1984	1985	1986 ^b
Afghanistan	0.479	0.480	0.480	0.454	0.21	—	-5.42
Bangladesh	21.751	21.930	22.519	23.400	0.82	2.69	3.91
Bhutan	0.060	0.061	0.062	0.063	1.67	1.64	1.61
Burma	14.288	14.255	14.600	14.466	-0.23	2.42	-0.92
Cambodia	1.700	1.970	2.100	2.140	15.88	6.60	1.90
China, People's Rep. of	168.865	178.255	168.479	175.000	5.56	-5.48	3.87
Fiji	0.016	0.022	0.022	0.022	37.50	—	—
India	90.048	87.990	96.300	97.000	-2.29	9.44	0.73
Indonesia	35.303	38.136	39.025	39.100	8.02	2.33	0.19
Korea, Rep. of	7.608	7.970	7.855	7.700	4.76	-1.44	-1.97
Lao PDR	1.101	1.321	1.471	1.500	19.98	11.36	1.97
Malaysia	1.734	1.572	1.950	1.895	-9.34	24.05	-2.82
Nepal	2.757	2.709	2.804	2.845	1.74	3.51	1.46
Pakistan	5.009	4.973	4.437	4.448	-0.72	-10.78	0.25
Philippines	7.841	7.829	8.806	8.500	-0.15	12.48	-3.47
Solomon Islands	0.009	0.007	0.005	0.005	-22.22	-28.57	—
Sri Lanka	2.484	2.414	2.661	2.508	-2.82	10.23	-5.75
Taipei, China	3.314	2.938	3.000	3.000	-11.35	2.11	—
Thailand	19.549	19.905	20.264	19.300	1.82	1.80	-4.76
Viet Nam, Soc. Rep. of	14.732	15.613	15.700	15.600	5.98	0.56	-0.64
TOTAL	398.648	410.350	412.540	418.946	2.94	0.53	1.55

— magnitude equal to zero.

^a Data refer to the calendar year in which the whole harvest or bulk of harvest takes place.

^b Preliminary estimates.

Source: FAO, Basic Data Unit, 9 January 1987.

TABLE 3
WHEAT AND COARSE GRAIN PRODUCTION OF SELECTED DMCs, 1983-1986^a
(Million metric tons)

Country	1983	1984	1985	1986 ^b	Annual Growth Rate (%)		
					1984	1985	1986 ^b
Wheat							
Afghanistan	2.860	2.850	2.700	2.500	-0.3	-5.3	-7.4
Bangladesh	1.095	1.211	1.464	1.026	10.6	20.9	-29.9
Bhutan	0.010	0.010	0.011	0.011	—	10.0	—
Burma	0.130	0.214	0.206	0.234	64.6	-3.7	13.6
China, People's Rep. of	81.390	87.815	85.810	88.500	7.9	-2.3	3.1
India	42.794	45.476	44.229	46.900	6.3	-2.7	6.0
Korea, Rep. of	0.112	0.017	0.011	0.010	-84.8	-35.3	-9.1
Nepal	0.657	0.634	0.534	0.600	-3.5	-15.8	12.4
Pakistan	12.414	10.882	11.703	13.800	-12.3	7.5	17.9
Taipei, China	0.002	0.002	0.002	0.002	—	—	—
TOTAL	141.464	149.111	146.670	153.583	5.4	-1.6	4.7
Coarse Grain							
Afghanistan	0.798	0.799	0.800	0.750	0.1	0.1	-6.3
Bangladesh	0.100	0.100	0.100	0.100	—	—	—
Burma	0.200	0.400	0.500	0.500	100.0	25.0	—
China, People's Rep. of	68.210	73.410	63.800	65.000	7.6	-13.1	1.9
India	39.322	39.856	32.950	36.000	1.4	-17.3	9.3
Indonesia	9.587	10.588	9.160	11.570	10.4	-13.5	26.3
Korea, Rep. of	1.000	1.000	0.700	0.600	—	-30.0	-14.3
Nepal	0.761	0.820	0.823	0.750	7.8	0.4	-8.9
Pakistan	2.614	2.728	2.709	2.870	4.4	-0.7	5.9
Philippines	6.646	6.550	7.763	7.300	-1.4	18.5	-6.0
Thailand	7.852	8.826	10.034	8.797	12.4	13.7	-12.3
Viet Nam, Soc. Rep. of	0.500	0.600	0.600	0.600	20.0	—	—
TOTAL	137.590	145.677	129.939	134.837	5.9	-10.8	3.8
TOTAL GRAIN (DMCs) ^c	677.702	705.138	689.149	707.366	4.0	-2.3	2.6

— magnitude equal to zero.

a Data refer to the calendar year in which the whole harvest or bulk of harvest takes place.

b Preliminary estimates.

c Includes paddy, wheat and coarse grain.

Sources: FAO, Basic Data Unit, 9 January 1987.

FAO, *Food Outlook*, Supplement 1985 and December 1986 issues.

TABLE 4
OIL PRODUCTION AND IMPORTS OF SELECTED DMCs, 1984-1986

Country	Crude Petroleum Production ('000 mt)				Petroleum & Petroleum Products Imports (\$ million)			
	1984	1985	1986 ^a	% Increase 1986/85	1984	1985	1986 ^a	% Increase 1986/85
Bangladesh	—	—	—	—	391	401	149	-62.8
Burma	1,607	1,708	1,800	5.4
China, People's Rep. of	114,900	124,900	131,000	4.9
Fiji	—	—	—	—	99	97	70	-27.8
Hong Kong	—	—	—	—	1,320	1,115	859	-23.0
India	27,933	29,860	31,147	4.3	4,731	4,244	2,400	-43.4
Indonesia	70,627	65,986	67,340	2.1	2,697	1,276	728	-42.9
Korea, Rep. of	—	—	—	—	6,414	6,160	3,869	-37.2
Malaysia	21,371	21,246	24,123	13.5	1,422	1,499	931	-37.9
Nepal	—	—	—	—	46	50	50	—
Pakistan	893	1,711	2,042	19.3	1,422	1,451	750	-48.3
Papua New Guinea	—	—	—	—	200	153	150	-2.0
Philippines	532	395	345	-12.7	1,652	1,453	921	-36.6
Singapore	—	—	—	—	7,946	7,736	5,046	-34.8
Solomon Islands	—	—	—	—	20	14	12	-14.3
Sri Lanka	—	—	—	—	419	405	189	-53.3
Taipei, China	136	118	105	-11.0	4,151	3,757	2,531	-32.6
Thailand	674	1,037	1,003	-3.3	2,426	2,082	1,238	-40.5
Tonga	—	—	—	—	5	5	5	—
Vanuatu	—	—	—	—	6	6	5	-16.7
Western Samoa	—	—	—	—	8	8	7	-12.5
TOTAL (Reporting)	238,673	246,961	258,905	4.8	35,375	31,912	19,910	-37.6

... data not available.

— magnitude equal to zero.

a Preliminary estimates.

Sources: Country sources.

TABLE 5
CHANGES IN CONSUMER PRICES OF SELECTED DMCs, 1984-1986^a
 (Per cent)

Country	1984	1985	1986 ^b
Bangladesh	9.9	11.8	8.9
Burma	4.8	0.1	7.0
China, People's Rep. of ^c	2.7	11.9	7.0
Cook Islands	11.9	10.8	9.5
Fiji ^c	5.3	4.4	1.8
Hong Kong	8.2	3.2	2.8
India ^c	8.3	5.6	8.6
Indonesia	11.7	4.9	5.5
Kiribati	5.4	5.0	6.0
Korea, Rep. of	2.2	2.5	2.4
Malaysia	3.9	0.3	0.7
Nepal	5.4	3.8	12.0
Pakistan ^c	7.1	7.0	5.0
Papua New Guinea	7.1	2.8	6.9
Philippines	49.3	20.7	5.3
Singapore	2.6	0.5	-1.4
Solomon Islands	11.1	9.6	13.6
Sri Lanka	16.6	1.5	7.9
Taipei, China ^c	-0.1	-0.2	0.7
Thailand	0.7	3.2	1.7
Tonga	0.1	19.5	21.8
Vanuatu	5.5	0.8	3.4
Western Samoa	11.9	9.1	5.7
Weighted Average^d	6.9	6.6	5.5

a Unless otherwise indicated, data refer to changes in consumer prices in the capital cities.

b Preliminary estimates.

c Data refer to average of all cities.

d Weights are proportional to GDP in US dollars in 1985.

Sources: Country sources and IMF, *International Financial Statistics*, February 1987.

TABLE 6
FOREIGN TRADE OF SELECTED DMCs, 1983-1986
(\$ million)

Country	Exports (fob)				Imports (cif)				Balance of Trade			
	1983	1984	1985	1986 ^a	1983	1984	1985	1986 ^a	1983	1984	1985	1986 ^a
Bangladesh	735	800	1,002	682	1,848	2,019	2,607	1,729	-1,113	-1,219	-1,605	-1,047
Burma	426	435	526	300	648	672	688	600	-222	-237	-162	-300
Cambodia, People's Rep. of	22,226	26,139	27,364	30,900	21,390	27,410	42,252	42,900	836	-1,271	-14,888	-12,000
Cook Islands	3	4	4	4	23	21	21	22	-20	-17	-17	-18
Hong Kong	241	259	235	276	485	450	441	439	-244	-191	-206	-163
	22,095	28,324	30,183	35,439	24,122	28,571	29,703	35,365	-2,027	-247	480	74
Indonesia	9,152	9,457	8,307	8,950	14,062	15,002	14,988	15,200	-4,910	-5,545	-6,681	-6,250
	21,146	21,888	18,587	14,793	16,352	13,882	10,259	10,096	4,794	8,006	8,328	4,697
Japan	4	11	4	6	20	21	18	20	-16	-10	-14	-14
Rep. of Korea	24,445	29,245	30,283	34,714	26,192	30,631	31,136	31,584	-1,747	-1,386	-853	3,130
Malaysia	14,118	16,490	15,311	13,869	13,266	14,049	12,259	10,839	852	2,441	3,052	3,030
Maldives	13	18	26	29	52	52	58	60	-39	-34	-32	-31
Mali	78	104	150	146	434	396	424	445	-356	-292	-274	-299
Mongolia	2,644	2,679	2,726	2,900	5,197	5,462	5,889	5,400	-2,553	-2,783	-3,163	-2,500
New Guinea	818	901	918	900	1,133	1,115	1,006	900	-315	-214	-88	—
Philippines	5,005	5,391	4,629	4,780	7,979	6,428	5,111	4,900	-2,974	-1,037	-482	-120
Singapore	21,842	24,068	21,500	21,300	28,160	28,660	24,513	23,629	-6,318	-4,592	-3,013	-2,329
Tuvalu	62	93	70	66	62	66	83	74	—	27	-13	-8
Sri Lanka	1,070	1,455	1,290	1,200	1,786	1,844	1,807	1,890	-716	-389	-517	-690
Taiwan, Rep. of China	25,094	30,424	30,723	39,785	20,314	21,989	20,102	24,175	4,780	8,435	10,621	15,610
Tonga	6,368	7,413	7,077	8,745	10,287	10,371	9,296	9,444	-3,919	-2,958	-2,219	-699
Tuvalu	6	9	5	5	38	39	41	38	-32	-30	-36	-33
Vanuatu	30	44	30	20	63	67	70	60	-33	-23	-40	-40
Western Samoa	538	595	665	900	1,240	1,470	1,500	1,900	-702	-875	-835	-1,000
Yemen	18	20	28	12	46	51	55	50	-28	-31	-27	-38
TOTAL	178,177	206,266	201,643	220,721	195,199	210,738	214,327	221,759	-17,022	-4,472	-12,684	-1,038

^a Preliminary estimates.

Sources: Country sources and IMF, *International Financial Statistics*, February 1987.

TABLE 7
INTERNATIONAL RESERVES AND RATIO OF RESERVES
TO IMPORTS OF SELECTED DMCs, 1983-1986

Country	International Reserves ^a (\$ million)				Ratio to Imports ^b (Months)			
	1983	1984	1985	1986 ^c	1983	1984	1985	1986 ^c
Bangladesh	541.6	405.7	349.4	331.1	3.5	2.4	1.6	2.3
Burma	98.6	70.7	43.6	43.9	1.8	1.3	0.8	0.9
China, People's Rep. of	15,451.0	17,801.0	13,214.0	11,948.0	8.7	7.8	3.8	3.3
Fiji	116.2	117.8	131.3	160.9	2.9	3.1	3.6	4.4
India	5,152.0	6,026.0	6,623.0	6,336.0	4.1	5.0	5.4	4.8
Indonesia	4,814.0	5,720.0	5,880.0	5,782.0	3.5	4.9	6.9	6.9
Kiribati ^d	87.0	73.5	93.7	...	52.2	42.0	62.5	...
Korea, Rep. of	6,888.8	7,629.2	7,729.4	8,041.2	3.2	3.0	3.0	3.1
Malaysia	3,869.0	3,803.0	5,002.0	5,702.0	3.5	3.2	4.9	6.3
Nepal	139.7	88.4	62.4	68.4 ^e	3.9	2.7	1.8	1.8
Pakistan	2,729.0	1,668.0	1,412.0	709.0 ^e	6.3	3.7	2.9	1.6
Papua New Guinea	452.8	446.2	442.6 ^e	589.4 ^e	4.8	4.8	5.3	7.9
Philippines	864.0	890.0	1,116.0	2,527.0	1.3	1.7	2.6	6.2
Singapore	9,264.2	10,416.0	12,846.6	12,889.3	3.9	4.4	6.3	6.5
Solomon Islands ^e	47.3	60.6	36.5	31.1	9.2	11.0	5.3	5.0
Sri Lanka	308.0	522.0	461.0	353.0 ^e	2.1	3.4	3.1	2.2
Taipei, China	12,010.0	15,817.0	22,556.0	46,310.0	7.1	8.6	13.5	23.0
Thailand	2,556.0	2,689.0	3,003.0	3,496.0	3.0	3.1	3.9	4.4
Tonga ^d	14.6	18.9	17.8	17.0	4.6	5.8	5.2	5.4
Western Samoa ^e	7.2	10.6	14.0	22.0	1.9	2.5	3.1	5.3
TOTAL	65,411.0	74,273.6	81,034.3	105,357.3	4.6	5.0	5.3	6.8

... data not available.

a Gold + SDRs + Reserve position in IMF + Foreign exchange holdings; year-end figures unless otherwise specified.

b Imports cif from trade statistics were used for computing the ratio.

c Papua New Guinea is as of June; India, Singapore and Taipei, China are as of September; Bangladesh, People's Rep. of China, Fiji, Indonesia, Rep. of Korea, Malaysia, Nepal and Thailand are as of November.

d Foreign exchange holdings only.

e Refers to total reserves minus gold.

Sources: IMF, *International Financial Statistics*, February 1987.

TABLE 8
DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCE GAP
AS PERCENTAGE OF GDP OF SELECTED DMCs, 1983-1985
(Per cent)

Country	Gross Domestic Savings as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resource Gap as Percentage of GDP		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Bangladesh (FY)	0.3	1.2	3.1	13.6	12.3	13.3	13.3	11.1	10.2
Burma (FY)	14.3	11.3	13.7	18.0	15.1	16.6	3.7	3.8	2.9
China, People's Rep. of	31.9	33.9	32.6	30.4	33.0	38.0	-1.5	-0.9	5.4
Hong Kong	25.1	28.9	27.1	27.1	24.7	21.6	2.0	-4.2	-5.5
India (FY)	19.4	20.7	22.8	23.5	24.4	24.6	4.1	3.7	1.8
Korea, Rep. of	27.8	30.5	31.1	28.9	30.8	30.0	1.1	0.3	-1.1
Malaysia	30.8	35.5	32.7	36.1	33.6	27.5	5.3	-1.9	-5.2
Nepal (FY)	9.1	10.3	11.9	20.1	19.4	20.7	11.0	9.1	8.8
Pakistan (FY)	7.6	6.5	7.4	17.5	17.0	17.1	9.9	10.5	9.7
Papua New Guinea	17.4	20.9	19.1	31.7	27.9	22.5	14.3	7.0	3.4
Philippines	22.5	18.4	15.6	26.7	18.7	15.9	4.2	0.3	0.3
Singapore	44.6	45.8	41.2	46.5	48.0	43.7	1.9	2.2	2.5
Sri Lanka	11.1	16.3	11.6	26.5	23.3	23.5	15.4	7.0	11.9
Taipei, China	32.0	33.0	33.7	23.0	21.5	17.9	9.0	-11.5	-15.8
Thailand	15.9	19.1	17.5	23.0	23.9	21.4	7.1	4.8	3.9

Sources: Country sources.

TABLE 9
TOTAL NET FLOWS OF RESOURCES TO DMCs, 1983-1985
(\$ million)

Country	Concessional Flows (ODA)			Non-Concessional Flows ^a			Total Flows		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Afghanistan	13.5	6.7	16.8	-0.3	-1.1	-22.7	13.2	5.6	-5.9
Bangladesh	1,066.7	1,201.0	1,141.8	39.5	45.9	-24.6	1,106.2	1,246.9	1,117.2
Bhutan	13.0	17.9	24.1	—	—	—	13.0	17.9	24.1
Burma	302.0	274.8	355.7	-4.7	50.8	1.0	297.3	325.6	356.7
Cambodia	36.7	16.9	12.9	—	-2.1	—	36.7	14.8	12.9
China, People's Rep. of	669.6	797.6	939.9	77.7	114.8	1,360.5	747.3	912.4	2,300.4
Cook Islands	9.3	8.1	9.7	2.0	-0.5	0.9	11.3	7.6	10.6
Fiji	32.7	31.3	31.9	32.6	0.6	-9.4	65.3	31.9	22.5
Hong Kong	8.8	13.7	20.5	1,092.1	1,241.3	-1,471.5	1,100.9	1,255.0	-1,451.0
India	1,742.8	1,542.1	1,469.7	507.2	485.8	896.0	2,250.0	2,027.9	2,365.7
Indonesia	744.5	672.7	603.2	2,369.3	2,577.4	1,257.5	3,113.8	3,250.1	1,860.7
Kiribati	16.8	11.9	12.0	-0.1	-0.5	—	16.7	11.4	12.0
Korea, Rep. of	8.0	-36.6	-8.6	1,292.6	2,004.8	1,626.8	1,300.6	1,968.2	1,618.2
Lao PDR	29.7	34.1	37.0	0.4	1.1	27.1	30.1	35.2	64.1
Malaysia	176.6	326.6	229.2	1,573.4	951.6	-46.1	1,750.0	1,278.2	183.1
Maldives	11.0	5.6	9.2	-2.0	-0.1	-0.8	9.0	5.5	8.4
Nepal	200.7	198.3	236.3	-3.3	3.2	10.0	197.4	201.5	246.3
Pakistan	668.6	683.0	750.4	27.7	-35.6	90.3	696.3	647.4	840.7
Papua New Guinea	332.8	321.8	258.9	242.0	186.5	71.0	574.8	508.3	329.9
Philippines	429.0	396.9	486.2	1,113.0	509.3	116.1	1,542.0	906.2	602.3
Singapore	14.6	41.0	23.9	177.3	1,044.4	-222.0	191.9	1,085.4	-198.1
Solomon Islands	27.5	19.4	20.8	3.3	6.1	1.2	30.8	25.5	22.0
Sri Lanka	473.8	467.8	485.8	57.7	166.1	101.8	531.5	633.9	587.6
Taipei, China	8.2	5.4	-9.7	-56.5	-79.1	-528.2	-48.3	-73.7	-537.9
Thailand	431.7	475.2	480.9	845.3	969.2	419.3	1,277.0	1,444.4	900.2
Tonga	17.9	15.7	13.6	—	—	—	17.9	15.7	13.6
Vanuatu	26.9	24.5	21.8	7.7	20.8	16.7	34.6	45.3	38.5
Viet Nam, Soc. Rep. of	105.9	108.8	113.9	-28.9	—	-15.5	77.0	108.8	98.4
Western Samoa	26.7	20.2	19.4	4.7	-6.6	1.0	31.4	13.6	20.4
TOTAL	7,646.0	7,702.4	7,807.2	9,369.7	10,254.1	3,656.4	17,015.7	17,956.5	11,463.6

— magnitude equal to zero.

a Including bilateral and multilateral non-concessional flows and private flows.

Source: OECD, *Geographical Distribution of Financial Flows to Developing Countries, 1982/1985*.

TABLE 10--
EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO
OF SELECTED DMCs, 1983-1985
(\$ million)

Country	Debt Outstanding ^a			Service Payments			Debt Service Ratio ^b (%)		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Bangladesh	4,885.0	5,154.8	5,967.8	135.1	172.6	214.3	13.8	14.3	16.7
Burma	2,225.1	2,249.5	2,946.8	151.3	160.5	196.6	34.2	37.4	51.8
China, People's Rep. of	3,280.2	4,023.4	7,020.2	300.5	342.9	...	1.2	1.2	...
Fiji	292.3	289.7	302.2	37.5	51.6	55.6	7.3	9.8	10.6
Hong Kong	223.4	270.4	251.1	47.9	52.9	71.4	0.2 ^c	0.2 ^c	0.2 ^c
India	21,151.9	22,294.9	26,649.5	1,282.1	1,464.2	1,885.1	9.5	10.7	13.3
Indonesia	21,684.8	22,861.9	26,624.6	2,548.2	3,251.0	4,015.1	12.8	14.7	20.1
Korea, Rep. of	22,689.4	24,982.6	29,126.0	4,147.3	4,671.3	5,030.1	13.6	13.9	15.2
Malaysia	10,592.6	12,226.4	13,834.1	954.1	1,479.6	3,969.3	5.9	7.8	22.3
Maldives	48.2	50.5	52.2	4.3	14.8	7.8	5.5	17.5	8.6
Nepal	360.0	426.7	527.3	8.0	9.8	12.9	2.8	3.3	4.0
Pakistan	9,753.0	9,990.2	10,681.4	1,066.0	937.4	1,071.7	28.0	27.1	29.5
Papua New Guinea	927.1	989.7	1,061.1	106.9	138.3	130.8	11.1	13.4	14.2 ^c
Philippines	10,578.5	11,611.7	13,561.4	1,298.4	1,115.3	1,257.0	16.0	13.9	15.8
Singapore	1,494.9	1,904.8	1,790.8	411.3	317.2	721.8	1.3	1.0	2.4
Solomon Islands	28.9	34.5	59.9	0.1	0.1	1.1	0.1	0.1	1.3
Sri Lanka	2,214.9	2,421.9	2,815.2	167.0	201.7	226.3	11.9	11.2	13.9
Taipei, China	6,139.0	5,639.5	4,903.7	1,862.0	2,268.2	1,787.8	6.8	6.9	5.4
Thailand	7,000.3	7,538.8	9,898.4	939.1	1,251.2	1,499.1	10.2	12.0	14.7
Vanuatu	3.6	5.2	6.9	0.6	0.6	0.6	0.9	0.7	0.7
Western Samoa	60.4	64.4	65.2	3.9	3.8	5.2	14.4	13.2	19.2
TOTAL	125,633.5	135,031.5	158,145.8	15,471.6	17,905.0	22,159.6	7.3	7.5	10.8

... data not available.

a Disbursed only.

b Debt service payments as a percentage of exports of goods and all services including workers' remittances.

c Merchandise exports was used in the computation.

Sources: World Bank, *World Debt Tables*, 31 December 1986 and country sources.

BANK OPERATIONAL DATA

LOAN APPROVALS IN 1986 AND TOTAL PROJECT COSTS

(amounts in \$ million)

Country/Project	Ordinary Capital Resources	Asian Development Fund	Total Project Cost ^a
BANGLADESH			
Chittagong Urea Fertilizer (Supplementary)	—	26.00	110.28
Khulna Coastal Embankment Rehabilitation	—	16.90	22.60
Second Aquaculture Development	—	42.81	60.00
BHUTAN			
Roadworks Mechanization	—	4.50	8.20
Highland Livestock Development	—	4.30	7.88
BURMA			
Edible Oil	—	35.00	70.00
FIJI			
Sigatoka Valley Rural Development	4.40	—	9.95
INDIA			
Industrial Credit and Investment Corporation of India Limited	100.00	—	—
North Madras Thermal Power	150.00	—	627.51
INDONESIA			
Second Nucleus Estate and Smallholder Oil Palm	70.00	—	116.80
Third Irrigation Package	120.70	—	148.80
Ministry of Public Works Manpower Education and Training	29.00	—	36.25
Eighth Port	40.00	—	63.55
Irrigated Command Area Development	28.80	—	52.10
Special Project Implementation Assistance	30.60	—	—
KIRIBATI			
Tarawa Power	—	0.70	1.00
KOREA, REPUBLIC OF			
Marine Sciences Education	53.00	—	92.00
LAO PDR			
Second Road Improvement	—	12.00	16.21
MALAYSIA			
Transmission System Improvement	54.50	—	154.40
Health Services Development (Sector)	50.73	—	—
NEPAL			
Second Aquaculture Development	—	11.00	23.00
Second Tribhuvan International Airport (Including Extension) (Supplementary)	—	10.25	11.75
Road Improvement	—	30.00	42.50

a Total project cost excludes those of credit lines, special assistance, program and sector loans.

b Loan to private sector without government guarantee.

Country/Project	Ordinary Capital Resources	Asian Development Fund	Total Project Cost ^a
PAKISTAN			
Karachi Urban Development	—	55.20	69.30
Cotton Development	—	66.10	82.88
Second Agricultural Development Bank of Pakistan	50.00	50.00	—
Baluchistan Groundwater and Trickle Irrigation	—	12.60	15.76
Agricultural Inputs Program	75.00	75.00	—
WAPDA Tenth Power (Sector)	150.00	—	—
Cherat Cement Company, Limited Capacity Expansion ^b	5.00	—	28.50
National Development Leasing Corporation, Limited ^b	5.00	—	—
PAPUA NEW GUINEA			
West New Britain Smallholder Development	14.00	15.90	49.90
Ramu Grid Reinforcement	19.65	—	28.10
PHILIPPINES			
Special Project Implementation Assistance	50.00	50.00	—
Highland Agriculture Development	18.80	—	26.90
Island Provinces Rural Water Supply Sector	24.00	—	—
Fourth Road Improvement	82.00	—	102.50
Third Power System Development	92.00	—	115.00
SOLOMON ISLANDS			
Power Expansion	—	4.21	5.27
SRI LANKA			
Kirindi Oya Irrigation and Settlement (Phase II)	—	26.60	33.10
Land Use Planning	—	16.70	20.86
Agricultural Inputs Program	—	29.00	—
Water Supply Sector	—	30.00	—
THAILAND			
Brackishwater Shrimp Culture Development	11.11	—	24.45
Mae Moh (Unit 9) Power	38.40	—	256.54
Northeast Agriculture Company, Limited ^b	1.46	—	8.81
TONGA			
Third Multiproject and Tonga Development Bank	—	3.00	2.52
WESTERN SAMOA			
Afulilo Hydroelectric	—	5.40	17.20
GRAND TOTAL	1,368.15	633.17	2,562.37

LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS, 1985, 1986, 1968-1986
(amounts in \$ million)

Country	1985		Total
	OCR	ADF	
Afghanistan, Dem. Rep. of	—	—	—
Bangladesh	—	212.30	212.30
Bhutan	—	3.48	3.48
Burma	—	—	—
Cambodia	—	—	—
Cook Islands	—	—	—
Fiji	7.00	—	7.00
Hong Kong	—	—	—
India	—	—	—
Indonesia	500.70	—	500.70
Kiribati	—	—	—
Korea, Rep. of	167.00	—	167.00
Lao People's Dem. Rep.	—	—	—
Malaysia	132.38	—	132.38
Maldives	—	—	—
Nepal	—	58.00	58.00
Pakistan	278.80	292.80	571.60
Papua New Guinea	16.40	8.50	24.90
Philippines	—	—	—
Singapore	—	—	—
Solomon Islands	—	—	—
Sri Lanka, Dem. Soc. Rep. of	—	54.40	54.40
Taipei, China	—	—	—
Thailand	168.90	—	168.90
Tonga	—	—	—
Vanuatu	—	3.00	3.00
Viet Nam, Soc. Rep. of	—	—	—
Western Samoa	—	4.40	4.40
TOTAL	1,271.18	636.88	1,908.06

1986			1968-1986			
OCR	ADF	Total	OCR	ADF	Total	%
—	—	—	—	95.10	95.10	0.49
—	85.71	85.71	11.40	1,912.94	1,924.34	9.87
—	8.80	8.80	—	24.68	24.68	0.13
—	35.00	35.00	6.60	524.26	530.86	2.72
—	—	—	—	1.67	1.67	0.01
—	—	—	—	2.50	2.50	0.01
4.40	—	4.40	60.50	—	60.50	0.31
—	—	—	101.50	—	101.50	0.52
250.00	—	250.00	250.00	—	250.00	1.28
319.10	—	319.10	3,610.80	162.28	3,773.08	19.36
—	0.70	0.70	—	3.00	3.00	0.01
53.00	—	53.00	2,165.83	3.70	2,169.53	11.13
—	12.00	12.00	—	72.14	72.14	0.37
105.23	—	105.23	1,279.34	3.30	1,282.64	6.58
—	—	—	—	3.38	3.38	0.02
—	51.25	51.25	2.00	547.57	549.57	2.82
285.00	258.90	543.90	1,440.17	1,787.85	3,228.02	16.56
33.65	15.90	49.55	137.25	135.34	272.59	1.40
266.80	50.00	316.80	2,298.54	129.30	2,427.84	12.45
—	—	—	178.08	3.00	181.08	0.93
—	4.21	4.21	—	28.81	28.81	0.15
—	102.30	102.30	14.13	554.33	568.46	2.92
—	—	—	100.39	—	100.39	0.51
50.97	—	50.97	1,656.25	72.10	1,728.35	8.87
—	3.00	3.00	—	11.25	11.25	0.06
—	—	—	—	5.10	5.10	0.03
—	—	—	3.93	40.67	44.60	0.23
—	5.40	5.40	—	50.38	50.38	0.26
1,368.15	633.17	2,001.32	13,316.71	6,174.65	19,491.36	100.00

CO-FINANCING ARRANGEMENTS, 1986

(amounts in \$ million)

Project	Country	Bank Loan		Amount of Co-Financing	Sources of Co-Financing
		OCR	ADF		
Khulna Coastal Embankment Rehabilitation	Bangladesh	—	16.90	1.20	UNDP
Second Aquaculture Development	Bangladesh	—	42.81	2.65	UNDP
Chittagong Urea Fertilizer (Supplementary)	Bangladesh	—	26.00	23.21 2.23 9.04	OECF, Japan Islamic Development Bank Commercial Banks
Roadworks Mechanization	Bhutan	—	4.50	1.55 1.20	UNDP UNCDF
Highland Livestock Development	Bhutan	—	4.30	2.80 ^a	Norway
Edible Oil	Burma	—	35.00	0.68	UNDP
Eighth Port	Indonesia	40.00	—	14.50	Nordic Investment Bank
Tarawa Power	Kiribati	—	0.70	0.16	Australia
Second Road Improvement	Lao PDR	—	12.00	1.20	UNDP
Transmission System Improvement	Malaysia	54.50	—	4.50	Suppliers'/Export Credit
Second Aquaculture Development	Nepal	—	11.00	0.96 5.00	UNDP IFAD
Road Improvement	Nepal	—	30.00	4.00	OPEC Fund
Cotton Development	Pakistan	—	66.10	4.10	UNDP
WAPDA Tenth Power (Sector)	Pakistan	150.00	—	100.00 46.00 60.00	World Bank Czechoslovakia USAID, US
Karachi Urban Development	Pakistan	—	55.20	69.87	IDA
Second Agricultural Development Bank of Pakistan	Pakistan	50.00	50.00	0.96	UNDP
Cherat Cement Co., Ltd. Capacity Expansion	Pakistan	5.00 ^b	—	8.10	Buyers' Credit
Load Despatch and Transmission ^c	Pakistan	—	—	3.33 ^d 4.00 ^e 6.00	Norway Sweden Nordic Investment Bank
Highland Agriculture Development	Philippines	18.80	—	4.60	IFAD
Island Provinces Rural Water Supply Sector	Philippines	24.00	—	5.00	ADAB, Australia
Mae Moh (Unit 9) Power	Thailand	38.40	—	91.19	Suppliers'/Export Credit
Brackishwater Shrimp Culture Development	Thailand	11.11	—	4.00	OPEC Fund
Afulilo Hydroelectric	Western Samoa	—	5.40	4.75 2.54 3.00	EEC EIB IDA
TOTAL		391.81	359.91	492.32	

a Equivalent of NKr21 million (at 7.50 exchange rate).

b Loan to private sector without government guarantee.

c Additional co-financing. Bank loan was approved in 1980, for which co-financing from IDA, EEC and KfW had previously been arranged.

d Equivalent of NKr25 million (at 7.50 exchange rate).

e Equivalent of NKr29.987 million (at 7.50 exchange rate).

EQUITY INVESTMENT OPERATIONS, 1986

Entity	Country	Amount (\$ million)	Method of Investment
Cherat Cement Co., Ltd.	Pakistan	2.140	Equity Investment
Second Bankers Equity, Ltd. and National Development Finance Corporation Ltd.	Pakistan	5.000	Line of Equity
Planters Development Bank	Philippines	0.495	Equity Investment
Northeast Agriculture Co., Ltd.	Thailand	0.518	Equity Investment
TOTAL		8.153	

LOAN APPROVALS BY SECTOR, 1985, 1986, 1968-1986
(amounts in \$ million)

Sector	1985						
	OCR		ADF		TOTAL		
	No.	Amount	No.	Amount	No. ^a	Amount	%
Agriculture and Agro-Industry	7	215.98	11	343.48	18	559.46	29.32
Energy	3	191.80	2	52.90	5	244.70	12.82
Industry and Non-Fuel Minerals	3	157.00	3	85.80	5	242.80	12.73
Transport and Communications	3	200.00	3	110.00	6	310.00	16.25
Social Infrastructure	9	506.40	2	37.30	10	543.70	28.49
Multisector	—	—	2	7.40	2	7.40	0.39
TOTAL	25	1,271.18	23	636.88	46	1,908.06	100.00

a A project which is financed from both sources is counted as one project.

b Includes loan to private sector without government guarantee (\$1.46 million to Northeast Agriculture Company, Limited in Thailand).

c Includes loans to private sector without government guarantee (\$5 million to Cherat Cement Company, Limited, Capacity Expansion and \$5 million to National Development Leasing Corporation, Limited, both in Pakistan).

1986							1968-1986						
OCR		ADF		TOTAL			OCR		ADF		TOTAL		
No.	Amount	No.	Amount	No. ^a	Amount	%	No.	Amount	No.	Amount	No. ^a	Amount	%
10	394.27 ^b	14	427.91	21	822.18	41.08	113	2,975.87	178	3,198.04	265	6,173.91	31.68
6	504.55	3	10.31	9	514.86	25.72	96	3,668.70	62	1,218.45	137	4,887.15	25.07
3	110.00 ^c	—	—	3	110.00	5.50	78	2,006.57	38	550.27	108	2,556.84	13.12
2	122.00	4	56.75	6	178.75	8.93	80	2,079.43	41	467.17	110	2,546.60	13.07
5	187.33	2	85.20	7	272.53	13.62	83	2,484.44	40	644.76	115	3,129.20	16.05
1	50.00	2	53.00	2	103.00	5.15	3	101.70	12	95.96	11	197.66	1.01
27	1,368.15	25	633.17	48	2,001.32	100.00	453	13,316.71	371	6,174.65	746	19,491.36	100.00

LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968-1970 - 1984-1986
(amounts in \$ million)

	Total Lending ^a	Agriculture and Agro-Industry	Energy	Industry and Non-Fuel Minerals	Transport and Communications	Social Infrastructure	Multisector
Average during							
1968-1970	128.44	25.02	15.38	49.34	30.87	7.83	0.00
1969-1971	199.25	40.80	50.56	56.32	43.20	8.37	0.00
1970-1972	271.92	42.65	89.90	51.72	58.42	29.23	0.00
1971-1973	330.53	52.17	106.38	52.58	78.92	40.49	0.00
1972-1974	428.42	80.37	114.44	81.77	91.35	60.49	0.00
1973-1975	543.16	151.38	125.11	113.93	96.02	56.72	0.00
1974-1976	661.30	193.57	141.17	151.57	109.87	65.12	0.00
1975-1977	774.22	236.23	170.47	152.12	131.38	84.02	0.00
1976-1978	940.36	257.86	202.50	203.32	150.23	126.45	0.00
1977-1979	1,098.92	328.09	264.03	191.56	132.98	181.87	0.40
1978-1980	1,282.01	396.74	318.98	190.83	158.78	215.95	0.73
1979-1981	1,454.96	473.69	395.94	169.13	136.88	278.02	1.29
1980-1982	1,598.97	543.60	443.08	171.63	184.41	255.35	0.89
1981-1983	1,751.46	589.95	465.85	227.23	131.77	319.90	16.76
1982-1984	1,937.03	662.09	561.38	172.90	234.70	278.17	27.79
1983-1985	2,011.85	641.47	487.38	198.93	252.23	401.57	30.26
1984-1986	2,047.88	713.21	508.74	135.60	289.98	351.94	48.39
Cumulative (1968-1986)	19,491.36	6,173.91	4,887.15	2,556.84	2,546.60	3,129.20	197.66
Percentage Distribution							
1968-1970	100.00	19.48	11.98	38.41	24.03	6.10	0.00
1969-1971	100.00	20.48	25.37	28.27	21.68	4.20	0.00
1970-1972	100.00	15.69	33.06	19.02	21.48	10.75	0.00
1971-1973	100.00	15.78	32.18	15.91	23.88	12.25	0.00
1972-1974	100.00	18.76	26.71	19.09	21.32	14.12	0.00
1973-1975	100.00	27.87	23.03	20.98	17.68	10.44	0.00
1974-1976	100.00	29.27	21.35	22.92	16.61	9.85	0.00
1975-1977	100.00	30.51	22.02	19.65	16.97	10.85	0.00
1976-1978	100.00	27.42	21.53	21.62	15.98	13.45	0.00
1977-1979	100.00	29.86	24.03	17.43	12.10	16.55	0.04
1978-1980	100.00	30.95	24.88	14.88	12.39	16.84	0.06
1979-1981	100.00	32.56	27.21	11.62	9.41	19.11	0.09
1980-1982	100.00	34.00	27.71	10.73	11.53	15.97	0.06
1981-1983	100.00	33.68	26.60	12.97	7.52	18.27	0.96
1982-1984	100.00	34.18	28.98	8.93	12.12	14.36	1.43
1983-1985	100.00	31.88	24.23	9.89	12.54	19.96	1.50
1984-1986	100.00	34.83	24.84	6.62	14.16	17.19	2.36
Cumulative (1968-1986)	100.00	31.68	25.07	13.12	13.07	16.05	1.01

CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS,^a 1968-1986

(amounts in \$ million)

Year	Cumulative Effective Loans		Cumulative Contracts Awarded		Cumulative Disbursements	
	No. ^b	Amount ^c	Amount	Percentage of Cumulative Effective Loans	Amount ^d	Percentage of Cumulative Effective Loans
1968	4	20	4.5 ^e	22	1.8	9
1969	13	67	13.5 ^e	20	9.3	14
1970	28	137	54.4 ^f	40	26.4	19
1971	67	404	115.0	28	75.1	19
1972	93	696	271.5	39	136.2	20
1973	130	998	453.2	45	282.7	28
1974	187	1,612	836.1	52	470.2	29
1975	221	2,052	1,150.2	56	832.1	40
1976	264	2,846	1,505.9	53	1,158.7	41
1977	294	3,461	1,862.0	54	1,514.9	44
1978	340	4,289	2,432.8	57	1,977.1	46
1979	391	5,274	2,941.5	56	2,463.4	47
1980	451	6,592	3,820.4	58	3,042.4	46
1981	510	7,953	4,503.6	57	3,709.5	47
1982	570	9,672	5,570.7	58	4,504.6	47
1983	621	11,100	6,296.3	57	5,441.5	49
1984	675	13,027	7,299.8	56	6,442.0	49
1985	727 ^g	14,793	8,279.0	56	7,452.1	50
1986	771	16,135	9,443.1	59	8,476.4	53

a After the signing of the loan agreement, certain requirements must be complied with for the loan to become effective.

b For years 1980 and 1981, includes one fully cancelled and seven refinanced loans.

c Net of cancellations and amount transferred to subsequent loans.

d Includes interest and other charges financed during construction.

e Figures for 1968 and 1969 are based on Bank's Monthly Statement of Loans as no Quarterly Procurement Statistics were prepared during those years.

f Figures from 1970 onwards are based on Quarterly Procurement Statistics of the Bank.

g Number of loans adjusted from 1985 Annual Report to reflect Loan Nos. 624/625-TON and 646/647-SOL as single loans.

**NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION,
PCRs CIRCULATED, PROJECTS COMPLETED AND LOANS CLOSED IN 1986**
(As of 31 December 1986)

Country	Cumulative No. of Loans Approved ^a	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved ^b	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Loans
Afghanistan	9	8	8	0	1
Bangladesh	69	66	62	3	3
Bhutan	5	3	5	—	—
Burma	32	32	28	2	2
Cambodia	1	1	1	—	—
Cook Islands	2	2	2	—	—
Fiji	8	7	8	—	—
Hong Kong	5	5	5	—	—
India	2	1	2	—	—
Indonesia	118	112	112	3	2
Kiribati	3	2	3	—	—
Korea, Rep. of	75	73	75	—	—
Lao PDR	13	12	12	—	1
Malaysia	61	59	59	1	1
Maldives	2	2	2	—	—
Nepal	51	48	42	1	8
Pakistan	90 ^c	78	70	16	5
Papua New Guinea	26	23	20	6	—
Philippines	82	78	74	4	2
Singapore	14	14	14	—	—
Solomon Islands	9	8	9	—	—
Sri Lanka	44	40	38	1	4
Taipei, China	12	12	12	—	—
Thailand	51 ^d	48	48	2	1
Tonga	7	7	7	—	—
Vanuatu	3	3	3	—	—
Viet Nam	11	9	9	2	—
Western Samoa	19	18	16	—	2
TOTAL	824^e	771	746	41	32

a Includes Special Assistance loans.

b Excludes Special Assistance loans.

c Includes projects/loans which have been approved but still awaiting effectivity.

d Prior to 1979, PCRs were approved by Management and not circulated to the Board.

e Projects which were physically completed in 1986.

f Includes private sector loans.

Cumulative No. of Co-Financed Projects	No. of Projects Under Administration As of 31/12/86 ^c	No. of Loans Under Administration As of 31/12/86 ^c	Cumulative No. of PCR's Circulated/ Prepared ^d	No. of Projects Completed in 1986 ^e	No. of Loans Closed in 1986
2	8	9	0	—	—
28	43	44	14	4	5
3	5	5	0	—	—
12	18	20	8	—	2
—	1	1	0	—	—
—	1	1	0	—	—
3	4	4	2	—	1
—	—	—	5	—	1
—	2	2	—	—	—
22	70	71	30	3	7
1	2	2	0	—	—
8	18	18	33	8	7
7	6	6	3	2	2
9	22	22	21	2	3
1	2	2	0	—	—
21	32	35	12	6	3
31	46	53	19	2	6
2	12	17	7	—	1
20	43	47	25	3	3
2	—	—	7	—	1
5	4	4	5	—	1
11	25	26	10	2	1
—	—	—	1	—	—
20	20	21	17	2	7
2	3	3	4	1	—
2	3	3	0	—	—
—	3	3	3	—	2
7	5	5	9	—	1
219	398	424	235	35	54

AMOUNTS OF LOANS APPROVED, CONTRACTS AWARDED AND DISBURSEMENTS
(As of 31 December 1986)

(amounts in \$ million)

Country	Cumulative Loan Amount Approved ^a	Cumulative Net Effective Loans	Contracts Awarded in 1986 ^b
Afghanistan	95.10	74.05	0.00
Bangladesh	1,924.34	1,856.51	192.73
Bhutan	24.68	18.71	1.00
Burma	530.86	531.53	40.14
Cambodia	1.67	1.67	0.00
Cook Islands	2.50	2.50	0.15
Fiji	60.50	55.99	(4.28) ^c
Hong Kong	101.50	94.50	(3.10) ^c
India	250.00	100.00	—
Indonesia	3,773.08	3,242.20	228.43
Kiribati	3.00	1.17	0.09
Korea, Rep. of	2,169.53	1,647.24	105.39
Lao PDR	72.14	56.20	5.81
Malaysia	1,282.64	1,000.24	76.05
Maldives	3.38	3.78	1.33
Nepal	549.57	522.04	39.72
Pakistan	3,228.02	2,445.71	210.39
Papua New Guinea	272.59	228.19	11.92
Philippines	2,427.84	2,007.45	133.14
Singapore	181.08	144.44	(1.05) ^c
Solomon Islands	28.81	25.54	1.11
Sri Lanka	568.46	468.49	37.31
Taipei, China	100.39	91.14	0.00
Thailand	1,728.35	1,427.93	85.93
Tonga	11.25	11.17	0.63
Vanuatu	5.10	5.67	0.37
Viet Nam	44.60	25.46	0.29
Western Samoa	50.38	45.77	0.60
TOTAL	19,491.36^e	16,135.29	1,164.10

a Includes Special Assistance loans.

b Figures obtained from Procurement Statistics.

c Represents reduction in contract amount due to partial cancellation of loan amount.

d Amounts of contracts exceeded the effective loan amount.

e Includes private sector loans.

Cumulative Contracts Awarded As of 31/12/86 ^b	% of Cumulative Contracts Awarded to Cumulative Net Effective Loans	Disbursements in 1986	Cumulative Disbursements As of 31/12/86	% of Cumulative Disbursements to Cumulative Net Effective Loans
34.21	46.20	—	27.90	37.67
840.33	45.26	142.25	666.65	35.90
3.97	21.22	1.50	3.08	16.47
322.05	60.59	28.02	272.99	51.36
1.58	94.61	0.00	0.64	38.50
1.46	58.40	0.19	2.30	92.20
45.81	81.82	3.27	45.17	80.68
102.46	108.42 ^d	0.37	94.50	100.00
—	—	—	—	—
1,355.80	41.82	206.74	1,156.41	35.67
0.61	52.18	0.11	0.68	58.43
1,488.65	90.37	82.55	1,403.69	85.21
39.10	69.57	5.78	34.55	61.47
629.01	62.89	40.74	550.31	55.02
2.24	59.20	0.49	1.33	35.23
273.32	52.32	35.55	229.17	43.87
1,233.27	50.14	167.21	1,107.37	45.02
131.40	57.58	10.16	104.01	45.58
1,259.32	62.73	138.62	1,242.77	61.91
130.22	90.15	2.42	144.44	100.00
17.25	67.53	1.77	16.77	65.67
278.97	59.55	40.35	237.68	50.73
90.28	99.06	0.00	91.14	100.00
1,091.25	76.42	113.96	975.58	68.32
7.92	70.94	0.57	7.33	65.65
0.98	17.30	0.22	0.84	14.86
27.96	109.83 ^d	0.79	25.33	99.51
33.65	73.52	0.61	33.73	73.70
9,443.07	58.52	1,024.24	8,476.36	52.53

CUMULATIVE PROCUREMENT AS A RESULT OF BANK OPERATIONS

(As of 31 December 1986)

ORDINARY CAPITAL RESOURCES

(Net of Adjustments)^a

(In \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total	% Distribution
Australia	84.749	1.38	10.607	2.70	95.356	1.46
Austria	55.813	0.91	1.548	0.39	57.361	0.88
Bangladesh	—	—	0.091	0.02	0.091	b
Belgium	27.227	0.44	0.475	0.12	27.702	0.42
Burma	—	—	—	—	—	—
Cambodia	—	—	—	—	—	—
Canada	70.798	1.15	23.741	6.04	94.539	1.44
China, People's Rep. of	0.007	b	—	—	0.007	b
Cook Islands	—	—	—	—	—	—
Denmark	15.826	0.26	10.804	2.75	26.630	0.41
Fiji	—	—	—	—	—	—
Finland	2.357	0.04	1.008	0.26	3.365	0.05
France	144.477	2.35	13.725	3.49	158.202	2.41
Germany, Fed. Rep. of	326.927	5.31	21.017	5.35	347.944	5.31
Hong Kong	27.939	0.45	0.490	0.12	28.429	0.43
India	50.412	0.82	3.299	0.84	53.711	0.82
Indonesia	12.115	0.20	0.882	0.22	12.997	0.20
Italy	106.448	1.73	20.602	5.24	127.050	1.94
Japan	1,629.945	26.47	45.992	11.70	1,675.937	25.58
Korea, Rep. of	375.906	6.10	11.837	3.01	387.743	5.92
Lao PDR	—	—	—	—	—	—
Luxembourg	0.035	b	—	—	0.035	b
Malaysia	15.928	0.26	0.107	0.03	16.035	0.24
Maldives	—	—	—	—	—	—
Nepal	—	—	—	—	—	—
Netherlands	70.327	1.14	9.969	2.54	80.296	1.23
New Zealand	23.090	0.37	5.696	1.45	28.786	0.44
Norway	3.050	0.05	0.808	0.21	3.858	0.06
Pakistan	0.064	b	0.131	0.03	0.195	b
Papua New Guinea	0.021	b	—	—	0.021	b
Philippines	64.035	1.04	3.248	0.83	67.283	1.03
Singapore	45.615	0.74	1.046	0.27	46.661	0.71
Solomon Islands	—	—	—	—	—	—
Spain	0.133	b	—	—	0.133	b
Sri Lanka	—	—	0.105	0.03	0.105	b
Sweden	33.708	0.55	0.209	0.05	33.917	0.52
Switzerland	97.692	1.59	19.881	5.06	117.573	1.79
Taipei, China	95.927	1.56	10.525	2.68	106.452	1.62
Thailand	43.978	0.71	0.131	0.03	44.109	0.67
Tonga	—	—	—	—	—	—
United Kingdom	184.605	3.00	38.652	9.83	223.257	3.41
United States	430.967	7.00	96.756	24.62	527.723	8.06
Vanuatu	—	—	—	—	—	—
Western Samoa	—	—	—	—	—	—
Undetermined	—	—	—	—	—	—
Local Expenditures	205.505	3.34	14.804	3.77	220.309	3.36
Foreign Exchange	—	—	—	—	—	—
Content of Contract	1,912.572	31.04	24.856	6.32	1,937.428	29.59
TOTAL	6,158.198	100.00	393.042	100.00	6,551.240	100.00

a Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

b Procurement of less than one hundredth of one per cent.

CUMULATIVE PROCUREMENT AS A RESULT OF BANK OPERATIONS

(As of 31 December 1986)

ASIAN DEVELOPMENT FUND

(Net of Adjustments)^a

(In \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total	% Distribution
Australia	33.040	1.22	7.515	4.11	40.555	1.40
Austria	8.579	0.32	—	—	8.579	0.30
Bangladesh	5.654	0.21	0.026	0.01	5.680	0.20
Belgium	14.637	0.54	0.075	0.04	14.712	0.51
Burma	0.004	b	—	—	0.004	b
Cambodia	—	—	—	—	—	—
Canada	14.101	0.52	16.548	9.04	30.649	1.06
China, People's Rep. of	0.035	b	—	—	0.035	b
Cook Islands	0.012	b	—	—	0.012	b
Denmark	19.417	0.72	0.258	0.14	19.675	0.68
Fiji	1.640	0.06	—	—	1.640	0.06
Finland	1.622	0.06	2.081	1.14	3.703	0.13
France	33.962	1.25	3.995	2.18	37.957	1.31
Germany, Fed. Rep. of	162.552	6.00	8.876	4.85	171.428	5.93
Hong Kong	18.770	0.69	0.000	0.00	18.770	0.65
India	165.695	6.12	14.908	8.14	180.603	6.25
Indonesia	0.286	0.01	0.589	0.32	0.875	0.03
Italy	82.126	3.03	2.795	1.53	84.921	2.94
Japan	721.618	26.64	29.448	16.09	751.066	25.97
Korea, Rep. of	144.191	5.32	3.636	1.99	147.827	5.11
Lao PDR	0.043	b	—	—	0.043	b
Luxembourg	—	—	—	—	—	—
Malaysia	9.513	0.35	1.214	0.66	10.727	0.37
Maldives	0.012	b	—	—	0.012	b
Nepal	4.895	0.18	—	—	4.895	0.17
Netherlands	34.366	1.27	4.987	2.72	39.353	1.36
New Zealand	21.186	0.78	3.792	2.07	24.978	0.86
Norway	0.665	0.02	0.891	0.49	1.556	0.05
Pakistan	2.898	0.11	—	—	2.898	0.10
Papua New Guinea	0.026	0.00	—	—	0.026	0.00
Philippines	7.281	0.27	4.699	2.57	11.980	0.41
Singapore	55.277	2.04	0.167	0.09	55.444	1.92
Solomon Islands	—	—	—	—	—	—
Spain	0.004	b	—	—	0.004	b
Sri Lanka	0.689	0.03	0.307	0.17	0.996	0.03
Sweden	40.139	1.48	0.097	0.05	40.236	1.39
Switzerland	65.498	2.42	9.605	5.25	75.103	2.60
Taipei, China	6.718	0.25	0.088	0.05	6.806	0.24
Thailand	32.335	1.19	0.038	0.02	32.373	1.12
Tonga	—	—	—	—	—	—
United Kingdom	175.754	6.49	33.585	18.35	209.339	7.24
United States	228.560	8.44	26.682	14.58	255.242	8.83
Vanuatu	—	—	—	—	—	—
Western Samoa	—	—	—	—	—	—
Undetermined	—	—	—	—	—	—
Local Expenditures	199.094	7.35	1.937	1.06	201.031	6.95
Foreign Exchange	—	—	—	—	—	—
Content of Contract	395.884	14.62	4.219	2.29	400.103	13.83
TOTAL	2,708.778	100.00	183.058	100.00	2,891.836	100.00

^a Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

^b Procurement of less than one hundredth of one per cent.

CUMULATIVE PROCUREMENT AS A RESULT OF BANK OPERATIONS

(As of 31 December 1986)

ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED

(Net of Adjustments)^a

(In \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total	% Distribution
Australia	117.789	1.33	18.122	3.15	135.911	1.44
Austria	64.392	0.73	1.548	0.27	65.940	0.70
Bangladesh	5.654	0.06	0.117	0.02	5.771	0.06
Belgium	41.864	0.47	0.550	0.10	42.414	0.45
Burma	0.004	b	—	b	0.004	b
Cambodia	—	—	—	—	—	—
Canada	84.899	0.96	40.289	6.99	125.188	1.33
China, People's Rep. of	0.042	b	—	—	0.042	b
Cook Islands	0.012	b	—	—	0.012	b
Denmark	35.243	0.40	11.062	1.92	46.305	0.49
Fiji	1.640	0.02	—	—	1.640	0.02
Finland	3.979	0.04	3.089	0.54	7.068	0.07
France	178.439	2.01	17.720	3.08	196.159	2.08
Germany, Fed. Rep. of	489.479	5.52	29.893	5.19	519.372	5.50
Hong Kong	46.709	0.53	0.490	0.09	47.199	0.50
India	216.107	2.44	18.207	3.16	234.314	2.48
Indonesia	12.401	0.14	1.471	0.26	13.872	0.15
Italy	188.574	2.13	23.397	4.06	211.971	2.24
Japan	2,351.563	26.52	75.440	13.09	2,427.003	25.70
Korea, Rep. of	520.097	5.87	15.473	2.69	535.570	5.67
Lao PDR	0.043	b	—	—	0.043	b
Luxembourg	0.035	b	—	—	0.035	b
Malaysia	25.441	0.29	1.321	0.23	26.762	0.28
Maldives	0.012	b	—	—	0.012	b
Nepal	4.895	0.06	—	—	4.895	0.05
Netherlands	104.693	1.18	14.956	2.60	119.649	1.27
New Zealand	44.276	0.50	9.488	1.65	53.764	0.57
Norway	3.715	0.04	1.699	0.29	5.414	0.06
Pakistan	2.962	0.03	0.131	0.02	3.093	0.03
Papua New Guinea	0.047	b	—	—	0.047	b
Philippines	71.316	0.80	7.947	1.38	79.263	0.84
Singapore	100.892	1.14	1.213	0.21	102.105	1.08
Solomon Islands	—	—	—	—	—	—
Spain	0.137	b	—	—	0.137	b
Sri Lanka	0.689	0.01	0.412	0.07	1.101	0.01
Sweden	73.847	0.83	0.306	0.05	74.153	0.79
Switzerland	163.190	1.84	29.486	5.12	192.676	2.04
Taipei, China	102.645	1.16	10.613	1.84	113.258	1.20
Thailand	76.313	0.86	0.169	0.03	76.482	0.81
Tonga	0.000	0.00	0.000	0.00	0.000	0.00
United Kingdom	360.359	4.06	72.237	12.54	432.596	4.58
United States	659.527	7.44	123.438	21.43	782.965	8.29
Vanuatu	—	—	—	—	—	—
Western Samoa	—	—	—	—	—	—
Undetermined	—	—	—	—	—	—
Local Expenditures	404.599	4.56	16.741	2.91	421.340	4.46
Foreign Exchange	—	—	—	—	—	—
Content of Contract	2,308.456	26.03	29.075	5.02	2,337.531	24.76
TOTAL	8,866.976	100.00	576.100	100.00	9,443.076	100.00

a Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

b Procurement of less than one hundredth of one per cent.

CUMULATIVE PROCUREMENT AS A RESULT OF BANK OPERATIONS

(As of 31 December 1986)

GRANT-FINANCED TECHNICAL ASSISTANCE

(Net of Adjustments)^a

(In \$ million)

Country of Procurement	Bank's Own Resources	% Distribution	Administered Trust Funds ^b	% Distribution	Total Procurement	% Distribution
Australia	10.096	7.68	3.362	6.20	13.458	7.25
Austria	0.066	0.05	0.000	0.00	0.066	0.04
Bangladesh	0.499	0.38	0.000	0.00	0.499	0.27
Belgium	0.764	0.58	0.136	0.25	0.900	0.48
Burma	0.021	0.02	0.000	0.00	0.021	0.01
Canada	9.100	6.92	2.904	5.36	12.004	6.46
China, People's Rep. of	0.006	0.00	0.000	0.00	0.006	0.00
Denmark	2.815	2.14	0.941	1.74	3.756	2.02
Fiji	0.131	0.10	0.000	0.00	0.131	0.00
Finland	1.210	0.92	1.021	1.88	2.231	1.20
France	3.434	2.61	2.620	4.84	6.054	3.26
Germany, Fed. Rep. of	3.355	2.55	2.692	4.97	6.047	3.26
Hong Kong	0.623	0.47	0.011	0.02	0.634	0.34
India	6.614	5.03	3.114	5.75	9.728	5.24
Indonesia	0.425	0.32	0.000	0.00	0.425	0.23
Italy	2.036	1.55	0.643	1.19	2.679	1.44
Japan	8.419	6.40	3.120	5.76	11.539	6.21
Korea, Rep. of	1.062	0.81	0.867	1.60	1.929	1.04
Malaysia	0.940	0.71	0.000	0.00	0.940	0.51
Nepal	0.218	0.17	0.049	0.09	0.267	0.14
Netherlands	3.772	2.87	1.353	2.50	5.125	2.76
New Zealand	5.024	3.82	0.743	1.37	5.767	3.11
Norway	1.075	0.82	0.410	0.76	1.485	0.80
Pakistan	1.426	1.08	0.000	0.00	1.426	0.77
Papua New Guinea	0.266	0.20	0.000	0.00	0.266	0.14
Philippines	7.179	5.46	2.542	4.69	9.721	5.23
Singapore	1.565	1.19	0.000	0.00	1.565	0.84
Sri Lanka	0.918	0.70	0.266	0.49	1.184	0.64
Sweden	1.004	0.76	0.305	0.56	1.309	0.70
Switzerland	2.255	1.71	1.655	3.05	3.910	2.11
Taipei, China	0.236	0.18	0.068	0.13	0.304	0.16
Thailand	0.517	0.39	0.152	0.28	0.669	0.36
Tonga	0.029	0.02	0.000	0.00	0.029	0.02
United Kingdom	19.828	15.07	12.422	22.92	32.250	17.37
United States	27.804	21.14	9.463	17.46	37.267	20.07
Viet Nam	0.003	0.00	0.000	0.00	0.003	0.00
Western Samoa	0.018	0.01	0.000	0.00	0.018	0.01
International Organizations	6.779	5.15	3.327	6.14	10.106	5.44
TOTAL	131.532	100.00	54.186	100.00	185.718	100.00

a Net of adjustments implies actual expenses which may be more or less than the committed amounts.

b Trust Funds are provided by other external agencies and administered by the Bank.

TECHNICAL ASSISTANCE APPROVALS,^a 1986

(amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
BANGLADESH		
District Towns Sanitary Drainage Study (Supplementary)	15.00	—
Crop Diversification	75.00	—
Integrated Cotton Development	110.00 ^b	—
Rail Container Transport Study	345.00 ^c	—
Khulna Coastal Embankment Rehabilitation	—	1,200.00 ^c
Second Aquaculture Development	—	2,650.00 ^c
BHUTAN		
Planning and Development of Integrated Rural Service Center (Supplementary)	—	50.00
Tariff Study for Public Services	—	60.00
Industrial Estates Development	140.00	—
Study of Agricultural Incentives and Subsidies	—	40.00
Institutional Strengthening of the Public Works Department	—	350.00
Bridge Construction	150.00	—
Highland Livestock Development	—	2,800.00 ^d
BURMA		
Edible Oil	—	680.00 ^c
Grain Export Facilities	150.00	—
CHINA, PEOPLE'S REPUBLIC OF		
Fuel Substitution	75.00	—
FIJI		
Privatization of Government Shipping Fleet and Commercialization of Government Shipyard	—	345.50
Study of Development of Capital Market	—	71.00
INDONESIA		
Improving Administration of Externally-Aided Projects of Cipta Karya	—	350.00
Dairy Development	320.00	—
Construction of Quarterly National Accounts	—	243.00
Power Development Study for Regions IX and XI	—	350.00
Timber Estates Development Sector	330.00	—
Institutional Strengthening of Perum IV	—	445.00
Second Irian Jaya Fisheries Development	—	75.00
Strengthening of DGPCA's Project Management Capabilities	—	350.00
O & M Improvement	—	75.00
KIRIBATI		
Betio Shipyard Improvement (Supplementary)	—	60.00
KOREA, REPUBLIC OF		
Tenth Water Supply	83.85	—
Marine Sciences Education	75.00	—
Preparation of a Highway Sector	75.00	—

^a Excluding technical assistance loans and technical assistance components of project loans, which are included in the Bank's loan data.

^b In addition, FAO/IC will provide \$47,000 under a cost-sharing arrangement.

^c To be financed by UNDP with the Bank acting as Executing Agency.

^d To be financed by the Government of Norway with the Bank acting as Executing Agency.

(CONTINUED)

Country/Project	Project Preparatory	Advisory and Operational
LAO PDR		
Southern Area Development Master Plan Study	—	750.00 ^a
Road Maintenance Study	—	285.00
Implementation of Second Road Improvement	—	1,200.00 ^b
Management Reorganization and Strengthening of the Lao Wood Industries Corporation (LWIC)	—	299.00
MALAYSIA		
Agricultural Marketing	225.00	—
Second Sabah Water Supply	150.00	—
Agricultural Projects Management Workshop	—	50.00
Long Range Transmission Plan	—	340.00
Study of National Health Security Fund	—	430.00
MALDIVES		
Power System Development	60.00	—
NEPAL		
Third Crop Intensification Program	75.00	—
Transport Sector Profile	—	350.00
National Land Use Planning	—	350.00
Third Hill Irrigation	350.00	—
Second Aquaculture Development	—	960.00 ^b
Tea Development	200.00 ^c	—
Program Budgeting and Project Monitoring Systems	—	75.00 ^b
Institutional Strengthening of the Department of Roads	—	335.00
Seventh Power	75.00	—
PAKISTAN		
Fisheries Sector Study	—	290.00
Flood Control Sector	300.00	—
Oil and Gas Development	75.00	—
Third Health and Population	236.00	—
Agricultural Inputs Program	52.55 ^d	—
Nok Kundi Iron Ore	190.00	—
Chashma Right Bank Irrigation (Stage II)	285.00	—
Livestock Sector Study	—	188.00 ^e
Second On-Farm Water Management	150.00	—
Second Polytechnic Institutes	150.00	—
Savings Mobilization for the Agricultural Development Bank of Pakistan	—	240.00
Institution-Building for the Agricultural Development Bank of Pakistan	—	960.00 ^b
Study for the Integrated Operations of WAPDA and KESC Systems	—	450.00
Sind Forestry Development	150.00	—
PAPUA NEW GUINEA		
Institutional Strengthening of the Land Transport Division within the Department of Transport	—	300.00
Study on Rationalization and Savings in Higher Education	—	314.00
Smallholder Oil Palm Productivity	—	300.00
New Ireland Smallholder and Plantation Development	75.00	—
Development of Industrial Centers	230.00	—
Luwini (Divune) Hydropower	150.00	—

a Of this amount, \$600,000 is to be financed by UNDP with the Bank acting as Executing Agency.

b To be financed by UNDP with the Bank acting as Executing Agency.

c Of this amount, \$50,000 is to be financed by the Government of Switzerland with the Bank acting as Executing Agency.

d In addition, FAO/IC will provide \$22,450 under a cost-sharing arrangement.

e In addition, FAO/IC will provide \$188,000 under a cost-sharing arrangement.

TECHNICAL ASSISTANCE APPROVALS, 1986

(amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
PHILIPPINES		
Geothermal Steam Pricing Study (Supplementary)	—	63.00
Mindanao Power System Development Study	—	350.00
Water Supply and Sanitation	—	50.00
Azolla Research and Development	—	250.00
Development Bank of the Philippines (DBP)	—	75.00
National Road Improvement	1,050.00 ^a	—
Pilot Program for Contract Maintenance of National Roads	—	400.00
Luzon Power System Development Study	—	260.00
SOLOMON ISLANDS		
Second Road	250.00	—
Industrial Sites Development Study	70.00	—
Second Honiara Port	75.00	—
Institutional Support for Solomon Islands Electric Authority	—	216.00
SRI LANKA		
Water Supply Rehabilitation	75.00	—
Subsidiary Crops Production and Processing	400.00 ^b	—
Agricultural Inputs Program	75.00	—
Second Road Improvement	350.00	—
Second Technical Education	294.00	—
Institutional Strengthening of the Irrigation Department and the Irrigation Management Division	—	900.00 ^c
THAILAND		
Second Navigational Channel for Access to Bangkok Port (Supplementary)	15.00	—
Upper South Regional Development	75.00	—
Preparation of Second Agricultural Credit	75.00	—
Advisory Services to the Harbour Department	—	320.00
Samutprakarn Industrial Pollution Control and Management	—	295.00 ^d
Demographic and Economic Forecasting Pilot Study	—	110.00
TONGA		
Third Multiproject	—	221.00
Third Tonga Development Bank	—	160.00
VANUATU		
Industrial Estate Development	75.00	—
Vocational Training	75.00	—
Fiscal and Financial Development Support	—	285.00
WESTERN SAMOA		
Rationalization and Privatization of Selected Government Corporations and Activities	—	310.00
Improvement of Electric Power Corporation's Financial Management	—	200.00
TOTAL	8,076.40	23,126.50

- a Of this amount, \$550,000 is to be financed by UNDP and \$500,000 by the Government of Switzerland with the Bank acting as Executing Agency.
b Of this amount, \$250,000 is to be financed by the Government of Switzerland with the Bank acting as Executing Agency.
c Of this amount, \$400,000 is to be financed by the Government of Switzerland and \$150,000 by UNDP with the Bank acting as Executing Agency.
d Of this amount, \$95,000 is to be financed by UNDP with the Bank acting as Executing Agency.

REGIONAL ACTIVITIES, 1986

	Amount (\$ thousand)
Study of Leasing in Selected DMCs (Supplementary)	22.00
Third Management Development Program for South Pacific Development Finance Institutions	110.00
Preparation for Study of Selected Development Issues	25.00
ADB Development Round Table on Trade Liberalization and Development	100.00
Women in Development	348.00 ^a
Study on Financing Public Sector Development Expenditure	238.00
Study of Informal Credit Markets in Selected Developing Member Countries	350.00
International Rice Research Institute for Research on Botanical Pest Control	250.00 ^b
Regional Seminar on Irrigation Service Fees	125.00 ^c
Regional Program on Management Development for Development Finance Institutions in Asia	135.00
Regional Seminar on Distance Education	248.40
Semi-Annual Meeting of Project Link	30.00 ^d
Inter-Country Evaluation of Rice Market Intervention Systems	304.00
Regional Workshop on Power Utility Management	75.00
ADB/EWC Symposium on Regional Cooperation in South Asia	80.00 ^e
Regional Seminar on Major National Urban Policy Issues	185.00 ^f
Preparation of Technical and Operational Manual on Use of Pesticides under Bank-Financed Projects	165.00
Regional Workshop on Soil Management	40.00
16th Pacific Trade and Development (PAFTAD) Conference	20.00
Improvement of National Accounts in Four South Pacific Developing Member Countries	344.00
Study of Selected Industries of Developing Member Countries of the Bank	350.00
Strategy Studies and Private Sector Environment Assessments in Smaller SPDMCs	68.00
Joint ADB/ESCAP Workshop on International Comparison	35.00
Regional Training Center in Community Forestry in Kasetsart University, Thailand	1,520.00 ^g
Regional Workshop on Forestry Development and Perspectives	168.00
Seminars on Business Opportunities under Projects Financed by the Asian Development Bank	65.00
International Rice Research Institute for Research, Demonstration and Training on Rice Production; Post-Harvest Technology and Biomass Utilization Phase II	650.00 ^h
Regional Seminar on Health Care Financing	275.00
Seminar on Financing Entrepreneurial Development	30.00
Princeton/ADB Study of Selected Development Issues	550.00
Regional Workshop on Technical Teacher Training	115.00 ⁱ
1987 Seminars on Procurement and Project Implementation Management	320.00
Seminars on Use of Consultants	80.00
TOTAL	7,420.40

a In addition, CIDA will provide \$70,000 under a cost-sharing arrangement.

b In addition, IRRI and EWC will provide \$50,000 under a cost-sharing arrangement.

c In addition, IIMI will provide \$12,000 under a cost-sharing arrangement.

d In addition, ESCAP, EC and TDR will provide \$70,000 under a cost-sharing arrangement.

e In addition, EWC will provide \$30,000 under a cost-sharing arrangement.

f In addition, UNCRD will provide \$25,000 under a cost-sharing arrangement.

g Of this amount, \$1,170,000 is to be financed by the Government of Switzerland with the Bank acting as Executing Agency.

h In addition, IRRI will provide \$166,000 under a cost-sharing arrangement.

i In addition, the Government of Japan will provide \$60,000 and the Asian and Pacific Skill Development Programme \$31,000 under a cost-sharing arrangement.

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS BY COUNTRY AND REGIONAL ACTIVITIES,^a
1985, 1986, 1967-1986
(amounts in \$ thousand)

Country	1985				
	No.	Bank Financing	Other Sources	Total	%
Afghanistan	—	—	—	—	—
Bangladesh	9	369.00	7,164.00	7,533.00	22.41
Bhutan	5	1,159.00	350.00	1,509.00	4.49
Burma	2	150.00	270.00	420.00	1.25
Cambodia	—	—	—	—	—
China, People's Republic of	—	—	—	—	—
Cook Islands	—	—	—	—	—
Fiji	1	150.00	—	150.00	0.45
Indonesia	6	1,412.75	—	1,412.75	4.20
Kiribati	1	150.00	—	150.00	0.45
Korea, Republic of	2	143.00	—	143.00	0.43
Lao PDR	—	—	—	—	—
Malaysia	9	2,050.00	—	2,050.00	6.10
Maldives	1	200.00	—	200.00	0.60
Nepal	7	1,150.00	3,950.00	5,100.00	15.17
Pakistan	8	1,417.60	1,300.00	2,717.60	8.09
Papua New Guinea	5	1,222.00	—	1,222.00	3.64
Philippines	6	1,304.00	—	1,304.00	3.88
Singapore	—	—	—	—	—
Solomon Islands	1	75.00	—	75.00	0.22
Sri Lanka	4	723.00	—	723.00	2.15
Taipei, China	—	—	—	—	—
Thailand	9	1,382.50	874.00	2,256.50	6.71
Tonga	—	—	—	—	—
Vanuatu	1	270.00	—	270.00	0.80
Viet Nam	—	—	—	—	—
Western Samoa	3	635.00	250.00	885.00	2.63
Sub-Total	80	13,962.85	14,158.00	28,120.85	83.67
Regional	32	5,489.00	—	5,489.00	16.33
TOTAL	112	19,451.85	14,158.00	33,609.85	100.00

^a Excluding technical assistance loans and technical assistance components of project loans, which are included in the Bank's loan data.

1986					1967-1986		
No.	Bank Financing	Other Sources	Total	%	No.	Total Amount	%
—	—	—	—	—	15	2,465.70	1.02
6	200.00	4,195.00	4,395.00	11.38	84	38,675.32	16.00
7	790.00	2,800.00	3,590.00	9.30	19	6,475.00	2.68
2	150.00	680.00	830.00	2.15	34	9,466.00	3.92
—	—	—	—	—	2	111.00	0.05
1	75.00	—	75.00	0.19	1	75.00	0.03
—	—	—	—	—	2	161.00	0.07
2	417.50	—	417.50	1.08	16	2,361.50	0.98
9	2,538.00	—	2,538.00	6.57	114	23,064.27	9.54
1	60.00	—	60.00	0.16	7	1,125.00	0.46
3	233.85	—	233.85	0.61	31	4,310.15	1.78
4	734.00	1,800.00	2,534.00	6.56	26	8,497.78	3.52
5	1,195.00	—	1,195.00	3.09	34	7,362.00	3.05
1	60.00	—	60.00	0.16	5	743.00	0.31
9	1,685.00	1,085.00	2,770.00	7.17	79	28,986.70	12.00
14	2,756.55	960.00	3,716.55	9.62	61	14,384.15	5.95
6	1,369.00	—	1,369.00	3.54	35	6,621.60	2.74
8	1,448.00	1,050.00	2,498.00	6.47	78	18,233.40	7.55
—	—	—	—	—	2	577.42	0.24
4	611.00	—	611.00	1.58	22	3,069.34	1.27
6	1,294.00	800.00	2,094.00	5.42	47	8,427.50	3.49
—	—	—	—	—	1	100.00	0.04
6	795.00	95.00	890.00	2.30	45	10,624.60	4.40
2	381.00	—	381.00	0.99	10	1,466.00	0.61
3	435.00	—	435.00	1.13	10	1,632.00	0.67
—	—	—	—	—	11	1,110.60	0.46
2	510.00	—	510.00	1.32	25	4,090.50	1.69
101	17,737.90	13,465.00	31,202.90	80.79	816	204,216.53	84.52
33	6,250.40	1,170.00	7,420.40	19.21	228	37,396.33	15.48
134	23,988.30	14,635.00	38,623.30	100.00	1,044	241,612.86	100.00

1986 LOANS THAT RESULTED FROM EARLIER BANK TECHNICAL ASSISTANCE

(amounts in \$ million)

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Cost	Amount of Bank Financing			Amount of Co-Financing	Amount of Government Financing
				OCR	ADF	Total		
BANGLADESH								
Khulna Coastal Embankment Rehabilitation	1985	0.429 ^a	22.60	—	16.90	16.90	1.20	4.50
Second Aquaculture Development	1984	0.330	60.00	—	42.81	42.81	2.65	4.78
BHUTAN								
Roadworks Mechanization	1985	0.075	8.20	—	4.50	4.50	2.75	0.95
Highland Livestock Development	1985	0.235	7.88	—	4.30	4.30	2.80	0.70
BURMA								
Edible Oil	1984	0.450 ^b	70.00	—	35.00	35.00	0.68	34.32
FIJI								
Sigatoka Valley Rural Development	1984	0.150	9.95	4.40	—	4.40	—	5.55
INDONESIA								
Third Irrigation Package	1982) 1983)	4.500 ^c 3.600 ^c	148.80	120.70	—	120.70	—	28.10
Second Nucleus Estate and Smallholder Oil Palm	1984	0.150	116.80	70.00	—	70.00	—	1.50
Ministry of Public Works Manpower Education and Training	1984	0.150 ^d	36.25	29.00	—	29.00	—	7.25
Irrigated Command Area Development	1984	0.258	52.10	28.80	—	28.80	—	23.30
Eighth Port	1982	5.550 ^c	63.55	40.00	—	40.00	14.50	9.05
KOREA, REPUBLIC OF								
Marine Sciences Education	1986	0.075	92.00	53.00	—	53.00	—	39.00
LAO PDR								
Second Road Improvement	1984	0.250	16.21	—	12.00	12.00	1.20	3.01
MALAYSIA								
Transmission System Improvement	1985	0.075	154.40	54.50	—	54.50	4.50	—
Health Services Development (Sector)	1984	0.250	—	50.73	—	50.73	—	81.86

a Financed by the Government of Switzerland with the Bank acting as Executing Agency.

b Financed by UNDP with the Bank acting as Executing Agency.

c Includes technical assistance loan.

d Financed by EEC with the Bank acting as Executing Agency.

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Cost	Amount of Bank Financing			Amount of Co-Financing	Amount of Government Financing
				OCR	ADF	Total		
NEPAL								
Second Aquaculture Development	1984	0.145	23.00	—	11.00	11.00	5.96	0.59
Road Improvement	1983	0.150	42.50	—	30.00	30.00	4.00	8.50
PAKISTAN								
Cotton Development	1984	0.175	82.88	—	66.10	66.10	4.10	12.70
Baluchistan Groundwater and Trickle Irrigation	1984)	0.330	15.76	—	12.60	12.60	—	3.20
	1985)	0.225						
Agricultural Inputs Program	1986	0.053	—	75.00	75.00	150.00	—	65.75
PAPUA NEW GUINEA								
West New Britain Smallholder Development	1984	0.350 ^a	49.90	14.00	15.90	29.90	—	20.00
PHILIPPINES								
Highland Agriculture Development	1983	0.225	26.90	18.80	—	18.80	4.60	3.50
Island Provinces Rural Water Supply (Sector)	1985	0.075	—	24.00	—	24.00	5.00	4.17
Fourth Road Improvement	1981	0.810	102.50	82.00	—	82.00	—	20.50
SRI LANKA								
Kirindi Oya Irrigation and Settlement (Phase II)	1985	0.075	33.10	—	26.60	26.60	—	6.50
Land Use Planning	1985	0.290	20.86	—	16.70	16.70	—	4.20
Agricultural Inputs Program	1986	0.075	—	—	29.00	29.00	—	0.30
Water Supply Sector	1986	0.075	—	—	30.00	30.00	—	7.50
THAILAND								
Brackishwater Shrimp Culture Development	1978	0.110	24.45	11.11	—	11.11	4.00	6.14
TOTAL								
		19.690	1,280.59	676.04	428.41	1,104.45	57.94	407.42

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS BY SECTOR,^a 1985, 1986, 1967-1986
(amounts in \$ thousand)

Sector	1985			1986			1967-1986		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-Industry	39	17,603.60	62.60	39	16,854.55	54.01	387	111,630.67	54.66
Energy	7	2,317.00	8.24	13	2,664.00	8.54	104	27,796.84	13.61
Industry and Non-Fuel Minerals	4	1,013.50	3.60	8	1,011.00	3.24	68	11,579.50	5.67
Transport and Communications	10	2,722.75	9.68	19	6,701.50	21.48	105	24,544.55	12.02
Social Infrastructure	16	3,202.00	11.39	15	2,667.85	8.55	123	23,344.27	11.43
Multisector	2	770.00	2.74	2	281.00	0.90	8	1,551.00	0.76
Others	2	492.00	1.75	5	1,023.00	3.28	21	3,769.70	1.85
TOTAL	80	28,120.85	100.00	101	31,202.90	100.00	816	204,216.53	100.00

a Excluding technical assistance loans and technical assistance components of project loans, which are included in the Bank's loan data.

FINANCIAL RESOURCES

BORROWINGS, 1986

Country	Borrowing	Amount in Currency of Borrowing (million)	US\$ Equivalent ^a (million)
Germany, Federal Republic of	6.25% 10-Year Bonds due 1996	DM 200	84.8
	6.125% 10-Year Bonds due 1996	DM 100	48.7
Japan	6.50% 20-Year Bonds due 2006	¥20,000	111.3
	5.80% 15-Year Bonds due 2001	¥30,000	184.7
Netherlands	6.25% 10-Year Bonds due 1996	f 200	76.6
Switzerland	Zero Coupon 30-Year Bonds due 2016	SwF 107.5 ^b	51.8
	5.125% 10-Year Bonds due 1996	SwF 100	54.9
United States	8.00% 15-Year Bonds due 2001	US\$ 100	100.0
International	8.00% 10-Year Bonds due 1996	US\$ 100	100.0
TOTAL			812.8

a Based on the exchange rates effective at the date of Board approval of each borrowing.

b Proceeds, face amount of which is SwF 500 million.

STATUS OF ASIAN DEVELOPMENT FUND RESOURCES

	Valued as of 31/12/85 US\$m.	Change in 1986			Valued as of 31/12/86	
		Addition US\$m.	Exchange Rate Adjustments ^a US\$m.	Net Change US\$m.	US\$m.	SDRm. ^b
Contributed Resources						
Australia	213.57	37.82	(7.58)	30.24	243.81	199.32
Austria	43.44	3.84	11.59	15.43	58.87	48.13
Belgium	39.57	6.97	10.19	17.16	56.73	46.38
Canada	404.88	61.76	5.20	66.96	471.84	385.75
Denmark	37.37	3.27	8.38	11.65	49.02	40.08
Finland	29.71	2.59	3.87	6.46	36.17	29.57
France	167.16	27.94	30.35	58.29	225.45	184.31
Germany, Federal Republic of	390.56	24.53	104.33	128.86	519.42	424.64
Hong Kong	0.75	0.11	—	0.11	0.86	0.70
Indonesia	2.25	0.33	—	0.33	2.58	2.11
Italy	134.05	13.51	32.81	46.32	180.37	147.46
Japan	2,822.90	193.11	714.83	907.94	3,730.84	3,050.09
Korea, Republic of	2.63	0.38	—	0.38	3.01	2.46
Netherlands	121.49	9.70	32.52	42.22	163.71	133.84
New Zealand	9.52	0.45	0.49	0.94	10.46	8.55
Norway	32.09	4.97	0.85	5.82	37.91	30.99
Spain	—	25.42	2.73	28.15	28.15	23.01
Sweden	46.50	4.00	5.37	9.37	55.87	45.68
Switzerland	71.62	5.24	20.13	25.37	96.99	79.29
Taipei, China	1.50	0.22	—	0.22	1.72	1.41
United Kingdom	216.05	11.28	4.86	16.14	232.19	189.82
United States	1,035.00	187.11	—	187.11	1,222.11	999.12
Total Contributed Resources	5,822.61	624.54	980.93	1,605.47	7,428.08^c	6,072.71
Additional Resources						
Set-Aside Resources	52.30 ^d	—	5.94	5.94	58.24	47.61
Other Resources ^e	5.08	—	—	—	5.08	4.15
Accumulated Translation Adjustments	(7.93)	35.17	—	35.17	27.24	22.27
Accumulated Net Income	209.44	36.43	—	36.43	245.87	201.01
Total Additional Resources	258.89	71.60	5.94	77.54	336.43	275.04
Total Resources	6,081.50	696.14	986.87	1,683.01	7,764.51	6,347.75
Less: Amounts Disbursed and Outstanding	2,000.07	392.40	358.26	750.66	2,750.73	2,248.82
Less: Amounts Committed but Undisbursed:						
Denominated in US Dollars	1,523.35	(322.41)	—	(322.41)	1,200.94	981.81
Denominated in SDRs	1,931.40 ^d	466.42	228.83	695.25	2,626.65	2,147.37
Total Uncommitted Resources	626.68	159.73	399.78	559.51	1,186.19	969.75
Less: Provision for Exchange Rate Fluctuations ^f	295.19	107.04	—	107.04	402.23	328.84
Net Amount Available for Loan Commitments	331.49	52.69	399.78	452.47	783.96	640.91

Note: Figures may not add due to rounding.

a. Relating to balances as of 31 December 1985 and additions in 1986.

b. Valued at the rate of \$1.22319 per SDR as of 31 December 1986.

c. Excludes amounts totalling \$318.38 million paid under contributions to the third ADF replenishment (ADF IV) but not available for loan commitments as of 31 December 1986.

d. Valued at the rate of \$1.09842 per SDR as of 31 December 1985.

e. Amounts initially accrued or allocated to other Special Funds.

f. Equivalent to the sum of Other Resources, Accumulated Translation Adjustments, Accumulated Net Income and Accumulated Loan Principal Repayments.

TECHNICAL ASSISTANCE SPECIAL FUND
(US Dollar Equivalent)^a

Contributor	Total Contributions	Amount Utilized
Australia	2,484,371	2,484,371
Austria	139,351	106,153
Bangladesh	47,352	47,352
Belgium	1,273,270	621,585
Canada	3,345,751	3,345,751
Denmark	1,961,873	1,961,873
Finland	237,201	237,201
France	1,654,359	1,629,928
Germany, Federal Republic of	3,249,450	3,024,269
Hong Kong	100,000	100,000
India	1,528,822	1,501,031
Indonesia	250,000	161,136
Italy	774,148	774,148
Japan	47,045,283	43,761,731
Korea, Republic of	1,450,000	1,405,140
Malaysia	905,726	898,158
Netherlands	1,319,086	1,210,463
New Zealand	1,095,632	1,095,632
Norway	3,053,267	2,257,615
Pakistan	564,855	554,427
Singapore	100,000	100,000
Spain	163,903	163,903
Sri Lanka	6,309	6,309
Sweden	821,871	509,894
Switzerland	1,035,043	1,035,043
Taipei, China	200,000	200,000
United Kingdom	5,580,056	5,552,542
United States	1,500,000	1,500,000
Sub-Total	81,886,979	76,245,655
Other Resources ^b	11,531,580	11,531,580
TOTAL	93,418,559	87,777,235

^a The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by the Bank on the respective dates of utilization, and the amount unutilized, translated at the exchange rates used by the Bank on 31 December 1986.

^b Represents income, repayments and reimbursements accruing to TASF since April 1980.

APPENDIXES

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SUMMARY OF BUDGET FOR 1987

Internal Administrative Expenses

(amounts in \$ thousand)

	1986			1987 Budget
	Original Budget	After Transfers ¹	Actual ²	
I. BOARD OF GOVERNORS	192	192	132	315
II. BOARD OF DIRECTORS	4,414	4,414	3,929	4,786
Salaries	2,250	2,250	2,118	2,391
Benefits	1,013	1,013	946	1,109
Relocation	438	438	294	534
Business Travel	382	382	244	390
Staff Services	331	331	327	362
III. STAFF	64,452	64,452	62,963	68,725
Salaries	37,491	37,491	36,723	39,981
Benefits	21,516	21,516	21,321	22,856
Relocation	1,638	1,748	1,748	1,891
Consultants	3,807	3,697	3,171	3,997
IV. BUSINESS TRAVEL AND REPRESENTATION	5,741	5,741	5,537	6,334
Business Travel	5,645	5,645	5,455	6,225
Representation	96	96	82	109
V. OTHER ADMINISTRATIVE EXPENSES	12,716	12,716	11,907	13,149
Communications	1,794	1,794	1,788	1,949
Office Occupancy	3,350	3,129	2,549	2,966
Library	240	240	239	255
Expendable Supplies	1,062	1,104	1,104	1,186
Office Equipment	1,499	1,524	1,524	1,521
Contractual Services	2,254	2,408	2,408	2,819
Insurance	378	378	307	377
Depreciation	1,864	1,864	1,804	1,750
Miscellaneous	125	125	82 ³	126
Special Activity	150	150	102	
New Field Offices				200
VI. GENERAL CONTINGENCY	1,750	1,750	0	933
TOTAL	89,265	89,265	84,468	94,242⁴

1 Transfers were made between budget items within each Budget Category without exceeding the total amount for the Category.

2 Excludes \$1,600,700 provided as an accounting requirement as of 31 December 1986 for accumulated compensated absences - \$408,373 and severance pay - \$1,192,327; and \$57,011 representing expenses incurred for the Bank Professional Staff Housing Scheme previously held in Suspense Debit.

3 Includes \$8,842 from the Technical Assistance Special Fund.

4 Due to the lower-than-assumed general salary increase for professional staff in 1986, the Budget figure for Internal Administrative Expenses stood reduced by \$805,000 to \$93,437,000.

Services to Member Countries

(amounts in \$ thousand)

Financed from Bank's Own Resources	Commitments		1987 Budget
	1986		
	Budget	Actual	
Project Preparatory	9,000	6,381	9,500
Advisory and Operational	8,000	11,357	9,000
Regional	7,000	6,250	7,500
TOTAL	24,000	23,988	26,000

RESOLUTIONS OF BOARD OF GOVERNORS DURING 1986

Resolution No.	Subject	Date Adopted
176	Membership of People's Republic of China and Increase in Authorized Capital Stock	17 February 1986
177	Financial Statements and Opinions of Independent Auditors	2 May 1986
178	Allocation of Net Income	2 May 1986
179	Ordinary Capital Resources of the Bank	2 May 1986
180	Place and Date of Twentieth Annual Meeting	2 May 1986
181	Decisions Relating to Section 5 of the By-Laws of the Bank	23 September 1986
182	Replenishment of the Asian Development Fund and the Technical Assistance Special Fund	1 October 1986

BOARD OF GOVERNORS

(As of 31 December 1986)

Kiichi Miyazawa (Japan) (Chairman)**Mian Muhammad Yasin Khan Wattoo** (Pakistan) (Vice-Chairman)**Silvio Arioli** (Switzerland) (Vice-Chairman)

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan, Democratic Republic of	Mohamad Kabir Minister of Finance	Abdul Ghafoor Joushan President Treasury Department
Australia	P. J. Keating Treasurer	R. B. Dun Director Australian Development Assistance Bureau
Austria	Ferdinand Lacina ¹ Federal Minister of Finance	Othmar Haushofer ² Director General Ministry of Finance
Bangladesh	M. Syeduzzaman Minister for Finance	M.K. Anwar Secretary External Resources Division Ministry of Finance
Belgium	M. Eyskens Minister of Finance	Rene Lauwerijns Director-General of Administration of the Treasury
Bhutan	Dawa Tsering Minister for Foreign Affairs	Yeshey Zimba ³ Managing Director Royal Monetary Authority of Bhutan
Burma	U Tun Tin Deputy Prime Minister and Minister of Planning and Finance	U Kyaw Myint ⁴ Deputy Minister Ministry of Planning and Finance
Cambodia		
Canada	Joe Clark Secretary of State for External Affairs	Bernard Drabble Associate Deputy Minister Department of Finance
China, People's Republic of	Mme. Chen Muhua Governor People's Bank of China	Che Peiqin Member of the Council and Director of International Department People's Bank of China

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Cook Islands	Sir Thomas Robert Alexander Harries Davis Prime Minister and Minister of Finance	Tai Manuela ⁵ Acting Secretary Department of Development Planning
Denmark	Bjoern Olsen Ambassador, Under-Secretary of State (Development) Ministry of Foreign Affairs	Sten Lilholt ⁶ Head of Division DANIDA Ministry of Foreign Affairs
Fiji	Moses Qionibaravi Deputy Prime Minister and Minister of Finance	Savenaca Siwatibau Governor Reserve Bank of Fiji
Finland	Martti Ahtisaari Under-Secretary of State Ministry for Foreign Affairs	Kai Helenius Director General Finnish International Development Agency Ministry for Foreign Affairs
France	Edouard Balladur ⁷ Minister of State In Charge of Economy, Finance and Privatization	Daniel Lebègue Director of the Treasury Ministry of the Economy, Finance and Budget
Germany, Federal Republic of	Jürgen Warnke Federal Minister for Economic Cooperation	Eckard Pieske ⁸ Deputy Director General Federal Ministry of Finance
Hong Kong	Piers Jacobs ⁹ Financial Secretary	D.A.C. Nendick Secretary for Monetary Affairs
India	Vishwanath Pratap Singh Minister of Finance	S. Venkitaramanan Finance Secretary Ministry of Finance Department of Economic Affairs
Indonesia	Radius Prawiro Minister of Finance	Arifin M. Siregar Governor Bank Indonesia
Italy	Carlo Azeglio Ciampi Governor Bank of Italy	Mario Sarcinelli Director General of the Treasury Ministry of the Treasury

BOARD OF GOVERNORS

(As of 31 December 1986)

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Japan	Kitchi Miyazawa ¹⁰ Minister of Finance	Satoshi Sumita Governor Bank of Japan
Kiribati	Boanereke Boanereke Minister for Finance	Beniamina Tinga Secretary for Finance Ministry of Finance
Korea, Republic of	In-Yong Chung ¹¹ Minister of Finance	Sung-Sang Park ¹² Governor The Bank of Korea
Lao People's Democratic Republic	Oudone Pholsena Vice-Minister of Finance	Kikham Vongsay Vice-Minister of Finance
Malaysia	Daim Bin Zainuddin Minister of Finance	Tan Sri Zain Azraai ¹³ Secretary General to the Treasury Ministry of Finance
Maldives	Ahmed Mujuthaba Minister of Transport and Shipping	Ismail Fathy Vice Governor Maldives Monetary Authority and Director of Department of Finance
Nepal	Bharat Bahadur Pradhan ¹⁴ Minister of State for Finance	Lok Bahadur Shrestha Finance Secretary Ministry of Finance
Netherlands	H. O. Ruding Minister of Finance	P. Bukman ¹⁵ Minister for Development Co-operation
New Zealand	Roger Owen Douglas Minister of Finance	Graham Scott ¹⁶ Secretary to the Treasury
Norway	Hans Cristian Bugge ¹⁷ State Secretary Ministry of Development Cooperation	Bernt H. Lund Secretary General Ministry of Development Cooperation
Pakistan	Mian Muhammad Yasin Khan Wattoo ¹⁸ Minister for Finance and Economic Affairs	M.A.G.M. Akhtar ¹⁹ Secretary Economic Affairs Division

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Papua New Guinea	Galeva Kwarara ²⁰ Minister for Finance and Planning	J. Vulupindi Secretary for Finance and Planning
Philippines	Jaime V. Ongpin ²¹ Minister of Finance	Jose B. Fernandez, Jr. Governor Central Bank of the Philippines
Singapore	Richard Hu Tsu Tau Minister for Finance	Lee Ek Tieng ²² Permanent Secretary Revenue Division Ministry of Finance
Solomon Islands	George Kejoa Minister of Finance	John Rofeta ²³ Permanent Secretary Ministry of Finance
Spain	Carlos Solchaga Catalan Minister of Economy and Finance	Luis de Velasco Secretary of State for Commerce Ministry of Economy and Finance
Sri Lanka, Democratic Socialist Republic of	Ronnie de Mel Minister of Finance and Planning	Baku Mahadeva ²⁴ Secretary Ministry of Finance and Planning
Sweden	Bengt Saeve-Soederberg Under Secretary of State for International Development Cooperation Ministry for Foreign Affairs	Carl Johan Groth ²⁵ Assistant Under-Secretary for International Development Cooperation Ministry for Foreign Affairs
Switzerland	Silvio Arioli Ambassador, Delegate of the Federal Council for Trade Agreements	Louis Currat Head, Asia Division Swiss Development Cooperation Office
Taipei, China	Chi-Cheng Chang Governor Central Bank of China	Pei-Ying Pai Vice-Minister of Finance
Thailand	Suthee Singhasaneh ²⁶ Minister of Finance	Panas Simasathien Permanent Secretary for Finance

BOARD OF GOVERNORS
 (As of 31 December 1986)

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Tonga	J. C. Cocker Minister of Finance	Baron Vaea Minister of Labour, Commerce and Industries and Assistant Minister of Finance
United Kingdom	Christopher Patten, MP ²⁷ Minister of State for Foreign and Commonwealth Affairs and Minister for Overseas Development	J. L. F. Bulst ²⁸ Under Secretary International Division Overseas Development Administration
United States	James A. Baker III Secretary of the Treasury	W. Allen Wallis Under Secretary of State for Economic Affairs
Vanuatu	Kalpokor Kalsakau Minister of Finance	John Sethy Regenvanu Deputy Prime Minister and Minister of Home Affairs
Viet Nam, Socialist Republic of	Lu Minh Chau ²⁹ Minister Director General State Bank of Viet Nam	Le Hoang Vice-Minister Deputy Director General State Bank of Viet Nam
Western Samoa	Faasootauloa S.P. Saili ³⁰ Minister of Finance	Kolone Va'ai Financial Secretary

- 1 Succeeded Franz Vranitzky in July.
- 2 Succeeded Hans Heller in January.
- 3 Succeeded Dorji Tshering in April.
- 4 Succeeded U Maung Shein in April.
- 5 Succeeded Paul Drury in March.
- 6 Succeeded Boerge Bloend in November.
- 7 Succeeded Pierre Beregovoy in April.
- 8 Succeeded Winfried Heck in July.
- 9 Succeeded Sir John H. Bremridge in June.
- 10 Succeeded Noboru Takeshita in August.
- 11 Succeeded Mahn-Je Kim in January.
- 12 Succeeded Chang-Nak Choi in January.
- 13 Succeeded Tan Sri Thong Yaw Hong in June.
- 14 Succeeded Prakash Chandra Lohani in April.
- 15 Succeeded E. M. Schoo in July.
- 16 Succeeded Bernard Vincent Galvin in October.

- 17 Succeeded Odd Jostheim Saether in July.
- 18 Succeeded Mahbulul Haq in January.
- 19 Succeeded Syed Nisar Ali Shah in July.
Syed Nisar Ali Shah succeeded Ejaz Ahmad Naik in March.
- 20 Succeeded Sir Julius Chan, KBE, MP in December.
- 21 Succeeded Cesar Virata in February.
- 22 Succeeded J.Y.M. Pillay in April.
- 23 Succeeded L.P. Maenu'u in December.
L.P. Maenu'u succeeded Barry Clarke in May.
- 24 Succeeded W. M. Tilakaratna in December.
- 25 Succeeded Peder Hammarskjöld in October.
- 26 Succeeded Sommai Hoontrakool in September.
- 27 Succeeded Timothy Raison in September.
- 28 Succeeded H. J. Arbutnot in January.
- 29 Succeeded Nguyen Duy Gia in June.
- 30 Succeeded Tuilaepa Sailele in January.

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1986)

DIRECTOR	ALTERNATE DIRECTOR	COUNTRIES REPRESENTED ¹
Chandi Chanmugam (Democratic Socialist Republic of Sri Lanka)	Ha Dan Huan ¹ (Socialist Republic of Viet Nam)	Dem. Rep. of Afghanistan; Lao People's Dem. Rep.; Maldives; Dem. Soc. Rep. of Sri Lanka; Soc. Rep. of Viet Nam
Sofjan Djajawinata (Indonesia)	Cliff F. Sproule ² (New Zealand)	Cook Islands; Fiji; Indonesia; New Zealand; Tonga; Western Samoa
Keith J. Horton-Stephens (Australia)	Ralph Hillman (Australia)	Australia; Hong Kong; Kiribati; Solomon Islands
Takatoshi Kato (Japan)	Yukio Saruhashi (Japan)	Japan
Tunku Abdul Malek (Malaysia)	Suwan Pasugswad (Thailand)	Burma; Malaysia; Nepal; Singapore; Thailand
Jean-Marc Métivier (Canada)	Wim Kluit ³ (Netherlands)	Canada; Denmark; Finland; Netherlands; Norway; Sweden
Paolo Nardi (Italy)	Paul Obrist ⁴ (Switzerland)	Belgium; France; Italy; Spain; Switzerland
N. M. Qureshi (Pakistan)	Joker P. Arroyo ⁵ (Philippines)	Pakistan; Philippines
K. V. Ramanathan (India)	K. F. Rahman (Bangladesh)	Bangladesh; Bhutan; India
Hans Martin Schmid (Federal Republic of Germany)	David Craxton ⁶ (United Kingdom)	Austria; Federal Republic of Germany; United Kingdom
Sung-Yong Wei (Republic of Korea)	John Natera (Papua New Guinea)	Republic of Korea; Papua New Guinea; Taipei, China; Vanuatu
(Vacant) ⁷	William R. Thomson (United States)	United States

1 In alphabetical order within each group.

2 Succeeded R. C. W. Hamilton on 17 February.

3 Succeeded Palle Marker on 1 September.

4 Succeeded Gino Alzetta on 1 August.

5 Succeeded A. Melchor, Jr. on 16 August.

6 Succeeded Gerhard Kantner on 1 July.

7 Joe O. Rogers resigned with effect from 1 September.

COMMITTEES OF THE BOARD OF DIRECTORS
(As of 31 December 1986)

AUDIT COMMITTEE

N. M. Qureshi (Chairman)

Hans Martin Schmid

Sung-Yong Wei

K. F. Rahman

William R. Thomson¹

BUDGET REVIEW COMMITTEE

Tunku Abdul Malek (Chairman)

Sofjan Djajawinata

Keith J. Horton-Stephens

Takatoshi Kato

William R. Thomson

**COMMITTEE ON ADMINISTRATIVE MATTERS
RELATING TO MEMBERS OF THE BOARD**

Paolo Nardi (Chairman)

Chandi Chanmugam

K. V. Ramanathan²

Ralph Hillman

Yukio Saruhashi

¹ Succeeded Joe O. Rogers on 1 September.

² Succeeded R. C. W. Hamilton on 13 March.

PRINCIPAL OFFICERS

(As of 31 December 1986)

CONTINUED

OFFICE OF THE PRESIDENT

Masao Fujioka	President
S. Stanley Katz	Vice-President
Günther G. Schulz	Vice-President
M. Narasimham	Vice-President

OFFICE OF THE SECRETARY

Arun B. Adarkar	Secretary
Richard H. Gardner	Assistant Secretary

OFFICE OF THE GENERAL COUNSEL

Chun Pyo Jhong	General Counsel
Ramdass K. Keswani	Assistant General Counsel
Peter H. Sullivan	Assistant General Counsel
D. C. Amerasinghe	Assistant General Counsel

COUNTRY DEPARTMENT

Sayed A. Baha	Acting Director
Klaus J. L. Hoffarth	Deputy Director, concurrently Advisor, Development Policy Office
Eiichi Watanabe	Co-Financing Manager
Grahame G. Muller	Country Manager (Afghanistan, Maldives, Pakistan and Sri Lanka)
Noritada Morita	Country Manager (Bangladesh, Bhutan, India and Nepal)
Dinh Xuan Vinh	Country Manager (Burma, Cambodia, Lao PDR, Thailand and Viet Nam)
Eiji Kobayashi	Country Manager (People's Rep. of China, Philippines and Taipei, China)
Sharda P. Srivastava	Country Manager (Hong Kong, Indonesia, Malaysia and Singapore)
Osman R. I. Bako	Country Manager (Republic of Korea and South Pacific DMCs)

DEVELOPMENT POLICY OFFICE

S. Mahboob Alam	Chief
William T.C. Ho	Manager

AGRICULTURE DEPARTMENT

Soeksmono B. Martokoesoemo	Director
E. Frank Tacke	Deputy Director
Hatsuya Azumi	Manager (Agro-Industries and Forestry)
Basudev Dahal	Manager (Fisheries and Livestock)
Musunuru S. Rao	Manager (Agricultural Support Services)

IRRIGATION AND RURAL DEVELOPMENT DEPARTMENT

M. Zaki Azam	Director
Richard M. Bradley	Deputy Director
Satish C. Jha	Manager (Division I — Burma, Cambodia, Indonesia, Lao PDR, Malaysia, Thailand and Viet Nam)
A. I. Aminul Islam	Manager (Division II — Afghanistan, People's Rep. of China, Republic of Korea, Maldives, Pakistan, Philippines and Sri Lanka)
Akira Seki	Manager (Division III — Bangladesh, Bhutan, India, Nepal and South Pacific DMCs)

PRINCIPAL OFFICERS

(As of 31 December 1986)

INFRASTRUCTURE DEPARTMENT

S.V.S. Juneja	Director
Neil R. Collier	Deputy Director
Mahesan Ganesan	Manager (Airports and Highways)
Yuzo Akatsuka	Manager (Ports, Railways and Telecommunications)
Javier M. Gomez	Manager (Water Supply)
Mazhar Ali Khan	Manager (Social Infrastructure)
G.H.P.B. van der Linden	Acting Manager (Education)

INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT

Akira Tsusaka	Director
Stephen Y.C. Lau	Deputy Director
Jayanta Madhab	Energy Advisor
H. Leigh Durland	Manager (Private Sector)
Alberto M. Balagot	Manager (Industry and Minerals)
V. S. Rao	Manager (Power Division East)
Alan D. Burrell	Manager (Power Division West)
Ivan L. Zimonyi	Manager (Development Finance)

CENTRAL PROJECTS SERVICES OFFICE

Lewis Hayashi	Chief
Urs Rolf Sieber	Manager (Consulting Services)
N. Viswanathan	Manager (Central Loan Administration Services)

BANGLADESH RESIDENT OFFICE

Paul Koehling	Chief
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SOUTH PACIFIC REGIONAL OFFICE

Joaquin J. Gochoco	Chief
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BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT

Motomichi Ikawa	Director
Dang Fook Lee	Deputy Director
William G. Brown	Manager (Budget and Planning)
Roger E. Matchett	Manager (Compensation and Training)
Vernon G. Jorssen	Manager (Systems and Procedures)
Tony Wan	Acting Manager (Human Resources)

OFFICE OF ADMINISTRATIVE SERVICES

Pyong Whi Min Chief
 Hi Young Kim Manager (General Services)
 Lim Say Hup Manager (Support Services)

SPECIAL PROJECTS OFFICE

Pradhan J. Prasad Chief

CONTROLLER'S DEPARTMENT

Shamshad Ali Khan Controller
 Bernard Donge Assistant Controller (Loans)
 Francis W. Mentus Assistant Controller (Accounting)
 Louis Wong Assistant Controller (Administrative Expenses)

TREASURER'S DEPARTMENT

Alan F. Gill Treasurer
 Yukiji Miyazaki Deputy Treasurer
 Daud Ilyas Financial Advisor
 Rip Min Assistant Treasurer (Funding)
 Erkki K. Jappinen Assistant Treasurer (Investments)
 Chi Chuan Hung Assistant Treasurer (Treasury Services)

ECONOMICS OFFICE

Burnham O. Campbell Chief Economist
 J. Malcolm Dowling, Jr. Assistant Chief Economist
 Kedar N. Kohli Assistant Chief Economist

INFORMATION OFFICE

Reynaldo D. Pacheco Chief Information Officer
 George V. Liu Assistant Chief Information Officer

OFFICE OF COMPUTER SERVICES

S. Kalyanaraman Assistant Chief

INTERNAL AUDIT OFFICE

M. M. Soerakoesoemah Chief

POST-EVALUATION OFFICE

Ronald S. Skeates Chief

ADB PRESIDENTS AND VICE-PRESIDENTS

PRESIDENTS

Mr. Takeshi Watanabe	— 24 November 1966 - 24 November 1972
Mr. Shiro Inoue	— 25 November 1972 - 23 November 1976
Mr. Taroichi Yoshida	— 24 November 1976 - 23 November 1981
Mr. Masao Fujioka	— 24 November 1981 - Present

VICE-PRESIDENTS

Mr. C.S. Krishna Moorthi	— 19 December 1966 - 31 March 1978
Mr. A.T. Bambawale	— 1 April 1978 - 28 October 1985
Mr. S. Stanley Katz	— 1 April 1978 - Present
Mr. Günther G. Schulz	— 1 April 1983 - Present
Mr. M. Narasimham	— 1 November 1985 - Present

MAJOR ADB PUBLICATIONS

STUDIES AND REPORTS

Agriculture in Asia: Its Performance and Prospects,
The Role of ADB in its Development (Volume I & II)
Asian Agricultural Survey*
Asian Development Bank Economic Staff Paper Series
Asian Development Bank Statistical Report Series
Asian Electric Power Utilities Data Book
Asian Energy Problems*
Bangladesh Intermodal Transport Study (Volume I & II)
Capital Market Development in Selected Developing
Member Countries of the ADB
Conference on Privatization Policies, Methods and
Procedures
Costing and Pricing of Electricity in Developing Countries
Distance Education: Professional Staff Paper
Domestic Resource Mobilization Through Financial
Development (Volume I & II)*
Economic Office Report Series
Energy and Structural Change in the Asia-Pacific Region
Energy Study Series
Improving Domestic Resource Mobilization Through
Financial Development
Indonesia Urban Sector Profile
Indonesia Water Supply and Sanitation Sector Profile
(Volume I & II)
Irrigation Development and Management
Korea Water Supply and Sanitation Sector Profile
(Volume I & II)
Lending for Ports and Related Sectors

Malaysia Urban Sector Profile (Volume I & II)
Malaysia Water Supply and Sanitation Profile (Volume I & II)
Nepal Agriculture Sector Strategy Study (Volume I & II)
Nepal Water Supply and Sanitation Profile (Volume I & II)
Regional Seminar on the Use of Rural Health Services
Regional Seminar on Control of Water Supply Distribution
Systems: A Summary Report
Regional Seminar on Irrigation Service Fees: The Proceedings
Regional Conference on Sail-Motor Propulsion
Regional Study of the Impact of the Energy Situation on
Transport Development
Regional Symposium on Environmental and Natural Resources
Planning and Management
Regional Workshop on Irrigation Water Management*
Regional Workshop on Livestock Production Management:
The Proceedings*
Review of Bank Operations in the Irrigation Sector 1966-1985
Review of Forestry and Forest Industries in the Asia-Pacific Region
Rural Development in Asia and the Pacific (Volume I & II)
Rural Asia: Challenge and Opportunity*
Sector Paper on Agriculture and Rural Development
South Pacific Agriculture: Choices and Constraints
Southeast Asia's Economy in the 1970s*
Southeast Asian Regional Transport Survey*
Study of the Coconut Industry in the ADB Region*
Training Facilities for Development Bankers*
Western Samoa Agriculture Sector Study (Volume I & II)

INFORMATION BROCHURES AND OTHER PUBLICATIONS

Asian Development Bank: Co-Financing 1986 with
Commercial and Export Credit Sources
Asian Development Bank: What It Is, What It Does,
How It Works (English, French and German)
Asian Development Bank: Questions and Answers
(English, French, German and Japanese)
Asian Development Bank Quarterly Review
Asian Development Bank: Technical Assistance Activities
Asian Development Review (bi-annually, by subscription)
Basic Information (English, French, German and Japanese)
Basic Facts, DMCs of ADB
Business Opportunities Under Projects Financed by the
Asian Development Bank
Complementary Financing Scheme of the Asian Development
Bank with Model Complementary Loan Agreements and
Participation Agreements
Development Finance Institutions in Asia and the Pacific:
Basic Information*
Financial Profile, April 1987 (English and Japanese)
Guide on Prequalification of Civil Works Contractors**
Guidelines for Economic Analysis of Projects
Guidelines for Procurement Under Asian Development
Bank Loans
Guidelines on Project Benefit Monitoring and Evaluation
for Agriculture, Irrigation and Rural Development
Projects

Guidelines on the Use of Consultants by Asian
Development Bank and its Borrowers
Handbook on Bid Evaluation**
Handbook on Management of Project Implementation**
Handbook on Policies, Practices and Procedures
Relating to Procurement Under Asian Development
Bank Loans**
Handbook on Problems in Procurement for Projects Financed
by the Asian Development Bank**
Handbook for Users of Consultants**
Industrial Development Banks in Asia: Basic Information*
Key Indicators of Developing Member Countries of ADB
(annually)
Loan Disbursement Handbook
Loan, Technical Assistance and Private Sector
Operations Approvals
Operational Information on Proposed Projects (monthly,
by subscription)
Proceedings and Papers Presented at a Symposium
on Capital Market Development in the Asia-Pacific Region
Proceedings of the Asia and Pacific Conference on
Accounting Education for Development
Project Profiles for Potential Co-Financing (quarterly)
Sample Bidding Documents - Procurement of Civil Works**
Sample Bidding Documents - Procurement of Goods**
Sample Bidding Documents for Supply, Delivery and
Installation of Goods**

* Publications are now out of print. Copies of the other publications, however, may be obtained from the Information Office, Asian Development Bank, P.O. Box 789, Manila, Philippines. All are free of charge, except Operational Information on Proposed Projects (\$30.00 annual subscription) and Asian Development Review (\$8.00 per two issues).

** Publications may be obtained from the Central Projects Services Office, Asian Development Bank, P.O. Box 789, Manila, Philippines (\$5.00 each).



MEMBER COUNTRIES

(date of membership)

Afghanistan, Democratic Republic of	(1966)	Lao People's Democratic Republic	(1966)
Australia	(1966)	Malaysia	(1966)
Austria	(1966)	Maldives	(1978)
Bangladesh	(1973)	Nepal	(1966)
Belgium	(1966)	Netherlands	(1966)
Bhutan	(1982)	New Zealand	(1966)
Burma	(1973)	Norway	(1966)
Cambodia	(1966)	Pakistan	(1966)
Canada	(1966)	Papua New Guinea	(1971)
China, People's Republic of	(1986)	Philippines	(1966)
Cook Islands	(1976)	Singapore	(1966)
Denmark	(1966)	Solomon Islands	(1973)
Fiji	(1970)	Spain	(1986)
Finland	(1966)	Sri Lanka, Democratic Socialist Republic of	(1966)
France	(1970)	Sweden	(1966)
Germany, Federal Republic of	(1966)	Switzerland	(1967)
Hong Kong	(1969)	Taipei, China	(1966)
India	(1966)	Thailand	(1966)
Indonesia	(1966)	Tonga	(1972)
Italy	(1966)	United Kingdom	(1966)
Japan	(1966)	United States	(1966)
Kiribati	(1974)	Vanuatu	(1981)
Korea, Republic of	(1966)	Viet Nam, Socialist Republic of	(1966)
		Western Samoa	(1966)

Asian Development Bank

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63587 ADB PN
40571 ADB PM

Treasurer's Department

Direct Tel: (63-2) 732-0001

Direct Telex: 23608 ADBTRES PH
66427 ADBTRES PN
45645 ADBTRES PM

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Old Airport Road
Karwan Bazar Commercial Area
Dhaka, Bangladesh

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Telex: 642736 ADB BJ

South Pacific Regional Office

Pilioko House, Kumul Highway
P.O. Box 127, Port Vila, Vanuatu

Telephone: 3300
Telex: 1082 ADB NH