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ASIAN DEVELOPMENT BANK

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MANILA

6 February 1969

Dear Mr. Chairman:

With respect to Article 39 of the Articles of Agreement of the Asian Development Bank and in accordance with Section 13 of the By-Laws of the Bank, I submit to the Board of Governors, on behalf of the Board of Directors, the enclosed Annual Report on the operations and policies of the Bank in 1968, including a separate report on the activities of the Special Funds of the Bank. The Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,

Takeshi Watanabe

TAKESHI WATANABE

President and

Chairman of the Board of Directors

*The Right Honourable William McMahon, M.P.
Chairman
Board of Governors
Asian Development Bank*



LOCATION OF APPROVED LOANS AND TECHNICAL ASSISTANCE PROJECTS 1968

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In 1967, its first year, the Bank was principally concerned with the task of building up an initial framework of organization, policy-formulation and staffing to form the basis for its developmental activities in the region in the succeeding years. The year 1968 saw a considerable expansion in the operational activities of the Bank in fulfillment of the objectives for which it was instituted.

During the year, seven loans amounting to US\$41.6 million were approved by the Board of Directors. Recipient countries were Ceylon, Republic of China (two loans), Republic of Korea, Malaysia, Pakistan and Thailand. Five loans were for specific projects—tea factory modernization, an expressway and a road feasibility study, a water supply scheme and a plant for the production of an intermediate for polyester fiber—while two were for institutions financing industrial development.

Also during the year, eleven technical assistance proposals involving an outlay of US\$1,137,000 in grants were considered and approved by the Board of Directors. These proposals covered both the preparation of specific projects and programs which the Bank might later consider for financing and sectoral activities of importance to the countries concerned.

Early in 1968, the Bank completed the Asian Agricultural Survey, which was commenced in 1967. The Survey Report, which was made available to member governments in March 1968, and was published in February 1969, is the result of eight months of investigation and deliberation by a team of experts in various fields of agriculture. The Report's conclusion is an encouraging one: there are rich prospects for agriculture in Asia provided the process of transformation from the traditional pattern to a modern technological approach can be accelerated. Subsequent to the Report, several follow-up activities of a regional or of a national character have come under consideration by the Bank.

Also in 1968, acting in response to a request made by eight Southeast Asian countries, the Board of Directors approved the undertaking of a Regional Transport Survey. The Governments taking this initiative saw the possibilities of regional transport development as an important function of integrated economic growth in the region.

The establishment of two Special Funds for concessional lending to developing member countries was made possible through contributions during the year by the Governments of Japan and Canada. Efforts will continue in the coming year to augment the Special Funds. The formulation of Special Funds Rules and Regulations during 1968 will assist these efforts. Also worthy of note is the fact that the ordinary resources available to the Bank for financing development in member countries have been enlarged by commercial bank participation in three of the loans made by the Bank during 1968. In respect of technical assistance, agreements entered into in 1968 with the Federal Republic of Germany, Japan and Canada supplemented similar agreements previously reached with the United States and the United Kingdom to contribute grant resources to the Bank for financing such activities. Preliminary discussions for possible approaches in 1969 to certain European capital markets have been held. There has also been satisfactory progress in qualifying the Bank's obligations for access to important capital markets in the United States.

Together with these activities, work has continued on the internal structuring of the Bank and in further delineation of policy for the guidance of the Bank in its future work. The staff of the Bank has grown with the increasing pace of operations and the search for competent personnel is a continuing one. Growing experience has indicated the desirability of certain changes in the basic organization of the Bank and these will be effected during 1969.

ORDINARY OPERATIONS

A. LOANS AND TECHNICAL ASSISTANCE

LOAN POLICIES

In its approach to lending operations, the Bank continued to follow previously established broad guidelines while on certain specific matters, such as the rate of interest, commitment charge and procurement and consultant policies, definite decisions for future guidance were taken during the year.

The Board of Directors, on 8 February 1968, determined that the *rate of interest* on loans made from the ordinary resources of the Bank should be $6\frac{7}{8}$ per cent per annum. This interest rate was applied to all loans made by the Bank in 1968 but in the case of loans made to development banks, the prevailing rate on the date on which sums are credited to the loan account is to apply. A careful watch is being maintained on changing conditions in capital markets and on the interest rate policies followed by other similar institutions.

The *commitment charge*, by decision of the Board of Directors on 23 January 1968, was fixed for the time being at $\frac{3}{4}$ of one per cent per annum.

Policies also were framed by the Board of Directors early in the year in respect of *procure-*

ment and of employment of *consultants*. The basic principles governing procurement procedures to be observed by borrowers from the Bank are set out in Sections (ix) and (xi) of Article 14 of the Articles of Agreement Establishing the Asian Development Bank (the Articles of Agreement). They stipulate that the proceeds of any loan shall be used only for procurement in member countries of goods and services produced in member countries, except in special circumstances where the Board of Directors determines otherwise, and that the proceeds of any loan are to be used with due attention to considerations of economy and efficiency. The implications of these principles were spelled out in greater detail in "Guidelines for Procurement under Asian Development Bank Loans" which were approved by the Board of Directors on 1 February 1968 and embodied in a brochure published by the Bank. Suitable arrangements have been evolved for further refinement of these policies as circumstances may require. For instance, in the case of loans to national development banks, it has been recognised that individual sub-borrowers may not always be in a position to go effectively through the processes of international competitive bidding; appropriate provisions have, therefore, been introduced into the loan arrangements specifying categories of purchases requiring international competitive bidding, international shopping and normal trade procurement.

The Board of Directors on 5 February 1968 approved the broad principles and guidelines governing the employment of consultants or consulting firms by the Bank and its borrowers. The guidelines, which have been embodied in a brochure "Uses of Consultants by the Asian Development Bank and its Borrowers", cover the purposes for which such consultants can be employed, the functions and duties of consulting firms, the responsibilities of borrowers in selecting consulting firms and the procedures for selecting consulting firms and consultants.

TECHNICAL ASSISTANCE

An important element of the Bank's developmental role as envisaged by the Articles of Agreement is the furnishing of technical assistance to developing member countries, either on a grant or loan basis (or a combination of both), not only in the context of helping formulate projects but also in furthering the study of specific economic problems of national or regional concern. The Articles of Agreement enable the Bank to charge the costs of technical assistance extended on a non-reimbursable basis to the net income of the Bank and further provide that in the first five years the Bank can utilize up to two per cent of its paid-in capital for this purpose. The Bank has been able to budget all its technical assistance activities against income without, so far, drawing on any portion of the capital. The resources of the Bank have been supplemented by the generous action of various governments (as detailed in Part IV) in augmenting the resources available for technical assistance. It is also relevant to note that developing member countries have unsparingly made available the services of their experts when so requested by the Bank in the course of its technical assistance operations.

OPERATIONS BY COUNTRIES

Seven loans were extended in the year under review amounting in aggregate to US\$41.6 million. In addition, four technical assistance proposals were sanctioned for the formulation of feasibility reports or detailed project reports for later consideration for possible Bank lending,

and seven technical assistance proposals were approved for non-loan purposes. The total cost of these eleven projects, spread over seven of the Bank's developing members, will amount to US\$1,137,000.

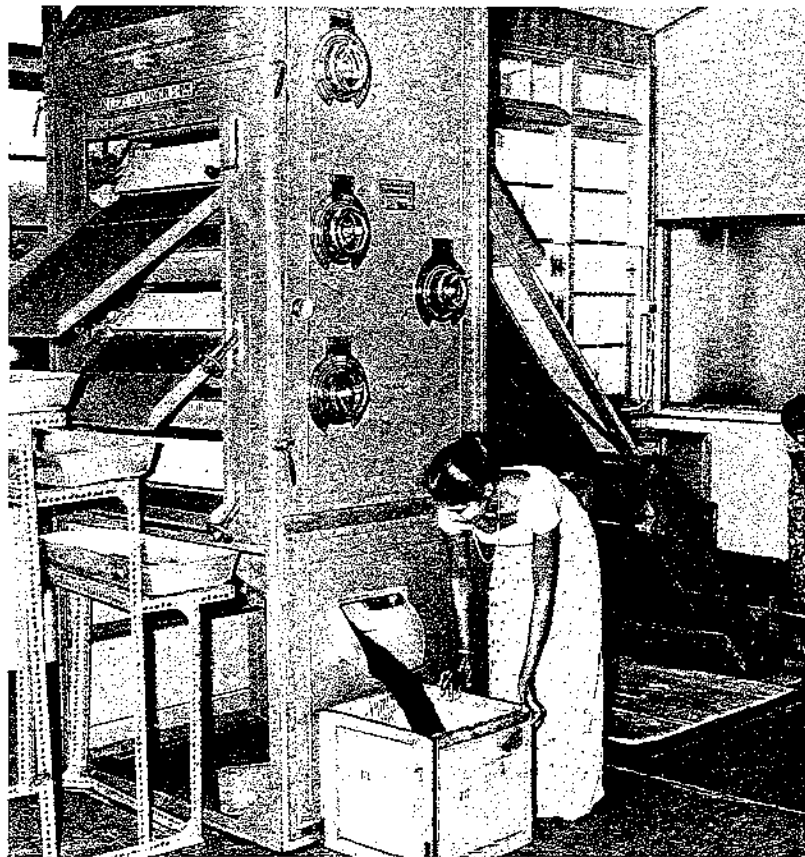
CEYLON

A loan of US\$2 million to the Central Bank of Ceylon to assist in financing the first phase of the *Tea Factory Modernization Program* was approved on 2 July 1968.

The loan is for a term of 15 years including a grace period of three years. The loan documents were signed on 17 July 1968 at the Bank's headquarters.

The tea industry in Ceylon is predominantly owned by the private sector and is the most important source of foreign exchange, contributing over 60 per cent of the annual foreign exchange earnings of the country. While world tea prices declined continuously in the decade ended 1967, Ceylon's tea prices have declined relatively more than those of its competitors. In order to ensure the industry's viability, the Government of Ceylon launched in 1959 the Tea Rehabilitation Program to increase the yields of areas under tea. This Program has already raised productivity on an average from 675 pounds of tea per acre in 1955-57 to 816 pounds in 1967; the Government is pursuing the Program and augmenting it as necessary. Deficiencies in factories that process tea have resulted in a reduction of foreign exchange earnings on the one hand, and a higher cost of production on the other. Against this background, the Government, as a complement to its Tea Rehabilitation Program, introduced a Tea Factory Development Scheme in 1966 aimed at rehabilitating and modernizing tea

Ceylon's Tea Factory Modernization Program, which is being financed by the Bank with a \$2 million loan, will help to expand the output and improve the quality of tea—the country's largest single source of foreign exchange. The modern trough withering system (bottom left) facilitates supervision, saves space and reduces maintenance and operating costs as compared with the old form of tat withering (top left). Similarly, an electro-static stalk extractor of tea provides a striking contrast to the traditional form of hand picking (below).



factories in order to raise their capacity for processing green leaf.

The investment program contemplated by the Government of Ceylon for the modernization of tea factories covers a period of five years, beginning in 1966, and is planned to be implemented in two phases. The total cost of the first phase was estimated at Rs. 29 million (US\$4.9 million), including a foreign exchange element equivalent to US\$2 million. The local cost will be met by resources raised by the factory owners and by loans from credit institutions refinanced by the Central Bank. The Bank's loan covers the foreign exchange needs for the first phase. The loan was declared effective on 18 September 1968 and is programmed for utilization within 30 months.

CHINA

i. On 19 November 1968, the Bank approved the request of the Republic of China for technical assistance in the conduct of (a) a feasibility study of the proposed *North-South Freeway* in Taiwan and (b) a detailed project preparation for one section thereof. The amount is US\$500,000 representing the foreign exchange cost involved. Of this sum, US\$100,000 is being provided as a grant, and the balance of US\$400,000 as a loan to the Republic of China for a period of 10 years (including a grace period of 2 years). The agreement was signed on 30 November 1968 in Taipei.

The use of highway transport in Taiwan has risen markedly in recent years. During 1953-67, the volume of passenger traffic by highways increased at an annual average rate of 12 per cent and freight traffic by 18 per cent. During the same period, the growth of rail transport averaged annually 7 per cent for passengers and 5 per cent for freight. In terms of total

volume of traffic, however, the railways still account for nearly one half of total passenger traffic, and about three-fourths of total freight traffic. The further development of highways and railways in Taiwan is considered essential to cope with the rising tempo of growth in the fields of commerce, industry and agriculture.

The proposed four-lane Freeway is intended to facilitate fast-moving, long distance traffic through the western plain of Taiwan and it is envisaged in four sections. The first two sections in the north and the fourth section in the extreme south will serve three important cities—Taipei, Tainan and Kaohsiung; the third segment which will pass through more sparsely populated areas will account for the greatest length of the highway.

The feasibility study for the proposed Freeway will be undertaken by a team of engineering experts and economists who will assess the traffic potential of the entire project, the routing and type of highway needed, the anticipated economic and financial returns and the patterns of priorities and phasing. The engineering study will be in respect of the northern section between Erchung and Chungli.

ii. A loan of US\$10.2 million to the Chinese Petroleum Corporation (CPC) was approved on 19 December 1968. The loan is intended to meet the major part of the foreign exchange requirements of a *plant for the production of Dimethyl Terephthalate (DMT)* and is guaranteed by the Republic of China. The relevant loan documents were signed at the Bank's headquarters on 27 December 1968.

The loan is for a term of 12 years, including a grace period of three years.

The CPC, which is a wholly-owned government corporation, was established in 1946 for the purpose of supplying various petroleum products. The activities of CPC include the exploration and production, the refining and manufacturing, and the distribution and marketing of gas, petroleum products and petro-

chemicals. CPC has been entrusted by the Government with the main task of developing petrochemical complexes based on oil and natural gas. The development of the petrochemical industry is closely linked with overall industrial development and export promotion programs. The Government's policy stresses the production of feedstocks and intermediates which are used in the manufacture of synthetic fibers and other upgraded petrochemical products.

The project to which the loan has been applied comprises the construction and start-up of a plant for the manufacture of 26,400 metric tons per year of DMT—an intermediate for the production of polyester fiber. The installation, which will be sited at CPC's Kaohsiung refinery, will also have built-in provisions for future production (with minimum plant additions) of 12-13,000 metric tons per year of a second product known as Pure Terephthalic Acid (PTA). Both DMT and PTA are intermediate chemicals used in the production of polyethylene terephthalate, a polyester which can be spun into synthetic fibers known by their trade names of Dacron, Terylene and Tetoron. The project is expected to be completed by December 1970 and commercial operations are scheduled to start by January 1971.

It is estimated that, of the total project cost of US\$23 million, about US\$15.5 million represents the foreign exchange component. The Bank's financial contribution will be US\$10.2 million. The balance of the foreign exchange component and the local cost component will be made available by the Government.

CPC plans to organize a subsidiary to be responsible for the operation and management of its petrochemical business including the proposed DMT Project. The relationship between the borrower and its subsidiary will be established in a manner satisfactory to the Bank.

The project, economically viable in itself, is expected to aid in the promotion of certain avenues of regional co-operation decided upon by the Republics of China and Korea at the Fourth Sino-Korean Ministerial Level Economic Co-operation Conference held in July 1968. Under the proposed co-operative effort, both the Republic of China and the Republic of Korea will seek to develop economic and mutually complementary productive capacity in respect of petrochemical-based intermediates for synthetic fibres and to develop joint markets for these products between the two countries. This project and a caprolactam plant planned for Korea are the first projects involved.

INDONESIA

As stated in the Annual Report for 1967, a Mission was sent to Indonesia in October 1967 to study and make recommendations on appropriate *measures to improve food production and food availability* during the current stabilization phase in that country. In January 1968, the Mission's report was made available to the Government of Indonesia. Subsequently the Government initiated action in several areas, including establishment of an appropriate ratio with respect to cost of rice production inputs and price of outputs, steps for stockpiling of rice, the progressive decontrol of rice mills, the provision of greater funds to extend credit to farmers and the adoption of a modified price policy for the urban distribution of rice.

In June 1968, acting on other recommendations in the Report, the Government of Indonesia requested the Bank for further technical assistance in the field of agricultural development, and for a technical mission to study the Indonesian rural credit system. On 30 July

1968, the Board of Directors approved the furnishing of the technical assistance requested, at an estimated cost of US\$230,000.

The technical assistance program involved action by the Bank in three directions. First, the Bank has provided an agricultural economist as Advisor to the Department of Agriculture for a period of approximately eighteen months. He is advising the Department on economic policies pertaining to the production and distribution of foodstuffs, especially rice, and the inputs required for production of foodstuffs, and on the formulation and evaluation of project proposals in the Department, especially those for submission to other agencies including potential foreign contributors.

Second, a team of two experts—one crop expert familiar with soil fertility problems and with integrated high-yield rice production techniques and one water management expert with proficiency in irrigation and rice agronomy—is advising the Department of Agriculture on specific aspects of its program to raise food production. These experts are to render technical advice over a period of eighteen months specifically to the Director of Extension on the planning, preparation and operation of the rice production program.

Third, a team of five experts was provided to conduct a survey of the Indonesian rural credit system, including the role of co-operatives. This team completed its field work in December and its Report was forwarded to the Government of Indonesia in January 1969.

KOREA

- i. A loan of US\$6.8 million to the Republic of Korea for the purpose of financing the foreign exchange cost of the *Seoul-Inchon Expressway*

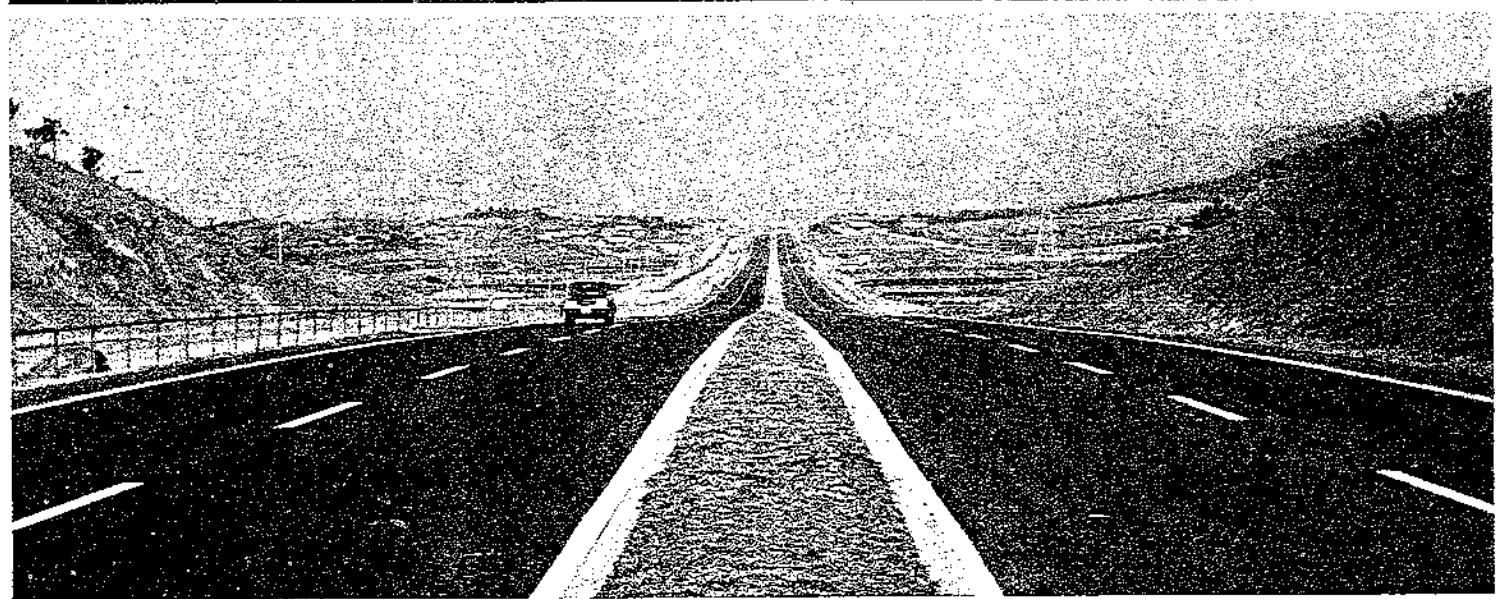
was approved on 3 September 1968. The loan is for a term of 15 years with repayments commencing in February 1972. The loan documents were signed at the Bank's headquarters on 16 September 1968.

Due to rapid expansion of the national economy in recent years, a major bottleneck has developed in the transportation field in Korea. The present highway system in the Republic is underdeveloped, with only 1,934 kms. of paved road or 6 per cent of the total highway system. The Government increased the annual highway budget for the Second Five-Year Plan period (1966-1971) from the original Won 6 billion (US\$21.9 million) to Won 18 billion (US\$65.7 million). Highway passenger and freight traffic during the 1956-66 period increased by 19 per cent and 16 per cent respectively. It is expected that this combined traffic will increase at an annual rate of 15-20 per cent during the Second Five-Year Plan period.

The purpose of the Seoul-Inchon Expressway is to meet the needs of road transportation between the nation's capital and largest city, Seoul, and its primary port, Inchon. Seoul, Inchon and the area along the Expressway route contain some 16 per cent of the nation's population, and 36 per cent of the nation's industrial area, and further concentration in the region is expected to occur in the future. In view of the limited further capacity of existing roads and the fact that the railway is already operating at full capacity, the Expressway is well located to meet a rapidly growing need for increased road transportation facilities. In addition, extra road transport demand will be created by the modernization and expansion of Inchon port facilities now in progress.

The loan from the Bank is intended to finance the foreign exchange component of the Expressway, which is designed as a 29.9 kilometer, four-lane, limited access highway, to be operated as a toll road. The total cost of the project is estimated to be US\$18.1 million. The

Construction of the Seoul-Inchon Expressway in progress. A Bank loan of \$6.8 million is being used by the Republic of Korea to meet the foreign exchange cost of this project which involves the construction of a 29.9 kilometer, four-lane, limited access highway, to be operated as a toll road.



toll structure at present proposed is designed to repay the construction, operation and maintenance costs over a seventeen-year period. The annual financial return on investment for a twenty-year period is estimated at 9 per cent.

The Expressway was partly opened for traffic on 21 December 1968 and is expected to be completed by June 1970.

ii. A request by the Government of the Republic of Korea for technical assistance to the *Agriculture and Fishery Development Corporation* (AFDC) was approved on 6 February 1968. The AFDC was set up in November 1967 with a capital of Won 5 billion (US\$18.5 million) to be subscribed entirely by the Government over a period of time.

The technical assistance mission was to render advice and assistance regarding the institutional framework and organization of the AFDC and to assist in identifying and formulating projects which could be developed to appraisal standards in the fields of fish marketing with particular reference to refrigeration; live-stock development including the development of marketing facilities; vegetable production and marketing; and other projects which might hold out prospects for immediate development in agriculture and fisheries.

Mission members were also asked to assist the AFDC in the preparation of appropriate proposals for consideration by the Bank for financing of specific projects in the field of agricultural and fisheries development.

The foreign exchange cost of this assistance as approved was estimated at US\$66,000. The local cost incurred is being borne by the Government of Korea.

As a result of this technical assistance effort, a proposal for a refrigeration project for fisheries has been developed and is under consideration by the Bank. Other projects which may prove suitable for consideration by the Bank or other external financing sources are in the course of preparation. The institutional

aspect of this technical assistance effort and the work of individual specialists are expected to be completed by the end of March 1969.

LAOS

In April 1968 the Royal Government of Laos drew the attention of the Bank to the need for the preparation of a program for the *integrated development of agriculture in the Vientiane Plain* to enable the full utilization of the benefits expected from the construction of the Nam Ngum hydro-electric and irrigation project. Following discussions between the Bank and the Laotian authorities, a technical assistance program was approved on 3 September 1968 at a cost of approximately US\$221,000.

The Nam Ngum project involves establishment of a dam on the Nam Ngum river which will create a reservoir of approximately 8.5 billion cubic meters in gross capacity and 3.8 billion in net storage. The reservoir will promote irrigation, flood control and navigation improvement and, further, will serve to generate power. A distribution net work will supply energy from the power station to pumping stations and irrigation systems located throughout the Vientiane Plain. With international assistance, the construction of the Nam Ngum project is expected to be completed by 1972.

The technical assistance program approved by this Bank is intended to aid the Laotian authorities in planning the utilization of the benefits from the Nam Ngum project. Experts in various disciplines relevant to integrated agricultural development will study the conditions in the Vientiane Plain. The experts will submit appropriate recommendations and specific projects which will have to be elaborated, studied or implemented by stages in an integrated manner prior to 1972 as well as

A typical section of the Vientiane landscape with the spire of the That Luang Temple as a backdrop. The Bank is assisting the Government of Laos in the preparation of an integrated agricultural development program for the Vientiane Plain.



during a 10-year period thereafter. Field work commenced in January 1969 and the various reports are expected to be completed by June 1969.

MALAYSIA

A loan equivalent to US\$7.2 million to the Government of Malaysia for financing the foreign exchange cost of the development of *Penang State Water Supply* was approved on 19 September 1968. The loan documents were signed at the Bank's headquarters on 23 September 1968. The borrower is the Federal Government of Malaysia and the State of Penang acts as executing agency. The loan is for a term of 20 years with repayments commencing after five years.

The present water supply system of the State of Penang serves about 75 per cent of its present population of 803,000 which includes the City of George Town, the second largest city in the country (population 370,000). In spite of recent improvements and additions to the system, the present reliable supply of approximately 30 million gallons per day (MGD) is falling short of demand. The population of Penang has been increasing at 4 per cent per annum in recent years; at the same time, industrial development is having an increasing impact on the demand situation. On the basis of a feasibility study commissioned by the State in 1966 and completed toward the end of 1967, a long-range development plan has been prepared which proposes to meet the anticipated increase in demand up to the year 2000 in three stages.

The works to be designed and constructed in the first stage include a barrage across the River Muda, intake works and pumping stations,

supply canal, water treatment works and pumps, transmission mains including a separate line for connection to the island of Penang and a storage reservoir. Water will be transferred from Butterworth on the mainland to the island by means of submarine pipelines. The various structures will be built so as to facilitate future economical increases in capacity in the second and third stages. The works are expected to be in operation by 31 December 1971.

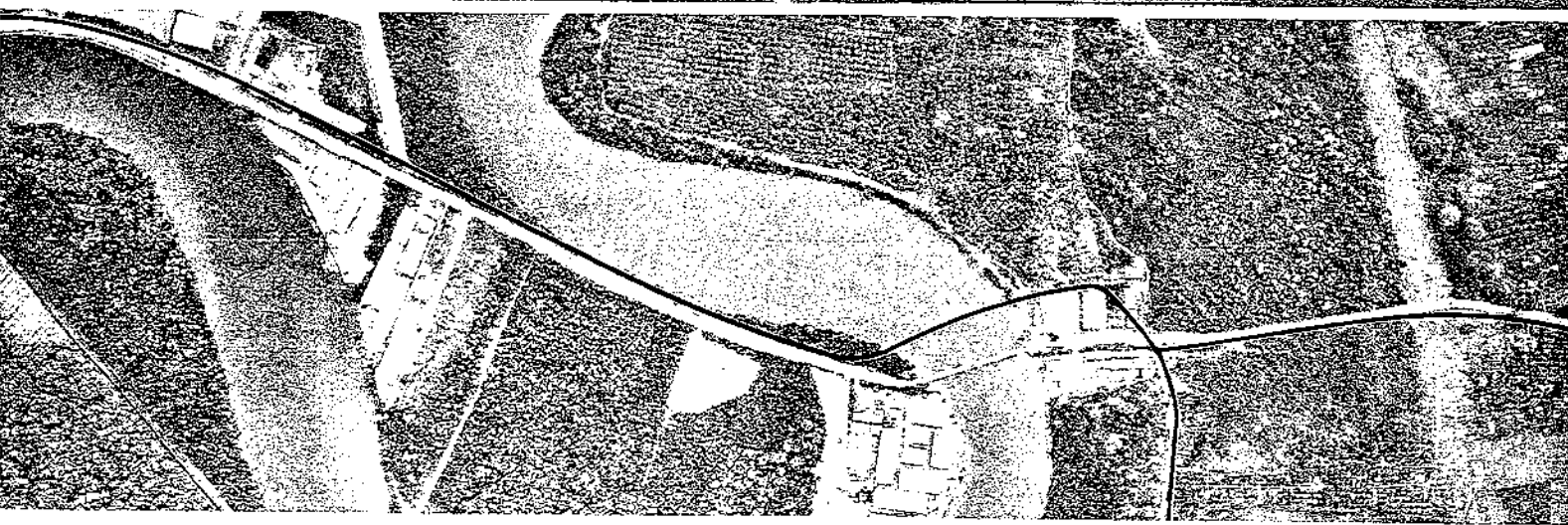
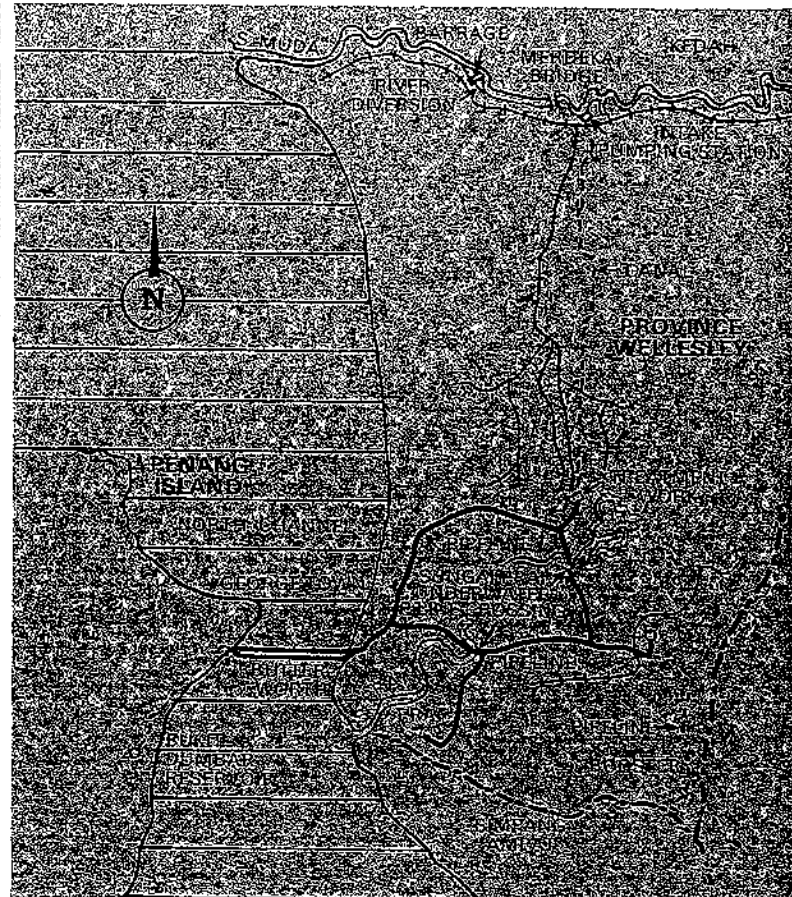
The construction, operation and maintenance of the water supply system in Penang is the responsibility of the State Public Works Department, except within the City of George Town which is responsible for its own water supply, and has its own City Water Department. Approximately two-thirds of the water supply produced by the State from its own system will be sold in bulk by the State to the City.

The total cost of the project is estimated at M\$42.4 million (US\$13.7 million) of which approximately half will be in foreign exchange and will be financed by the Bank loan. The local currency costs will be financed by the Federal Government which has agreed to make loan funds available to the State on terms and conditions satisfactory to the Bank. The proceeds of the Bank's loan will be relented by Malaysia to the State. Disbursement of the loan is expected to take place over the period 1969-71.

NEPAL

i. A request by the Government of Nepal for technical assistance in preparing a project for *the development of its air transport system* was approved on 21 November 1968, involving a grant of US\$66,000.

This technical assistance, which was re-



requested with a view to seeking a loan from the Bank in the future, covers the formulation of an investment program during 1969-71 for the improvement of airports, airfields, ground communication and navigation aids; for the technical examination of the best manner of replacement of aircraft; and for the related organization improvements that may be necessary. In view of the very specialized expertise required for this type of study, the Bank arranged with the International Civil Aviation Organization for its collaboration in carrying out the study, which began in January 1969 and is to be finished in about five months.

Transport constitutes one of the weakest links in Nepal's primarily agricultural economy, with the difficult terrain setting a limit, both in terms of financial outlays and time involved, to the expansion of roads and railways. Although successive studies by international agencies and foreign consultants have underlined the crucial importance of air transport in Nepal's economy, the domestic airline has been seriously handicapped by the lack of well-equipped airports and modern terminal facilities, and by the problem of rising operational costs due to difficulty in replacing its fleet of old-model aircraft. It is expected that projects based on this study will yield substantial economic and social benefits to Nepal.

ii. In response to a request from the Government of Nepal in June 1968, the Bank approved on 3 September 1968, a technical assistance program involving a grant of approximately US\$35,000 to study the organization and operation of the *Agricultural Development Bank of Nepal* and to advise the Government on measures necessary to strengthen the Bank in the discharge of its functions.

The Agricultural Development Bank, which formally came into existence in January 1968 through the reconstitution of the former Co-operative Bank, is the main source of agricultural credit and finance in Nepal. The future of

agriculture in the country is therefore closely linked with the Bank's sound organization and healthy growth.

A mission consisting of four experts in various aspects relevant to agricultural development banking carried out the field work involved in this program over a period of two months beginning in October 1968. The experts studied the credit needs for the development of agriculture in Nepal, the role of the Agricultural Development Bank vis-a-vis other sources of credit in the country, the requirements of staff and organization of the Bank, the improvements necessary in accounting, training and branch management and the improvement of procedures for the appraisal and processing of loan applications and for supervision of implementation. The report of the mission was completed in December and sent to the Government of Nepal.

PAKISTAN

A loan equivalent to US\$10 million to the *Industrial Development Bank of Pakistan* (IDBP) was approved on 12 December 1968. The loan is guaranteed by the Government of the Islamic Republic of Pakistan. Loan documents were signed at the Bank's headquarters on 16 December 1968.

The loan is for a maximum period of 15 years, including a grace period not exceeding three years from the date when the corresponding amounts are credited to the loan account. The loan is expected to be fully committed within a period of two years from its effective date and to be disbursed in three years.

The IDBP, an institution in which the Government of Pakistan has a 51 per cent shareholding, is one of the two principal

industrial development banks in Pakistan. After a rapid growth during 1961/62—1965/66, the rate of increase in the IDBP's foreign currency loans progressively diminished in 1966/67 and 1967/68, due chiefly to inadequate loanable resources in foreign currency. In this context, the IDBP obtained a loan from the Bank to augment its foreign exchange resources to meet the medium and long-term credit requirements of small and medium-scale industries in the private sector for the coming two years.

The authorized capital of IDBP is Rs. 60 million (US \$12.6 million), of which Rs. 30 million (US \$6.3 million) has been paid-in and an additional Rs. 10 million (US \$2.1 million) was paid in early in 1969. IDBP's lending resources in rupees are derived from capital and reserves, advances from the Government, credit from the State Bank of Pakistan, term deposits received, and funds available from repayments of outstanding loans. Foreign currency resources at IDBP's disposal come largely from the Government in the form of allocations from lines of external credit arranged by the Government.

PHILIPPINES

i. On 25 July 1968, the Bank approved a technical assistance grant of US\$225,000 for site selection and project formulation for a *fisheries port in Manila Bay*.

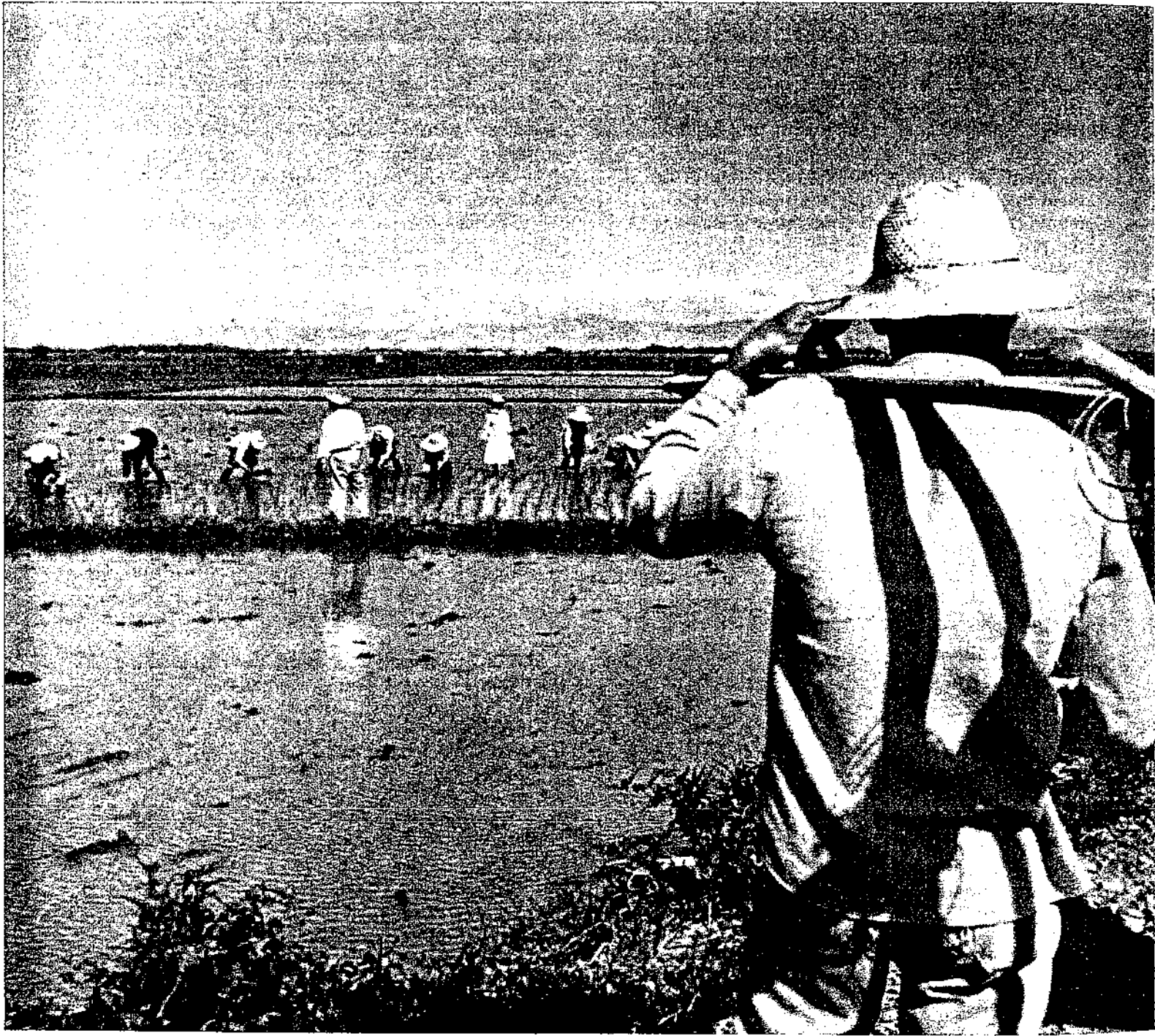
The decision to provide technical assistance derived from a review by the Bank of a request from the Government of the Philippines late in 1967 for a loan for the construction and equipment of a fisheries port at North Harbor in Manila Bay. Examination of the request indicated that, on economic grounds, there was *prima facie* justification for a fisheries port as an integral part of the development program

drawn up by the Philippine Fisheries Commission. However, there were some uncertainties regarding the location of the fisheries port and the ancillary facilities. Accordingly, the Government of the Philippines agreed with the Bank that, before coming to a decision on the proposed investment, the technical alternatives available should be fully explored. The Bank, thereupon, was requested to make available technical assistance for the examination of the alternatives and for the formulation of a project based on the results of the examination. Consultants have been engaged for carrying out the technical examination and project formulation and the services of a supervising engineer have also been made available to help in carrying out the study. The work is expected to be completed by the end of November 1969. In light of the Government's review of the results of the study, proposals may come up for Bank financing for a fisheries port facility in Manila Bay.

ii. A grant of \$105,000 to the Philippine Government for technical assistance to the National Irrigation Administration (NIA) in the field of *irrigation water management improvement* was approved in June 1968.

Out of 3.1 million hectares under rice in the Philippines, only 680,000 hectares (22 per cent) during the wet season and 280,000 hectares (9 per cent) during the dry season are irrigated. This reflects both the inadequacy of irrigation facilities and the need for improvements in water management. The Philippine authorities have recently strengthened their efforts to increase both service areas and efficiency in the existing irrigation systems in the country. The Government has provided financial resources sufficient to complete twenty-two unfinished projects and also to start eight new irrigation projects. The NIA also has been actively engaged in an extensive rehabilitation program to improve water conveyance in deteriorated systems. In addition, the NIA has

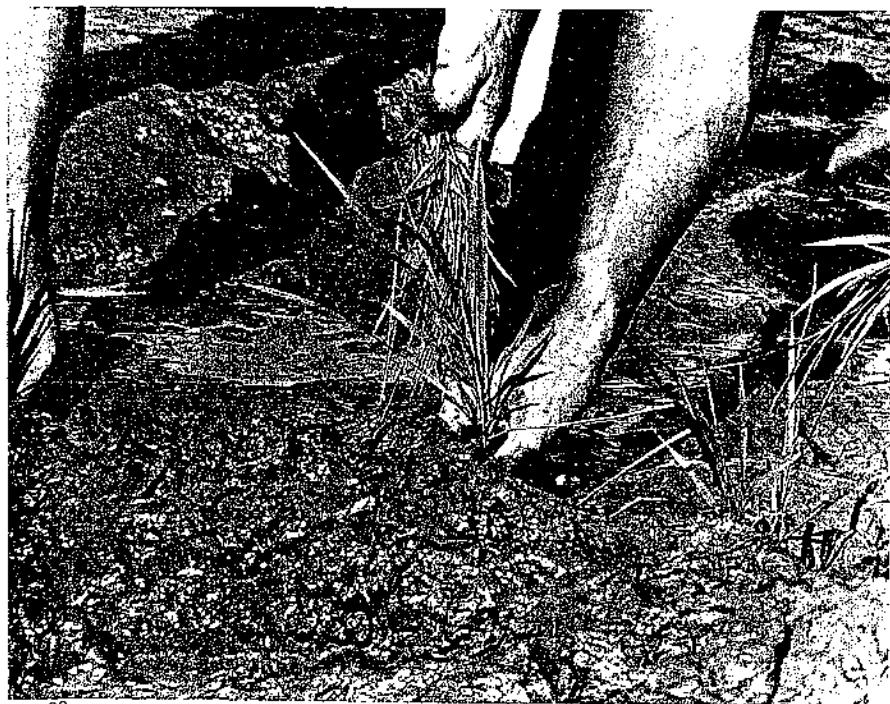
A typical rice field in the Angat River Irrigation System (ARIS) in the province of Bulacan, Philippines, where a Bank technical assistance team has been active in water management planning and operation, field studies and demonstration



The Bank's technical assistance to the Philippines in the field of water management is a type of activity which has received considerable emphasis in the Asian Agricultural Survey Report. Since the water management project started in July 1968 in two selected areas, several water measuring devices including Parshall flumes (above) and "V-Notch weir" (below) and most of the water control devices and farm ditches have been completed.



The Bank's technical assistance team in ARIS has been training Filipino farmers in modern methods of transplanting paddy seedlings. Training of technical personnel has also been undertaken.



Collection of ferro-concrete pile columns at The Thai Cardboard Co., Ltd., one of the beneficiaries of IFCT subloans.

undertaken a pilot project scheme to improve the existing water management and water use in eight representative irrigation systems located in different parts of the country. The results of the pilot project scheme will subsequently benefit other NIA irrigation systems. It was recognized that there would be a shortage, during the initial stage of the pilot project, of well-trained and experienced specialists in the field of water management to participate in the planning of the field operations and in the training of local technical personnel. The technical assistance program of the Bank is intended to meet this shortage.

The technical assistance activity is concentrated in two selected areas in the Angat River Irrigation System and the Peñaranda River Irrigation System, both in Central Luzon, and covers water management planning and operation, technical field studies and demonstrations as well as training of technical personnel. In the other six pilot areas, the scope of assistance will be limited to general technical advice on planning, field operation and extension of the regular local programs.

The technical assistance mission, which began its work in August 1968, is composed of a senior irrigation engineer, a water management expert, an irrigation agronomist, an irrigation economist and a soil and land use expert. The duration of the project has been fixed at one year in order to cover both the wet and dry seasons.

THAILAND

A loan equivalent to US\$5 million to the *Industrial Finance Corporation of Thailand* (IFCT) was approved on 23 January 1968. The



loan is guaranteed by the Government of Thailand and is repayable in full on or before 31 December 1983. Loan documents were signed on 25 January 1968 at the Bank's headquarters.

The IFCT was established in 1959 under the Industrial Finance Corporation Act to assist industrial activities in Thailand mainly by extending medium and long-term loans, underwriting shares and securities and guaranteeing loans. In 1964, the IFCT secured loans from Kreditanstalt fuer Wiederaufbau of Germany amounting to DM 11 million and from the International Bank for Reconstruction and Development in an amount of US\$2.5 million.

The rate of economic growth of Thailand has been impressive in recent years and the scope of industrial development is being enlarged. The share of industry—practically all private—in the GNP is expected to increase from 12.8 per cent to 21.4 per cent over the period 1966-1971. Apart from the Governmental Small Loans Board, the IFCT is the only institution in Thailand which provides medium and long-term loans for private industrial

investment. The rising demand for medium and long-term loans is bound to cause expansion of the IFCT's operations.

The Bank's loan is designed to help the IFCT augment its foreign exchange resources and is available for utilization until 31 December 1972. As of 31 December 1968, seven subloans aggregating US \$1,152,575 had been approved and US \$700,608 had been disbursed by the Bank. The approved subloans include financing for ice factory and cold storage plants, a cardboard and a strawboard factory, a cotton mill and a kaolin processing plant.

VIET-NAM

In response to a request from the Republic of Viet-Nam, the Bank agreed on 2 July 1968 to provide technical assistance in two parts to *development financing institutions* in Viet-Nam at an estimated cost of US \$89,000.

The institutions primarily concerned are the Industrial Development Center (IDC), the Société Financière pour le Développement de l'Industrie au Viêt-Nam (SOFIDIV), and the Refinancing Fund for Industrial Development (RFID) of the National Bank of Viet-Nam.

The first part of the program provides for a team which, taking into account the need to promote over a period of time industrial growth in the country, is to study and report on:

- (a) the Government institutional framework and the procedures for handling investment projects, together with the possibilities for improvement of the investment climate in the context of the overall economic setting;
- (b) the work of the IDC and the desirable steps to be taken to strengthen its role as a development financing institution;
- (c) the work of the SOFIDIV and the steps

which should be taken to strengthen its role as a financial institution;

- (d) the work of the RFID, especially in terms of its relationship with the other institutions;
- (e) the division of labor among the financial institutions; and
- (f) the possibility of advising the Agricultural Development Bank on the establishment of a system of rural banking similar to that established in the Philippines, if such a scheme proves advisable and feasible in Viet-Nam.

The team is to be composed of four members with expertise in development banking, industrial economics, agricultural and rural banking and legal and administrative matters and is scheduled to begin work early in January 1969.

The other part of the program covers the provision of three senior operational advisors, each to be assigned to one of the three above-mentioned industrial financing institutions, with the following functions in respect of the institution concerned:

- (1) help the Management in its project appraisals, in particular in respect to the overall economic and financial evaluation of project proposals;
- (2) advise and train the staff on project appraisal techniques, on security requirements, on procurement and disbursement procedures, on end-use supervision of the utilization of loans and investments and project implementation;
- (3) advise and help the Management in taking necessary action in cases where the end-use supervision and follow-up of loans and investments suggest that such action is called for; and
- (4) advise the Management on policy matters and on any day-to-day work as appropriate.

These advisors will be assigned for a period of one year, subject to extension if necessary. They are expected to take up their assignments in April/May 1969.

"THE PIPELINE"

In dealing with each investment request, the Bank has to be flexible in its approach. Past experience has shown that, where preliminary work on feasibility studies and project preparation has been effectively carried out, relatively little time is needed to obtain a Board decision. In other cases, the Bank has had to suit its approach to the particular requirements of the situation, either by offering specific technical assistance in the preparation of the project or by associating its staff at a fairly early stage of project formulation in the country concerned. The proximity of the Bank to the developing member countries has been of great benefit in facilitating quicker personal contacts and the exchange of ideas and has thus enhanced the capacity of the Bank to deal with proposals. Such personal contacts have also served to promote a useful dialogue between the Bank

and member countries in building up a pipeline of future Bank projects. Thus, included in the pipeline are projects and programs in the following fields:

- (a) area development, aiming primarily at the improvement of agricultural productivity but also including, as ancillaries, the extension of roads and the setting up of subsidiary off-season employment opportunities;
- (b) irrigation;
- (c) rehabilitation or the setting up of plantation industries and related processing facilities;
- (d) expansion of fishing activities;
- (e) lending to intermediary institutions;
- (f) specific export-oriented or import-substitutive industrial activities; and
- (g) infrastructure development.

LOANS APPROVED DURING 1968

BORROWER	PROJECT	AMOUNT US \$	DATE APPROVED	TERM *	INTEREST
Industrial Finance Corporation of Thailand	Financing industrial enterprises	\$5 million	23 Jan.	12 years	†
Central Bank of Ceylon	Modernization of tea factories	\$2 million	2 July	15 years	6 $\frac{7}{8}$ %
Republic of Korea	Seoul-Inchon Expressway	\$6.8 million	3 Sept.	15 years	6 $\frac{7}{8}$ %
Malaysia	Penang Water Supply	\$7.2 million	19 Sept.	20 years	6 $\frac{7}{8}$ %
Republic of China	Feasibility Study of North-South Free- way‡	\$0.4 million	19 Nov.	10 years	6 $\frac{7}{8}$ %
Industrial Development Bank of Pakistan	Financing small and medium-scale indus- tries in private sector	\$10 million	12 Dec.	15 years	†
Chinese Petroleum Corporation	Dimethyl terephthal- ate (DMT) manufac- ture	\$10.2 million	19 Dec.	12 years	6 $\frac{7}{8}$ %

* Inclusive of grace period

† Carries interest at the rate prevalent at the time of crediting the loan account.

‡ In addition, a sum of US \$100,000 was provided as a grant (see Republic of China next page).

TECHNICAL ASSISTANCE APPROVED DURING 1968

COUNTRY	PROJECT	AMOUNT US \$	DATE APPROVED
PROJECT PREPARATION			
Republic of China	Feasibility Study of North-South Freeway	\$100,000	19 Nov.
Nepal	Air Transport System Development	\$66,000	21 Nov.
Philippines	Fisheries Port Construction in Manila Bay	\$225,000	25 July
ADVISORY AND OPERATIONAL			
Indonesia	Advisors to Ministry of Agriculture	\$170,000	30 July
	Rural Credit Survey	\$60,000	30 July
Republic of Korea	Agriculture & Fishery Development Corporation *	\$66,000	6 Feb.
Laos	Integrated Agricultural Development Program for Vientiane Plain	\$221,000	15 Oct.
Nepal	Advisors to Agricultural Development Bank of Nepal	\$35,000	3 Sept.
Philippines	Water Management	\$105,000	20 June
Republic of Viet-Nam	Development Financing Institutions		
	(a) Technical Assistance Mission	\$19,000	2 July
	(b) Assignment of Advisors	\$70,000	2 July

* Includes project preparation (see page 14).

B. SURVEYS AND OTHER REGIONAL ACTIVITIES

(i) ASIAN AGRICULTURAL SURVEY

The Annual Report for 1967 discussed the Asian Agricultural Survey which began its field work in July 1967. The Survey Team completed its work by the middle of February 1968 and produced a Regional Report and twelve sectional reports containing detailed observations on the salient aspects of agricultural growth in the region. The Consultative Committee on the Survey met from 26 February to 2 March 1968 and prepared observations, collectively and individually, on the reports prepared by the Survey Team. The Survey Reports and the observations of the Consultative Committee were placed before the Board of Directors and, pursuant to a decision of the Board, were made available to member governments for distribution.

In view of the wide interest in the Survey, it was decided to publish the reports and the observations of the Consultative Committee. The publication became available in February 1969 in both hard-bound and paper-bound editions.

The Bank has considered various aspects of

the recommendations in the Survey reports such as the Bank's investment policy in the field of agriculture and the potential role of the Bank in strengthening agricultural research in the region and the feasibility of undertaking a study on fertilizer production on a regional basis. Consideration is also being given to the possible organization of a meeting of agricultural development banks in the region in view of the very important place assigned to agricultural credit in the Survey.

From the point of view of the Bank's operations, the Survey has yielded perspectives of great value in the formulation and appraisal of projects in agriculture and related activities. In particular, it has established a basis for considering the application of modern technology to agricultural production in the region, taking into account the unique factors which apply to each country.

A number of developing member countries have expressed an interest in bilateral discussions with the Bank on the findings of the Survey. These discussions have been conceived of as covering both the evolution of policies conducive to agricultural growth and the identification of specific investment programs in agriculture and related fields. The first such discussion, held in Thailand, was regarded as helpful both to the Thai authorities and to the Bank on both counts. Discussions with other countries are being scheduled for 1968 and it is the intention of the Bank to be responsive to any further requests for such discussions.

As another follow-up activity to the Survey, a Regional Seminar on Agriculture is planned to be held in Sydney at the time of the Second Annual Meeting of the Bank. It is envisaged that this Seminar will provide a forum where policy-making agricultural and financial officials from developing member countries and experts in agricultural development will be able to discuss certain main themes emerging from the Survey.

(ii) REGIONAL TRANSPORT SURVEY

In December 1967 the Government of Malaysia, acting on behalf of eight Southeast Asian countries (Brunei, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and the Republic of Viet-Nam), requested the Bank to undertake a Regional Transport Survey of Southeast Asia. The request stemmed from a decision taken at a Conference of the Governments concerned in Kuala Lumpur in September 1967 where it was indicated that

"While the Survey should have, as one of its specific objectives, recommendations on an investment program for regional transport projects in the medium and long terms, it should have as its underlying motivation the development of transport in the region along lines which will maximize the possibilities for progressive economic integration of the countries in the area."

The Board of Directors, in February 1968, authorized necessary action to evolve the framework and terms of reference of the proposed Regional Transport Survey, taking into account the existing transport situation and plans for future transport development in relation to realistic prospects of overall economic growth of the subregion. Other sources of external aid were to be explored, to the extent possible, in respect of the provision of expertise, advice on the work program and possible participation in financing the Survey; close consultations with the Co-ordinating Committee set up by the Kuala Lumpur conference were to continue. The framework, together with estimated costs, was worked out on this basis and on 17 September 1968, the Board of Directors agreed that the Bank should undertake the Regional Transport Survey. The

Board of Directors also authorized the setting up of a Steering Committee of high-ranking experts which, in the first instance, was to prepare the draft terms of reference of the Survey, taking into account the proposals placed before the Board and its comments thereon.

The Steering Committee, membership of which is set out in Appendix 9, had its first meeting in Manila from 9 to 13 December 1968 and submitted its recommendations to the Bank on the draft terms of reference of the Survey. In accordance with the Board's decision of September 1968, the Bank has taken action to obtain from qualified consultants detailed technical proposals and firm estimates of costs. The proposed terms of reference of the Survey, together with estimates of costs and possibilities of participation by other organizations, are to be considered early in 1969 by the Board of Directors.

(iii) REGIONAL CONFERENCE OF DEVELOPMENT BANKS IN ASIA

The Annual Report for 1967 referred to the suggestion at the Third Regional Conference of Development Banks in Asia held in Tokyo in September 1966 that the Bank should assume future responsibility for convening such conferences. After eliciting the opinions of individual national development banks in the region, and after careful consideration of the role that this bank could play in convening such conferences, the Bank has undertaken to make arrangements to hold the Fourth Regional Conference of Development Banks in Asia in Manila in July 1969.

A specific theme has been selected in consultation with the participants in previous conferences of development banks: the exploration of the experience and problems encountered by development banks in respect of the identification, formulation, evaluation and implementation of investment projects. Case studies will be prepared on the basis of which a theme paper will be provided to participants in advance of the conference. The World Bank group and the Fiscal and Financial Branch of the UN Secretariat and the Organisation for Economic Co-operation and Development have shown interest in the Conference and are expected to participate. Invitations to participate are being sent to institutions in non-regional member countries which have an interest in development banking in Asia.

(iv) OTHERS

The Bank held preliminary discussions during 1968 with the United Nations Economic Commission for Asia and the Far East concerning an Asian Industrial Survey proposed by that body's Asian Industrial Development Council. Also, the proposed establishment of the Asian Vegetable Development and Research Centre in Taiwan has been discussed with the countries concerned.

C. RELATIONS WITH OTHER INTERNATIONAL ORGANIZATIONS

During 1968 the inter-institutional co-operation with other international organizations referred to in the Annual Report for 1967 was

sustained. Certain specific aspects of this co-operation are enumerated below.

The Board of Governors at its First Annual Meeting approved a resolution authorizing the Bank to enter into a co-operative arrangement with the Food and Agriculture Organization (FAO). This co-operative arrangement was recognized to be interim in nature and provided, essentially, for inter-institutional co-operation in specific activities. The FAO has been extremely co-operative in carrying out the agreement and has provided, so far, twelve experts whose employment has aggregated approximately 14 man-months. While the co-operative arrangements contemplate a periodic review, the first of which was due by the end of 1968, it was not possible to carry it out before the end of the year. However, the review will be held as soon as possible in 1969. In addition to activities under the co-operative arrangements, the two institutions have maintained other contacts including the exchange of documentation and the attendance by Bank officials at important meetings held under FAO auspices.

On 23 January 1968, the Board of Directors approved participation with the World Bank in studies relating to the external public debt position and prospects of regional developing member countries. This program involves joint arrangements for the collection of data and their analysis, with the World Bank compiling the material obtained for both institutions, and mutual exchanges on topics of interest. This collaboration has been most useful to the Bank in preparing country reports and in loan operations. The two banks are in frequent contact on the implementation of this program and had an opportunity of full discussion thereon during the Co-ordinating Meeting on Economic Research held in Washington, D.C. immediately following the annual meeting of the World Bank in 1968.

The two banks have also maintained close contact in respect of operational matters.

Members of World Bank missions to regional developing member countries frequently call at the Bank for consultations. The two banks also have a regular exchange of general documentation and data relating to operational activities. Further, field missions of the two banks in individual member countries consult as frequently as possible.

The International Monetary Fund (IMF) has continued to supply the Bank with information on matters of mutual interest and this has augmented the resource material available to the Bank in the course of its operations. As in the case of the World Bank, members of IMF missions to developing member countries frequently call at the Bank's headquarters for discussions.

The United Nations Economic Commission for Asia and the Far East (ECAFE) has maintained its keen interest in the economic development of the region and in assisting the Bank to play a significant role in accelerating this development. The sponsorship of an Asian Industrial Survey by the ECAFE, in which the Bank's participation has been sought, has already been mentioned. The ECAFE has also been studying (in collaboration with the IMF) the need for financial arrangements within the region that may assist the promotion of intra-regional trade. In the discussions held in the ECAFE on this subject, a possible role for the ADB has been considered and the authorities of ECAFE have extended invitations to the Bank to send observers to these discussions.

The possibilities of such regional arrangements are still under study by ECAFE and it is as yet premature to venture any estimation as to what role the Bank could play in such arrangements. The Bank has also been represented through observers at various meetings of the ECAFE.

Relationships with the United Nations Development Program (UNDP) have continued to be useful. The Resident Representatives of the UNDP in developing member countries have been of great assistance to field missions undertaken by the Bank in providing up-to-date insight into local conditions. The UNDP continues to keep the Bank informed of its projected activities in member countries, and it is expected that the UNDP meeting of Resident Representatives in the region to be held in Manila in February 1969 would provide an excellent opportunity for a full exchange of views with the authorities of the UNDP.

A further step in inter-institutional co-operation was taken when, as mentioned earlier, the International Civil Aviation Organization accepted the Bank's invitation to collaborate in the implementation of a study of the development of air transport facilities in Nepal.

It should also be added that when the services of individual experts were sought in constituting the Steering Committee for the Regional Transport Survey, there was a ready response from the World Bank, the United Nations Conference on Trade and Development and the Economic Commission for Asia and the Far East.

SPECIAL FUNDS OPERATIONS

The Bank's Articles of Agreement envisage lending on concessional terms from "Special Funds" in addition to conventional loans from its capital resources and from borrowings. Article 19 of the Agreement provides both for a "set-aside" of up to 10 per cent of the unimpaired paid-in capital for lending on concessional terms and for the acceptance of contributions of special funds resources under appropriate terms and for purposes consistent with the objectives of the Bank.

During 1968, the Board of Directors devoted considerable attention to the preparation of a framework of Rules and Regulations to cover the administration and utilization of Special Funds. These "Special Funds Rules and Regulations" were formally adopted by the Board of Directors on 17 September 1968. The Rules and Regulations provide for "Consolidated Special Funds" of the Bank, under which general heading there is provision for an Agricultural Special Fund, a Multi-Purpose Special Fund, a Technical Assistance Special Fund and such other Special Funds as the Bank may establish or accept from time to time. The Rules and Regulations have been drafted so as to apply both to special funds resources contributed to the Bank as well as to special funds resources set-aside from the Bank's capital.

Although contributions were received in December 1968 to the Agricultural Special Fund and the Multi-Purpose Special Fund (see Part IV B below) operations have been financed to date only from the Technical Assistance Special Fund. The latter Fund was formerly known as the "Technical Assistance Contributions—Consolidated Account" but, with the adoption of the Special Funds Rules and Regulations, appropriate steps were taken to transform this Account into a Special Fund.

The Technical Assistance Contributions—Consolidated Account was set up by the Board of Directors in 1967 following contributions from the Governments of the United States and the United Kingdom of funds for technical assistance purposes. As discussed more fully below, the Governments of the Federal Republic of Germany, Japan and Canada made further

funds available for such purposes during 1968.*

The financial statements of the Technical Assistance Special Fund accompanying this Report show that contributed resources available as of the end of 1968 totalled US\$515,949 while disbursements amounted to US\$241,661.

Utilization of the resources contributed has been concentrated upon providing experts, consultants or advisors for such technical assistance activities as pre-investment and feasibility studies, project appraisals, processing of loan applications, and regional or country economic and financial studies. A portion of these contributions was used for the purchase of library materials. A list of the projects to which these resources were applied appears on pages 64-65.

As the table on pages 64-65 shows, the United States contribution has been used in the provision of expert services for preparatory work on the Regional Transport Survey and for road, rural credit, food production, municipal water supply, and irrigation, including water management, projects in China, Indonesia, Korea, Malaysia and the Philippines. Similar services for projects in tea processing machinery and rural credit in Ceylon and Indonesia have been financed from United Kingdom funds. Expert services for road projects in China, Korea and Western Samoa have been financed from funds made available by the Federal Republic of Germany. The contribution from Japan has been used to provide expert services for projects in fisheries, irrigation, including water management, agriculture and agricultural and fisheries processing industries in China, Indonesia, Korea and the Philippines and also for preparatory work on the Regional Transport Survey. The Canadian contribution has been used to provide expert services in connection with projects for the development of fisheries and for the establishment of agricultural and fisheries processing industries in Ceylon, China, Korea and the Philippines and for the Regional Transport Survey.

* The Bank also accepted contributions for the Technical Assistance Special Fund from the Government of Finland on 21 January 1969 and from the Government of Denmark on 4 February 1969.

ADMINISTRATION AND ORGANIZATION

MEMBERSHIP

There were no changes in the membership of the Bank during the year. Total membership remained at thirty-two countries of which nineteen are from the region of Asia and the Far East and thirteen are from outside the region. There were, however, two developments of special interest:

CAMBODIA: It was reported in the Annual Report for 1967 that the Bank received advice on 18 September 1967 of Cambodia's decision to withdraw from membership in the Bank. In a reply of the same date, the Bank drew attention to the provision of Article 41.(2) of the Agreement which provides for a notice period of at least six months for withdrawal to become effective. On 27 December 1968, the Minister of Foreign Affairs of the Royal Government of Cambodia informed the Bank of his Government's decision to maintain its status as a member of the Bank.

HONGKONG: As indicated in last year's Annual Report, Hongkong had shown an interest in becoming a member of the Bank. Discussions were held with British and Hongkong authorities during 1968 that encourage the expectation that Hongkong will apply for membership in the Bank in 1969.

BOARD OF GOVERNORS

There were several changes in the composition of the Board of Governors in 1968 and the changes are shown in the list of Governors and Alternate Governors as at the close of 1968 which appears in Appendix 6.

At the invitation of the Philippine Government, the First Annual Meeting of the Board of Governors was held in Manila from 4 to 6 April 1968. A list of the resolutions adopted at the First Annual Meeting appears in Appendix 3.

The Board of Governors, at the First Annual Meeting, authorized a procedure for determining during 1968 the date and place of the

Second Annual Meeting. Following the receipt of an invitation from the Australian Government, the Governors approved a recommendation that the Second Annual Meeting take place in Sydney from 10 to 12 April 1969.

BOARD OF DIRECTORS

The following changes took place in the Board of Directors during 1968:

- i. On 5 July, Mr. J. M. Garland (Australia) resigned; Mr. F. R. Dalrymple (Alternate Director appointed by Mr. Garland) exercised the functions of Director under the provisions of Article 30 until the election of Mr. R. J. Whitelaw on 31 December.
- ii. Mr. M. Fukuda (Japan) appointed Mr. Fumio Kawano as his Alternate with effect from 30 August.
- iii. Mr. Zahiruddin Ahmed, Alternate, appointed by Mr. C. Balmaceda (Pakistan and the Philippines), died on 3 September when on an official mission for the Bank to Pakistan. Mr. Wazir Ali was appointed Alternate by Mr. Balmaceda with effect from 4 December.
- iv. Mr. B. Zagorin (United States) appointed Mr. George R. Jacobs as his Alternate with effect from 29 October (vice Mr. Herman H. Barger who demitted office as Alternate on 8 April).
- v. Mr. Byanti Kharmawan (Afghanistan, Cambodia, Ceylon, Indonesia, Laos and Nepal) resigned on 20 December (pursuant to his election as Executive Director of the International Monetary Fund); on 31 December, Mr. R. A. Kartadjoemena was elected to fill the vacancy so created, by unanimous vote of all members concerned.

The Board of Directors adopted the following Resolution on 5 September:

"The Board has learnt with the deepest sorrow of the untimely passing away of Mr. Zahiruddin Ahmed when on official duty of the Bank at Karachi on 3 September 1968.

"It wishes to place on record its grateful

recognition of the services rendered to this Bank and to its Board of Directors by Mr. Ahmed. It had in him a rare combination of talent, experience and imaginative foresight, qualities that made Mr. Ahmed's contributions deep in insight and profound in wisdom.

"It desires the President to submit to the Governor for Pakistan and to Mr. Ahmed's family its own sense of loss and grief and its respectful condolences."

A list of Directors and Alternates as at the close of the year appears in Appendix 7.

During the year, there were 58 meetings of the Board of Directors, including both regular and executive sessions. Apart from specific loan and technical assistance proposals, matters before the Board included: policy on lending rates; commitment charge; procurement policy and use of consultants; Special Funds Rules and Regulations and offers of Special Funds; investment policy; the application of Article 25 of the Articles of Agreement dealing with maintenance of the value of the Bank's currency holdings; guidelines for the Bank's technical assistance operations; a Staff Retirement Plan for Bank personnel and the machinery to implement it; the basic organization of the Bank; and the Administrative Budget for the Bank for 1969.

Article 30. 1 (ii) of the Articles of Agreement reads as follows:

"At the Second Annual Meeting of the Board of Governors after its inaugural meeting, the Board of Governors shall review the size and composition of the Board of Directors, and shall increase the number of Directors as appropriate, paying special regard to the desirability, in the circumstances at that time, of increasing representation in the Board of Directors of smaller less developed member countries. Decisions under this paragraph should be made by a vote of a majority of the total number of Governors, representing not less than two-thirds of the total voting power of the members."

The Board of Directors, in preparation for the Second Annual Meeting of the Board of Governors considered during the year the various aspects involved in the above provision.

BASIC ORGANIZATION

The basic organization of the Bank as set up when it came into being in 1966 provided for the creation of a number of administrative departments and of two operational departments. As between the two operational departments, functions primarily relating to lending operations were assigned to the Operations Department and those relating to technical assistance and economic studies were assigned to the Economic and Technical Assistance Department. The Operations Department was organized into three divisions, two of which were concerned with the eastern and the western areas of the region and the third with appraisal and technical supervision of projects. The Economic and Technical Assistance Department was organized into two divisions, namely, Technical Assistance Division and Economic Division.

On the basis of experience gained so far and with a view to gearing the Bank for an anticipated substantial increase in activities, a review of the basic organization of the Bank was undertaken in the last quarter of 1968. This review led to a decision to reorganize the two operational departments during the course of 1969. Under this reorganization, a Projects Department will come into being which will absorb the present division of the Operations Department concerned with project appraisal and a substantial portion of the Technical Assistance Division of the present Economic and Technical Assistance Department. Also an Economic Office will be set up to handle the basic and special economic work of the Bank. The Operations Department will be re-aligned to serve as the focal point of inquiry and contact with member countries in respect of both loans and technical assistance. The Projects Department will provide experts and specialists for the

processing of loans and the implementation of technical assistance projects. A further part of the reorganization will provide the Operations and the Projects Departments with senior level staff as "Managers" whose function will be to lead missions in project preparation, appraisal and monitoring.

Another change contemplated, and effected on 1 January 1969, was the separation of the Office of the Financial Advisor from the Treasurer's Office (to be redesignated as the Treasury Department). The Financial Advisor is responsible for advising the President with regard to bond issues and other borrowings and for the investment of Bank funds not needed in the current operations of the Bank.

RECRUITMENT

During the year, the Bank continued its efforts to recruit competent professional staff. In addition to the list of possible candidates that resulted from earlier recruitment efforts, wide publicity was given to the Bank's interest in recruitment of additional competent staff. Candidates were carefully screened and many were subsequently interviewed during tours by officials of the Bank. As a result, it has been possible to build up the professional staff of the Bank, excluding the President and Vice President, from 55 at the beginning of year to 94 at the end of the year. It is anticipated that the number of professional staff will reach 146 by the end of 1969. Non-professional staff increased from 132 at the beginning of the year to 203 at the end of 1968.

At the end of 1968, the professional staff of the Bank was composed of persons from sixteen regional and seven non-regional countries. The effort to establish and maintain a broad-based staff, with due regard to competence, will continue in 1969.

STAFF BENEFITS

The Staff Retirement Plan was approved by the Board of Directors on 10 December 1968,

with retrospective effect from 24 November 1966, when the earliest staff appointments were made. The Plan is supported by contributions to a Pension Fund of 7 per cent of the salary of each participant, with 14 per cent of the total payroll on each pay date being contributed by the Bank. Benefits under the Plan include retirement pensions for long service, cash withdrawal benefits for shorter service, disability pensions for incapacity to work due to illness or injury and widows' pensions and children's allowance if a staff member dies during service in the Bank. The Regulations adopted by the Board of Directors for the Staff Retirement Plan are submitted separately for review by the Board of Governors under Section 11 of the By-Laws of the Bank.

PHILIPPINE CO-ORDINATING COMMITTEE

The Philippine Co-ordinating Committee continued to be most helpful in arranging additional furnished office accommodation and facilities and acting as a liaison body between the Bank and the Department of Foreign Affairs and other Philippine Government agencies. The Committee is headed by Mr. Cornelio Balmaceda who is also a member of the Board of Directors of the Bank. During 1968 the Committee provided the Bank with additional office accommodation in the Amalgamated Building and the Rufino Building in Ayala Avenue, in close proximity to the Metropolitan Building where the main office of the Bank is located.

HEADQUARTERS BUILDING

Construction of the permanent headquarters of the Bank on land provided by the Government of the Philippines on Roxas Boulevard in the Greater Manila area, is proceeding under the supervision of the Philippine Co-ordinating Committee.

ADMINISTRATIVE BUDGET

The Administrative Budget for 1969 was approved by the Board of Directors on 10 December 1968 and a summary thereof appears in Appendix 2. It provides for "internal administrative expenses" amounting to US\$6.48 million and for "services to member countries" amounting to US\$1.75 million. The abstract below gives comparative budget figures since the Bank came into being. The figures in the

the technical assistance services to member countries (including regional activities). The reasons for the change were mainly:

- (a) Article 21 (vi) of the Articles of Agreement empowers the Bank to charge expenditure incurred in providing non-reimbursable technical assistance against the net income of the Bank. The new presentation will make clear the amount of net income to

FINANCIAL ABSTRACT

	<i>in US\$ million</i>			
	NOV. 1966 TO DEC. 1967	1968	1969	
	ACTUAL	BUDGET	ACTUAL	BUDGET
1. Gross Income	4.55	6.30	7.17	10.00
2. Internal Administrative Expenses	2.41 *	5.21	3.56 *	6.48†
3. Expenses on Services to Member Countries including regional activities	0.04	0.69	0.13	1.75†
4. Total Administrative Budget	2.45	5.90	3.69	8.23
5. Surplus of Gross Income over Internal Administrative Expenses (1 minus 2)	2.14	1.09	3.61	3.52
6. Surplus of Gross Income over total Administrative Expenses (1 minus 4)	2.10	0.40	3.48	1.77

* Includes exchange adjustments.

† May be reduced on the basis of utilization of technical assistance resources contributed or which may be contributed.

final column reflect the intensification of activities and the preparations being made to meet the increased responsibilities expected in the coming year.

During the year a change was made in the manner of presentation of the Budget in so far as it relates to technical assistance. Previously expenditure on "Services to Member Countries" was incorporated as one item in the Bank's Administrative Budget. For 1969, this practice was slightly modified and the administrative budget was prepared and approved in two parts, Part I relating to the internal administrative expenses of the Bank, and Part II relating to

which such technical assistance expenditure should be charged;

- (b) Service to member countries is essentially of a nature in which, in a particular year, there may be significant differences between "commitments" and "disbursements"; it is therefore meaningful to show both accounts; and
- (c) The internal administrative expenses of the Bank are not of the same nature as the cost of "services to member countries"; a consolidation of the two may give rise to misunderstanding as to the total size of the Administrative Budget.

THE BANK'S FINANCES

A. ORDINARY CAPITAL RESOURCES

CAPITAL SUBSCRIPTION

The third instalment of subscriptions to the Bank's paid-in capital from members other than Switzerland fell due on 22 August 1968; the second instalment of Switzerland's subscription fell due on 29 December 1968. The Bank has received payment of all due instalments. Cambodia, which confirmed its membership in the Bank on 27 December 1968, paid its second and third instalments early in 1969.

At the end of the year, the Bank's paid-in capital amounted to the equivalent of US\$289.8 million, of which the equivalent of US\$243.7 million represented payments in various convertible currencies.

Austria, the Federal Republic of Germany, Italy, Norway and Switzerland paid in cash the payments due under Article 6. 2(b) of the Articles of Agreement as they had done with previous instalments, thus augmenting the resources of the Bank available for investment.

INVESTMENT OF BANK FUNDS

Of convertible currency funds not currently required for operations, 37 per cent were invested in government securities or government guaranteed obligations of the respective member countries, and 63 per cent in time deposits with commercial banks in the member countries and with the Bank for International Settlements.

In investing these funds the Bank has been guided by considerations of security, liquidity and yield, subject to the requirements of Article 24 of the Articles of Agreement and in accordance with the investment guidelines set forth by the Board of Directors. Under these guidelines, which were reviewed in May 1968, the Bank is authorized to invest funds not required for operations in government or government-

guaranteed securities of member countries maturing not more than five years after the date of purchase, and in time deposits with or certificates of deposit of commercial banks in member countries maturing within two years.

Commercial banks in the United States, Federal Republic of Germany, Italy, United Kingdom, Hongkong and Japan responded favorably to the Bank's offer to make available for participation maturities of several Bank loans for their own account and without recourse to the Bank. Thus, of three loans granted by the Bank for specific projects aggregating US\$24.2 million, maturities up to five years were sold to more than twenty banks in the total amount of US\$2.8 million.

INCOME AND EXPENDITURE

During 1968 the Bank's gross income amounted to US\$7,176,591. The continuing high level of interest rates in the world money markets yielded a substantial investment income. The gross expenditure of the Bank in 1968 amounted to US\$3,691,676, so that net income, after appropriating commissions on loans aggregating US\$2,124 to Special Reserve in accordance with Articles 16. 1 and 17 of the Articles of Agreement, was US\$3,482,791. This amount is available for allocation by the Board of Governors, in accordance with the provisions of Article 40. 1 of the Articles of Agreement.

MEMBER CURRENCIES: CHANGES IN VALUE

During the year there was a reduction in the foreign exchange value of Indonesia's currency, and consequently Indonesia paid an additional amount of its currency to the Bank in accordance with Article 25. 1 of the Articles of Agreement.

Amounts shown in the Annual Report for 1967 as receivable from members on account of reduction in the par values or foreign exchange values of certain member currencies during 1967 were all paid in the early part of 1968.

PRELIMINARY ARRANGEMENTS FOR BORROWING

During the year contacts were made with financial communities abroad in anticipation of bond issues by the Bank in the not-too-distant future. There is a prospect of a bond issue in Europe in 1969.

The Bank commenced the process of obtaining qualification legislation in the various states of the United States that would give its bonds as favorable a position with respect to regulated investors as that enjoyed by bonds of the older-established institutions. During the course of the year such legislation was enacted in the states of New York, California, New Jersey, Pennsylvania and Massachusetts. This result, reinforced by similar action in other states in the future, will be an important factor in the successful raising of funds in the capital markets of the United States.

In order to facilitate possible bond issues in this important respect, the Board of Directors of the Bank on 11 January 1968 adopted a Resolution relating to limitations to borrowings by the Bank which provides that:

"... borrowing by the Bank for inclusion in its ordinary capital resources shall be so limited that no new borrowing will be made or guarantee chargeable to such resources will be given if the amount so to be borrowed or the amount so to be guaranteed, when added to the aggregate amount then outstanding of such borrowing plus the amount then outstanding so guaranteed, would exceed the amount of the callable capital stock of the Bank subscribed by members whose currencies are deemed convertible by the Bank after consultation with the International Monetary Fund pursuant to Article 23 of the Bank's Articles of Agreement."

B. SPECIAL FUNDS RESOURCES

The year under review saw a promising start on the constitution of Special Funds. The "Special Funds Rules and Regulations" adopted by the Board of Directors in September make provision for an Agricultural Special Fund, a Multi-Purpose Special Fund, a Technical Assistance Special Fund and such other Special Funds as might be established or accepted by the Bank.

The augmentation of the Bank's potential role in the region by the provision of such Funds has engaged wide attention. In statements made at the First Annual Meeting of the Board of Governors held in Manila in 1968, several Governors laid considerable stress on this aspect of the Bank's evolution. Summarizing the discussions at that meeting, the President of the Bank, in his closing remarks, said:

"The ADB naturally finds itself concerned with the developments in the world financial community—a situation which the Governor for the United States vividly described as 'an attack of unparalleled ferocity on the international financial arrangements under which we have lived for the last two decades'. Under this attack, rising interest rates and balance of payments problems of many countries are combining to inhibit the volume of effective economic aid; that is, aid on terms which will not contribute further to the worsening problem of debt service faced by many developing countries. Discovering ways to alleviate this situation is a source of deep concern to this Bank."

"It was toward that end that I echoed the appeal for Special Funds resources which could be made available on concessional

terms, in my Opening Address. I was pleased to note the endorsement of this avenue of assistance by a number of developed countries present here. I would particularly like to commend the remarks of the Governor for the United Kingdom on the urgency for advanced nations to consciously work toward an augmentation of economic aid flows in the coming years.

"We have received evidence at this Meeting that this urgency is being met in a generous fashion—that, despite the pressures currently weighing on many developed countries, they are not going to flinch from the responsibility which their position of prosperity has placed upon them. I refer to the pledges of concrete support announced by the Governors for Canada, Denmark, Japan, the Netherlands and the United States. We look forward to discussing with them the pertinent details contingent upon injecting these critical funds into the economic bloodstream of our developing members.

"In respect of supplementing our resources, it only remains for me to reiterate our hope that prospective donor countries will do all in their power to complete the necessary executive and legislative actions to make these funds available as soon as possible. For our part, we will act to finalize our own framework of Rules and Regulations covering the administration and utilization of Special Funds.

"Several Governors have referred to this framework in their comments. These comments have struck a common chord in recognizing the need for proper balance in determining the terms under which these contributions should be accepted—a balance which must afford due weight to what the Governor for India terms 'the economic circumstances in which contributors make their contributions'.

"At the same time, the Governor for Canada and others have taken the lead in

reaffirming the need to protect the multi-lateral character and management of the ADB—a need which can best be served by Special Funds with as few restrictive covenants as possible.

"I very much appreciate the spirit of mutual understanding exhibited both by prospective donors and by prospective recipients in seeking to strike this balance."

The Technical Assistance Special Fund was augmented during the year as follows:

- (a) under an exchange of letters dated 10 February and 12 March, the Federal Republic of Germany agreed to give, on a grant basis, technical assistance facilities to the Bank; that Government indicated for planning purposes that in the calendar year 1968 it would give consideration to requests for such assistance entailing disbursements up to DM160,000;
- (b) under an exchange of letters dated 19 March, a sum of Y36 million was paid to the Bank by the Government of Japan, on a grant basis, for technical assistance facilities;
- (c) the Government of Japan made an additional technical assistance contribution of Y11.26 million, on a grant basis, under an exchange of letters dated 3 July and 11 July; and
- (d) under an exchange of letters dated 7 November, a grant contribution equivalent to US\$100,000 was accepted from the Government of Canada to be incorporated in the resources of the Technical Assistance Special Fund.

At the end of 1968 the Bank had resources available in this Fund from Britain, Canada, the Federal Republic of Germany, Japan and the United States.

The Bank was also able to make a start during the year on the utilization of the generous offers made by the Governors of some developing member countries at the First Annual Meeting

to help in the Bank's technical assistance activities. One such case, for example, was an arrangement under which the Government of Pakistan paid the basic salary of an expert from Pakistan for the period of a technical assistance mission and the Bank paid the balance of the cost involved. A similar arrangement was also being worked out with the Government of India for securing the services of experts on a cost sharing basis and negotiations were already in hand for obtaining a consultant for the Regional Transport Survey on this basis. These arrangements are indicative of the potentialities open for developing member countries to assist the Bank, and thereby one another, in the discharge of its role in the region.

The Agricultural Special Fund was set up when, under an exchange of letters dated 10 December 1968, a sum of Yen 7,200 million was accepted as a contribution from the Government of Japan; this contribution is to be used for financing, by loans, special operations of the Bank relating to agricultural development including forestry, fisheries and agriculturally-related industries. It is the desire of the Contributor that the contribution be used mainly in South East Asia. The financing so provided from the contribution will be used, except as otherwise agreed, only for procurement in Japan of goods produced in, or services supplied from, Japan; however, repayments and income accruals may be made available for procurement of goods and services from Japan as well as from other contributors to the Consolidated Special Funds on a competitive basis.

Similarly, an agreement was signed on 23 December 1968 with the Government of Canada under which a contribution equivalent to US\$25,000,000 has been made available to

the Multi-Purpose Special Fund over a five-year period on the basis of cumulative annual instalments of US\$5 million. The contribution is to be used in carrying out special loan operations of the Bank to finance the procurement of equipment, services and supplies of Canadian origin. The terms and conditions of such financing are to be determined by the Bank and loans may be made to any developing member country for any purpose consistent with the Articles of Agreement and the Special Funds Rules and Regulations. The funds derived from repayments of loans and accruals will not be restricted to procurement of Canadian goods and services.

In authorizing acceptance of these contributions, the Board of Directors recorded warm appreciation of the goodwill and helpfulness displayed by the contributors towards the Bank and towards the developing members of the Region.

At the end of the year, discussions were underway with the Government of Denmark, with a view to a contribution to the Agricultural Special Fund.

In the last quarter of 1968, the Bank began considering the application of the provision for "set-aside" resources incorporated in Article 19.1 of the Articles of Agreement.*

These activities in respect of Special Funds in 1968 represent a promising start; but they are no more than a start and will have to be reinforced by continued efforts in 1969. A more concrete shape will be given to these efforts by the development of suitable proposals for the use of Special Funds in member countries.

* In February 1969, the Board of Directors recommended to the Board of Governors that 10 per cent of the unimpaired paid-in capital pursuant to Article 6.2(a) of the Articles of Agreement be "set-aside" for special loan operations.

PART V

APPENDICES

**FINANCIAL STATEMENTS AND
OPINIONS OF
INDEPENDENT AUDITORS**

ORDINARY CAPITAL RESOURCES:

- I Balance Sheet
- II Comparative Statement of Income and Expenses
- III Cash in Banks and Demand Obligations of Members
- IV Statement of Loans
- V Subscriptions to Capital Stock and Voting Power
- VI Notes to Financial Statements—
Opinion of Independent Auditors

SPECIAL FUNDS RESOURCES:

- A Balance Sheet
- B Statement of Income and Expenses
- C Technical Assistance Special Fund—
Balance Sheet
- D Technical Assistance Special Fund—
Statement of Income and Expenses
- E Technical Assistance Special Fund—
Statement of Expenses by Projects and Programs
- F Notes to Financial Statements
Opinion of Independent Auditors

ASIAN DEVELOPMENT BANK —

BALANCE

December

Expressed in United

ASSETS

CASH IN BANKS (Note B)			
Member currencies (See Appendix 1-III)			\$ 4,439,814
INVESTMENTS			
Government and government-guaranteed obligations-amortized cost			
Maturities not exceeding one year			
(Face amount: \$40,838,490)	\$40,639,391		
Maturities over one year			
(Face amount: \$17,990,098)	17,809,010		
		\$58,448,401	
Time deposits and certificates of deposit			
Maturities not exceeding one year	75,044,617		
Maturities over one year	23,282,765		
		98,327,382	
		156,775,783	
Accrued Interest		3,093,800	
			159,869,583
DEMAND OBLIGATIONS OF MEMBERS			
(Notes B and C)			
Non-negotiable, non-interest-bearing obligations in member currencies (See Appendix 1-III)			129,996,738
SUBSCRIPTION INSTALMENTS RECEIVABLE FROM MEMBER (Note C)			700,000
EFFECTIVE LOANS (See Appendix 1-IV)			
Held by Bank		19,930,000	
Agreed to be sold		285,000	
			20,215,000
OTHER ASSETS			266,151
SPECIAL RESERVE FUND ASSETS			
Accrued loan commissions (Note D)			2,124
STAFF RETIREMENT PLAN ASSETS			
Cash on deposit, segregated and held in trust (Note E)			573,739
TOTAL			\$316,063,149

ORDINARY CAPITAL RESOURCES

SHEET

31, 1968

States Dollars (Note A)

LIABILITIES, RESERVES AND CAPITAL

LIABILITIES

Undisbursed balance of effective loans

(See Appendix 1-IV)

Held by Bank

\$18,906,734

Agreed to be sold

285,000

\$ 19,191,734

Accounts payable and other liabilities

214,290

\$ 19,406,024

SPECIAL RESERVE (Note D)

2,124

STAFF RETIREMENT PLAN RESERVE (Note E)

573,739

CAPITAL (Note C)

Capital stock (See Appendix 1-V)

Authorized—55,000 "paid-in" shares and
55,000 "callable" shares of \$10,000 par
value each

Subscribed (97,000 shares)

970,000,000

Less callable shares subscribed
(48,500 shares)

485,000,000

Paid-in shares subscribed (48,500
shares)

485,000,000

Less subscription instalments not due

194,500,000

Subscription instalments matured

290,500,000

Ordinary Reserve (Note F)

2,098,471

Net Income for the year ended December 31, 1968
(to be allocated by the Board of Governors)

3,482,791

296,081,262

\$316,063,149

APPENDIX 1-II

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES COMPARATIVE STATEMENT OF INCOME AND EXPENSES

For the Period from November 24, 1966* to December 31, 1967

and the year ended December 31, 1968

Expressed in United States Dollars (Note A)

		1966-1967	1968
INCOME	From investments	\$4,547,533	\$7,123,644
	From loan operations		
	Interest	—	12,477
	Commissions	—	2,124
	Commitment charge	—	18,727
	From other sources	4,033	19,619
	GROSS INCOME	4,551,566	7,176,591
	Deduct commissions appropriated to Special Reserve (Note D)	—	2,124
	UNAPPROPRIATED GROSS INCOME	4,551,566	7,174,467
EXPENSES	Administrative expenses		
	Board of Governors	17,417	35,599
	Board of Directors		
	Salaries	364,337	381,052
	Benefits	55,634	67,197
	Travel	111,701	88,414
	Total Board of Directors	531,672	536,663
	Staff		
	Salaries	802,324	1,410,363
	Benefits	185,313	384,513
	Travel	394,856	441,386
	Representation	20,213	24,754
	Consultants	148,188	136,528
	Total Staff	1,550,894	2,397,544
	Other administrative expenses		
	Communications	34,230	103,425
	Office occupancy	21,811	29,252
	Publications and printing	34,066	79,015
	Expendable supplies	46,273	74,901
	Furniture and equipment	127,304	84,664
	Fees and compensation	3,267	102,265
	Miscellaneous (including exchange adjustments)	43,021	121,864
	Total other administrative expenses	309,972	595,386
	Total administrative expenses	2,409,955	3,565,192
	Services to member countries		
	Project Preparation Missions and other Loan-Related Technical Assistance	—	46,391
	Advisory Missions and other Technical Assistance	43,140	80,093
	Total services to member countries	43,140	126,484
	GROSS EXPENSES	2,453,095	3,691,676
NET INCOME (Note C)		\$2,098,471	\$3,482,791

The accompanying notes to financial statements (Appendix 1-VI) are an integral part of this statement.

* Date of Inaugural Meeting of the Board of Governors.

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

December 31, 1968

Expressed in United States Dollars (Note A)

MEMBERS	UNIT OF CURRENCY	CASH IN BANKS	DEMAND OBLIGATIONS OF MEMBERS
Afghanistan	Afghani	\$ —	\$ 717,000*
Australia	Australian Dollar	801	12,750,000†
Austria	Austrian Schilling	4,372	—
Belgium	Belgian Franc	5,700	740,000
Cambodia	Riel	175,000*	—
Canada	Canadian Dollar	—	3,750,000
Ceylon	Ceylon Rupee	5,851	1,269,728*
China, Republic of	New Taiwan Dollar	3,677	2,385,000*
Denmark	Danish Krone	—	750,000
Finland	Finnish Markka	—	750,000
Germany, Federal Republic of	Deutsche Mark	21,369	—
India	Indian Rupee	9,143	13,933,981*
Indonesia	Rupiah	1,611,655*	2,124,119*
Italy	Italian Lira	15,346	—
Japan	Yen	20,150	30,000,000
Korea, Republic of	Won	9,224	4,473,198*
Laos	Kip	60,154*	—
Malaysia	Malaysian Dollar	7,873	2,983,993*
Nepal	Nepalese Rupee	2,274	320,485*
Netherlands	Netherlands Guilder	—	1,650,000
New Zealand	New Zealand Dollar	—	3,384,000†
Norway	Norwegian Krone	—	—
Pakistan	Pakistan Rupee	5,068	4,790,130*
Philippines	Philippine Peso	107,176	4,250,000*
Singapore	Singapore Dollar	8,685	740,200*
Sweden	Swedish Krona	—	750,000
Switzerland	Swiss Franc	—	—
Thailand	Baht	8,815	2,984,904*
United Kingdom	Pound Sterling	183,044	4,500,000
United States	United States Dollar	368,427	30,000,000
Viet-Nam, Republic of	Piastre	1,799,820*	—
Western Samoa	Western Samoan Dollar	6,190*	—
TOTAL		\$4,439,814	\$129,996,738

The accompanying notes to financial statements (Appendix 1-VI) are an integral part of this statement.

* Restrictions on use may be imposed by members (Note B).

† Restrictions on use have been imposed by members (Note B).

ASIAN DEVELOPMENT BANK —

STATEMENT

December

Expressed in United

Member Purpose and Borrower	Loan No.	Date of Loan Agreement	Maturities	Interest Rate (including commission)	Principal Amount
				%	\$
CEYLON					
Tea Industry— Central Bank of Ceylon	2 CE	July 17 '68	1971-1983	6 $\frac{7}{8}$	2,000,000
CHINA, REPUBLIC OF					
Roads— Republic of China	5 CHI	Nov. 30 '68	1971-1978	6 $\frac{7}{8}$	400,000
Industry— Chinese Petroleum Company (Guaranteed by Member) (Note 1)	7 CHI	Dec. 27 '68	1972-1980	6 $\frac{7}{8}$	10,200,000
KOREA, REPUBLIC OF					
Roads— Republic of Korea	3 KOR	Sept. 16 '68	1972-1983	6 $\frac{7}{8}$	6,800,000
MALAYSIA					
Water Supply— Malaysia	4 MAL	Sept. 23 '68	1973-1988	6 $\frac{7}{8}$	7,200,000
PAKISTAN					
Industry— Industrial Development Bank of Pakistan (Guaranteed by Member)	6 PAK	Dec. 16 '68	Not fixed Note 2	Variable Note 2	10,000,000
THAILAND					
Industry— Industrial Finance Corporation of Thailand (Guaranteed by Member)	1 THA	Jan. 25 '68	Not fixed Note 2	Variable Note 2	5,000,000
TOTAL					\$41,600,000

The accompanying notes to financial statements (Appendix 1-VI) are an integral part of this statement.

Note 1. The Bank has entered into agreements to sell \$1,750,000 from early maturities in respect of this loan.

ORDINARY CAPITAL RESOURCES

OF LOANS

31, 1968

States Dollars (Note A)

Loans not yet Effective	Payments Received for Loans Sold	Effective Loans		Undisbursed Balances of Effective Loans	
		Held by Bank	Sold or Agreed to be Sold	Held by Bank	Sold or Agreed to be Sold
\$	\$	\$	\$	\$	\$
—	—	2,000,000	—	2,000,000	—
400,000	—	—	—	—	—
10,200,000	—	—	—	—	—
—	785,000	6,015,000	—	5,692,342	—
—	—	6,915,000	285,000	6,915,000	285,000
10,000,000	—	—	—	—	—
—	—	5,000,000	—	4,299,392	—
\$20,600,000	\$785,000	\$19,930,000	\$285,000	\$18,906,734	\$285,000

Note 2. Maturities and interest rates of Loans Nos. 1 THA and 6 PAK were not fixed at the time the loan agreements were signed. Maturities will be fixed at the time each portion of these loans is committed for a specific project and interest will be applied to each such portion at the Bank's lending rate prevalent at that time. As of December 31, 1968 amounts

so committed aggregated \$1,126,087 in respect of seven specific projects under Loan No. 1 THA. These amounts carry interest at 6½% per annum and are scheduled to be repaid during 1969-1976 in conformity with the maturities fixed for the individual projects.

ASIAN DEVELOPMENT BANK —

SUBSCRIPTIONS TO CAPITAL

December

Expressed in Thousands of

MEMBERS	SUBSCRIBED		
	Shares	Per Cent of Total	Par Value
REGIONAL :			
Afghanistan	478	0.49	\$ 4,780
Australia	8,500	8.76	85,000
Cambodia (Note C)	350	0.36	3,500
Ceylon	852	0.88	8,520
China, Republic of	1,600	1.65	16,000
India	9,300	9.59	93,000
Indonesia	2,500	2.57	25,000
Japan	20,000	20.62	200,000
Korea, Republic of	3,000	3.09	30,000
Laos	42	0.04	420
Malaysia	2,000	2.06	20,000
Nepal	216	0.22	2,160
New Zealand	2,256	2.32	22,560
Pakistan	3,200	3.30	32,000
Philippines	3,500	3.61	35,000
Singapore	500	0.52	5,000
Thailand	2,000	2.06	20,000
Viet-Nam, Republic of	1,200	1.24	12,000
Western Samoa	6	0.01	60
Total Regional	61,500	63.39	\$615,000
NON-REGIONAL :			
Austria	500	0.52	\$ 5,000
Belgium	500	0.52	5,000
Canada	2,500	2.57	25,000
Denmark	500	0.52	5,000
Finland	500	0.52	5,000
Germany, Federal Republic of	3,400	3.50	34,000
Italy	2,000	2.06	20,000
Netherlands	1,100	1.13	11,000
Norway	500	0.52	5,000
Sweden	500	0.52	5,000
Switzerland	500	0.52	5,000
United Kingdom	3,000	3.09	30,000
United States	20,000	20.62	200,000
Total Non-Regional	35,500	36.61	\$355,000
GRAND TOTAL	97,000	100.00	\$970,000

The accompanying notes to financial statements (Appendix 1 -VI) are an integral part of this statement.

ORDINARY CAPITAL RESOURCES

STOCK AND VOTING POWER

31, 1968

United States Dollars (Note A)

PAR VALUE OF CALLABLE SHARES	PAR VALUE OF PAID-IN SHARES		VOTING POWER	
	Subscription Not Due	Instalments Matured	Number of Votes	Per Cent of Total
\$ 2,390	\$ 956	\$ 1,434	1,235	1.02
42,500	17,000	25,500	9,257	7.64
1,750	700	1,050	1,107	0.91
4,260	1,704	2,556	1,609	1.33
8,000	3,200	4,800	2,357	1.94
46,500	18,600	27,900	10,057	8.30
12,500	5,000	7,500	3,257	2.69
100,000	40,000	60,000	20,757	17.12
15,000	6,000	9,000	3,757	3.10
210	84	126	799	0.66
10,000	4,000	6,000	2,757	2.27
1,080	432	648	973	0.80
11,280	4,512	6,768	3,013	2.48
16,000	6,400	9,600	3,957	3.26
17,500	7,000	10,500	4,257	3.51
2,500	1,000	1,500	1,257	1.04
10,000	4,000	6,000	2,757	2.27
6,000	2,400	3,600	1,957	1.61
30	12	18	763	0.63
\$307,500	\$123,000	\$184,500	75,883	62.58
\$ 2,500	\$ 1,000	\$ 1,500	1,257	1.04
2,500	1,000	1,500	1,257	1.04
12,500	5,000	7,500	3,257	2.69
2,500	1,000	1,500	1,257	1.04
2,500	1,000	1,500	1,257	1.04
17,000	6,800	10,200	4,157	3.43
10,000	4,000	6,000	2,757	2.27
5,500	2,200	3,300	1,857	1.53
2,500	1,000	1,500	1,257	1.04
2,500	1,000	1,500	1,257	1.04
2,500	1,000	1,500	1,257	1.04
15,000	6,000	9,000	3,757	3.10
100,000	40,000	60,000	20,757	17.12
\$177,500	\$ 71,500	\$106,000	45,341	37.42
\$485,000	\$194,500	\$290,500	121,224	100.00

APPENDIX 1-VI

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1968
Expressed in United States Dollars (Note A)

NOTE A:

Amounts in currencies other than United States dollars have been translated into United States dollars:

- (1) In the cases of Afghanistan, Australia, Austria, Belgium, Canada, Ceylon, Denmark, Finland, Federal Republic of Germany, India, Italy, Japan, Malaysia, Nepal, Netherlands, New Zealand, Norway, Pakistan, Philippines, Singapore, Sweden, Thailand and United Kingdom, at par values established by these members with the International Monetary Fund;
- (2) In the case of Switzerland, which is not a member of the International Monetary Fund, at the rate of 4.37282 Swiss Francs per United States dollar, which has been determined by the Bank to be the rate appropriate for this purpose;
- (3) In the cases of Cambodia, the Republic of China, Indonesia, the Republic of Korea, Laos, the Republic of Viet-Nam and Western Samoa at the rates used by these countries in making payments of capital subscriptions to the Bank, and determined by the Bank to be the rates appropriate for this purpose.

No representation is made that any currency held by the Bank is convertible into any other currency at any rate or rates.

NOTE B:

In accordance with Article 24, paragraph 2 (i), the use by the Bank or by any recipient from the Bank may be restricted by the member to making payments for goods and services produced and intended for use in its territory, as follows:

The use of cash in banks and demand obligations in the currencies of 16 members aggregating \$44,625,557.

In accordance with Article 24, paragraph 2 (ii), the use by the Bank or by any recipient from the Bank has been restricted by the member to making payment for goods and services produced in its territory, as follows:

The use of demand obligations in the currencies of 2 members aggregating \$16,134,000.

NOTE C:

The original authorized capital of the Bank was \$1,000,000,000 in terms of United States dollars of the weight and fineness in effect on January 31, 1966. In November 1966, the Board of Governors approved an increase of \$100,000,000 in authorized capital, such increase to be available for the admission of new members. As of December 31, 1968, the subscribed capital was \$970,000,000.

The subscribed "paid-in" capital stock is payable in five equal instalments, each of which is payable 50% in gold or convertible currencies and 50% in the currency of the respective member. In lieu of the portion of any instalment paid or payable in the currency of a member, provided such currency is not required by the Bank for the conduct of its operations, the Bank shall accept non-negotiable, non-interest-bearing demand obligations in accordance with Article 6, paragraph 3.

As of December 31, 1968, an amount aggregating \$700,000 was receivable from Cambodia on account of the second and third capital subscription instalments. Cambodia had notified the Bank on September 18, 1967 of its intention to withdraw from membership in the Bank. However, on December 27, 1968 it informed the Bank of its decision to maintain its status as a member of the Bank.

All other matured instalments amounting to \$289,800,000 have been paid as of December 31, 1968 and the balance of instalments amounting to \$194,500,000 is payable as follows:

- (1) \$193,000,000 in two equal instalments on August 22, in each of the years 1969 and 1970;
- (2) \$1,500,000 in three equal instalments on December 29, in each of the years 1969 through 1971 (representing the subscription of Switzerland which paid the first instalment on December 29, 1967).

The callable capital stock is subject to call only as and when required by the Bank to meet its obligations incurred on borrowings or on guarantees.

Under the provision of Article 40, the Board of Governors shall determine annually what part of the net income shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members.

NOTE D:

From the interest earnings of the Bank on loans made by it from its ordinary capital resources, a commission calculated at 1% per annum on the outstanding amount of such loans was credited to a Special Reserve in accordance with Article 16, paragraph 1 and Article 17.

NOTE E:

The Board of Directors approved the Staff Retirement Plan (the Plan) in December 1968, to be retroactive from November 24, 1966. Every employee, as defined under the Plan, shall as a condition of service become a participant as of the first day of his service, provided that as of such date he shall not have reached his normal retirement date. The Plan applies also to the members of the Board of Directors who elect to join the Plan. Each participant contributes to the Plan seven per cent of his remuneration and the Bank contributes the remainder of the cost and expenses of the Plan.

As of December 31, 1968 the Bank contributed \$388,011 to the Plan to cover its estimated cost and expenses at the rate of fourteen per cent of participants' remuneration as recommended by the independent actuary for the Plan, and retroactive interest at the rate of 4% per annum.

NOTE F:

The whole of the net income of the Bank for the period from November 24, 1966 to December 31, 1967, namely \$2,098,471, was allocated to the Ordinary Reserve in terms of the Resolution adopted by the Board of Governors at the First Annual Meeting.

HASKINS & SELLS
Certified Public Accountants

Two Broadway
New York 10004

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of Asian Development Bank—Ordinary Capital Resources as of December 31, 1968 and for the year then ended:

	Appendix 1
Balance Sheet	I
Comparative Statement of Income and Expenses	II
Cash in Banks and Demand Obligations of Members	III
Statement of Loans	IV
Subscriptions to Capital Stock and Voting Power	V
Notes to Financial Statements	VI

Our examination was 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, the accompanying financial statements present fairly the financial position of Asian Development Bank—Ordinary Capital Resources at December 31, 1968 and the results of its related operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

HASKINS & SELLS

January 20, 1969

ASIAN DEVELOPMENT BANK —

BALANCE

December

Expressed in United

		CONTRIBUTED
		Technical Assistance Special Fund (Note 3)
ASSETS		\$
CASH IN BANKS		29,959
INVESTMENTS		
Government obligations-amortized cost		41,443
NOTES OF CONTRIBUTOR		
Non-negotiable, non-interest-bearing notes (Note 4)		
RESOURCES AVAILABLE FROM CONTRIBUTORS		
Amounts made available	515,949	
Less amounts drawn	255,153	
		260,796
TOTAL		\$332,198
LIABILITIES AND UNEXPENDED BALANCES		
ACCOUNTS PAYABLE		57,778
UNEXPENDED BALANCES		
Contributed resources		
Contributions committed	515,949	
Less amounts not yet made available	—	
Amounts made available	515,949	
Less excess of expenses over income	241,529	
		274,420
TOTAL		\$332,198

APPENDIX 1-A

SPECIAL FUNDS RESOURCES (Note 1)

SHEET

31, 1968

States Dollars (Note 2)

RESOURCES

Agricultural Special Fund (Note 4)		Multi-Purpose Special Fund (Note 5)		Total
\$		\$		\$
				29,959
				41,443
	20,000,000			20,000,000
20,000,000		5,000,000		25,515,949
20,000,000				20,255,153
			5,000,000	5,260,796
	\$20,000,000		\$5,000,000	\$25,332,198
				57,778
20,000,000		25,000,000		45,515,949
		20,000,000		20,000,000
20,000,000		5,000,000		25,515,949
				241,529
	20,000,000		5,000,000	25,274,420
	\$20,000,000		\$5,000,000	\$25,332,198

APPENDIX 1-B

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES (Note 1)

STATEMENT OF INCOME AND EXPENSES

From June 23, 1967* to December 31, 1968

Expressed in United States Dollars (Note 2)

	Technical Assistance Special Fund
	\$
INCOME	132
EXPENSES	
Internal Administrative Expenses of the Bank—	
Project Appraisal and other Field Missions—	
Consultants	115,102
Other Internal Administrative Expenses—	
Consultants—Headquarters	31,708
Library materials	5,232
Depository banks charges	51
Total	152,093
Services to Member Countries—	
Project Preparation Missions and other Loan-Related Technical Assistance—	
Consultants	12,272
Advisory Missions and other Technical Assistance—	
Consultants	77,296
Total	89,568
GROSS EXPENSES	241,661
EXCESS OF EXPENSES OVER INCOME	\$241,529

The accompanying notes to financial statements (Appendix 1-F) are an integral part of this statement.

**ASIAN DEVELOPMENT BANK —
TECHNICAL ASSISTANCE**

BALANCE

December

Expressed in United

	CANADA	GERMANY	
ASSETS	\$	\$	
CASH IN BANKS	—	—	108*
INVESTMENTS			
Government obligations-amortized cost	—	—	—
RESOURCES AVAILABLE FROM CONTRIBUTORS			
Amounts made available	100,000	13,499	
Less amounts drawn	—	13,499	
	100,000	—	
Total	\$100,000	\$108	

LIABILITIES AND UNEXPENDED BALANCES

ACCOUNTS PAYABLE	21,580	—	
UNEXPENDED BALANCES			
Contributed resources			
Contributions committed	100,000	13,499	
Less amounts not yet made available	—	—	
Amounts made available	100,000	13,499	
Less excess of expenses over income	21,580	13,391	
	78,420	—	108*
Total	\$100,000	\$108	

* This amount represents the difference between estimates and actual expenses incurred up to the end of 1968, and is subject to disposal by the contributor.

APPENDIX 1-C

SPECIAL FUNDS RESOURCES (Note 1)

SPECIAL FUND

SHEET

31, 1968

States Dollars (Note 2)

JAPAN	UNITED KINGDOM	UNITED STATES	TOTAL
\$	\$	\$	\$
23,827	—	6,024	29,859
41,443	—	—	41,443
131,278	21,172	250,000	515,949
102,345	13,256	126,053	255,153
28,933	7,916	123,947	260,796
\$94,203	\$7,916	\$129,971	\$332,198
22,013	7,916	6,269	57,778
131,278	21,172	250,000	515,949
131,278	21,172	250,000	515,949
59,088	21,172	126,298	241,529
72,190	—	123,702	274,420
\$94,203	\$7,916	\$129,971	\$332,198

ASIAN DEVELOPMENT BANK —
TECHNICAL ASSISTANCE
STATEMENT OF INCOME

From June 23, 1967*

Expressed in United

	CANADA	GERMANY
	\$	\$
INCOME		
EXPENSES		
Internal Administrative Expenses of the Bank—		
Project Appraisal and other Field Missions—		
Consultants	6,965	13,391
Other Internal Administrative Expenses—		
Consultants—Headquarters	—	—
Library materials	—	—
Depository banks charges	—	—
Total	6,965	13,391
Services to Member Countries—		
Project Preparation Missions and other Loan-Related Technical Assistance—		
Consultants	12,272	—
Advisory Missions and other Technical Assistance—		
Consultants	2,343	—
Total	14,615	—
GROSS EXPENSES	21,580	13,391
EXCESS OF EXPENSES OVER INCOME	\$21,580	\$13,391

The accompanying notes to financial statements (Appendix 1-F) are an integral part of this statement.

SPECIAL FUNDS RESOURCES (Note 1)

SPECIAL FUND

AND EXPENSES

to December 31, 1968

States Dollars (Note 2)

JAPAN	UNITED KINGDOM	UNITED STATES	TOTAL
\$	\$	\$	\$
132	—	—	132
19,526	5,585	69,635	115,102
6,831	—	24,877	31,708
—	—	5,232	5,232
15	28	8	51
26,372	5,613	99,752	152,093
—	—	—	12,272
32,848	15,559	26,546	77,296
32,848	15,559	26,546	89,568
59,220	21,172	126,298	241,661
\$59,088	\$21,172	\$126,298	\$241,529

ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES (Note 1)

TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF EXPENSES BY PROJECTS AND PROGRAMS

From June 23, 1967* to December 31, 1968

Expressed in United States Dollars (Note 2)

INTERNAL ADMINISTRATIVE EXPENSES OF THE BANK

Project Appraisal and other Field Missions—

Consultants—

Ceylon

Deep-sea fisheries development
Tea factory modernization

Canada
United Kingdom

\$

AMOUNT

\$

\$

3,532

5,585

9,117

China

Deep-sea fisheries development

Canada
Japan

2,721

2,070

4,791

North-South Freeway

Germany
United States

3,773

2,114

5,887

28,228

38,906

DMT Plant

United States

712

Korea

Korea Cold Storage Plant
Seoul-Inchon Expressway

Canada
Germany
Japan
United States

4,621

2,102

30,000

36,723

37,435

Malaysia

Penang State Water Supply

United States

9,293

Indonesia

Tadjum Irrigation

Japan

15,354

Western Samoa

Apia to Faleolo Airport Road

Germany

4,997

\$115,102

OTHER INTERNAL ADMINISTRATIVE EXPENSES

Consultants—Headquarters

Office and procurement procedures

United States

12,498

Staff training

United States

2,400

Preparatory work for Regional Trans-
port Survey

Japan
United States

3,309

9,979

13,288

3,522

31,708

Research on agricultural development

Japan

Library materials

United States

5,232

Depository banks charges

Japan
United Kingdom
United States

15

28

8

51

Total

36,991

TOTAL INTERNAL ADMINISTRATIVE EXPENSES

Carried Forward \$152,093

APPENDIX 1-E

CONTINUED

SERVICES TO MEMBER COUNTRIES		CONTRIBUTOR	Carried Forward \$152,093	
Project Preparation Missions and Other			AMOUNT	
Loan-Related Technical Assistance—				
Korea	Agriculture and Fishery Development Corporation	Canada		\$ 3,484
Philippines	Fisheries Port	Canada		8,788
Total				\$12,272
Advisory Missions and other				
Technical Assistance—				
Indonesia	Advisors to Ministry of Agriculture	Japan	\$ 8,285	\$
	Rural Credit Survey	United Kingdom	15,559	
		United States	8,460	
			24,019	
	Foodgrain Output	United States	9,182	
				41,486
Philippines	Water Management	Japan	24,563	
		United States	8,904	
				33,467
Regional countries	Transport Survey	Canada		2,343
Total				\$77,296
TOTAL SERVICES TO MEMBER COUNTRIES				\$89,568
GROSS EXPENSES				\$241,661

Date of first contribution.
 The accompanying notes to financial statements (Appendix 1-F) are an integral part of this statement.

APPENDIX 1-F

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES (Note 1)

NOTES TO FINANCIAL STATEMENTS

From June 23, 1967* to December 31, 1968

NOTE 1:

In 1967 the Board of Directors established a consolidated account for the administration of resources available under Article 19, paragraph 1 (ii) to provide technical advice and assistance serving the purposes and coming within the functions of the Bank. Pending the adoption of rules and regulations governing the administration and use of Special Funds, the term "Technical Assistance Contributions—Consolidated Account" was used to designate such resources.

On September 17, 1968 the Board of Directors adopted the Special Funds Rules and Regulations for the administration of the Bank's Special Funds Resources, pursuant to Article 19, paragraph 4. These Rules and Regulations provide for an Agricultural Special Fund, a Technical Assistance Special Fund, a Multi-Purpose Special Fund and such other Special Fund or Funds as the Bank might establish or accept. Contributions made by contributors before the adoption of the Special Funds Rules and Regulations and thereafter have been accepted in terms of Article 19, paragraph 1 (ii) and have been allocated to the relevant Special Fund in accordance with the Special Funds Rules and Regulations.

The financial statements relating to Special Funds Resources as at the end of 1968 are in accordance with Sections 6.02 and 6.03 of the Special Funds Rules and Regulations and cover the period from the date of the first contribution (June 23, 1967) to the end of 1968.

NOTE 2:

Amounts in the currencies of Canada, Federal Republic of Germany, Japan and the United Kingdom have been translated into United States dollars at par values established by these contributors with the International Monetary Fund. No representation is made that any of such currencies is convertible into any other currency at any rate or rates.

NOTE 3:

The contributed resources in the Technical Assistance Special Fund consist of the following:

- (a) The United States agreed on June 23, 1967 to make available as a grant, for procurement in the United States, a technical assistance contribution of up to US\$250,000. The contribution is made by means of periodic transfer of funds to the Bank as needed, and is utilized for specific kinds of technical assistance obligations incurred by it through December 31, 1968 unless the parties agree to extend this date. The parties have agreed to extend this date to June 30, 1969 for obligation of still uncommitted funds.

* Date of first contribution.

- (b) The United Kingdom has declared its willingness to consider requests for the financing of British technical services and assistance to be utilized by the Bank, and to enable the Bank to plan its requests, has indicated an amount of US\$250,000 up to which such requests would be met during the British financial year ending March 31, 1969.

- (c) The Japanese Government, in March 1968, made a contribution as a grant, of a sum of Y36,000,000 (US\$100,000) in cash, to be used by the Bank for procurement of services of Japanese consultants and specialists for specified technical assistance operations, and for provision of library materials.

The Japanese Government, in July 1968, offered further to provide expert services to be used by the Bank for technical assistance, up to an amount of Y11,260,000 (US\$31,278), in the Japanese financial year ending March 31, 1969.

- (d) The Federal Republic of Germany offered to finance in 1968 the services of German consultants and specialists to be utilized by the Bank for technical assistance, and to enable the Bank to plan its requests, indicated that consideration may be given to requests entailing disbursements of up to DM160,000 (US\$40,000) in the calendar year 1968.

- (e) The Government of Canada, in November 1968, made available to the Bank a grant in Canadian dollars equivalent to US\$100,000 for procurement of Canadian goods and services, to be utilized by the Bank for technical assistance activities.

NOTE 4:

The Japanese Government, in December 1968, made a contribution of Y7,200,000,000 (US\$20,000,000) to the Consolidated Special Funds, to be allocated to the Agricultural Special Fund. The contribution is in the form of non-negotiable, non-interest-bearing notes, deposited with the official depository of the Bank in Japan, and payable to the Bank at par value.

NOTE 5:

The Government of Canada, in December 1968, agreed to contribute to the Consolidated Special Funds in Canadian dollars equivalent to US\$25,000,000, to be allocated to the Multi-Purpose Special Fund. The contribution is available by equal instalments in each of the five Canadian fiscal years beginning April 1, 1968. As of December 31, 1968 the equivalent of US\$5,000,000 is available to the Bank.

HASKINS & SELLS
Certified Public Accountants

Two Broadway
New York 10004

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of Asian Development Bank—Special Funds Resources as of December 31, 1968 and for the period from June 23, 1967 to December 31, 1968:

	Appendix 1
Balance Sheet	A
Statement of Income and Expenses	B
Technical Assistance Special Fund Balance Sheet	C
Technical Assistance Special Fund Statement of Income and Expenses	D
Technical Assistance Special Fund Statement of Expenses by Projects and Programs	E
Notes to Financial Statements	F

Our examination was 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, the accompanying financial statements present fairly the financial position of Asian Development Bank—Special Funds Resources at December 31, 1968 and the results of its related operations from June 23, 1967 to December 31, 1968 in conformity with generally accepted accounting principles consistently applied.

HASKINS & SELLS

January 20, 1969

APPENDIX 2

SUMMARY OF ADMINISTRATIVE BUDGET
ADMINISTRATIVE BUDGET PART I
INTERNAL ADMINISTRATIVE EXPENSES

	Financial Year 1968		Financial Year 1969
	Budget	Actual	Budget
	\$	\$	\$
I. BOARD OF GOVERNORS	46,000	35,599	70,000
II. BOARD OF DIRECTORS	760,000	536,663	868,000
Salaries	450,000	381,052	450,000
Benefits	110,000	67,197	110,000
Travel	200,000	88,414	250,000
Staff Services*	—	—	58,000
III. STAFF	3,710,200	2,397,544	4,526,000
Salaries	1,649,000	1,410,363	2,498,000
Benefits	498,600	384,513	676,000
Travel	853,400	441,386	890,000
Consultants	675,200	136,528	420,000
Representation	34,000	24,754	42,000
IV. OTHER ADMINISTRATIVE EXPENSES	649,200	516,601	949,500
Communications	113,000†	103,425	245,000
Office Occupancy	37,000†	29,252	69,000
Publications and Printing	103,000†	79,015	105,000
Expendable Supplies	81,900†	74,901	117,000
Furniture and Equipment	131,300†	84,664	152,500
Fees and Compensation	132,900	102,265	191,000
Miscellaneous	50,100	43,079	70,000
V. CONTINGENCY	50,000	—	70,000
TOTAL	\$5,215,400	\$3,486,407	\$6,483,500

* For 1968, the cost of staff services to the Directors is included in Staff Salaries.

† Transfers of amounts among these items were made during the course of 1968.

SUMMARY OF ADMINISTRATIVE SERVICES TO

	Financial Year 1968		
	Commitments Approved	Disbursements Budget	Actual
	\$	\$	\$
1. Project Preparation and Other Loan-related Technical Assistance	557,000	400,400	46,391*
2. Advisory Missions	699,450	265,000	60,014†
3. Regional Transport Survey	14,295	15,000	14,295
4. Asian Agricultural Survey Follow-up Seminars	56,784	6,000	5,784
(i) Seminar in Sydney	36,000	—	—
(ii) Individual Country Consultation	20,784	6,000	5,784
5. Other Regional Services	15,000	—	—
(i) Regional Conference of Development Banks in Asia	15,000	—	—
TOTAL	\$1,342,529	\$686,400	\$126,484

* In addition, \$12,272 has been disbursed for this purpose from the technical assistance contributions.

† The amount includes \$5,072 disbursed for a project committed in 1967. In addition to this amount, \$61,762 has been disbursed for this purpose from the technical assistance contributions.

ADMINISTRATIVE BUDGET

BUDGET PART II

MEMBER COUNTRIES

Carry-over from earlier Commitments	Financial Year 1969 Budget	
	New Commitments (Estimated)	Disbursements [‡]
\$	\$	\$
498,337	1,320,000	691,000
582,746	1,200,000	695,000
—	700,000	300,000
51,000	—	51,000
36,000	—	36,000
15,000	—	15,000
15,000	—	15,000
15,000	—	15,000
\$1,147,083	\$3,220,000	\$1,752,000

[‡] The item also includes portion of disbursements for projects committed in 1968, listed in the column headed "Carry-over from earlier Commitments".

APPENDIX 3

RESOLUTIONS OF BOARD OF GOVERNORS AT FIRST ANNUAL MEETING*

RESOLUTION NUMBER	SUBJECT
19	Financial Statements and Auditors' Reports
20	Allocation of Net Income
21	Interim Arrangements for Co-operative Action with the Food and Agriculture Organization
22	Appreciation

* The texts of the resolutions are available in the Proceedings of the First Annual Meeting.

APPENDIX 4

CHANNELS OF COMMUNICATION

COUNTRY	CHANNEL	COUNTRY	CHANNEL
Afghanistan	Ministry of Planning Kabul cc: The Royal Afghan Embassy Tokyo, Japan	Laos	National Bank of Laos Vientiane
Australia	Secretary Commonwealth Treasury Canberra	Malaysia	Secretary to the Treasury The Treasury Kuala Lumpur
Austria	Bundesministerium fuer Finanzen Wien	Nepal	Secretary Ministry of Finance Kathmandu
Belgium	Minister of Finance Brussels	Netherlands	Ministerie van Financiën The Hague
Cambodia	National Bank of Cambodia Phnom-Penh	New Zealand	Secretary of External Affairs Wellington cc: The Secretary to the Treasury Wellington, New Zealand
Canada	Department of Finance Ottawa	Norway	Royal Ministry of Commerce and Shipping Foreign Exchange Department Oslo
Ceylon	Permanent Secretary to the Ministry of Planning and Economic Affairs Colombo	Pakistan	Ministry of Finance Government of Pakistan Islamabad
China, Republic of	Governor The Central Bank of China Taipei	Philippines	Department of Foreign Affairs Manila
Denmark	Ministry for Foreign Affairs Copenhagen	Singapore	Permanent Secretary (Economic Development) Ministry of Finance Singapore
Finland	Ministry for Foreign Affairs Helsinki	Sweden	Sveriges Riksbank Helgeandsholmen Stockholm
Germany, Federal Republic of	Bundesministerium fuer Wirtschaft Bonn	Switzerland	Département fédéral de l'économie publique Division du Commerce Palais fédéral Berne
India	Secretary to the Government of India Ministry of Finance Department of Economic Affairs New Delhi	Thailand	Ministry of Finance Bangkok
Indonesia	Department of Finance Djakarta	United Kingdom	Ministry of Overseas Development London
Italy	Direzione Generale del Tesoro I.R.F.E. Ministero del Tesoro Rome	United States	Secretary of the Treasury Washington, D.C.
Japan	Minister of Finance Tokyo c/o Embassy of Japan Makati, Rizal Philippines	Viet-Nam, Republic of	Governor National Bank of Viet-Nam Saigon
Korea, Republic of	Governor Bank of Korea Seoul	Western Samoa	Secretary to the Government Government of Western Samoa Apia

APPENDIX 5

OFFICIAL DEPOSITORIES

COUNTRY	DEPOSITORY	COUNTRY	DEPOSITORY
Afghanistan	Da Afghanistan Bank Kabul	Laos	Banque Nationale du Laos Vientiane
Australia	Reserve Bank of Australia Sydney	Malaysia	Bank Negara Malaysia Kuala Lumpur
Austria	Oesterreichische Nationalbank Wien	Nepal	Nepal Rastra Bank Kathmandu
Belgium	National Bank of Belgium Brussels	Netherlands	De Nederlandsche Bank N.V. Amsterdam
Cambodia	Banque Nationale du Cambodge Phnom-Penh	New Zealand	Reserve Bank of New Zealand Wellington
Canada	Bank of Canada Ottawa	Norway	Norges Bank Oslo
Ceylon	Central Bank of Ceylon Colombo	Pakistan	State Bank of Pakistan Karachi
China, Republic of	The Central Bank of China Taiwan, Taipei	Philippines	Central Bank of the Philippines Manila
Denmark	Danmarks National Bank Copenhagen	Singapore	The Accountant General Accountant General's Department 5th Floor, Fullerton Building Singapore
Finland	Suomen Pankki—Finlands Bank Helsinki	Sweden	Sveriges Riksbank (Bank of Sweden) Stockholm
Germany, Federal Republic of	Deutsche Bundesbank Frankfurt a.M.	Switzerland	Banque Nationale Suisse Zurich
India	Reserve Bank of India Bombay	Thailand	Bank of Thailand Bangkok
Indonesia	Bank Indonesia Djakarta	United Kingdom	Bank of England London
Italy	Banca d'Italia Rome	United States	Federal Reserve Bank of New York New York
Japan	Bank of Japan Tokyo	Viet-Nam, Republic of	Banque Nationale du Viet-Nam Saigon
Korea, Republic of	Bank of Korea Seoul	Western Samoa	Bank of Western Samoa Apia

APPENDIX 6

ASIAN DEVELOPMENT BANK

BOARD OF GOVERNORS

(As of 31 December, 1968)

WILLIAM McMAHON (*Australia*) Chairman

PEH-YUAN HSU (*China*) Vice-Chairman

JENS CHRISTENSEN (*Denmark*) Vice-Chairman

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
AFGHANISTAN	ABDUL HAKIM TABIBI Ambassador to Japan	ABDUL WAHAB HAIDER Deputy Minister of Planning
AUSTRALIA	WILLIAM McMAHON Treasurer	F. C. PRYOR First Assistant Secretary Commonwealth Treasury
AUSTRIA	STEFAN KOREN ¹ Federal Minister of Finance	WERNER SAUTTER ² Ambassador to Thailand
BELGIUM	BARON J-CH. SNOY ET d'OPPUERS ³ Minister of Finance	M. d'HAENZE Director-General Treasury & Public Debt Administration Ministry of Finance
CAMBODIA	TOUCH KIM Governor National Bank of Cambodia	PHAN THUL Director General and Director for External Affairs Ministry of Finance
CANADA	EDGAR JOHN BENSON ⁴ Minister of Finance	M. F. STRONG Director-General External Aid Office
CEYLON	N. WIMALASENA Parliamentary Secretary Ministry of Finance	H. E. TENNEKOON Ambassador to Japan
CHINA, Republic of	PEH-YUAN HSU Governor Central Bank of China	CHUN HENG TU Political Vice Minister Ministry of Finance
DENMARK	JENS CHRISTENSEN Ministry of Foreign Affairs	POUL KRYGER ⁵ Ministry of Foreign Affairs
FINLAND	TANKMAR HORN Head, Commercial Department Foreign Ministry	EERO ASP Managing Director Finnish Export Credit Ltd.
GERMANY, Federal Republic of	ERHARD EPPLER ⁶ Federal Minister for Economic Co-operation	JOHANN BAPTIST SCHOELLHORN ⁷ State Secretary Federal Ministry of Economics
INDIA	MORARJI R. DESAI Deputy Prime Minister and Minister of Finance	I. G. PATEL Special Secretary to the Government of India Department of Economic Affairs Ministry of Finance
INDONESIA	ALI WARDHANA ⁸ Minister of Finance	RADIUS PRAWIRO Governor Bank Indonesia

1 Succeeded Wolfgang Schmitz in April 1968.
2 Succeeded Rudolf Baumann in March 1968.
3 Succeeded Robert Paul Henrich in August 1968.
4 Succeeded Mitchell Sharp in May 1968.
5 Succeeded Torben Busck-Neilsen in April 1968.

6 Succeeded Hans Juergen Wischniewski in December 1968.
7 Succeeded Fritz Neef in May 1968.
8 Succeeded Frans Seda in August 1968.

APPENDIX 6

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
ITALY	GUIDO CARLI Governor Bank of Italy	GAETANO STAMMATI General Manager and Cabinet Head Ministry of Treasury
JAPAN	TAKEO FUKUDA ⁹ Minister of Finance	MAKOTO USAMI Governor Bank of Japan
KOREA, Republic of	JONG RYUL WHANG ¹⁰ Minister of Finance	JIN SOO SUH Governor Bank of Korea
LAOS	SISOUK NA CHAMPASSAK Minister of Finance	OU Dong SOUVANNAVONG ¹¹ Governor National Bank of Laos
MALAYSIA	TAN SIEW SIN Minister of Finance	ISMAIL BIN MOHAMED ALI Governor Bank Negara Malaysia
NEPAL	BHEKH BAHADUR THAPA Secretary of Finance	KALYAN BIKRAM ADHIKARY Acting Secretary Ministry of Commerce and Industry
NETHERLANDS	H. J. WITTEVEEN Minister of Finance	G. J. DISSEVELT Ambassador to the Philippines
NEW ZEALAND	R. D. MULDOON Minister of Finance	H. G. LANG ¹² Deputy Secretary to Treasury
NORWAY	KAARE WILLOCH Minister of Commerce and Shipping	AXEL MOLTKE-HANSEN Ambassador to the Philippines
PAKISTAN	N. M. UQUAILI Minister of Finance	I. A. KHAN Secretary Economic Affairs Division Islamabad
PHILIPPINES	EDUARDO Z. ROMUALDEZ Secretary of Finance	GREGORIO LICAROS Chairman Board of Governors Development Bank of the Philippines
SINGAPORE	GOH KENG SWEE Minister of Finance	SIM KEE BOON Permanent Secretary, Economic Development Division Ministry of Finance
SWEDEN	G. STRAENG Minister of Finance	H. WICKMAN Minister of State for Economic Affairs
SWITZERLAND	EDWIN STOPPER President Board of Directors Swiss National Bank	ALEXANDRE HAY Director-General Swiss National Bank
THAILAND	SERM VINICCHAYAKUL Minister of Finance	SOMMAI HOONTRAKOOL Director Assistant to the Governor Bank of Thailand
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	REGINALD PRENTICE Minister of Overseas Development	R. H. BELCHER Under Secretary Ministry of Overseas Development
UNITED STATES OF AMERICA	JOSEPH W. BARR ¹³ Secretary of the Treasury	WILLIAM S. GAUD Administrator Agency for International Development
VIET-NAM, Republic of	NGUYEN HUU HANH	NGUYEN VAN DONG Deputy Governor National Bank of Viet-Nam
WESTERN SAMOA	GUSTAV FREDERICK DERTAG BETHAM Minister of Finance	KARANITA ENARI Secretary to the Government

⁹ Succeeded Mikio Mizuta in December 1968.

¹⁰ Succeeded Bong Kyun Suh in May 1968.

¹¹ Succeeded Nikorn Phankongsy in February 1968.

¹² Succeeded N. V. Lough in March 1968.

¹³ Succeeded Henry H. Fowler in December 1968.

APPENDIX 7

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December, 1968)

Director	Alternate	Countries Represented*
Helmut Abramowski	Denis Forthomme	Germany, Federal Republic of Italy Netherlands Austria Belgium
Cornelio Balmaceda	Wazir Ali	Philippines Pakistan
Byung Kyu Chun	Buu Hoan	Korea, Republic of China, Republic of Viet-Nam, Republic of
Masaru Fukuda	Fumio Kawano	Japan
R. J. Whitelaw	F. R. Dalrymple	Australia
R. A. Kartadjoemena	V. M. Peries	Indonesia Ceylon Afghanistan Cambodia Nepal Laos
Lim Taik Choon	Chanchai Leetavorn	New Zealand Malaysia Thailand Singapore Western Samoa
P. V. R. Rao	J. R. Hiremath	India
W. K. Wardroper	R. W. H. du Boulay	United Kingdom Canada Denmark Finland Norway Sweden
Bernard Zagorin	George R. Jacobs	United States

* In order of voting strength within each group.

APPENDIX 8

PRINCIPAL OFFICERS

Takeshi Watanabe	President
C. S. Krishna Moorthi	Vice-President

OFFICE OF THE SECRETARY

Douglas C. Gunsekera	Secretary
Wilfred A. Vawdrey	Assistant Secretary

OFFICE OF THE GENERAL COUNSEL

Timothy B. Atkeson	General Counsel
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OPERATIONS DEPARTMENT

Howard Farrelly	Director
Koji Suzuki	Deputy Director
Agne B. Iwarsson	Chief Engineer
Bong H. Kay	Assistant Director (for Western Region)
C. S. Venkat Rao	Assistant Director (for Eastern Region)

ECONOMIC AND TECHNICAL ASSISTANCE DEPARTMENT

Sam-Chung Hsieh	Director
George Rosen	Deputy Director
Herbert F. Huehne	Assistant Director Technical Assistance Division
K. L. Luthra	Advisor (Transportation)

ADMINISTRATION DEPARTMENT

Masao Fujioka	Director
Raymond B. Lyon	Deputy Director
F. R. S. Weeraratne	Assistant Director (for General Services)
Paul A. Mayer	Assistant Director (for Personnel)

OFFICE OF THE TREASURER

S. M. A. Kazmi	Treasurer
Edgar Plan	Financial Advisor and Deputy Treasurer

INTERNAL AUDITOR'S OFFICE

Carl J. Lemvig-Fog	Internal Auditor
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INFORMATION OFFICE

P. S. Hariharan	Chief Information Officer
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APPENDIX 9

REGIONAL TRANSPORT SURVEY STEERING COMMITTEE

DR. WILFRED OWEN	<i>Senior Fellow of the Brookings Institution, Washington, D.C. (Chairman)</i>
PROF. F. W. ANDERSON	<i>Professor of Economics, University of Saskatchewan, Regina</i>
MR. BERNARD BELL	<i>Head of the IBRD Mission in Indonesia, Djakarta</i>
PROF. H. C. BOS	<i>Professor of Development Planning, Netherlands School of Economics, Rotterdam</i>
MR. MASOOD HUSAIN	<i>Director of Transport and Communication Division, ECAFE, Bangkok</i>
PROF. SUSUMU KOBE	<i>Advisor (Transportation), United Nations Headquarters, New York</i>
MR. R. KRISHNAMURTI	<i>Acting Director, Manufactures Division, UNCTAD, Geneva</i>
MR. H. T. LOXTON	<i>Chairman, Commonwealth Bureau of Roads, Canberra</i>
PROF. SABURO OKITA	<i>President, Japan Economic Research Center, Tokyo</i>
MRS. SUPARB YOSSUNDARA	<i>Director, Assistant to the Governor, Central Bank of Thailand, Bangkok</i>
MR. K. L. LUTHRA	<i>Advisor (Transportation), Asian Development Bank (Secretary)</i>