

ASIAN DEVELOPMENT BANK

ANNUAL REPORT 1996

The Asian Development Bank

THE ASIAN Development Bank, a multilateral development finance institution whose capital stock was owned by 56 member countries* as of end-1996, is engaged in promoting the economic and social progress of its developing member countries (DMCs) in the Asian and Pacific region.

The Bank began its operations in December 1966 with its Headquarters in Manila, Philippines. It is owned by the governments of 40 countries from the region and 16 countries from outside the region.

During the past 30 years, the Bank has maintained its role as a catalyst in promoting the development of the most populous and fastest-growing region in the world today. The Bank's principal functions are (i) to make loans and equity investments for the economic and social advancement of DMCs; (ii) to provide technical assistance for the preparation and execution of development projects and programs and advisory services; (iii) to promote investment of public and private capital for development purposes; and (iv) to respond to requests for assistance in coordinating development policies and plans of DMCs. In its operations, the Bank gives special attention to the needs of the smaller or less-developed countries and priority to regional, subregional, and national projects and programs, which will contribute to the harmonious economic growth of the region as a whole and promote regional cooperation.

The financial resources of the Bank consist of ordinary capital resources (OCR), comprising subscribed capital, reserves, and funds raised through borrowings; and special funds, comprising contributions made by member countries, accumulated net income, and amounts previously set aside from the paid-in capital. Loans from OCR on nonconcessional terms account for 70% of cumulative Bank lending. Such loans are generally made to member countries which have attained a somewhat higher level of economic development. Loans from the Asian Development Fund are made on highly concessional terms and almost exclusively to the poorest borrowing countries.

The Bank has borrowed funds for its ordinary operations from the capital markets of Asia, Europe, Middle East, and North America as well as international capital markets, and from certain member countries' central banks. The Bank's callable capital, which at the end of 1996 accounted for about 93% of its subscribed capital, backs its borrowings in the capital markets.

The Bank's operations cover a wide spectrum of social and economic development. Its medium-term strategy has

formally adopted the objectives of economic growth, poverty reduction, improving the status of women, supporting human development (including population planning), and environmental protection. These objectives are supported by specific thematic priorities, such as encouragement of the private sector, strengthening of public sector management capacity, human development, and natural resource management.

Most Bank financing is designed to support specific projects. However, the Bank also provides program, sector, and multiproject loans.

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

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

The President of the Bank is elected by the Board of Governors for a term of five years, and may be reelected. The President is Chairperson of the Board of Directors and, under the Board's guidance, conducts the business of the Bank. The President is responsible for the organization, appointment, and dismissal of officers and staff in accordance with regulations adopted by the Board of Directors. In this, the President is assisted by three Vice-Presidents, who are appointed by the Board of Directors on the recommendation of the President.

The Bank has 23 departments and offices at its Headquarters, including a Private Sector Group and an Office of Cofinancing Operations. In addition, the Bank has seven Resident Missions – one each in Dhaka (Bangladesh), Phnom Penh (Cambodia), New Delhi (India), Jakarta (Indonesia), Kathmandu (Nepal), Islamabad (Pakistan), and Hanoi (Viet Nam); a South Pacific Regional Mission in Port Vila (Vanuatu); and three Representative Offices – one each in Tokyo (Japan), Frankfurt (Germany) for Europe, and Washington, DC (United States) for North America. At the end of 1996, the Bank had 653 professional staff and 1,286 supporting staff.



ADB Headquarters, Manila

* The term "country," as used in the context of the Bank, refers to members of the Bank and does not imply any view on the part of the Bank as to their sovereignty or independent status.

0033-63060

c 9

HG

3881.5

175

43

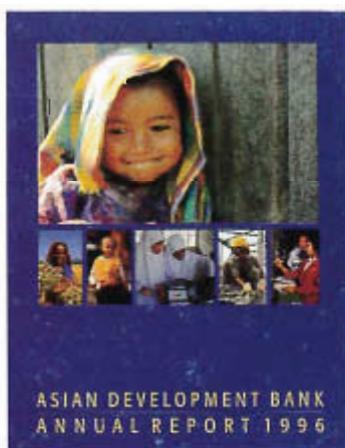
455

1221

Asian Development Bank

Annual Report 1996

COVER: The Asian Development Bank marked its thirtieth anniversary on 19 December 1996, and the cover of this year's Annual Report illustrates some of the Bank's targeted beneficiaries over the first three decades of operations. Through its current strategic development objectives of promoting economic growth, reducing poverty, supporting human development (including population planning), improving the status of women, and protecting the environment, the Bank is striving to maximize its overall development impact in the Asian and Pacific region.



ASIAN DEVELOPMENT BANK
Manila

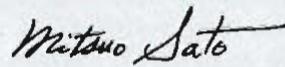
Office of the President

27 March 1997

Dear Mr. Chairman:

In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the enclosed Annual Report of the Bank for 1996, including a separate report on the activities of the Special Funds of the Bank, which has been prepared under the direction of the Board of Directors. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



MITSUO SATO
President and Chairman
of the Board of Directors

Chairman of the Board of Governors
Asian Development Bank

THE BOARD OF DIRECTORS
(as of 31 December 1996)

President and Chairman of the
Board of Directors
Mitsuo Sato

Directors	Alternate Directors
Makoto Hosomi	Tetsuji Nagatomo
Vicente R. Jayme	A.B. Soomro
Yong-Keun Lee	Ruey-song Huang
Li Ruogu	Liu Liange
John Millett	Hans-Jürgen Stryk
Syed Muhamad Abdul Kadir	Thein Aung Lwin
Julian H. Payne	Jens Haarlov
Francesco Pittore	Thomas Eggenberger
Soegito Sastromidjojo	John Austin
Eric Thom	John Russell
K. Venkatesan	Muhammad Faizur Razzaque
Linda Tsao Yang	N. Cinnamon Dornsife

Member Countries with Capital Stock and Voting Power

31 December 1996

MEMBER	SUBSCRIBED CAPITAL ^a		MEMBER	SUBSCRIBED CAPITAL ^a	
	Percent of Total	VOTING POWER ^b		Percent of Total	VOTING POWER ^b
REGIONAL			NONREGIONAL		
Afghanistan	0.035	0.385	Austria	0.350	0.637
Australia	5.952	5.119	Belgium	0.350	0.637
Bangladesh	1.050	1.197	Canada	5.381	4.662
Bhutan	0.006	0.362	Denmark	0.350	0.637
Cambodia	0.051	0.398	Finland	0.350	0.637
China, People's Rep. of	6.628	5.660	France	2.394	2.273
Cook Islands	0.003	0.359	Germany	4.450	3.917
Fiji	0.070	0.413	Italy	1.859	1.844
Hong Kong	0.560	0.805	Netherlands	1.055	1.201
India	6.512	5.567	Norway	0.350	0.637
Indonesia	5.602	4.839	Spain	0.350	0.637
Japan	16.054	13.200	Sweden	0.350	0.637
Kazakstan	0.830	1.021	Switzerland	0.600	0.837
Kiribati	0.004	0.360	Turkey	0.350	0.637
Korea, Rep. of	5.182	4.503	United Kingdom	2.101	2.038
Kyrgyz Republic	0.308	0.603	United States	16.054	13.200
Lao PDR	0.014	0.369			
Malaysia	2.801	2.598	Subtotal Nonregional		35.069
Maldives	0.004	0.360			
Marshall Islands	0.003	0.359	Total		100.000
Micronesia, Fed. States of	0.004	0.360			100.000
Mongolia	0.015	0.370			
Myanmar	0.560	0.805			
Nauru	0.004	0.360			
Nepal	0.151	0.478			
New Zealand	1.580	1.621			
Pakistan	2.241	2.150			
Papua New Guinea	0.097	0.434			
Philippines	2.451	2.318			
Singapore	0.350	0.637			
Solomon Islands	0.007	0.363			
Sri Lanka	0.597	0.834			
Taipei, China	1.120	1.253			
Thailand	1.400	1.478			
Tonga	0.004	0.360			
Tuvalu	0.001	0.358			
Uzbekistan	0.693	0.911			
Vanuatu	0.007	0.363			
Viet Nam	0.351	0.638			
Western Samoa	0.003	0.360			
Subtotal Regional	63.306	64.931			

Note: Figures may not add due to rounding. For details, see Tables on pages 204 and 205.

a Subscribed capital refers to a member's subscription to shares of the capital stock of the Bank.

b The total voting power of each member shall consist of the sum of its basic votes and proportional votes. The basic votes of each member shall consist of such number of votes as results from the equal distribution among all members of 20% of the aggregate sum of the basic votes and proportional votes of all members. The number of proportional votes of each member shall be equal to the number of shares of the capital stock of the Bank held by that member.

Glossary

DEFINITIONS

...	data not available
-	not applicable
()	negative
Billion	1,000 million

NOTE ON DOLLAR AMOUNTS

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

From 1 April 1978, when the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, the capital stock has been valued for purposes of the Bank's financial statements in terms of Special Drawing Rights (SDRs), at the value in current United States dollars as computed by the IMF. For a more detailed discussion, see OCR-8, Notes to Financial Statements of Ordinary Capital Resources.

- ADF – Asian Development Fund, the Bank's soft-lending window.
- BOO – Build-Operate-Own, a mechanism by which private investors build, operate, and continue to own infrastructure projects.
- BOT – Build-Operate-Transfer, a mechanism by which private investors build and operate infrastructure projects and then transfer them to the government after a period of time.
- CFS – Complementary Financing Scheme, under which two separate loans are extended to a DMC: one exclusively from the Bank and the other especially structured to meet commercial lender requirements. Any default on a CFS loan is a default on the Bank.
- Credit Line – Government-guaranteed loan provided to selected financial intermediaries in DMCs for onlending to small- and medium-sized private enterprises.
- DFI – Development Finance Institution. The Bank uses such institutions in its DMCs as vehicles to finance small to medium projects in the private sector.
- DMC – Developing Member Country of the Bank.
- GDP – Gross Domestic Product, the total value of a country's goods and services produced during a specific period, excluding external accounts.
- GNP – Gross National Product, the total value of a country's goods and services produced during a specific period and combining domestic and external accounts.
- JSF – Japan Special Fund, established in March 1988 and administered by the Bank to help DMCs restructure their economies and broaden the scope for new investments by recycling funds, and to support DMCs' efforts toward industrialization, natural resource and human development, and technology transfer.
- NGO – Nongovernmental Organization. NGOs work as special interest groups at all levels.
- NIE – Newly Industrializing Economy. Among the Bank's DMCs, the term refers to Hong Kong, Republic of Korea, Singapore, and Taipei, China.
- OCR – Ordinary Capital Resources, the interest-bearing window for the Bank's ordinary lending operations.
- PCR – Project Completion Report, which certifies the completion of a Bank project.
- PPAR – Project Performance Audit Report.
- Program Loan – Loan provided to support DMCs' efforts to improve the policy, institutional, and investment environment of sector development. Helps meet short-term costs that policy adjustments entail.
- Project Loan – Loan provided to finance specific projects.
- Sector Loan – Loan provided to develop a specific sector or subsector. Finances a large number of subprojects in a single sector or subsector.
- TASF – Technical Assistance Special Fund, the principal vehicle of technical assistance grants from the Bank's own resources.
- WID – Women in Development, a crosscutting concern aimed at enhancing the economic status of women, identified as one of the major strategic objectives of the Bank.

Contents

Overview	7	Financial Statements and Independent Auditors' Reports	191
Operations	8		
ADB: Thirty Years On	10		
The Record	14		
Operational Highlights, 1966–1996	15		
The Board of Directors	17	Statistical Annex	251
General Operations	17	Economic Data of DMCs	252
Policy Issues	17	Bank Operational Data	260
Board Committees	18	Financial Resources	302
Directors' Visits	20		
Special Theme:		Appendices	305
The Development and Management of Asian Megacities	23	<i>Resolutions of the Board of Governors Adopted in 1996</i>	306
Economic Development in DMCs	53	<i>Board of Governors</i>	307
Operational Priorities and Policies	87	<i>Board of Directors and Voting Groups</i>	309
Strategic Framework and Operational Agenda	87	<i>Summary of Budget for 1997</i>	310
Policy Initiatives and Policy Support	88	<i>Committees of the Board of Directors</i>	311
Social Dimensions	91	<i>Management, Senior Staff, and Regional/Resident Representatives</i>	312
Social Infrastructure	96	<i>Former ADB Presidents and Vice-Presidents</i>	315
Environment	101		
Support for Good Governance and Capacity Building	102		
Asian Development Bank Institute	102		
Operations	105	Major ADB Publications	316
Project Approvals	105		
Total Cost of Projects	106	Index	319
Review of Operations	106		
Environment Activities	116		
Social Development Activities	119		
Private Sector Activities	122		
Cofinancing and Guarantee Operations	123		
Bank's Role in Resource Transfer	125		
Law and Development	127		
Economic Research	128		
Country Highlights	131		
Ordinary Capital Resources and Financial Management	157		
Fourth General Capital Increase	157		
Capitalization	157		
Performance and Allocation of Net Income	157		
Loan Products	158		
Loans	159		
Borrowings	159		
Liquid Asset Investments	161		
Special Funds	163		
Asian Development Fund	163		
Technical Assistance Special Fund	165		
Japan Special Fund	166		
Project and Program Administration	167		
Administration	167		
Contract Awards	168		
Loan Disbursements	169		
Private Sector Investment Portfolio	169		
Postevaluation and Internal Audit	173		
Postevaluation	173		
Internal Audit	182		
Administration	185		
Human Resource Management and Development	185		
Compensation and Benefits	186		
Opening of Representative Offices and Resident Missions	186		
Information Technology Program	187		
Administrative Services	188		
Budget	189		
Reorganization of Controller's Department's Disbursement Activities	189		



The Bank supports viable economic activities, such as the Anqing Acrylic Fiber plant in the People's Republic of China. The Bank approved a loan of \$105 million in 1991 for this financial sector project.

Overview

THE BANK continued its country-based, integrated approach to development in 1996, emphasizing, in particular, policy review, capacity building, regional cooperation, and project activities. The emphasis on policy support and reform reflects and reinforces the evolution of the Bank from project financier to development catalyst and agent of change.

Several events of particular importance occurred this past year. First, the Bank introduced important changes to its program lending policies. A new sector development program modality was introduced; sector analysis became a precondition for program lending, which continues to be important; and social and environmental issues as well as mitigating measures were emphasized.

Second, the Bank revised its Human Resource Strategy, thereby aligning mobilization of human resources with its strategic objectives. These include the need to strengthen staff competencies, to enhance work unit and staff productivity, and to promote staff morale and professional growth.

Third, the Bank approved the establishment of the Asian Development Bank Institute (ADBI) in Tokyo. The ADBI, which will be a major focal point for research on development strategies and for training in development management for policymakers and senior managers from the Bank's developing member countries (DMCs), has two major objectives: (i) to identify development strategies suited to the particular social and economic circumstances of DMCs, and (ii) to improve the capacity for sound management of the agencies and organizations in DMCs engaged in development work.

Fourth, the Bank opened two representative offices (Europe and Japan) to enhance public awareness about the Bank and its activities and assist in its resource mobilization efforts, and commenced operations in two resident missions (Cambodia and Viet Nam) to assist in project implementation.

Fifth, the Bank supported, through broad adjustment programs, wide-ranging structural reforms in several Pacific DMCs.

Sixth, the Bank approved the first loan to Uzbekistan in December 1996. The Rural Enterprise Development Project will support market-based development of small and medium nonstate enterprises in rural areas.

Additional events of significance in 1996 include the following. Negotiations on the sixth replenishment of the Asian Development Fund (ADF VII) continued throughout 1996 with donor meetings in Bonn, Manila, Hong Kong, Kuala Lumpur, and Copenhagen. Substantial progress was achieved toward an agreement that would meet the Bank's requirement for concessional resources for the four-year period 1997–2000.

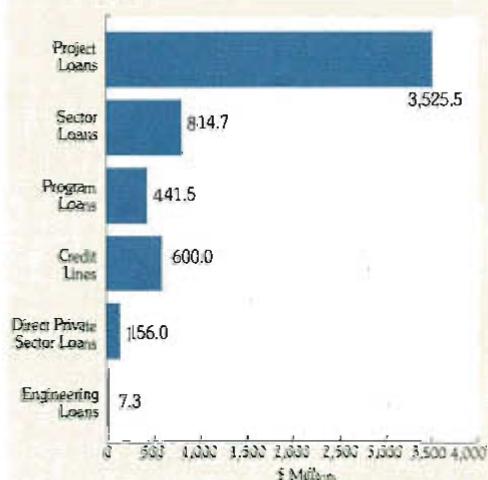
Fifty-five members had subscribed to the Fourth General Capital Increase (GCI IV) by the final deadline of 30 September 1996.

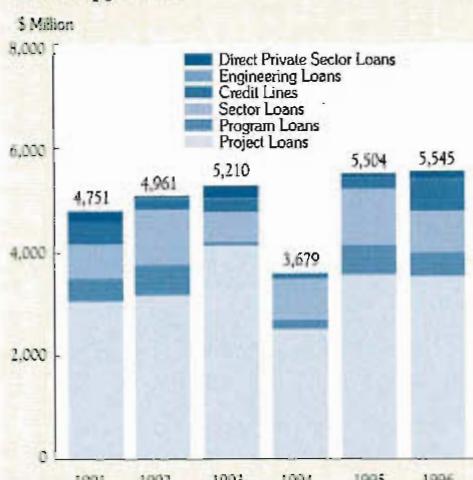
Finally, the 29th Annual Meeting of the Bank's Board of Governors was held in Manila, Philippines, from 30 April to 2 May 1996.

Loans by Sector, 1996

Sector	Amount (\$ million)	% Share of Total
Transport and Communications	1,489.0	26.9
Energy	1,194.2	21.5
Agriculture and Natural Resources	802.3	14.5
Social Infrastructure	731.1	13.2
Multisector	500.0	9.0
Others	393.5	7.1
Industry and Nonfuel Minerals	222.0	4.0
Financial	213.0	3.8
Total	5,545.1	100.0

Loans by Modality, 1996



Loan Approvals^a

^a Past years' data adjusted due to projects terminated.

Operations

The Bank approved a total of \$5,827.3 million for 89 projects in loans and equity investments and for 286 projects in technical assistance grants in 1996. Of this, *loans* amounted to \$5,545.1 million, *equity investments*, \$107.3 million, and *technical assistance grants* including regional activities, \$174.9 million. The total represented a slight increase of about 1.18% in the total volume of approvals over that in 1995 (*see Bank Operations table on page 105*).

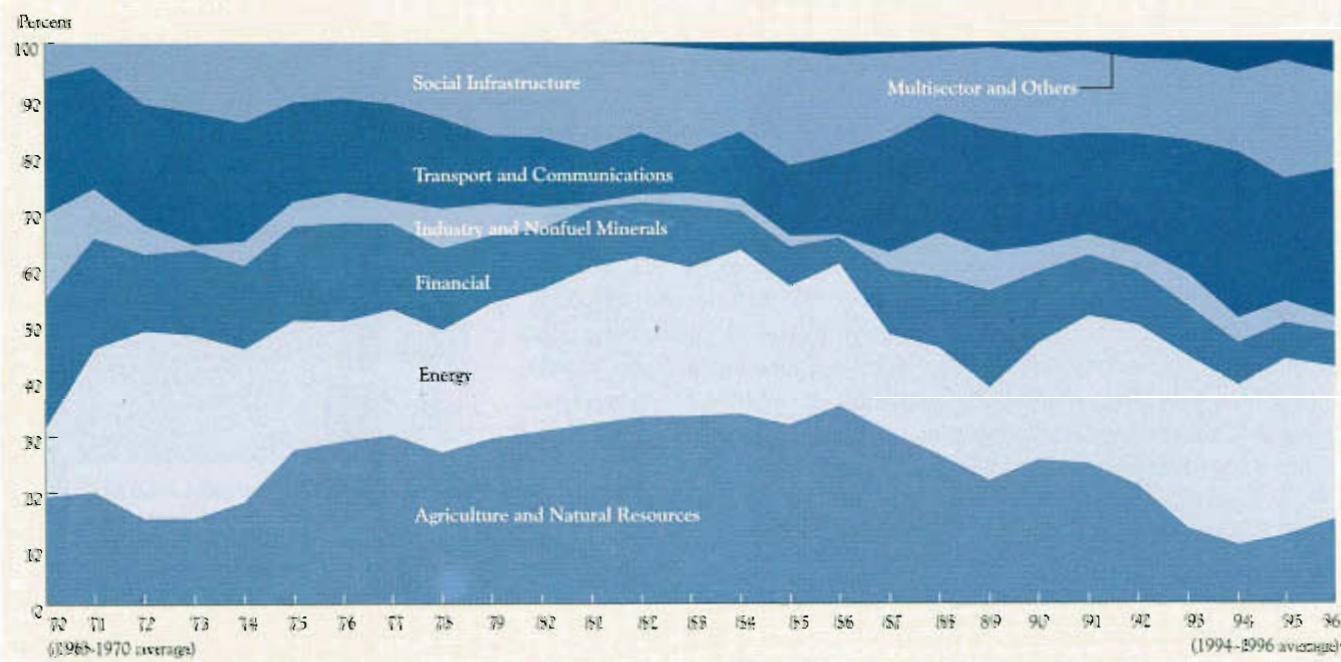
Total costs of loan projects in 1996 – which include Bank, government, and cofinanciers' contributions – are estimated at \$21.2 billion. Of this, Bank financing of projects in loans, equities, and grants amounts to \$5,594 million, or 26% of the total. Borrowers and/or governments provide \$10,146 million or 49%, and cofinancing from official and commercial sources, equity sponsors, and local financial institutions provides about \$5,177 million or 24%. Project beneficiaries and subborrowers provide about \$296 million or 1%.

Of the total lending, *government and government-guaranteed loans* accounted for \$5,389 million and *direct private sector loans* amounted to \$156 million. Loans from ordinary capital resources (OCR) totaled \$3,879.5 million, and those from the concessionary Asian Development Fund (ADF), \$1,665.6 million.

By lending modality, *project loans* amounted to \$3,525.53 million, or 64% of the total. *Sector loans* accounted for \$814.7 million, to take a 14.7% share; *program loans* accounted for \$441.5 million, or 8%; *credit lines* totaled \$600 million, or 11%; *direct private sector loans*, \$156 million, or 3%; and *engineering loans*, \$7.35 million, or 0.1%.

Loan Approvals: Three-Year Moving Averages, 1968–1970-1994–1996

(% share by sector)



From 1966 to 1996, the Bank approved public and private sector loans for 1,374 projects in 35 DMCs.

During 1996, technical assistance grants were approved for 286 projects, amounting to \$174.9 million, representing an increase of 21% in amount over the \$144.7 million for 297 projects in 1995.

The *postevaluation* exercise during the year included 25 project performance audit reports, 5 technical assistance performance audit reports, 2 impact evaluation studies, 4 reevaluation studies, 2 special studies, and 1 technical assistance completion report, as well as the Eighteenth Annual Review of Postevaluation Report, the Fifteenth Report of Postevaluation Abstracts, 2 country syntheses of postevaluation findings, 3 sector syntheses of postevaluation findings, and the 1996 Annual Performance Evaluation Program.

Cofinancing for 29 loan projects from official and commercial sources, amounting to \$2,695.2 million, was arranged during the year. Of this total, \$2,384.9 million came from official sources, \$89.8 million from export credits, and \$220.5 million from commercial sources.

Net transfer of resources from the Bank to DMCs (disbursements plus equity investments, minus capital repayments, payments of interest, and other charges) decreased by 96%, from \$794 million in 1995 to \$34 million in 1996. The decrease was mainly due to prepayments by India, Indonesia, Republic of Korea, and Thailand that amounted to \$1,404 million.

Loan disbursements amounted to \$3,797 million, of which \$2,563 million was from OCR, and \$1,234 million from ADF.

Seventy-eight projects were completed during the year, bringing the cumulative total of completed projects to 1,051. This compares with 70 projects completed in 1995.

Contracts totaling \$3,980.4 million were awarded during the year by executing agencies in DMCs for consulting services, procurement of goods and services, and civil works.

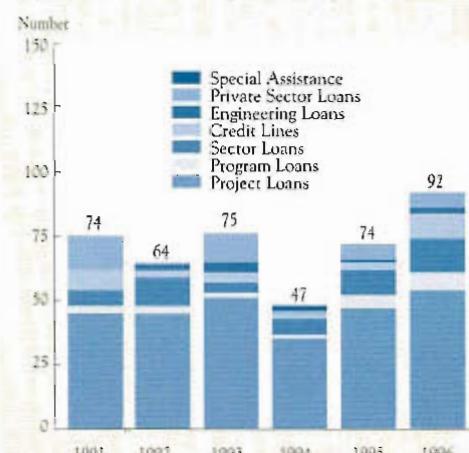
Borrowings undertaken by the Bank during the year raised a total of \$583.7 million with an average maturity of 9.5 years. The year's borrowings were denominated in Dutch guilder, New Taiwan dollars, and Japanese yen, and were all swapped into US dollar fixed-rate and floating-rate liabilities. The after-swap cost of the US dollar fixed-rate liability was 5.92%, compared with 6.38% in 1995.

As of end-December 1996, the Bank's OCR investments amounted to the equivalent of \$6,332 million. The portfolio was denominated in 23 currencies. The realized rate of return on these investments was 5.6%.

ADF investments at the end of 1996 amounted to \$459 million. Of the portfolio, 9% was held in securities issued or guaranteed by governments of member countries. The remainder was invested in deposits and other bank instruments in member countries. The return on ADF investments over the year was 4.2%. The portfolio was denominated in 18 currencies.

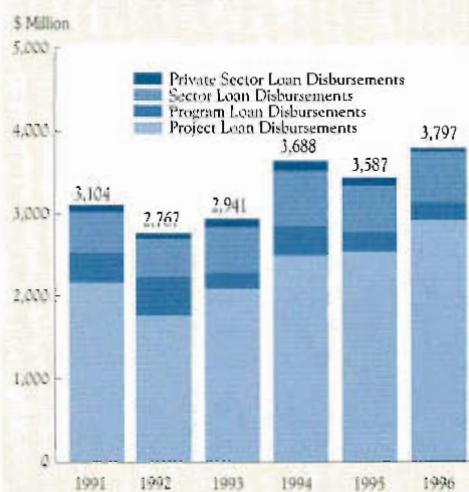
The Bank's net income for 1996 was \$571.6 million.

Number of Loans, by Modality *

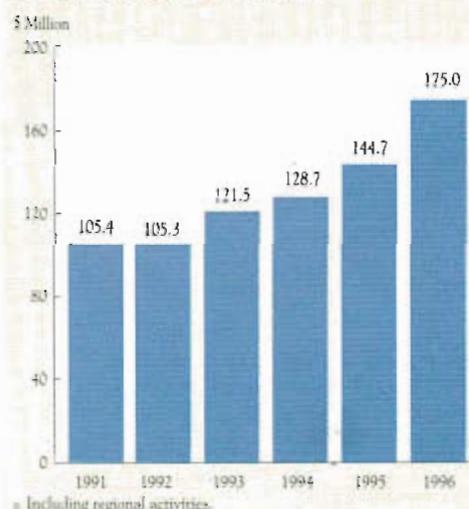


* Past years' data adjusted due to projects terminated.

Loan Disbursements



Technical Assistance Grants *



* Including regional activities.

ADB: Thirty Years On

WHEN THE Asian Development Bank began operations on 19 December 1966, the Asian and Pacific region was one of the poorest regions in the world. Nations, many of them former colonies, struggled to develop their economic bases and improve the lot of their people. There was a massive need for capital to develop agriculture and industry, and to build the basic infrastructure. The tasks facing the newly established Bank were enormous.

Thirty years later, the region has become the world's fastest-growing. It now enjoys a remarkable degree of self-sufficiency in food. Its export-led industrial initiatives and improved international competitiveness, supported by appropriate institutions and policies to encourage the private sector and facilitate investment, have sparked an economic transformation that has drawn the admiration of the world.

At the same time, there have been steady improvements in the quality of life. Poverty rates have gone down with increased income opportunities on farms and in factories. People now enjoy generally better nutrition and health, and, as a consequence, the expectancy of life has improved substantially.

The Bank has been an integral player in this transformation, growing as the region grew, and keeping in step with the changing needs of its developing member countries (DMCs). However, the mere growth of the Bank's annual lending commitments – surpassing the \$1 billion mark in 1978 and \$2 billion in 1984, and reaching \$5.5 billion in 1996 – and its technical assistance and cofinancing activities, as shown in the accompanying table (*The Record, page 14*) and box (*Operational Highlights, 1966–1996, page 15*) reveals only a small segment of the Bank's role in this transformation. A more complete picture of the Bank's success as a development finance institution over the past 30 years can be found in the many, and often not-so-obvious ways in which, during the various phases of its operations, it has left its mark on the socioeconomic landscape of its DMCs.¹

In the early years of the Bank, agriculture was the primary focus of its activities. Understandably, the sector is still a major target of Bank loans and technical assistance grants, since it remains the major source of employment in most of the Bank's DMCs. The Bank has helped raise food production in the region – thus contributing to the region's economic stability – through its financing of irrigation, livestock, and fisheries projects, input supplies, and extension services, as well as through the provision of institutional credit, policy-based program lending, and support for agricultural research.

When the oil shocks of 1973 and 1979 hit DMCs and sent their economies into a state of confusion, the financing of energy projects came into the limelight of Bank operations. In response to the adverse impacts of the oil crises, the Bank introduced the modality of program lending, which has since become an important instrument of policy reform in DMCs. Through its various interventions, the Bank has encouraged its DMCs to work more actively for the development of indigenous energy resources, and enhanced DMCs' awareness of the need for conserving energy and improving supply and demand efficiency.

The 1980s marked a phase when the Bank began to put greater emphasis on its role as a catalyst of development, in addition to its continuing role as a financier of development projects. A conscious effort was made to promote the Bank as a regional development resource center. Research into, and conferences

¹ The history of an organization can be shown in a number of ways. The photographs in this Annual Report show a portion of the Bank's history, highlighting the diversity of projects and programs the Bank has engaged in over the past 30 years.

and seminars on, regional development issues became an active part of the Bank's activities. In the regional development debate that the Bank thus helped generate, the role of the private sector came to occupy a place of increasing importance. Through its own catalytic investments and financing operations – beginning with its first direct equity investment in a private sector enterprise in 1983, and its first direct loan to the private sector without government guarantee in 1986 – as well as through its policy dialogues, the Bank has played a role in strengthening the efforts of its DMCs to promote the private sector as an engine of economic growth.

At the same time, the Bank began to pay increasing attention to the cofinancing of projects. By actively promoting this activity, the Bank has been able to induce commercial capital, in addition to investments from official sources, into development projects which commercial financiers would not otherwise have found attractive. This has provided the DMCs, particularly the poorer ones, with much-needed additional financing support for undertaking priority projects to raise the living standards of the poor.

This catalytic role also led the Bank during the 1980s to get involved in the development of the DMCs' financial sector and capital markets. This has since developed as an important Bank activity. The purpose has been not only to improve the climate for private enterprise, but also to strengthen the mobilization of private saving to supplement official development resources.

As early as 1970, the Bank pioneered the birth of the Samurai bond market when it issued the first-ever yen bond in the domestic Japanese market. There has been a number of instances since then when the Bank's borrowing activity has helped develop the regional capital markets as well. In the early 1990s, its issues of "Dragon bonds" – US dollar public bonds launched simultaneously in the capital markets of Hong Kong, Singapore, and Taipei, China – were hailed as an innovative activity.

The Bank has played a crucial role in fostering the idea of regional and subregional cooperation among groups of countries to better exploit their comparative advantages for maximum economic benefit. Its work in the Greater Mekong Subregion and on two "growth triangles" in Southeast Asia has not only generated a great deal of enthusiasm among the governments concerned, but has caught wide attention as prototypes for similar cooperation elsewhere.

Through its project, sector, and program lending activities, as well as policy dialogues, the Bank has certainly played an important role in improving the policy, legal, and regulatory environment in its DMCs. Its interventions have impacted particularly on micro issues such as tariffs, taxes, licensing, and pricing, and the broader issue of good governance. By thus helping define the criteria for development, the Bank has widened the opportunities in its DMCs for sustainable investment and growth.

Looking back on the past 30 years, the Bank can take pride in these achievements, which present the best possible evidence of its usefulness in the context of growth in the Asian and Pacific region. Like a living organism, the Bank has been responsive to its environment, which has helped it survive and grow. The Bank has always been mindful of the changing needs of its DMCs, and has responded to these changes positively and creatively. Its introduction of quick-disbursing program loans in 1978 was followed in 1979 by multiproject loans, covering a number of small



*ADB Presidents (standing from left to right)
Mitsuo Sato (1993 to present); Taroichi Yoshida
(1976-1981); Masao Fujioka (1981-1989);
Kimimasa Tanemizu (1989-1993);
(seated from left to right) Shiro Inoue
(1972-1976); Takeshi Watanabe (1966-1972)*

projects in one or more sectors to meet the special needs of small countries. In 1980, sector loans were introduced to finance a cluster of subprojects within a specific sector or subsector. This gave DMCs a greater degree of flexibility which they did not have before. In 1987, program lending policies were substantially revised, shifting the focus from financing inputs to supporting medium-term sector policies and adjustment programs. Further changes were introduced in 1996, making sector analysis a precondition for program lending.

There are other achievements that the Bank can highlight as it looks back over the past three decades. It was during this period that several of its DMCs reached the status of newly industrializing economies, establishing themselves as the leading examples of the region's economic muscle. These countries no longer borrow from the Bank, and they have now also emerged as its donors, thus entering into a new relationship with it altogether. It was also the period when the People's Republic of China joined the Bank (in 1986) as a member, significantly expanding the Bank's operational region, and making it truly a bank for half the world.

However, the Bank cannot ignore the challenges ahead. In a different context, they remain as large as they were 30 years ago.

Despite the region's impressive record of economic growth, over 700 million of its inhabitants still live in poverty. Some countries, and some groups within countries, have either not achieved sufficient rates of economic growth, or have suffered from unequal distribution of the benefits of growth.

Degradation of the physical environment has become a serious problem. The pollution of land, water, and air resources is impinging sharply on the quality of life throughout the region. Air pollution, especially the concentration of particulates, in many Asian cities is among the worst in the world. Soil erosion and deforestation are devastating parts of the region.

Infant and child mortality rates in the region's rural areas far exceed those in urban areas. In South Asia, these rates, on average, are more than six times higher than in industrial countries. Maternal mortality rates are 20 times higher. Eliminating these problems requires improved access to safe water, modern medical facilities, better-trained health personnel, and a more widespread immunization program.

Although primary school enrollments have increased significantly in the past three decades, gender disparities in enrollments have not narrowed as expected. Illiteracy rates continue to be higher in rural areas and among the poor and women.

Rapid population growth remains a major concern for many DMCs, aggravating the problems of unemployment, underemployment, and poverty. In particular, the region's urban population continues to grow at an unrelenting pace. The number of people living in cities has quadrupled between 1950 and 1990, and nine Asian cities are counted among the world's megacities. While the emergence of megacities can have a positive impact on economic growth, rapid urbanization creates huge problems of congestion and pollution, requiring massive investments in housing, urban infrastructure, and social services.

For the vast majority of the region's farmers, access to credit is not always easy or adequate, which is a major constraint in a region where agriculture is still the primary occupation of its people.

These continuing challenges have influenced the way the Bank has evolved over the past three decades, and shaped its strategy for the future. In its early days, the Bank was predominantly a project lender, funding the region's needs in agriculture, industry, and infrastructure. Over the years, as some DMCs started

to graduate and the needs of others began to change, questions of sustainable development and quality of life became the major issues. In response, the Bank has gradually transformed itself from a mere provider of development finance to being a more fundamental development catalyst.

Social and environmental concerns have become an integral part of the Bank's operational strategies and approaches, because these have a direct impact not only on the living conditions of the poor, but also on the very sustainability of economic growth. A wide range of environmental guidelines has been prepared for the use of Bank staff and DMC authorities. Special emphasis is given to projects supporting human development, particularly in primary health care, preventive health care, basic education and skills training, water supply and sanitation, and rural infrastructure, because they have important contributions in reducing poverty. The same social considerations are also behind the Bank's increasing involvement in issues concerning women in development and indigenous peoples.

While project lending remains the most effective means by which the Bank can promote its development objectives, the modalities for such lending have been made progressively more flexible to suit the evolving needs of DMCs. Recognizing the importance of a sound policy environment for successful development, the Bank emphasizes policy dialogue on sectoral issues, and coordinates closely with the Bretton Woods institutions to help improve the macroeconomic framework in its DMCs.

At the same time, cofinancing of projects with other sources is being emphasized even more strongly to bolster the Bank's own catalytic role, and to help increase capital flows into its DMCs. The Bank has developed transparent procedures for procurement and consultant selection to ensure a level playing field for all participants in Bank-financed loan and technical assistance projects. Its active encouragement of the private sector, its work in support of the development of domestic financial and capital markets, and its deeper involvement in institution- and capacity-building issues, including the development of legal frameworks, have all evolved from this one crucial concern: how to make the socioeconomic development of DMCs sustainable.

Over the past three decades, the Bank has developed into a more mature and focused institution, with a clearer idea of its role in the region's development. A sharper country focus now gives the Bank a better feel of the DMCs' needs, and allows it to work with them in a more meaningful way. The Bank monitors the quality of its projects, and is very conscious of the need to improve its operational efficiency. It pays a great deal of attention to the management of its staff and budgetary resources, and exercises prudence in seeking additional resources. The Bank is thus recognized as one of the most cost-efficient development finance institutions. Also, through the adoption of an information disclosure policy, the introduction of an inspection function, and greater cooperation with nongovernmental organizations and other grassroots agencies, it has become a more transparent and accountable agent of change.

As it prepares to enter the next millennium, the Bank looks at its mission in the decades ahead as one of maximizing its development impact, not so much in terms of lending volume as in terms of deploying all the instruments and resources available to it to the fullest extent. It is in the areas of policy reforms, fiscal strengthening, good governance, capacity building, promotion of financial and capital markets, subregional economic cooperation, and environmental protection that the Bank sees its most meaningful role for its future development interventions. As President Mitsuo Sato has said, "These are areas where we have definite comparative advantages *vis-à-vis* other development agencies and the private sector."

The Record

(amounts in \$ million)

	1966-1996 ^a	1993	1994	1995	1996
OPERATIONAL ACTIVITIES					
TOTAL LENDING (<i>amount</i>)	62,172.4 ^b	5,209.6 ^b	3,679.0 ^b	5,504.4	5,545.1
Number of Projects ^c	1,374	75	47	72	83
OCR Loans (<i>amount</i>)	43,014.4	3,912.1	2,502.3	4,049.5	3,879.5
Number of Loans	781	35	23	37	48
Disbursements (<i>amount</i>)	24,245.9	2,016.2	2,501.4	2,442.1	2,562.6
ADF Loans (<i>amount</i>)	19,158.0	1,297.5	1,176.7	1,454.9	1,665.6
Number of Loans	716	40	26	37	44
Disbursements (<i>amount</i>)	11,981.3	925.1	1,186.5	1,144.9	1,234.1
A. Government and Government-Guaranteed Loans (<i>amount</i>)	61,281.5	5,027.5	3,679.0	5,417.9	5,389.1
Number of Projects ^c	1,313	65	47	66	78
OCR Loans (<i>amount</i>)	42,138.0	3,730.0	2,502.3	3,963.0	3,723.5
Number of Loans	724	25	23	31	42
Disbursements (<i>amount</i>)	23,621.4	1,917.2	2,375.2	2,341.6	2,521.1
ADF Loans (<i>amount</i>)	19,143.5	1,297.5	1,176.7	1,454.9	1,665.6
Number of Loans	711	40	26	37	44
Disbursements (<i>amount</i>)	11,966.0	924.3	1,186.3	1,144.9	1,234.1
B. Private Sector Loans ^b (<i>amount</i>)	890.9	182.1	—	86.5	156.0
Number of Projects ^c	61	10	—	6	5
OCR Loans (<i>amount</i>)	876.4	182.1	—	86.5	156.0
Number of Loans	57	10	—	6	6
Disbursements (<i>amount</i>)	624.5	99.0	126.2	100.5	41.5
ADF Loans (<i>amount</i>)	14.5	—	—	—	—
Number of Loans	5	—	—	—	—
Disbursements (<i>amount</i>)	15.3	0.8	0.2	—	—
EQUITY INVESTMENT ^b (<i>amount</i>)	452.2	20.7	50.9	110.4	107.3
Number of Investments	94	8	14	11	10
EQUITY UNDERWRITING ^b (<i>amount</i>)	40.5	—	—	—	—
Number of Commitments	6	—	—	—	—
TECHNICAL ASSISTANCE GRANTS ^d (<i>amount</i>)	1,293.7	121.5	129.0	144.7	174.9
Number of Projects	3,408	269	290	297	286
COFINANCING ^e (<i>amount</i>)	24,601.1	3,319.6	1,559.6	2,480.6	2,695.2
Number of Projects	435	22	15	20	29
RESOURCES					
Ordinary Capital Resources					
Authorized Capital (<i>at end of period</i>)	50,103	23,200	50,789	51,893	50,103
Subscribed Capital (<i>at end of period</i>)	49,368	23,076	30,151	43,078	49,368
Borrowings (<i>gross</i>)	19,717	1,720	1,335	1,715	584
Outstanding Debt (<i>at end of period</i>)	13,697	12,245	13,717	14,636	13,697
Ordinary Reserve (<i>at end of period</i>)	5,522.7	4,180.4	4,650.3	5,003.3	5,522.7
Special Reserve (<i>at end of period</i>)	178.6	177.3	177.7	178.1	178.6
Gross Income	17,778.2	1,510.0	1,525.3	1,745.3	1,561.7
Net Income after Appropriation of Commissions/ Guarantee Fees to Special Reserve	6,672.4	569.4	513.1	660.0	571.6
Special Funds Resources					
Asian Development Fund:					
Total Resources (<i>at end of period</i>)	19,339.1	15,948.5	19,411.8	20,166.6	19,339.1
Technical Assistance Special Fund:					
Total Resources (<i>at end of period</i>) ^f	630.0	427.5	532.2	623.1	630.0
Japan Special Fund:					
Total Resources (<i>at end of period</i>)	671.1	381.0	490.8	601.7	671.1

^a Cumulative totals may not add due to rounding.^b Amounts and numbers adjusted to exclude cancellations.^c Projects with multiple loans are counted only once. Cumulative number of projects excludes supplementary loans.^d Technical assistance components of loans are included under loans.^e Adjusted to reflect changes in cofinancing arrangements.^f Figures revised to include other resources and transfers to ADF.

Operational Highlights, 1966–1996

Sources of Funds

- Authorized capital equivalent to \$50.1 billion as of 31 December 1996.
- About \$19.7 billion borrowed from international capital markets for ordinary capital lending and private sector investments.
- About \$19.3 billion from the Asian Development Fund for concessional lending to lower-income developing member countries (DMCs), and about \$630 million in Technical Assistance Special Fund (TASF) resources for financing technical assistance grants.

Uses of Funds

- \$62.6 billion in total public and private sector operations involving 1,474 projects, including \$62.2 billion in loans, \$452 million in equity investments, and \$40.5 million in equity underwritings.
- \$1,293.7 million in technical assistance grants: \$334.7 million for project preparation (resulting in 662 Bank loans, totaling \$29 billion); \$740.8 million for project implementation and advisory purposes; and \$218.2 million for regional activities. Of this, \$621.4 million was from TASF and ordinary capital resources; \$415.2 million from the Japan Special Fund; and \$257.1 million from others, which include multilateral and bilateral sources.
- \$24.6 billion mobilized by way of cofinancing, of which official sources contributed \$17.7 billion, and commercial sources (including commercial banks, insurance companies, and export credit sources), \$6.9 billion.

Sectoral Activities

- Agriculture and Natural Resources: 194 irrigation and rural development projects; 99 fisheries, livestock, and forestry projects; 44 projects for industrial crops and agro-industry; and 91 projects for agricultural support services, including fertilizer production.
- Energy: 235 projects, including 196 power projects for the creation of 26,490 megawatts of generation capacity, and for about 187,596 kilometers of transmission/distribution circuits. Nonpower energy projects provided for expanded production of natural gas and coal, and rehabilitation of refineries and distribution networks for gas.
- Financial: 135 credit lines totaling \$5.9 billion to 86 financial intermediaries in 24 DMCs, which have been used so far to create 23,878 subloans to small- and medium-scale enterprises, as well as 14 program loans amounting to \$2.1 billion.
- Industry and Nonfuel Minerals: 69 projects, including 62 industry projects, and 7 nonfuel mineral projects.
- Social Infrastructure: 96 water supply and sanitation projects benefiting nearly 124 million people; 78 education projects involving the establishment, as well as rehabilitation and expansion, of primary, secondary, and tertiary-level education and training institutions; 39 projects providing physical and institutional support for housing and/or a variety of urban infrastructure facilities; and 31 health and population projects, providing physical and institutional support.
- Transport and Communications: 51 projects in the port and shipping sector for the construction, rehabilitation, modernization, and expansion of port facilities; 121 projects for the construction, rehabilitation, and maintenance of primary, secondary, and feeder roads; 12 railway projects primarily to increase freight capacity; 14 airport projects for the expansion and upgrading of airport facilities; and 23 telecommunications projects for the improvement and extension of services.
- Multisector: 33 projects aimed at more than one of the Bank's major economic sectors.
- Others: 9 projects not classified in any of the Bank's current major sectoral classifications. This classification category came into Bank usage in 1992 with the first tourism project.



Power infrastructure in Tonga was developed with the help of two loans from the Asian Development Fund, totaling \$12.2 million, approved in 1991 and 1996. The Board of Directors visited Tonga in 1996.

The Board of Directors

DURING 1996, the Board of Directors achieved significant success in the formulation and implementation of key operational and policy initiatives.

General Operations

The Board met 48 times in formal sessions (including executive sessions) in 1996 and approved total lending and equity of \$5,652.4 million for 89 projects. Of this, loans amounted to \$5,545.1 million (\$3,879.5 million from ordinary capital resources [OCR] and \$1,665.6 million from the Asian Development Fund [ADF]) and equity investments were \$107.3 million. Government-guaranteed loans were approved for 78 projects with the average project size being \$60 million over the total loan portfolio. Twenty-one countries received Bank loans in 1996, including Uzbekistan, which received its first loan in 1996, having become a member in 1995.

In addition to loans, the Board, either directly or through the authority delegated to the President, also approved 286 technical assistance grants totaling \$175 million. All the approved projects were subjected to detailed scrutiny, thus ensuring each met the Bank's expectations in terms of developmental effectiveness and compliance with Bank policy. Policy requirements are broadly addressed by meeting the Bank's strategic objectives of economic growth, poverty reduction, social improvement, gender equity, and environmental protection.

In addition to the formal meetings, the Board held nine seminars and informal discussions. The agenda on these occasions covered a range of diverse items including the Bank's Three-Year Rolling Work Program and Budget Framework (1997–1999), Country Operational Strategies, and Assessment of Effectiveness of Bank Assistance in Capacity Building.

The focus of attention and the matter of paramount importance throughout 1996, however, was the sixth ADF replenishment and the negotiations thereon. The Bank and donor countries achieved a measure of consensus by the end of the year, and agreed in principle to the structure of the Fund, the approximate amount of the replenishment, the parameters of the Donors' Report, and a timetable for reconsidering policies relating to the management of the Fund.

Policy Issues

During 1996, the Board reviewed and approved a number of major policy initiatives directed at increasing the Bank's capacity-building capability, or enhancing its effectiveness from an operational perspective. These initiatives are part of an overall framework designed to ensure the continuing responsiveness of the Bank to the needs of its developing member countries (DMCs). In this context, the following policy developments and events are highlighted.

The Boards and Their Functions

THE BANK is governed by a Board of Governors, which, at the end of 1996, consisted of 56 members representing 40 regional and 16 nonregional member countries. Under Article 28 of the Bank's Charter, the Board of Governors is vested with all the powers of the Bank. In turn, the Governors delegate their authority to the Board of Directors, except for certain powers reserved to them under the Charter.

The Board of Governors meets in a formal session once a year for the Bank's Annual Meeting.

The resolutions approved by the Board of Governors during 1996 and its membership are shown in Appendixes 1 and 2, respectively.

Under the same Article, the Board of Governors elects a 12-member Board of Directors, eight elected by regional members and four by nonregional members. Each Director appoints an Alternate. The President of the Bank is the Chairman of the Board of Directors.

The Board of Directors performs its duties on a full-time basis at the Bank's Headquarters in Manila, Philippines, and meets in regular formal sessions under the chairmanship of the President. The Directors exercise their authority and functions through their quarterly and annual supervision of the Bank's financial statements, their annual approval of the Bank's administrative budget, and their continuous review and approval of policy documents and all loan, equity, and technical assistance operations.

The Board of Directors and the members they represent are shown in Appendix 3.

Policy Papers Discussed by the Board in 1996

- Review of the Bank's Program Lending Policies (*see Operational Priorities and Policies chapter*)
- Human Resource Strategy (*see Administration chapter*)
- Establishment of the Asian Development Bank Institute (*see Overview and Administration chapters*)

Operational Policy Development – Program Loans: The Bank introduced important changes to its program lending policies. A new sector development program approach was introduced; sector analysis became a precondition for program lending.

Internal Policy Development – Human Resource Strategy: The Board reviewed and approved the current human resource development policy, which has as its major focus the continuing development of staff, the strengthening of core competencies, the enhancement of staff productivity, and the promotion of staff morale and professional growth.

Institutional Development – Asian Development Bank Institute: The Board approved the establishment of the Asian Development Bank Institute (ADBI), which will be located in Tokyo and fully financed by the Government of Japan. ADBI presents an exciting opportunity for the Bank to extend its capability of providing a learning environment for skill-building, and the pursuit of intellectual understanding of economic and social development issues in the Asian and Pacific region. This initiative underpins the quintessential nature of development banking, which aims to support country and regional economic growth by encouraging the implementation of appropriate policies designed to stimulate economic activity and reduce poverty. Such strategy relies on the capacity of well-qualified indigenous people to implement the necessary reforms. Hence, there is a need for the proposed training and development focus of the Institute.

Institutional Representation – Representative Offices: The Bank opened two representative offices (Europe and Japan) which will enhance public awareness about the Bank and its activities, and approved two resident missions (Cambodia and Viet Nam) which will assist in project implementation.

Board Committees

Audit Committee: In 1996, the Audit Committee of the Board met on 15 occasions. It reviewed ten project performance audit reports (PPARs), two technical assistance performance audit reports, three reevaluation reports, one impact evaluation study, and one special study (*see box on page 19*). Other topics discussed by the Committee include the revised Guidelines for Preparation of PPARs, the Bank's system for evaluating and rating projects, and the review of the Bank's internal controls, due to commence in 1997. The Committee also reviewed the 1995 Financial Statements with the Bank's outside auditors, and oversaw the activities of the Office of the General Auditor. It recommended to the Board the selection, by competitive bidding, of new outside auditors for financial years 1997–2000.

The Committee presented its annual report to the Board of Directors in June 1996. In the Report, the Committee noted that action had been initiated to address ongoing concerns such as beneficiary participation and dissemination of lessons learned from postevaluation. However, it recognized that the test of the various guidelines that had been introduced was in their implementation, and in the evaluation of their impact on project implementation.

The Committee welcomed the ongoing review of the Bank's project evaluation and classification system. It highlighted the importance of having a system that was simple and practical, and which was applied consistently to remain credible. At the same time, the Committee expressed the need for the Bank's system to be consistent with those of other multilateral development banks (but also take into account the Bank's specific needs) to facilitate comparisons between the Bank and these organizations.

Regarding benefit monitoring and evaluation (BME) in the Bank's DMCs, the Committee drew attention to the need for greater ownership of BME activities in the executing agencies in the countries concerned. Until executing agencies perceived BME as fulfilling their needs, they would not be willing to commit the resources needed to make BME successful. The Committee looked forward to the results of the Bank's technical assistance activities in the Greater Mekong Subregion to assess its BME assistance in five countries in that subregion.

Finally, the Committee acknowledged the progress made on issues related to project design and implementation. Noting the wider application of the logical framework in project and technical assistance design, it recommended that the logical framework be mandatory for all projects and technical assistance to set clear, monitorable objectives and indicators. With respect to project implementation, the Committee welcomed the introduction of mandatory midterm reviews and greater use of the Bank's resident missions for monitoring project implementation.

Budget Review Committee: The Budget Review Committee was convened from 11 to 21 November 1996 to review the Bank's operations during the year. Members discussed the work plans of various departments and offices, deliberated on substantive issues underlying Management's 1997 Budget proposal, and reached a consensus on its recommendations.

The Committee noted the progress in the implementation of the recommendations of the Task Force on Improving Project Quality. In addition, it stressed the need for effective and sustained implementation of policies relating to good governance, assessment of social impact of projects, participation of beneficiaries, and enhancing capacity within the Bank's DMCs.

The Committee recognized that the 1996 performance of the Bank reflected a significant improvement, given current staff and other budgetary resource constraints. The Committee appreciated the efforts made to improve the representation of women in the professional staff of the Bank and urged that such representation be increased, particularly in higher-level positions. It welcomed the envisaged replacement of the Bank's outdated mainframe computer, and the upgrading of the Bank's computer systems, particularly in the context of improving staff efficiency and in enhancing productivity. Evaluating the work of the resident missions in DMCs, the Committee was pleased to note that the capacity for project implementation of resident missions had been strengthened, and that further delegation of project administration work was planned. It noted that the creation of the self-contained Office of Pacific Operations had enhanced the country focus of the Bank's operations in the Pacific region.

The Committee reiterated the need for the Bank to continue its role as a catalytic agent in the DMCs, and emphasized the continued need for

Postevaluation Reports Discussed by the Audit Committee in 1996

Project Performance Audit Reports

- District Towns Water Supply Project (Bangladesh) (17 June 1982)
- Second Trengganu Tengah Development Project (Malaysia) (28 September 1982)
- Agro-Industries Credit Project (Indonesia) (12 January 1988)
- Qingdao Tire Development Project (People's Republic of China) (11 August 1988)
- Faisalabad Water Supply, Sewerage and Drainage Project (Pakistan) (15 December 1977)
- Seventh Road (Sector) Project (Indonesia) (18 September 1984)
- Northwest Rural Development Project (Bangladesh) (14 December 1982)
- Pahang-Barat Integrated Agriculture Development Project (Malaysia) (23 November 1982)
- Science Education for Secondary Schools Sector Project (Pakistan) (28 November 1985)
- Philippine Long Distance Telephone Co. (Philippines) (29 March 1988)

Technical Assistance Performance Audit Reports

- Study on Vehicular Emission Control Planning in Metro Manila (Philippines) (1 July 1992)
- Development of Small-Scale Rural Credit Project (Viet Nam) (6 October 1993)

Impact Evaluation and Reevaluation Studies

- Bank's Benefit Monitoring and Evaluation Assistance to the Agriculture and Social Sectors in the Philippines
- Reevaluation of the Rural Electrification Project in Sri Lanka (6 December 1979)
- Reevaluation of the South Kalimantan Livestock Development Project in Indonesia (17 December 1979)
- Reevaluation of the Compensatory Forestry Sector Project in Malaysia (20 November 1984)

Special Study

- Assessment of the Effectiveness of Bank Assistance in Capacity Building to Western Samoa

Note: Date in parentheses refers to date of project approval.

the Bank to recognize and promote the private sector, including small and medium enterprises, as a major contributor to development. It also noted that both loan and technical assistance disbursements and public sector loan approvals in 1996 exceeded the planned targets for the year.

Finally, the Committee recommended that the Board approve the administrative budget for 1997, and authorize an expenditure of \$199.5 million, representing a 5.3% increase over the 1996 revised estimate. This administrative budget will support \$5.5 billion lending, \$154 million technical assistance, and \$3.5 billion cofinancing programs in 1997, with no growth in the authorized staff positions (see Appendix 4).

Inspection Committee: The inspection policy, approved by the Board in late 1995, provides a formal channel through which local groups in the Bank's DMCs can request an independent review or "inspection" of the Bank's role in public sector development projects that affect them. The policy complements other efforts to improve the quality and transparency of the Bank's operations, as well as its accountability. Under the policy, a new standing committee of the Board, the Inspection Committee, was appointed in March 1996, and a roster of independent experts was appointed in October 1996.

The role of the Inspection Committee is to review any request for inspection that is received, and to recommend to the Board whether the request should be investigated. Any inspection approved by the Board will be carried out by a panel drawn from the roster of independent experts. This inspection panel will report its findings to the Inspection Committee, which will forward the panel's report and its own recommendations to the Board of Directors.

During 1996, the Inspection Committee reviewed and approved detailed Inspection Procedures, which are available to the public. These Inspection Procedures, and general information on the Bank's inspection policy, are included in ADB's *Inspection Policy: A Guidebook*. Similar information on the inspection policy has also been added to the Bank's Internet Home Page.

During 1996, the Inspection Committee did not receive any requests for inspection. The Committees of the Board of Directors are shown in Appendix 5.

Directors' Visits

The Board of Directors undertook two group visits in 1996: the first to the Pacific countries of Marshall Islands, Federated States of Micronesia, Tonga, and Tuvalu from 9 to 26 March; and the second to the Central Asian republics of Kazakhstan, Kyrgyz Republic, and Uzbekistan from 27 August to 10 September. The purpose of group visits is to enable Board members to better understand firsthand the needs of DMCs, and thereby support and encourage Bank initiatives in respect to the countries concerned. In all countries visited, the Board had wide-ranging policy discussions with government ministers and officials and business representatives, and took the opportunity to visit the sites of ADB-financed projects. In the Pacific countries, Board members had the honor of meeting the President of the Marshall Islands, His Excellency Amata Kabua; Finance Minister of the Marshall Islands, Honorable Ruben Zackhras; President of the Federated



Harvesting apples in Kazakhstan, where the Bank's operational strategy includes productivity-enhancing investments in the agriculture sector. The Board of Directors visited Kazakhstan in 1996.

States of Micronesia, His Excellency Bailey Olter; Prime Minister of Tonga, His Excellency Dr. Langi Hu'akavameiliku; Finance Minister of Tonga, Honorable Tutoatasi Fakafanua; Prime Minister of Tuvalu, His Excellency Kamuta Latasi; Deputy Prime Minister and Minister for Natural Resources Development of Tuvalu, Honorable Otinielu Tausi; and Minister of Finance, Economic Planning, Commerce and Industries of Tuvalu, Honorable Koloa Talake.

In the Central Asian republics, the Board members had the honor of meeting the Prime Minister of Kazakhstan, His Excellency A. Kazhegeldin; the President of Kyrgyz Republic, His Excellency A. Akayev; and the Prime Minister of Uzbekistan, His Excellency Utkur Sultanov.

Collage highlights megacity development and management: (top) Bank-financed bridge in Shanghai, People's Republic of China, one of the region's rapidly growing megacities; (bottom, left to right) the rural-urban transition; slum improvement; participatory approach in urban planning; infrastructure development and traffic management; and a city skyline.



Special Theme: The Development and Management of Asian Megacities

Executive Summary

AS THE SHIFT from agrarian to industrial economies proceeds in Asia, the trend of migration to urban areas will continue. The management of megacities, vast urban areas with over 10 million persons, will play a key role in Asian economic development into the next millennium. Even taking into account official United Nations (UN) forecasts of declining population growth rates over the next 30 years, the population living in Asian megacities will more than triple, from 126 million in 1995 to 382 million in 2025. There will be 20 megacities in Asia by 2025, ten of them in South Asia. This megacity growth will take place in a period of major economic and technological change, dominated by the emerging global economy, a revolution in information technologies, and an increasing emphasis on market-based decision-making. These new external influences mean that megacities are competing with each other, and some will do better than others. If they are well managed, megacities can be productive and provide a high quality of life for their residents. If not, the megacities' productivity and the quality of life they offer will be adversely affected.

Although they have the potential to offer their residents a full and satisfying quality of life, megacities all too often are beset by growing problems of environmental deterioration, inadequate housing, and social alienation and insecurity. Since economic growth is the fundamental underlying determinant in improving quality of life in megacities, there would also be a need to provide adequate infrastructure to improve the productivity and efficiency of megacities to maintain their attractiveness for investors. For the less well-off megacities, the most urgent actions required include reducing poverty, improving the environment, and strengthening overall management capabilities. At higher levels of development, demand management and reduction in pollution and congestion become more important. It will be critical for governments to develop a holistic vision of the megacity evolution, involving the whole range of city interest groups in the decision-making process.

The infrastructure funding needed to enable megacities to sustain their productivity and moderately improve their quality of life is estimated at about \$20 billion per annum at present, which is expected to increase to \$40 billion per annum over the next decade. Traditional ways of financing capital costs and recovering current costs will have to be supplemented through development of public-private partnerships, enhancing user charges and property taxes, and enabling access of local governments and their agencies to financial institutions and markets. Although funding may not be sufficient at present, it is crucial for megacities to anticipate the needs of infrastructure and service provision now.

In the context of rapid growth and massive investment requirements, there is a need and an opportunity for the Bank and other international

aid agencies to enhance their support for the development of the region's megacities. The Bank's capital investment funding, which may be provided through both the public and private windows, may be expanded, with an emphasis on transport, environmental improvement, and water supply, as well as on the urban poor. However, an equally important role of the Bank would be to serve as a catalyst for development by helping developing countries explore policy and institutional options, and mobilize investment funding from a variety of sources.

Part I: Trends

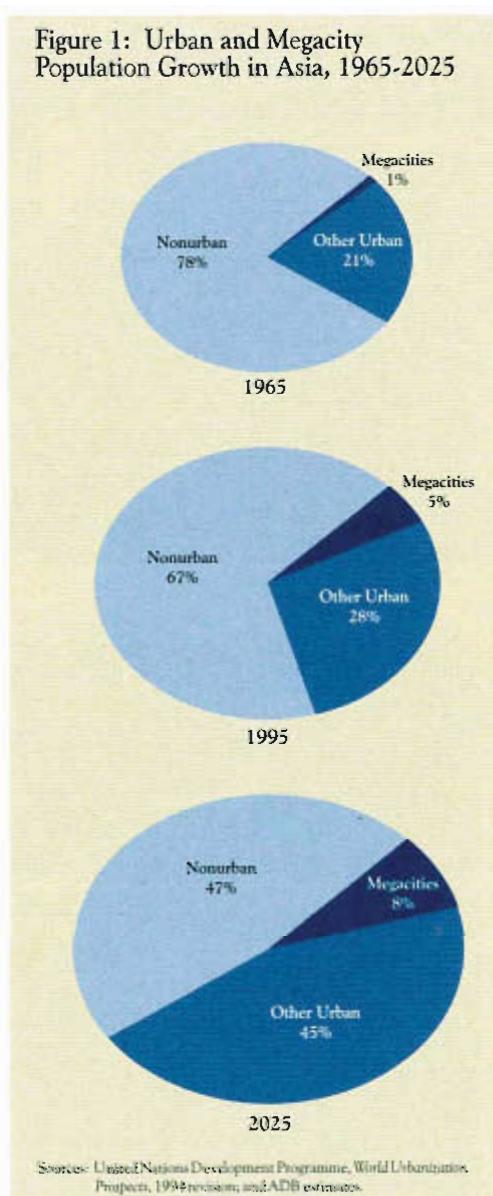
Emergence of Megacities

During the 30 years the Bank has been in existence, there has been a remarkable transformation in the economies of many of the Bank's developing member countries (DMCs) and a corresponding improvement in the economic status, lifestyles, and expectations of their populations. This economic transformation has been accompanied by a rapid growth in the Asian urban population, from 0.4 billion in 1965 to 1.1 billion at present, and an increase in the level of urbanization, from 22% to 33% (see Figure 1). There has also been a sharp rise in the number of megacities.¹ Today, Asia has nine megacities² – Beijing, Bombay, Calcutta, Jakarta, Osaka, Seoul, Shanghai, Tianjin, and Tokyo – and it will soon have four more, including Bangkok, Dhaka, Karachi, and Manila (see map). Relative to their level of development, Asian DMCs have a greater proportion of their urban population in megacities than any other region in the world.

These megacities have both positive and negative features. They generate a higher-than-average proportion of the nation's output of goods and services; are centers of innovation in science, the arts, and lifestyles; contain many of the cultural assets of the country; and offer some of the best opportunities for people to lead full and satisfying lives. Yet they also suffer from a shortage of water, environmental pollution, traffic congestion, and proliferation of slums, crime, and social alienation. With the increasing globalization of business and industrialization of Asian economies, most of the region's megacities will continue to grow and to play a significant role in economic production, social organization, and knowledge generation. At the same time, their quality of life and their productivity could be adversely affected unless steps are taken to improve their management.

The last three decades have seen the emergence of advanced manufacturing and increasingly service industry-based economies in Japan, and the newly industrializing economies (NIEs) of Hong Kong; Republic of Korea; Singapore; and Taipei, China, closely followed by similar trends in the Southeast Asian countries of Indonesia, Malaysia, Thailand, and

Figure 1: Urban and Megacity Population Growth in Asia, 1965-2025

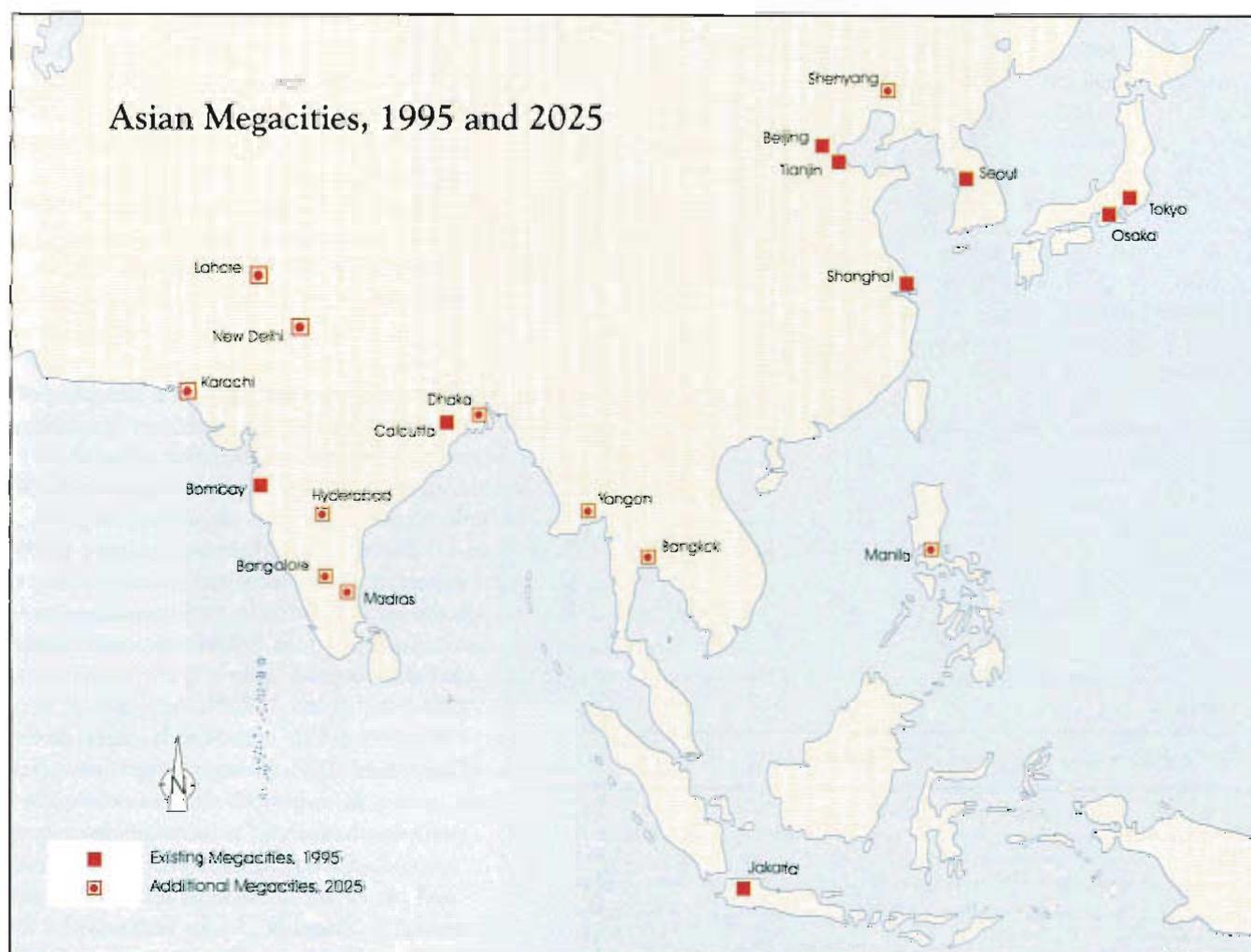


1 A megacity is defined as a large metropolitan area with a complex economy, a large and highly skilled labor force, and a transportation system capable of maintaining daily communications among all its residents. A threshold population of 10 million is used to define megacities in DMCs for the purpose of uniformity. In many cases, this population is for an extended area beyond the administrative boundaries of the constituent municipalities. In higher-income countries, the population threshold would be lower.

2 Worldwide there are 17 megacities. The eight megacities outside Asia include Buenos Aires, Cairo, London, Los Angeles, Mexico City, New York City, Rio de Janeiro, and São Paulo.

Philippines, and in the People's Republic of China (PRC). The least change has taken place in the countries of South Asia where industrial growth has been slower. This economic growth has led to the creation of relatively wealthy industrial cities in the NIEs and Southeast Asia, and poorer cities in South Asia. Throughout the region, urban population growth has been high since rural-urban migration and natural growth in urban areas have complemented each other. On average, rural-urban migration accounted for about 40% of urban growth during the 1970s and 1980s. The consequence of rapid migration and natural increase of population has been that cities such as Bombay and Jakarta have been growing by several hundred thousand each year, population densities in inner city areas are high, and several thousand hectares of rural land are being converted to urban uses annually.

Some aspects of urbanization are distinctive to Asia. First, the impacts and implications of high growth rates in some of the largest cities of Asia are unprecedented (see Table 1, page 26). Second, this rapid growth has been taking place at a time in history when the impacts of free trade associations, the globalization of decision-making on investment location, and the impacts of new information-based industries are having a profound



effect on manufacturing and service industry location, and hence on city development prospects. Third, megacities are expanding in extended metropolitan regions (EMRs), often covering distances of 50–100 kilometers (km) from the central city. In some cases, the EMR is given formal recognition, such as in the Jakarta Metropolitan Region (JABOTABEK), the Bangkok Metropolitan Region (BMR), and the Manila National Capital Region (MNCR). Such EMRs contain a significant share of the national urban population: 20% in the case of JABOTABEK, 50% in the case of BMR, and 15% in the case of MNCR.

Table 1: Population of Existing and Future Asian Megacities,^a 1995–2025 (million)

City	Country	1995	2010	2025	Growth Rate 1995–2025 (%)
Bangalore	India	4.8	7.3	10.2	2.58
Bangkok	Thailand	9.7	14.0	22.5	2.83
Beijing	China, People's Rep. of	12.4	17.8	22.3	1.97
Bombay	India	15.1	24.3	33.2	2.66
Calcutta	India	11.7	15.6	21.4	2.03
Dhaka	Bangladesh	7.8	16.0	25.0	3.96
Hyderabad	India	5.3	9.4	13.2	3.08
Jakarta	Indonesia	11.5	19.2	24.9	2.60
Karachi	Pakistan	9.8	17.6	26.5	3.37
Lahore	Pakistan	5.1	9.1	14.2	3.48
Madras	India	5.9	8.3	11.8	2.34
Manila	Philippines	9.3	13.7	16.5	1.92
New Delhi	India	9.9	15.5	21.6	2.63
Osaka	Japan	10.6	10.6	10.6	0.00
Seoul	Korea, Rep. of	11.6	13.0	13.3	0.45
Shanghai	China, People's Rep. of	15.1	21.5	26.8	1.93
Shenyang	China, People's Rep. of	5.3	7.8	10.0	2.13
Tianjin	China, People's Rep. of	10.7	15.6	19.5	2.02
Tokyo	Japan	26.8	28.7	28.7	0.23
Yangon	Myanmar	3.9	6.3	10.0	3.19
Total Megacities ^b		154.9	243.1	382.0	
% of Total		4.7	6.0	8.2	
Total 20 Cities		202.3	291.3	382.0	2.14
% of Total		6.1	7.2	8.2	
Total Urban (excluding West Asia ^c)		1,086	1,714	2,474	2.78
% of Total		33.0	42.5	53.1	
Total Rural (excluding West Asia ^c)		2,204	2,316	2,181	(0.03)
% of Total		67.0	57.5	46.9	
Total (excluding West Asia ^c)		3,290	4,030	4,655	1.16

^a Populations are for the extended metropolitan regions.

^b Total population of megacities excludes those cities with population of less than 10 million.

^c West Asia includes Armenia, Azerbaijan, Bahrain, Cyprus, Gaza Strip, Georgia, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates, and Yemen.

Sources: United Nations Development Programme, World Urbanization Prospects, 1994 revision; and ADB estimates.

Economic Development and Megacity Growth

There is a generally well-established link between economic development and levels of urbanization in Asia. Three broad groups of countries can be identified at different points on the urbanization trajectory. The first, represented by Japan and the NIEs, had per capita incomes of over \$3,200 per year in 1995 and levels of urbanization between 70% and 100%. The second, including the Southeast Asian countries and the PRC, had per capita incomes between \$500 and \$3,200 per year and levels of urbanization between 23% and 43%, while the third group, including the South Asian countries, had per capita incomes below \$500 and levels of urbanization below 23%. Despite their lower overall level of urbanization, the countries in the third group will contain 10 of the region's 20 megacities by 2025. Given this perspective, it will be important for them to establish, as early as possible, the institutions and formulate the policies necessary to sustain the development of their megacities.

There is overwhelming evidence of the importance of megacities to the national economy, measured by their contribution to national output. In 1990, for example, Osaka and Tokyo produced 36% of Japan's gross domestic product (GDP); Bangkok, 37% of Thailand's GDP; and Manila, 24% of the Philippines' GDP. Average output per worker is greater in megacities than in other urban and nonurban areas, a trend referred to as "surproductivity." In 1990, the ratio of city GDP per capita to national GDP per capita was 3.5 for Bangkok, 2.5 for Calcutta, 1.9 for Manila, and 3.7 for Shanghai. What is the

explanation for this economic dominance? The traditional reasoning is that megacities benefit from the large skilled labor force and other agglomeration economies that all cities enjoy to a greater or lesser degree. The other, more recent cause is that megacities are a focus for much of the trade and services arising from the global economy. The availability of a large and diverse labor market contributes to both productivity and demand for intermediate and consumer goods. High productivity arises from the megacity's location and function as a major meeting and transfer point in the movement of people, goods, finance, and information, providing some of the best opportunities for specialization in, and interaction between, socioeconomic, research, education, and technology activities. It is true that other costs of operating in the megacity may outweigh economies of scale and force firms to move. In many cases, the move is to a location just outside the main city, but still in the EMR, where the firm may still enjoy some of the benefits of the megacity as transport and service linkages to the central city improve and new commercial subcenters form. In other cases, it may be to different parts of the country. There is evidence that this is occurring – for example, in the Philippines, Cebu competes with Manila, and in India, Bangalore competes with cities such as Bombay, Calcutta, and New Delhi.

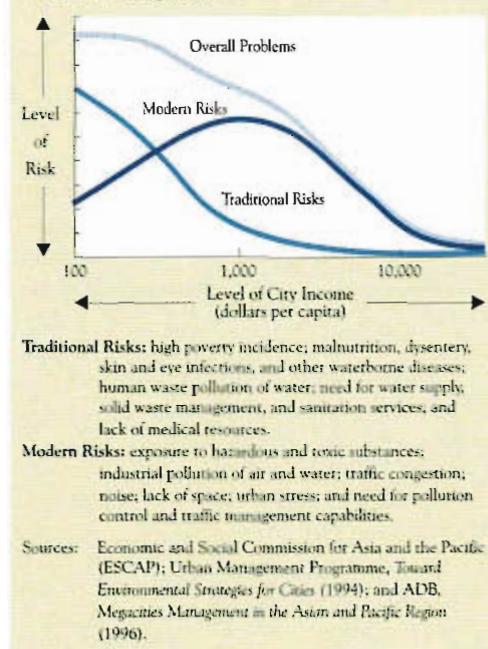
Impacts of the Global Economy

There are two broad characteristics of the global economy impacting on Asia's megacities. First, the development of international markets for goods and services is being encouraged by the World Trade Organization, large free trade zones such as the Asia-Pacific Economic Conference (APEC) and the Association of Southeast Asian Nations (ASEAN), and the creation of special economic zones in countries such as the PRC. At the same time, decisions on location by multinational firms are increasingly based on a comparison of labor and other costs across a range of potential host countries. Such decisions are also influenced by the qualitative attractions of alternative locations, as well as long-term economic prospects for the country, investment incentives, the regulatory climate, good governance, and political stability.

Second, there is an emergence of information-based industries, particularly financial services, as well as producer services, research and development, media, and the headquarters of large companies. This trend goes hand in hand with new techniques for the faster diffusion of data and information. It might be expected that, given advances in communications, such services would be located in more dispersed patterns, but in fact the attractions of agglomeration economies and an innovative environment are major forces in favor of a city location, particularly megacities. Agglomeration trends are, however, taking new forms. While information-based industries, particularly those with a strong international orientation, will prefer a central location, other more traditional service industries may prefer cheaper locations in the suburbs or elsewhere in the EMR. This is happening in JABOTABEK, where industries are locating near existing towns on the outskirts of Jakarta.

Despite these new influences, the informal sector is still very important in many megacities. The role of the informal sector raises long-running

Figure 2: Quality of Life Risks in Asia's Megacities



arguments over the "terms of trade" between the urban and rural sectors and the function of migration into the megacity. It has been argued that subsidies available for manufacturing, along with protectionist national economic policies, have lowered returns to agriculture, leading to an urban-rural wage gap which has encouraged urban migration and resulted in excessive urban unemployment. Recent data show, however, that rural incomes are not uniformly below urban incomes, that informal sector incomes are not always lower than formal, and that the majority of migrants to the city do improve their standard of living. Policies must ensure market-oriented terms of trade between urban and rural areas and remove distortions that adversely affect rural-urban migration. The current trend to open up economies to market forces will help to reduce urban-rural wage differentials.

Quality of Life in Megacities

Megacities in DMCs present an extremely varied picture of urban living. In the more prosperous countries, megacities are providing, for many of their population, living conditions and lifestyles of a similar standard to equivalent cities in developed countries, with the emergence of a middle class concerned not only with education, health and social services, but also with an increasing awareness of environmental issues. These megacities are in a transition from traditional quality-of-life risks such as waterborne diseases and lack of medical resources, to modern risks such as air and industrial pollution and stress-related illnesses (see Figure 2). The megacities of the less-prosperous countries, particularly South Asia, present a difficult picture of extensive poverty, among others, with inadequate living conditions particularly for the poor.

The quality of life in megacities, as elsewhere, includes concepts which can be measured to some degree, i.e., freedom from hunger, capacity to live a healthy life, access to education, shelter and basic services such as water supply and sanitation, and a secure and pleasant environment at home and at work (see Table 2). Others, which are more difficult to measure but which are equally or more important to the household, include family stability, absence of vulnerability, and involvement in the citywide community. While there is generally less poverty in urban than rural areas, nevertheless urban poverty is a major factor in megacities, particularly in South Asia. Other measurable indicators of health, nutrition, water supply and sanitation, shelter, and education are all more favorable in urban than in rural areas. However, the quality of life in megacities is often severely affected by other problems such as high cost of living, long journeys to work, pollution, and crime. Such problems affect the urban poor in particular.

Megacities mean different things to different people. For individuals and families in rural areas, they represent the prospect of jobs, better schooling and services, and the chance to live fuller and more satisfying lives; and many will join the ranks of migrants to the cities. Many of the urban poor will have realized some of these ambitions, but often at the cost of living in makeshift homes and struggling to make ends meet. For richer families, living conditions may be on a par with the best in developed countries, with the opportunity to live in separate neighborhoods and as far as possible

insulated from the stresses of the rest of the city. For local and, increasingly, international companies, well-managed megacities will offer some of the best locations to do business.

Part II: Development Challenge of the Megacities

Evolution in the Next Thirty Years

The level of urbanization in Asia will increase sharply over the coming decades. The urban population is forecast to more than double from about 1.1 billion to about 2.5 billion by the year 2025, by which time Asia will contain half the world's urban population. While the Asian and Pacific region's level of urbanization at present is relatively low compared, for example, with Latin America, the level is forecast to reach almost 53% by 2025. A majority of Asia's new urban residents will be living in six countries: Bangladesh, PRC, India, Indonesia, Japan, and Pakistan. In addition to Asia's nine existing megacities, 11 more, including Bangalore, Bangkok, Dhaka, Hyderabad, Karachi, Lahore, Madras, Manila, New Delhi, Shenyang, and Yangon will have reached megacity status. Of the total projected 20 megacities, half will have populations of 20 million or more, and ten will be in South Asia (see Figure 3, page 30).

What is the vision of megacity life over the next 30 years? While megacities can be expected to dominate the economic transformation of

Table 2: Quality of Life Indicators in Selected Present and Future Asian Megacities

Indicator	Bangkok	Calcutta	Dhaka	Jakarta	Karachi	Manila	Seoul	Shanghai
Poverty								
1. Poverty incidence ^a (percentage of population)	15	33	50	34	30	15
2. Percentage of income spent on food ^a	36	60	63	43	43	38	12	14
Environment								
3. Floor space/person (m ²) ^b	16	...	3.7	10	7	12	13	...
4. House price to income ratio ^b	4.1	...	6.3	3.5	1.9	2.6	9.3	...
5. Air pollution; average number of days over acceptable level ^c								
a) Suspended particulates	97	268	...	173	133
b) Sulphur dioxide	—	25	24	87	16
6. Percentage of water service coverage ^d	75	64	65	40	83	75	100	100
7. Hours of water supply/day ^d	24	10	6	19	4	16	24	24
8. Percentage of solid wastes collected ^d	95	60	50	70	36	82	90	65
Social								
9. Infant deaths per 1,000 live births ^c	27	46	108	45	65	36	12	14
10. Percentage of children in secondary school	71	49	37	77	65	67	90	94
11. Public safety (murders/1,000 population) ^c	7.6	1.1	2.4	5.3	5.7	30.5	2.5	1.2
12. Ambient noise level (scale 1-10) ^c	7	4	4	6	9	4	7	4
13. Telephones/1,000 population ^c	12	2	2	3	2	9	22	4
14. Average traffic speed at rush hour (km/h) ^c	21	21	34	26	28	12	22	25

... Data not available.

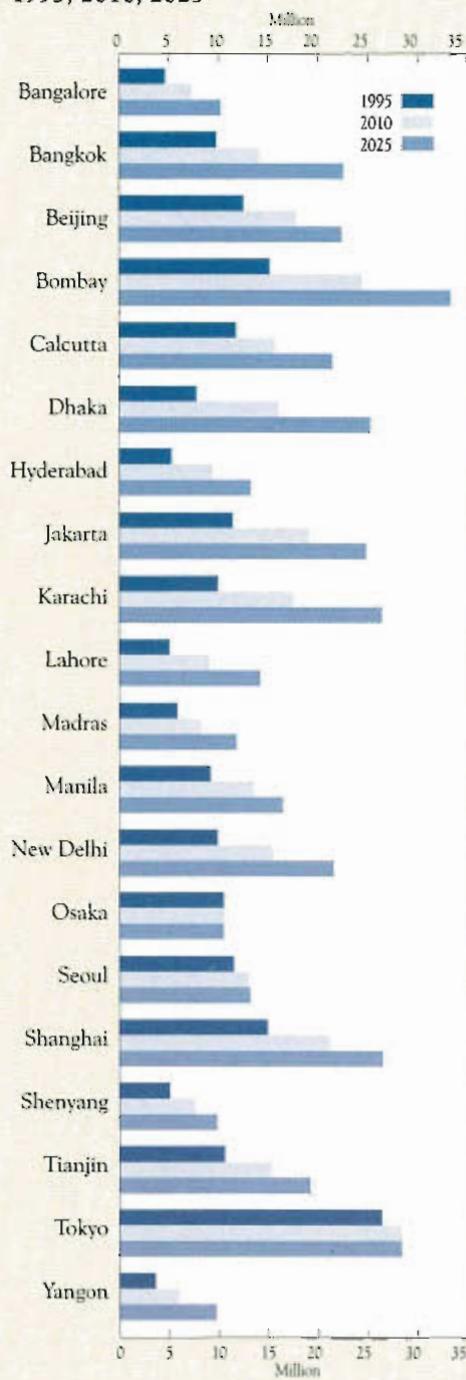
Sources: a ADB estimates prepared for the Study on Emerging Asia (1996-1997).

b United Nations Centre for Human Settlements (1990).

c Population Crisis Committee, 1990. "Cities: Life in the World's 100 Largest Metropolitan Areas." Washington, DC.

d ADB, 1996. "Megacity Management in the Asian and Pacific Region."

Figure 3: Population of Asian Megacities, 1995, 2010, 2025



Sources: United Nations Development Programme, World Urbanization Prospects, 1994 session; and UNDESA estimates. Populations are for the extended metropolitan regions.

Asia, the quality of life for their residents will be very much related to the quality of their management. This is not to say there are no fundamental questions. For example,

- To what extent will megacities continue to grow?
- How can adequate housing be provided when land costs are so high?
- Can megacities be beneficial to the environment as well as to the national economy?
- Can traffic congestion and long travel times be avoided?
- Can sufficient funds and cost recovery be mobilized to deliver adequate quality of life and sustainability?

While these questions cannot be answered fully as yet, there are many lessons of experience and best practices that can be used to meet the needs of the Asian megacities in the 21st century.

Economic growth should be the starting point for meeting the development challenges for the megacities. At a time when the radical changes being brought about by the global economy are only starting to impact on Asia, it is difficult to make long-term forecasts. However, based on the extrapolation of existing trends, economic growth in the high-income countries of the region is likely to slow down somewhat as the gap between their economies and that of the developed countries narrows. Growth in the ASEAN region will continue, perhaps at slightly slower rates than in the past decade. The economic prospects for South Asia may improve significantly because of demographic changes (substantial increases in the proportion of working age population) and economic liberalization. Given the clear links between urbanization and economic growth, it is inevitable that megacities will continue to grow. Part of this growth is predetermined by the natural increase of the existing urban population; the critical variable is the extent to which rural areas in Asia can absorb any more population growth, and the resulting impacts on rural-urban migration.

The future structure of megacities, and the priority for interventions to move toward quality-of-life goals, can be analyzed in three broad stages along the path to full urbanization (see Table 3, pages 32-33). In the first stage, typified by megacities in South Asia, the emphasis of interventions will need to be on meeting the urgent needs of water supply, health and nutrition, education, small-scale credit, and basic traffic management. In the second stage, typified by megacities in the ASEAN countries, the emphasis will switch to addressing the problems resulting from rising affluence, such as traffic congestion and pollution of all kinds, as well as the need to make large investments in water supply and sanitation, wastewater treatment, flood control, and urban transportation systems. There will also be a need to begin to structure the evolving EMR through strategic land use and transport planning, to create an efficient land market, and to generate new funding mechanisms and user charges to tap the increasing wealth. In the third stage, the emphasis will be on consolidation of urban services to meet high environmental standards, redevelopment of inner city areas, investments in public transportation, and the use of market mechanisms and other techniques to ensure sustainability.

Future Form and Structure of Megacities

While it is difficult to predict the impact on urban form of new technologies, the general trend is likely to be toward dispersion of urban areas and the further growth of EMRs, as has happened in developed countries such as Japan and the United States (US). Environmental constraints will increasingly affect growth. For example, megacities such as Bangkok, Dhaka, and Jakarta are situated on low-lying extensive plains, increasingly subject to flooding, ground and surface water contamination, and subsidence. Strategic guidance should be provided for the future expansion of urban land uses in the EMR, as well as for the future of the existing built-up area (see Box 1, page 34). Such guidance will need to use infrastructure-led planning to encourage urban growth into areas where development costs are low and key natural resources and ecological assets will not be affected.

Urban land uses in EMRs are likely to consist of extensive areas of low-density housing and commercial buildings, with higher densities along road corridors leading from the central built-up area. In addition, several higher-density subcenters are likely to emerge at key points, such as main road intersections that, over time, may grow to become more self-sufficient urban centers. Agricultural land near megacities will shift to horticulture and market gardening as farmers aim to meet the needs of large and growing urban markets. While urban growth in the EMR may not resemble a planned and tidy city, it will be a cost-effective way for low-income families, real estate developers, and the public sector to gain access to affordable land and at least a minimum level of services which can be upgraded over time. Mass transit systems may be introduced late in the second stage of megacity development, and can help to structure the EMR. There will be continuing risks of environmental damage, but these may decline as industry and the community begin to understand the ways in which such protection can be introduced, which do not excessively add to the costs of the business concerned. Within the main built-up area of the megacity there will continue to be extensive areas of low-income housing and commercial activities coexisting with high-income housing and high-rise offices. Over time, however, most of these low-income areas are likely to be forced out as inner city land values rise, and the land is converted to commercial use.

Although many aspects of megacity development are unique to Asia, lessons can be learned from industrial countries. In addition, megacities at different stages in growth can utilize best practices from each other. For example, Asian megacities will do well to note the impacts of neglecting the needs and affordability of inner-city communities, and the resulting social and economic impacts of depopulation in terms of crime, dereliction, and other costs common to cities in developed countries. Asian megacities are following trends observed in the developed countries for the extensive redevelopment of downtown areas to provide office facilities to meet the needs of producer-service complexes; this has already happened in Singapore, and is beginning in other megacities such as Bangkok. In planning for such redevelopment schemes, a mix of uses should be encouraged, to include residential apartments as well as shopping, office, and entertainment floor space, in order that the area can enjoy 24-hour use and avoid the emptying of the central area so common in cities in developed countries. Developed countries may offer lessons on the impact of new information technologies

Table 3. Stages and Levels of Megacity Development

Sector	First/Low ^a (\$1,000 and less)
Economy	Trade and transport-oriented; moderate industry Informal sector dominant
Population and labor force	Small middle class; very young population
City structure	Single or only a few centers
Settlement pattern	Predominantly informal settlement
Transport	Substantial walk and bicycle-to-work; bus transport predominates Traffic management through road design and intersection control; para transit dominant Public transport often subsidized
Water supply	Substantial dependence on groundwater, piped water of poor quality, high unaccounted-for water Groundwater table drawn down in high-use areas
Sanitation	Most wastes domestic; reliance on on-plot and surface drainage; provision of central sewerage constrained by affordability
Drainage	Flooding occurs but substantial natural retention reduces peaks; main drainage through natural watercourses
Solid waste disposal	Open dumping; mixed wastes
Urban poor	Lack secure land tenure; live in unimproved slum areas; suffer from waterborne diseases
Health	Traditional health risks – waterborne diseases; indoor air pollution; inadequate medical measures
Pollution	Problems from inadequate sanitation and raw domestic sewage Severe problems in some cities using soft coal; indoor exposure for poor Hazardous waste management Nonexistent capacity
Disaster	Recurrent disasters with severe damage and loss of life
Planning	Uncontrolled land development and use; squatter settlements
Finance	Low cost recovery for water supply and public transport; low property tax rates (0.05% of property value and less); dependence on government finance
Institutions	Weak local governments; central/provincial government agencies dominant role in planning and development; poor operation and maintenance; poor coordination
Land value	High in areas with infrastructure
Investment priority	Water supply, low-cost sanitation, slum improvement

^a Bangladesh, India, and Pakistan.^b People's Republic of China, Indonesia, Philippines, and Thailand.^c Japan and Republic of Korea.

Stage/Level of Income (per capita city GDP in \$)	Second/Middle ^b (\$1,000–\$10,000)	Third/High ^c (\$10,000 and more)
Increasingly industrialized but secondary centers developing		Substantially industrialized but some industries moving to lower-cost locations
Moderate impact of global economy		Strong impact of global economy
Substantial middle class; young population		Large middle class; aging population
Several to multiple centers		Multiple centers
Mixed formal and informal settlement – growth of extended metropolitan region		Predominantly formal settlement; redevelopment of city center
Private car and bus predominate, mass transit being introduced		Private car, bus, and mass transit
Traffic jams emerging; management involves separation of public and private transport; introduction of mass rail transit		Traffic restraint schemes become essential; further development of mass rail transit
Public transport profitable; public-private partnerships established		Fiscal mechanisms used to support traffic restraint
More dependence on piped water, 24-hour potable water supplies achieved in higher-income cities		Almost total availability of high-quality piped water
Initial efforts at groundwater management to prevent decline in and pollution of groundwater		Effective management of groundwater
Increasing volume of industrial wastes; pollution control mechanisms vary in effectiveness; central sewerage coverage expanded		Pollution control mechanisms much more effective; central sewerage and sewage treatment for most wastes
Severe flooding as natural retention is lost, substantial construction of manmade rivers		Flooding reduced in frequency
Mostly uncontrolled landfills; mixed wastes		Controlled landfills
Land tenure regularized; slums improved; diseases reduced; but journey-to-work time up to two hours		Some redevelopment occurs; some of the poor are rehoused in apartments; journey-to-work time reduced as public transport becomes more efficient
Transition to modern health risks; transport and industrial pollution; urban stress, cardiovascular diseases		Emphasis on old age-related diseases
Severe problems from untreated industrial discharges		Overall treatment of municipal and industrial discharges improving
Severe problems from soft coal, manufacturing and/or vehicle emissions		Use of clean-burning fuels helps reduce emissions
Severe problems from uncollected wastes		Pollution control measures implemented and growing capacity to alleviate risks
Recurrent disasters with damage and loss of life		High risk from industrial disasters
Some environmental zoning practiced		Effective land use controls
Full financial cost recovery for water supply and public transport; property tax rates increased (0.05–0.5% of property value); some financing from the private sector		Full economic cost recovery for water supply and public transport, property tax rates of 0.5–1.5% of value; most financing from the private sector
Decentralization and local government strengthening under way; special-purpose agencies created; coordination mechanisms improved		Use of bonds/access to other sources of funds
Very high, particularly in areas with infrastructure, due to overall shortages in the supply of serviced land		Full decentralization accomplished; coordination achieved through well-designed institutional and fiscal arrangements
Roads; water supply; drainage; sanitation; slum improvement		High but growth slowing down as infrastructure provision catches up with demand
		Roads; mass transit; water supply; drainage; sewerage; sanitation; redevelopment

Box 1. Strategic Development of Metropolitan JABOTABEK¹

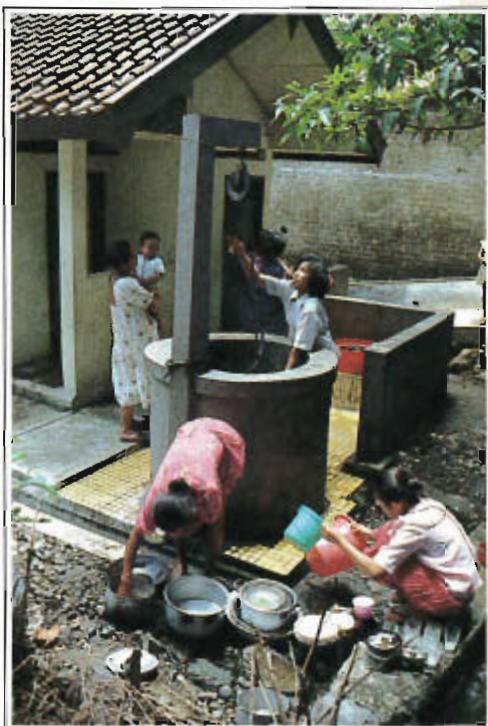
METROPOLITAN JABOTABEK, which comprises the capital city of Jakarta and five adjoining local governments, is an example of an extended metropolitan region. It contains the largest concentration of industries in Indonesia, as well as the headquarters of many companies, banks, trade and service outlets, and transportation facilities. It also contains a large amount of agriculture. Private land developers play a substantial role in the development of JABOTABEK. In 1995, the region's gross domestic product per capita was \$1,525, more than twice the national average. It has an urban population of about 12 million, expected to rise to about 25 million by 2025.

The region displays a diversity of quality of development. The larger urban centers, focal points on toll roads, and new residential estates where the private sector has been active, have reasonably good roads, drainage, water supply, and other infrastructure, while the smaller towns and older inner city areas are less well equipped. The following problems are evident:

- urban growth in watersheds and flood plains has resulted in frequent flooding and increased pollution;
- overpumping of groundwater has led to saline intrusion and surface subsidence;
- piped water supplies cover only 40% of the population;
- only about 70% of wastes are collected (although there is a significant amount of recycling);
- there is increasing air pollution, particularly suspended particulates;
- demand for movement currently outstrips supply, leading to congestion and high costs for the movement of people and goods; and
- high-density slum areas exist where settlement has occurred but infrastructure has not been provided.

In the early 1980s, the Government of Indonesia drew up the JABOTABEK Metropolitan Development Plan (JMDP), which became the principal mechanism for the coordination of strategic investment in JABOTABEK. The JMDP contained three key innovations: (i) emphasis on strategic guidance of development, through placement of major infrastructure, rather than overly restrictive (and unenforceable) controls; (ii) a more environmentally sound east-west alignment for future development of the metropolitan area, to avoid further pollution of the aquifer recharge areas in southern Jakarta, and to minimize high development costs in the environmentally sensitive wetlands and poor soil in the northern coastal areas; and (iii) improvement of metropolitan institutions, particularly the local governments.

With JMDP, a well-integrated metropolitan region with as many as 10–12 urban centers is emerging. Without it, development would have been chaotic. The ADB, World Bank, Overseas Economic Cooperation Fund of Japan, and other international assistance agencies have helped in the development of the area. In 1991, ADB approved an \$80 million loan to help improve water supply, drainage, sanitation, roads, and slum areas in the small and underdeveloped towns outside Jakarta. In 1996, the Bank provided another loan of \$80 million to help in the provision of integrated urban infrastructure in the rapidly growing cities that are now becoming closely linked to Jakarta. The new project emphasizes implementation by the local governments, development of public-private partnerships, and sustainable ground and surface water resource management. During preparation of this project, the JMDP was updated, with emphasis on a better-integrated transportation system and development of a network of urban centers.



New water wells in Indonesia's low-income urban areas have been constructed under various Bank loans.

¹ Jakarta, and the municipalities of Bogor and Tangerang as well as the districts of Bogor, Tangerang and Bekasi.

and energy saving on urban forms that are now being developed, especially in Europe.

Megacity Management

At their best, megacities – as centers for the arts, sciences, and innovation – offer efficient business conditions, provide a better standard of services than in rural areas, allow a variety of cultures to coexist and thrive, and provide a diversity of experience to all. At their worst, where city management is overwhelmed by headlong growth, the quality of life is diminished for everyone, in particular the urban poor, by growing pollution and congestion, increasing crime and social dislocation, as well as a range of environmental failures including increased flooding, groundwater deterioration, loss of high-quality agricultural land, and often an environmental “shadow” over the surrounding region. Without better interventions to address these major problems, megacities will become even more congested, polluted, unhealthy, expensive, and socially divided. A downward spiral will follow if inward investment is deterred: the megacity’s comparative advantage will disappear, the tax base will diminish, and there will be correspondingly fewer resources to manage the growing problems.

Can the problems be overcome? In nearly all cases the fundamental gaps between demand and supply are management-related, i.e., problems of good governance, absence of clear development policies and coordination, poor management of assets and services, and inadequate financial and regulatory capacity.

Based upon experience around the world as well as in the region, a new vision has begun to emerge, based on the following initiatives: (i) a shift in the role of governments from being service providers to facilitators of services provided by others; (ii) a move toward decentralization and strengthening of local governments; (iii) provision of services such as water supply and public transportation on a profit-making basis, through public-private partnerships wherever possible; (iv) development of access to private capital through better financial management, improved regulation of markets, and enhanced cost recovery; and (v) management of development through the phased provision of infrastructure within well thought-out strategic plans. The technical know-how exists to deal with the most urgent needs, be they basic needs in the poorer megacities of South Asia, or the higher-level services in the richer megacities of Southeast Asia.

Improving Governance

Most Asian megacities have grown and diversified well ahead of the capacity of existing institutions to manage their growth. Historically, they have been governed under a variety of institutional structures, including provincial status in Beijing, Jakarta, Shanghai, and Tianjin; two-tier systems in Manila and Tokyo; and a combination of local government and development authorities in Bombay, Karachi, and New Delhi; and intermunicipality arrangements in Calcutta. The experience of these cities has been mixed: where control of higher levels of government was relied on, as in Karachi, development efforts suffered from a lack of responsiveness to local needs; where local governments were relied on, as in Calcutta, progress was

often slow; in all megacities, development of local governments, metropolitan institutions, spatial planning, and arrangements for coordination have lagged behind needs.

The institutions necessary to manage a megacity are typically held back in their development by a lack of a clear delineation of their responsibilities, combined with a lack of necessary human and financial resources. It is widely agreed that there is a need to strengthen local governments. This will require sustained action, since they are large, complex, and have a broad range of responsibilities. Some success has been achieved in Asia in the creation of special-purpose agencies, able to operate in a market environment, such as the Metropolitan Waterworks Authority in Bangkok.

Most DMCs have embarked on programs to strengthen their local governments. One of the most comprehensive recent efforts has been the enactment of the Philippines Local Government Code of 1991, under which local governments were given increased autonomy, more responsibilities for provision of services, and greater access to financial resources. Following enactment of the Code, Manila's local governments increased their development activities substantially. Before the Code, local governments had limited access to funds, but now they have been able to improve their financial position and to seek credit from public and private financing institutions. In Metro Manila, Mandaluyong, Muntinlupa, and Quezon City have all secured loans and credit lines, and others are about to enter into similar arrangements.

The emerging global economy, new communications technologies, and environmental concerns all have major impacts on the management functions and spatial forms of the megacity. In many cities, there is a growing web of interest groups in business, local communities, environmental management, and other sectors that increasingly wants more say in policy development. In addition, the increasing concentration of national economic development and urban population in EMRs suggests that there may be a resurgence of interest in regional institutional structures. Because of the nature and scale of the megacity, especially where it is developing in the form of an EMR, there is a strong need for horizontal coordination of public and private actions involving options such as metropolitan-wide institutions for specific sectors, more formal groupings of local governments, and other forums that allow public and private interest groups, including nongovernmental and community-based organizations, to work together on the key issues. Governance issues are now being given more focused attention in Bank operations following the adoption of a good governance policy, incorporating transparency, accountability, predictability, and beneficiary participation.

Market-based Approaches to Service Provision

An important tool in promoting economic efficiency is the use of market-based approaches involving competition in the provision of services. Services such as solid waste management, public transportation, and water supply can often be provided by the private sector, perhaps at a lower cost than by the public sector. Appropriate regulation and pricing of the use of groundwater can reduce overuse and depletion of the groundwater table, and encourage use of piped water supplies that may have less environmental

impact. Where price incentives are used to reduce the use of less-efficient vehicles, such as in Hong Kong, the overall level of service and accessibility can be maintained even where road space is limited. Governments must adopt economic pricing policies and ensure that subsidies, to the extent they are necessary, benefit those for whom they are intended. Where land markets function well, affordable housing will be provided by private developers for most of the population.

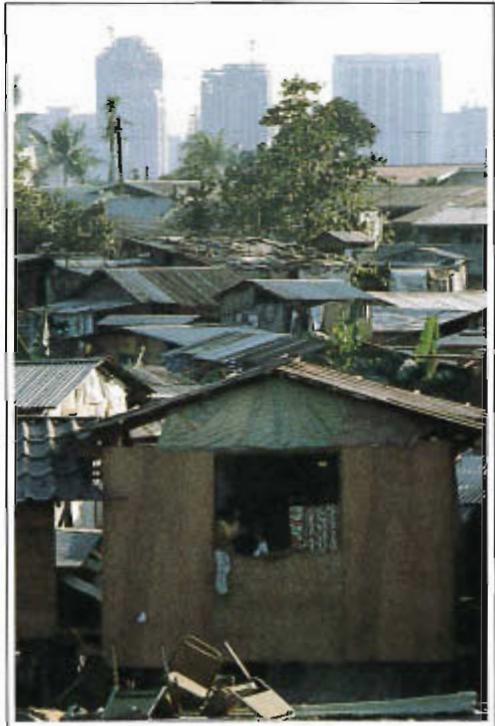
Public-Private Partnerships

The complexity and scale of megacities call for experience in technical and management matters that can in many cases be better provided by the private sector than the public sector. The type of cooperation will depend on local conditions, but in general the comparative advantage of the public sector is in setting goals and strategies for service delivery, and in planning, regulation, and protection, while that of the private sector is in the operation and maintenance of the services. Private sector involvement in the delivery of urban services such as water supply, sewerage, toll roads, and public transportation is likely to be contracted or delegated, rather than ownership-based. Public-private sector cooperation can also be achieved in land development, whereby the public sector addresses modernization of land administration and new forms of land development mechanisms, and where the private sector is involved in the provision of offsite infrastructure. Enhanced participation of the private sector in the potential areas will require the development of appropriate incentive systems and legal and regulatory frameworks, an area where there is a role for the Bank as a catalyst.

Improved community involvement in decision-making on policies and programs, as well as responsibility for the provision and maintenance of local infrastructure, is also essential. Over the last several decades, many cities have experimented with the development of neighborhood or community organizations, which are consulted on matters such as planning of new development, implementation of infrastructure improvement, and implementation of tariff or tax increases. In addition to such formal public sector community organizations, there are often informal, or private sector community organizations, which may participate in urban development, including chambers of commerce and industry, religious associations, and associations of slum dwellers. In many DMCs, programs are being developed under which community organizations can be responsible for their own infrastructure development. Over the next decade or so, it is anticipated that the participation of community organizations in the sector can be strengthened – through the development of procedures for their involvement in decision-making, and of programs to support their involvement in the direct provision of services.

Improving Economic Efficiency

Improving the economic efficiency of the megacity is a high priority. This need not necessarily be obtained at the expense of sustainability. The key objective is to reduce operating costs for industries serving both



The causes of, and remedies for, urban poverty are complex.

national and international markets. This requires a joint public-private approach to improving serviced land supply, improving transport and communications links, ensuring reliability of energy and water supplies, delivering satisfactory waste management and drainage, improving the quality of labor markets, and improving information systems on land, finance, and other elements of the megacity economy. Incorporating the resources of the informal employment sector into the citywide economy will be important, especially in the South Asian megacities where "informal" employment accounts for some three quarters of all jobs. A priority will be to make market entry easier for the small business through better security of tenure, access to land, and credit, and modification of regulations to allow mixed use of land, and affordable planning and building standards. In addition, megacities need to adopt an entrepreneurial approach in promoting themselves to potential investors, requiring a joint approach by city administrators and the private sector, as is now happening in Manila.

Reducing Poverty

The causes of, and remedies for, urban poverty are complex and cross-sectoral. While economic growth is fundamental for reducing poverty, there are other direct intervention strategies that can help the poorest households make better use of their main resource – their own labor. Programs of primary education and health care, which have been shown to give high social rates of return; training programs; use of labor-intensive public investments; promotion of urban small-scale credit, which can mirror the success of the rural-based Grameen Bank in Bangladesh; nutrition programs; slum improvement programs, possibly including cross-subsidy elements; and provision of secure land tenure, are all needed in a multisector approach to the problem. The Bank has a prime objective of reducing poverty in Asia, and is addressing the problem as an integral part of its policies on health, population, education, and other sectors.

Efficient Use of Energy

The more efficient use of energy in megacities is another example of the need for cross-sectoral development strategies that can help sustainability. The use of energy pricing and taxation, for example fuel taxes, can have a strong impact on reducing congestion and pollution, as in Hong Kong and Singapore. The promotion of denser forms of residential expansion attractive to public transport operators can reduce overall energy use in transport. Policies that encourage the use of cleaner fuels can bring major reductions in air pollution, as is being done in Bangkok. Such innovative energy policies are still at a very early stage in Asia, but over the next decades may bring substantial benefits.

Improving Rural-Urban Linkages

The growth of megacities is blurring the distinctions between urban and rural development strategies. In EMRs, for example, changes in agricultural practices, the growth of seasonal migration to the city, better

access to major urban markets, and working part time in "urban" and part time in "rural" occupations, are all examples of opportunities for a more integrated approach to regional development around the megacity. The infrastructure of a megacity, which may extend for hundreds of kilometers into its hinterland, can benefit the residents of nearby rural areas. This strategic approach is being followed in the JABOTABEK region of Indonesia, in which interventions are used to support the growth of subcenters in the EMR, both as counterbalance to the growth of the central urban area, and as centers for the provision of market, financial, technical, and social services to the surrounding rural areas.

Providing Water Supply and Sanitation

The methods of obtaining and using water in DMC megacities are varied, ranging from complete reliance on piped water supplies, to use of a mixture of piped water and other water sources, to complete reliance on sources such as wells. Only a portion of the population of most megacities have a source of potable water, and the rest need to protect themselves by disinfecting, boiling, or filtering their drinking water, or by buying it in containers. The lack of potable piped water in most megacities in the region has led to a substantial incidence of waterborne diseases – in both the poorer cities and in the poorer areas of the better-off cities. Water-related problems in megacities include low reliability of supply, poor quality, uncontrolled tapping of groundwater, inadequate access to piped water, and little provision for wastewater disposal. While the institutional performance of water utilities varies across the region, the shortcomings are generally related to inadequate autonomy in decision-making and staffing, high levels of unaccounted-for water (e.g., 55–60% in the case of Jakarta and Manila), and the need to improve financial performance through efficiency gains and tariff restructuring.

While water supply improvements have enjoyed a fairly high priority in most megacities, sanitation has lagged behind. In some of the South Asian cities, substantial investments have been made, but institutional weaknesses and a lack of cost recovery have held back further development. Until recently, the focus was primarily on human wastes, but now industrial pollution is becoming a problem and there is a need to address such problems. This is being done in Katachi (see Box 2, page 40). Central sewer systems are affordable for a majority of the population only where incomes exceed \$1,000 per capita; hence, the poorer cities have to prioritize their activities carefully. A phased approach for the provision of water supply and sanitation could be followed (see Figure 4, page 41).

In the context of increasing demands and the need to tap resources further from the city core, integrated water resource management has become a serious issue. Realistic pricing of water, based on the concept of water as an economic as well as a social good, can be effective in demand management. Combined with measures to reduce unaccounted-for water, water conservation and more widespread recycling and reuse of treated water in both industry and agriculture, can reduce pressure on scarce water resources.

Box 2. Korangi: The Forgotten Industrial Area of Karachi

THE ALMOST 10 million people of Karachi are frequently exposed to health risks and unpleasant environmental conditions due to the shortcomings of industrial and municipal wastewater management. Particularly in low-income slum areas (*katchi abadis*) and industrial areas, raw sewage flows in gutters, open drains, and dry river beds, exposing the inhabitants – particularly the urban poor, women, and children – to diseases. To alleviate the problem, the Karachi Water and Sewerage Board (KWSB) began in 1986, with Bank assistance, to improve sewerage and to construct oxidation ponds to purify wastewater. When sewage treatment works constructed under three Bank loans became operational, polluted coastal waters gradually began to recover. Soon the bulk of Karachi's sewage will receive biological treatment, except in the forgotten industrial area of Korangi, an area which covers about 20% of Karachi and is home to nearly 1.5 million people.

In the 1950s, Korangi was developed with estates of low-cost tract housing for immigrants from India. In the 1960s, a railway line was constructed, and large industries began to move to Korangi. Now about 2,500 in number, these industries are dominated by leather tanneries and chemical, textile, pharmaceutical, and food-processing factories. The industries provide employment to residents, but release noxious and hazardous industrial effluents. Their wastewater is laden with lead, mercury, chromium, selenium, toxic halogenated organic compounds, and a variety of other dangerous chemicals. In North Korangi, farmers who had irrigated vegetables and livestock fodder using water from the Malir River began, as the river dried up, to use raw sewage for irrigation water. Although the nutrient-rich sewage produces a larger, denser, and faster-growing crop, industrial toxic wastes find their way into the sewage, and are taken up by the vegetables, posing a severe health risk to all who consume them. Korangi's sewers were almost totally destroyed by a 1977 flood of the Malir River, and have not been repaired properly. Flood protection bunds have been constructed, but excavated openings allow raw sewage to flow into the dry river bed, coastal estuaries, and the sea.

In response to proposed industrial effluent standards, Korangi industrial associations formulated their own plans to control industrial wastes to meet environmental standards, and initiated studies to assess wastewater treatability. Funding was obtained for heavy-metal recovery plants and pretreatment facilities, after calculations showed recovery of metallic wastes and chemicals from industrial effluent would become commercially viable and self-sustaining.

KWSB requested the Bank to consider Korangi for investment, and hired consultants to design a trunk sewer and oxidation pond to convey and treat Korangi's domestic and industrial sewage to meet effluent standards, including complete replacement of the sewerage network, institutional strengthening, and staff training. The Project, to be appraised in 1997, is expected to result in capacity building and construction beginning in 1999. Capacity building in KWSB will focus on improving (i) environmental management, (ii) financial management, (iii) operator skills, (iv) community relations, and (v) private sector involvement in service provision. By the year 2003, Korangi residents and industries alike will benefit from sewage collection and treatment, and improved quality of coastal waters. Korangi industrial associations may become involved in wastewater operation and maintenance, or outright ownership of the Korangi portion of KWSB's assets. After more than two decades of neglect, Korangi will have finally been remembered.

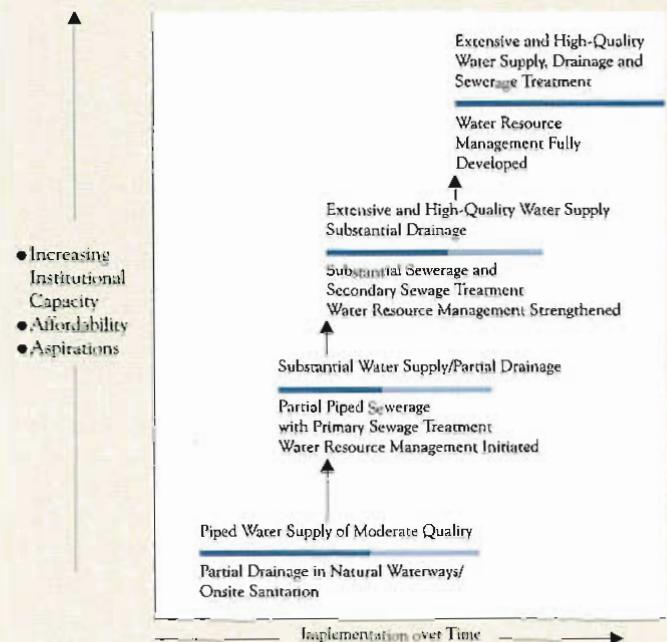
Environmental Protection

Many of the most pressing problems of Asian megacities concern environmental deterioration, and the consequent impact on sustainable urban development and quality of life. On a regional scale, air pollution produced by megacities may affect nearby agriculture and forest reserves; waterborne and solid wastes, unless reduced and/or treated, adversely affect water resources and fisheries, as is now happening in the Gulf of Thailand; and construction may increase runoff and soil erosion. The environmental problems of Asian megacities relating to severe depletion of water resources and serious pollution of land, water, and air are well documented. With a low level of sewerage and substantial discharge directly to surface drains or into deep pits, the situation is becoming potentially epidemic causing in many megacities. Such liquid waste problems are compounded where solid waste collection and disposal are inadequate. Excessive use of groundwater in coastal cities such as Jakarta, Karachi, and Manila is leading to saline intrusion. Virtually all surface waters in Asia become severely degraded on entering urban stretches of waterways, the main cause being industrial wastewater. The experience of Seoul indicates that this can be cleaned up.

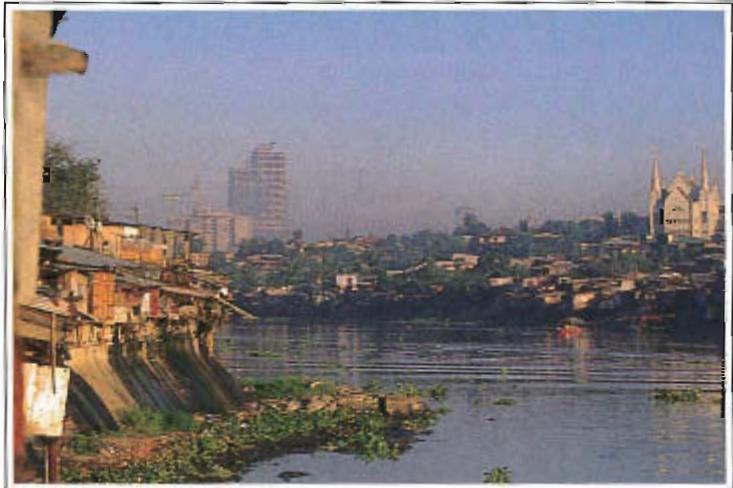
Air pollution is seriously affecting environmental conditions in the region's megacities – with Beijing, Calcutta, Manila, New Delhi, and Shanghai being among the most polluted cities in the world – and is also causing vegetation damage by acid rain. The economic impacts of pollution, in terms of loss of productivity and health costs in urban areas, have been estimated to range between 1% and 5% of their GDP.³ Besides economic costs, there are other significant impacts of air pollution, such as ill health, loss of work, loss of amenities such as the enjoyment of a natural area, and lost leisure time spent in traffic jams. The technical solutions to pollution problems are, in general, available, and studies show that both industries and households are often willing to pay for these solutions. The question has to be asked: why are remedial measures not being taken at a scale to reduce such serious pollution levels in Asia's megacities? The answer may lie in the policy, institutional, and market failures that affect the environment sector.

The environment of the megacity and EMR is at the heart of the issue of sustainable urban development, and policies and strategies to move toward this objective need remedial actions to overcome existing environmental

Figure 4: Stages of Water Supply and Sanitation Development in Asian Megacities



³ Data to support this estimate can be found in Brandon, C. 1995. "Valuing Environmental Costs in Pakistan – The Economy-wide Impact of Environmental Degradation," a background paper for "Pakistan 2010 Report," Washington, DC: World Bank; China Academy of Science. 1989. Commission of Integrated Survey of Natural Sciences. *Data Report of Natural Resources in PRC*, Beijing; Ostro, B. 1994. "Estimating the Health Effects of Air Pollutants: A Method with an Application to Jakarta." Policy Research Working Paper 1301. Washington, DC: World Bank, Policy Research Department, Public Economics Division; Panayotou, T. 1992. *Green Markets: The Economics of Sustainable Development*. San Francisco: ICS Press for the International Center for Economic Growth; and World Bank. 1993. *Philippines Environmental Sector Study: Towards Improved Management of Environmental Impacts*.



Environmental deterioration is of particular concern to the Bank, especially as it impacts on the quality of life.

hazards, as well as preventive actions to forestall future environmental degradation. First, there is a need for clearer allocation of responsibilities for macro-level decisions, including pricing policies, institutional and management systems, and better use of regulatory systems. Second, the "polluter pays" principle is vital in enhancing environment-related services. Third, polluters need the right incentives to reduce pollution (see Box 3, page 43). While economic instruments have not been widely used in Asia, there are some successful examples, such as effluent charges in Malaysia and differential fuel taxes in Thailand. Fourth, many environmentally sustainable actions will only bring benefits in the long term. Many sector strategies designed to improve conditions, such as flood control and drainage, are capital-intensive, and do not lend themselves to user charges. Questions of equity arise, therefore, in terms of the proportion of environmental protection

that should be paid for by existing and future residents and businesses. Finally, while environmental problems in megacities are acute, their characteristics may present environmental management opportunities not available to smaller cities. For example, higher residential densities allow economies of scale in the provision of infrastructure; higher average urban incomes increase affordability and willingness to pay for environmental improvements; environmental education and public awareness campaigns can be effective because of higher standards of literacy and communications; and where megacities are competing for global investment, they are likely to give higher priority to environmental upgrading as part of the marketing effort.

Improving Transportation

While transportation has always been important to cities, it is critical to sustainable megacity development. The sheer scale of megacities puts enormous demands on transport systems capable of moving large volumes of passengers and freight at affordable costs. In most megacities, this demand is not met, leading to the familiar problems of congestion and long travel times (many of Manila's urban poor, for example, travel as much as two hours each way to get to their jobs). In most of Asia's megacities, plans have been prepared for primary road improvements, but few of these cities have well-integrated systems of primary, secondary, and tertiary roads. Also, many lack road space in their central core areas. In the early stages of their development, megacities need to improve their traffic management and support the development of an efficient public transport system, primarily based upon buses. At later stages of their development, bus systems can be linked to light rail transit systems, and eventually to new mass rapid transit (MRT) systems. Several Asian megacities are beginning to develop mass transit systems, planned to be extended to serve the EMR and act as catalysts for development of priority subcenters. Strategies to develop MRT in association with new commercial and/or real estate floor space, as in Hong Kong, can be part

of good planning, and the excess profits created by the change in land value can go toward the funding of the scheme.

Large-scale transport investment is characterized by long time frames for planning, design, and construction, as well as high costs. Such investment highlights other factors that are critical in overall megacity transport strategies, i.e., the links (or lack thereof) between land use and transport planning (see Box 4, page 44), and the roles of the public and private sectors at each stage of the transportation process. While private investors may be keen to develop new large-scale transport projects, ir

Box 3. Wastewater Management in the Bangkok Metropolitan Region

THE POLLUTION of water bodies has reached extreme levels in the Bangkok Metropolitan Region (BMR). The BMR, which contains about 80% of Thailand's industrial base, has an existing population estimated at almost 10 million and a projected population in 2025 of almost 23 million. The majority of household, commercial, and industrial wastewater in the BMR is discharged into the stormwater drainage system with no treatment, or with pretreatment only. In addition, the BMR contains pig farms with about 2 million pigs generating wastewater loads equivalent to about 6 million human residents. The existing wastewater generation from all sources within the BMR is about 4.5 million m³/day and will increase to about 6 million m³/day by the year 2015. The Government has recognized that the continued rapid expansion of Thailand's economy will contribute to a worsening situation unless concerted action is taken. As a result of the present waste loads, most of the canals traversing and downstream of Bangkok are so heavily polluted as to be dangerous to the health of the users, and is adversely affecting the fishing industry in the Gulf of Thailand.

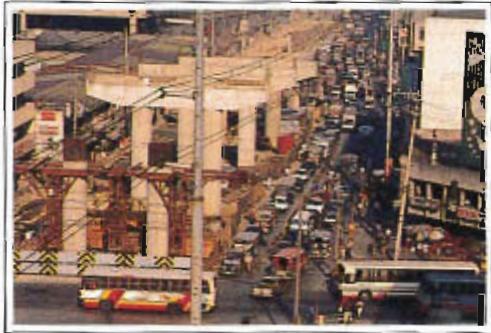
In 1992, a new environmental law resulted in the designation of the BMR as a Pollution Control Zone, which empowered the Pollution Control Department (PCD) to develop an action plan for wastewater management on a regional basis, as well as to monitor polluters and enforce compliance. One of the first steps taken by PCD was to update the Bangkok Wastewater Master Plan previously based upon 40 expensive separate collection and treatment systems.

With the help of a Bank technical assistance, PCD has prepared an overall Wastewater Management Action Plan for the BMR.

The recommended long-term wastewater management strategy for the BMR comprises (i) six separate wastewater collection and transfer systems serving various catchments; (ii) wastewater treatment facilities using aerated lagoon, activated sludge, and advanced secondary treatment processes; and (iii) disposal of effluent to the Chao Phraya River (north), the Chao Phraya River (west), coastal waters (east), and inland canals (southwest). Emphasis is placed on industrial pollution prevention as the preferred option, to collection and treatment of industrial wastes and in some cases relocation of industries, which now produce a more hazardous flow of pollutants than do households.

The Bank had earlier assisted PCD to prepare and fund the Samut Prakarn Wastewater Management and Pollution Control Project. With a cost of \$507 million and Bank financing of \$150 million, the under-construction Project is designed to help alleviate pollution and improve water quality in one of the most heavily polluted areas of the BMR. The Government plans to proceed with similar projects in the rest of the BMR.

The Government recognized in the early stage of project planning that the success and sustainability of its investment in the BMR wastewater management would depend on the capacity to implement and operate the facilities. To help build up such capacity, the Bank is providing technical assistance to facilitate public participation, cost recovery, and pollution prevention, and to strengthen project management capabilities. Technical assistance has also been provided to assist the Government to establish public-private sector partnerships for building and operating wastewater management facilities.



Traffic management is critical to sustainable megacity development.

is essential for governments to adopt and maintain a consistent transport policy, and to decide on the key issues of policies for choice of system, land availability, acceptability of elevated structures, sources of investment, fare policy, and other questions. This lesson has been learned in Bangkok, where for a number of reasons private sector involvement in the MRT was delayed. A stronger coordinating structure has now been established, and a new framework for bidding transport concessions is now operational. Another key lesson is that a strategy for public transit must be developed, and only then can policies for car use restraint be effective. Even in megacities, MRTs, because of their great cost, can only be realized in high-demand transport corridors.

In addition to the MRT, megacity transport policy needs to consider improvements to road-based public transport including buses, para transit, taxis, and other forms of vehicles serving public needs. Catering to private transport demand is also important as a high proportion of future trip-making will continue to be made by cars and motorcycles, and in some megacities nonmotorized modes, such as bicycles and trishaws, will remain prominent people-movers for many years to come. Planning and management of the network will be crucial to optimizing the efficient use of road space. Road hierarchies will need to be established, and area traffic control systems expanded. In addition, traffic management schemes will require continual development, including bus priority measures, junction improvements, pedestrian separations, parking policies, and nonmotorized facilities. Integration between the modes should be promulgated and practiced.

Box 4. Shanghai – Window on the World

SHANGHAI'S population of about 15 million is expected to increase to 27 million by the year 2025. Shanghai is the most important industrial base in the People's Republic of China (PRC), and is becoming an international center for service industry, particularly finance, trade, high technology, and information. The city had an important historical role and was the largest city in East Asia before 1949. After years of stagnation, proactive economic reforms and liberalization policies were initiated in the early 1990s, and the city is finally regaining its role as a "window on the world." Per capita gross domestic product (GDP) in 1993 was almost four times higher than the national average, and GDP growth, in real terms, has been 15% per annum in the first half of the 1990s. Shanghai is the commercial capital of the Yangtze Delta Region, which covers 20% of the PRC's land area, has one third of the country's population, and contributes about half of the national output. There are 225 cities in the Region.

Shanghai has taken the lead role in the overall development of the Yangtze Delta Region, with Pudong, a new city on the east of the Hangpu River, serving as the link with the rest of the PRC and international markets. Large investments have poured into the development of Pudong, which is the site for more than 1,000 industrial development projects. Major infrastructure projects being implemented in the area include water supply, sewerage, flood protection, drainage, gas supply, telecommunications, and transportation. Pudong is rapidly becoming a new, high-technology metropolis, and an industrial and financial base with an emphasis on the services sector.

One of the biggest challenges facing Shanghai is overcrowded transport infrastructure, and a rapidly deteriorating urban environment. There are indications

Furthermore, considerable efforts need to be applied to fostering road safety through physical measures, improved enforcement procedures, and road-user education campaigns.

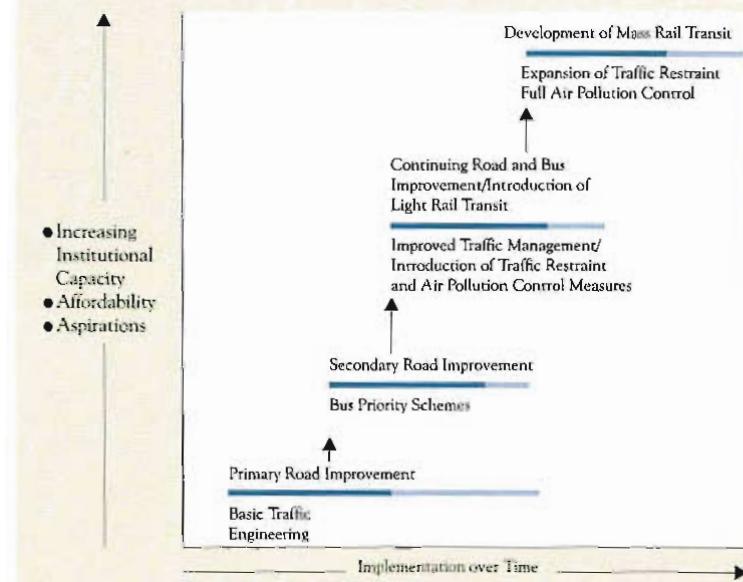
Overall, megacity transport policy has to address four key objectives: (i) maximize the economic efficiency of the transport network, both existing and new; (ii) create a humane environment; (iii) help the poorest; and (iv) create an efficient megacity structure. Actions to meet these objectives include developing vehicle, fuel, and road pricing policies to ensure prices reflect the total costs vehicles impose; developing efficient, responsive bus services to meet the needs of most income groups; using major road investment to guide growth to desirable areas; and addressing the problem of vehicle-generated air pollution, *inter alia*, through use of nonleaded gasoline (see Figure 5, page 46). Improved telecommunications networks can also make a strong contribution to effective transport policy by helping reduce the overall demand for business journeys across the megacity and EMR.

Land Administration

The role of land supply in supporting quality of life and sustainability objectives for megacities is critical, and demands a holistic approach. The land market must satisfy the needs of the new international generators of wealth in the megacity arising from the global market, as well as the needs of households and locally based businesses. Several key components of megacity land policy can be identified. First, planning and regulatory aspects

that actual infrastructure investment may be insufficient to sustain the new residential, industrial, and commercial areas being created in the city, especially in Pudong. The Bank has been instrumental in supporting the development of Pudong, particularly relating to the provision of basic and environmental infrastructure, and the formulation of economic reforms. The Bank financed, at an early stage of development of Pudong, two projects for the development of the Nanpu and Yangpu bridges, linking Pudong with the inner part of the city. Also, it has approved a project for the development of the Ping Hu oil and gas field, located about 400 km southeast of Shanghai, for distribution of natural gas in the area of Pudong. The introduction of natural gas will help meet the increasing demand for energy in Pudong in an environment-friendly manner.

The Bank has provided advisory assistance for the formulation of economic reform policies and infrastructure plans for the development of Pudong; the formulation of development reforms in the tertiary sector, for the redevelopment of part of the Puxi district (Huai Hai Road), the traditional central business district of Shanghai; and for the development of a comprehensive toxic and hazardous chemical transport management plan for Shanghai. The Bank has also recently become involved in environmental sanitation by providing technical assistance for the Water Quality Management Planning for Suzhou Creek. This will help improve public health, quality of life, and economic opportunities of the people living in the vicinity of the Suzhou Creek, the second largest natural water course in Shanghai, flowing into a major tributary of the Yangtze River.

Figure 5: Stages of Transport Development in Asian Megacities

have an important role in land management in terms of broad guidance on urban expansion, remedial and preventive actions to safeguard the environment, land-use planning designed to minimize energy use, and support to low-income households' attempts to access affordable land at a level of infrastructure provision that is attractive and affordable. This will have to be complemented by the provision of credit for low-income housing. Second, there is a need to deregulate many elements of land use (for example, by introducing incremental planning and building standards to match affordability) to restrain land price increases. Third, new public-private sector partnerships need to be developed to match the high demand for a quick supply of land. Finally, there is a need for institutional changes in land management to help streamline the land market, including the need to improve landownership mapping and registration, preferably at the local level. The operation of the land market itself will be improved if megacity governments can take the lead in assembling, analyzing, and disseminating information on land availability, land prices, and other indicators, as well as current policies for the use of land. The Bank has helped in strategic planning in Dhaka, and plans to support further improvement of the landownership registration system.

Financing

Asia's megacities continue to impose staggering demands on fiscal resources. Amounts ranging from \$20 billion to \$40 billion annually will be needed over the next decade to provide services at levels sufficient to sustain productivity, and achieve some improvements in the quality of life. These estimates include the capital costs of renewing existing infrastructure and adding to it. Transport and communications, energy, and water supply and sanitation will form the largest capital investment segments. In addition, there are the corresponding costs of maintaining such infrastructure, and delivering related services. It is difficult to predict what will happen if there are shortfalls in the financing of megacity growth and management. Obviously, some degree of urban blight will persist. The urban environment will continue to be adversely affected in varying degrees. The quality of life will improve, but less markedly than if full funding is ensured.

Traditional methods of financing the capital costs and recovering recurrent costs will have to be increasingly phased out, as they indeed are. Taxes and government borrowings are insufficiently elastic to allow predictable transfers to megacities. Megacity managers are also learning that such transfers tend to induce inefficiency. It is recognized that they postpone access to private capital, and inhibit the fashioning of fiscal instruments that make megacity development attractive to the private sector. Cities are increasingly competing with one another for domestic and foreign capital, with competition being particularly acute among megacities. Local government autonomy in infrastructure investment decisions, resource mobilization, and

private sector participation should be supported. Grant-based central funding of urban infrastructure has to be supplemented by local means, both public and private. Consequently, many governments are trying out new approaches. The Community Mortgage Program in the Philippines is an innovative way of financing the housing needs of the urban poor. In Hong Kong, the development of communication links with the new international airport is planned to be financed in part by profits generated by property development. Toll roads, being constructed on a build-operate-transfer (BOT) basis, are under development and/or operation in Bangkok, Jakarta, and Manila. Water supply concessions are being negotiated in Jakarta and Manila (see Box 5, page 48). Guaranteeing repayment of private debt by local governments is one way in which central governments can encourage increased private participation in funding megacity development. Accessing the capital markets through municipal or other bond issues, with or without government guarantee, is another way.

The compulsion of cost recovery is leading governments to recognize the imperatives of price reform, and the levying of charges and fees that meet the full costs of efficient service provision, manage demand, and generate cash to catalyze new investments. There is a perceptibly heightened awareness of the disproportionately high costs imposed by subsidizing megacity services. The impact of such costs is becoming all too clear. Dhaka, Hyderabad, and Shenyang know that future costs of obtaining water supplies will be three times current costs. Local governments are being provided greater discretion in the levying of taxes, fees, and service charges. Manila has awarded the metropolis' water supply and sewerage services to private concession contractors and substantive consumer benefits are expected. Singapore has shown that pricing road use can work, and that the advantages are multiplied when licensing entry into the city's central business district is coupled with an efficient MRT system. Pollution fees, fuel taxes, and an increase in the rates of vehicle taxes are being tried out as a means to decongest traffic in megacities. Solid waste management services are increasingly being contracted out; Bangkok and Seoul provide good examples of the effects of privatizing part of the services. Transport services, too, are being deregulated to allow private sector funding to leverage competition and cost-effectiveness.

Land, and the way it is used, will continue to dominate the financial landscape of Asian megacities. Property and other land-based taxes remain the mainstay of many local governments, even at relatively low levels of collection. Such taxes need to be better structured to capture the economic benefits to megacity residents, and must be accompanied by more efficient systems of administration. Dhaka and Jakarta are making progress in this respect, with assistance from the Bank. In Bombay, which has some of the world's highest property prices, the local government is unable to share in the profits accruing to landlords because of weaknesses in the property tax system. Large-scale real estate development must also be required to provide the full range of urban infrastructure, both onsite and offsite, so as to serve adjoining areas. Development of the Fort Bonifacio area in Manila is expected to illustrate this concept.

In countries such as Bangladesh, Indonesia, and Pakistan, there is an acute shortage of housing finance while in others, such as the Philippines and Thailand, housing finance is becoming a significant factor in home

Box 5. Manila Water Supply

WATER SUPPLY and sewerage services are provided to the population of Metropolitan Manila by the Metropolitan Waterworks and Sewerage System (MWSS). Although MWSS produces an average 2,700 million liters of water per day, it is able to provide water supply services only to about 75% of the 10 million persons living in its service area, often for only about half a day. The water supplied by MWSS is potable in some, but not all areas. Sewerage services are provided to about 8% of the service area population.

MWSS has suffered from two chronic operational constraints: high levels of nonrevenue water (NRW)¹ and accounts receivable. The NRW level has been 55% or more, while accounts receivable have been as high as 4.5 months' billing. The high NRW level is related to the fact that many parts of the distribution lines are aged and affected by frequent earthquake tremors. There is a need for repairs as well as for more frequent testing and replacement of meters and reduction of illegal connections. Accounts receivable have accumulated over the years partly because consumers who did not receive satisfactory services declined to pay, and partly because MWSS' administrative capacity has been inadequate to collect bills efficiently.

To remedy the situation, in late 1995, the Government of the Philippines introduced private sector participation (PSP) in MWSS' water supply and sewerage services. An estimated \$5–7 billion will be required to meet the demand for water and sewerage over the next 25 years. The Bank and the International Finance Corporation (IFC) helped the Government prepare the PSP for improving Manila's water supply and sewerage services.

The preparation of the bid packages included an inventory of assets and engineering and management studies. As a result, two concessions were offered: one for West Manila and one for East Manila, both for a period of 25 years, with base

rates to be renegotiated every five years. Technical qualifications submitted by four prequalified bidders were evaluated, after which financial bids were opened. As all of the four prequalified bidders passed the technical evaluation, the decision was made based on the financial bids.

The opening of the financial bids disclosed that those presenting winning bids expected they would be able to operate more efficiently than MWSS, and hence reduce current tariff levels. Negotiations are now under way to finalize the concession contracts with the two bidders. The two concessionaires will take steps to assume the responsibility for water supply and sewerage operations starting in May 1997. Afterwards, the residuary MWSS will perform regulatory functions relating to the concession arrangement.

The Government will be relieved from the financial burden on the future capital outlay required for expansion of the water supply and sewerage services, while ensuring improved quality and coverage of services. Most of MWSS' employees will have opportunities to work with the private sector operators with improved compensation and benefits. The consumers will get the largest benefits from significantly reduced water rates and improved water supply and sewerage services. The two concessionaires will have long-term reliable business opportunities in water supply and sewerage services, which will provide a satisfactory rate of return on investments, subject to efficiency improvement.

A preliminary assessment is that the first large-scale water supply privatization in Asia was undertaken in a fair and transparent manner with the strong commitment and support of the Government, and concluded in a relatively short period of time. Although it would be premature to provide overall assessment, PSP in Manila's water supply and sewerage operations could act as a catalyst for further PSP throughout the region.

¹ Nonrevenue water is defined as water in the distribution system that does not earn revenue, because of leakage, unauthorized and free use, measurement errors, and underbilling.

purchases and sales. The availability of adequate housing finance contributes to the creation of a strong and viable construction industry, and to the deepening of financial markets. Particularly in the middle-income countries, a strong housing industry can be a leading sector of the economy.

The Bank's Evolving Role

Over the last 25 years, the Bank's support for the development of Asia's megacities, which began in the early 1970s with water supply projects in Bangkok, Manila, and Seoul, has gradually expanded to include support for pollution control, sanitation, roads, bridges, slum upgrading, and integrated urban development aspects, with coverage of five additional DMC megacities – Beijing, Dhaka, Jakarta, Karachi, and Shanghai. In the early 1980s, support was provided for sewerage and sewage treatment facilities in Bangkok, Karachi, and Manila, and for low-income housing in Bangkok. The scope of the Bank's assistance was further broadened to include, in the late 1980s, integrated urban development projects in Dhaka, Jakarta, and Karachi, and in the 1990s, urban environmental improvement and road and bridge improvement projects in Bangkok, Beijing, and Shanghai. While the technical assistance program was primarily focused on project preparation, it has also encompassed issues-oriented studies such as urban land management and a wastewater management master plan for Bangkok, strategic planning for Dhaka, metropolitan resource generation in Karachi, and environmental planning in Seoul. Policy dialogue has involved improving water resource and environmental management, providing services to the urban poor, enhancing cost recovery, developing public-private sector partnerships, and institutional development. In the water supply sector, the Bank has focused on reduction of unaccounted-for water, tariff reform, corporatization of water supply agencies, and related private sector participation. Improvement of sector financing mechanisms has also been an important area of emphasis. The total value of the Bank's assistance for the urban sector has been about \$1.8 billion.⁴

In addition to its country-specific assistance programs, the Bank has supported exchange of experiences and debate about urban issues including those of megacities, through a series of regional consultations and seminars. The Bank's recent seminars on Megacities Management and Urban Infrastructure Finance provided important contributions to the Second UN Conference on Human Settlements (Habitat II) held in June 1996, including inputs to the DMCs' national action plans and the Global Plan of Action adopted at Habitat II. These seminars and conference have revealed that DMC governments themselves are recognizing megacities as engines of growth, whose effective management is essential to the economic development of the country.

Most DMCs have taken actions aimed at improving the management of their megacities, including creating revenue-earning enterprises in subsectors such as water supply; strengthening local government institutions; improving cost recovery; and developing public-private sector partnerships. Most have also prepared urban spatial plans, and expanded preparation of master

⁴ About \$1.3 billion were for water supply and environmental sanitation, and the rest for roads, bridges, housing, and slum improvement.

plans and feasibility studies for key sectors such as water supply and sanitation, drainage, and transportation. In some Asian cities, the water supply sector now seems poised for takeoff and development to the levels indicated by demand of the residents and businesses. In the other sectors, however, and even in the water supply sector in many cities, the provision of infrastructure services will continue to lag behind demand. In most cities, there is a growing need to address problems of pollution and congestion; to cater to the needs of the urban poor even as land costs increase; to address the investment needs which far exceed the public sector resources available; and to strengthen megacity institutions to meet the massive management challenges ahead in order that worsening living conditions and loss of productivity do not slow the pace of development in the region.

While helping countries expand resource mobilization from domestic sources and catalyze private sector participation, there is a need and opportunity for the Bank and other international development agencies to expand their support for the development of the region's megacities. Based on an assessment of the increasing subsectoral gaps, there will be the need for an increased emphasis on transport, environmental improvement, the urban poor, and development of public-private sector partnerships. Development of efficient and well-integrated urban transportation systems is an urgent need in almost all megacities, and one as yet not addressed well at any stage of development by any of the international development agencies. In the higher-income cities, pollution control and development of MRT systems may have priority. Environmental sanitation improvements are urgently needed in the lower-income megacities, and these may be expanded progressively to cover industrial pollution control, and the control of sewage and wastewater treatment in the higher-income megacities. In the lower-income megacities, more emphasis could be placed on poverty reduction, including slum improvement, and education and health. To be fully effective, most of this support would involve public sector lending, accompanied by policy and institutional development.

Until now, the Bank has financed only one private sector urban infrastructure project, the Bangkok Expressway. Since the need and opportunities are much greater, in addition to its public sector lending, the Bank could expand its private sector lending and equity investments in urban infrastructure – focusing not only on water supplies and toll roads, but also on environmental sanitation and public transportation. The development of urban infrastructure projects for private sector financing requires consideration of public policy, private feasibility, and risk-alleviation issues that the Bank, by virtue of its experience in public and private sector funding, is uniquely situated to pursue. Furthermore, the Bank could expand its support for capital market, housing finance, and infrastructure finance systems, guarantee operations, and other similar initiatives at the national level.

In the context of rapid growth and very large investment need, the most important role of the Bank and other international development agencies would be as catalysts – to help DMCs develop a vision for the future, anticipate the scale and structure of their megacities, prepare well-framed investment programs, and develop agenda of the policy and institutional development actions needed to mobilize the massive resources

required, and undertake targeted and selected interventions, and thus maximize their developmental impact. DMCs need not only develop their local governments, but also create new, metropolitan institutions with well-defined functions and funding well suited to these facilities. In addition, they need to encourage their water supply agencies, tollway and rapid rail transit companies, and local governments to tap the expertise and funding of the private sector. In this endeavor, the Bank will have to liaise closely with other international development agencies and the private sector. It is by helping countries keep in mind the vast needs of their megacities, and develop solutions well suited to their needs, that the Bank may be of most assistance to the region's DMCs.



An ADB private sector loan of \$24 million to the Philippine Long Distance Telephone Co., approved in 1988, has expanded service delivery in urban growth centers in Metro Manila.

Economic Development in DMCs

THIS CHAPTER discusses the recent trends in economic performance in the Bank's developing member countries (DMCs). As a background to the discussion, the next section briefly notes the developments in the global economy. In the following sections, the performances of individual DMCs are assessed under the following broad subregions: newly industrializing economies (NIEs), the People's Republic of China and Mongolia, Southeast Asia, South Asia, Central Asian republics, and the Pacific DMCs. Under each subregion, the discussion covers growth performance, inflationary trends, developments in the external sector, and major changes in domestic policies. The concluding section projects the economic outlook for each DMC.

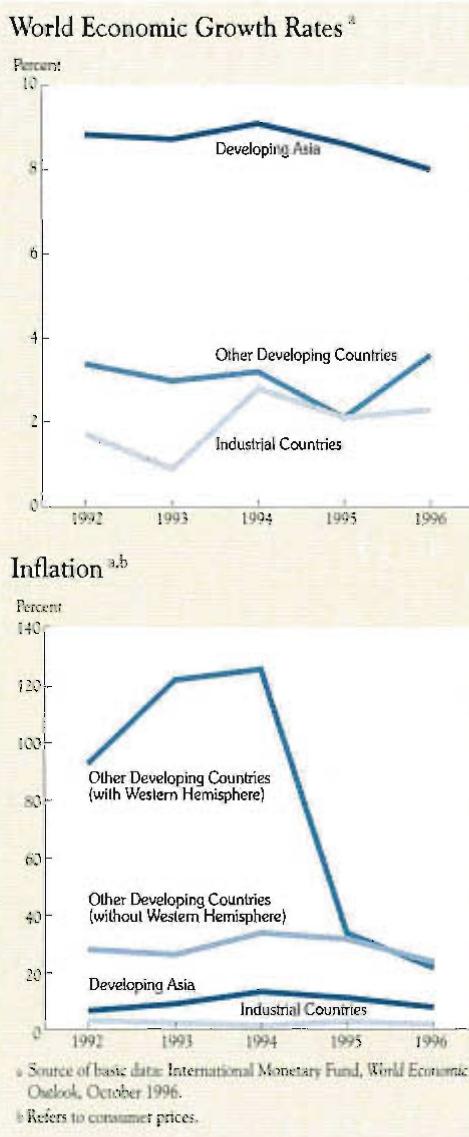
Global Economy

The world economic scenario has been generally encouraging over the last few years. Since 1993, the global economy has been on a recovery path, and in 1996 the global growth rate was estimated at about 2.7%. At the same time, the average global inflation rate moderated somewhat. In the industrial economies in 1996, the average inflation rate is estimated to have been 2.3%, and in the developing economies, 16%. Economic growth was fairly widespread across countries in 1996. In many developing economies, which had experienced sluggish growth in the past, and in several transition economies, reforms and structural adjustment programs are beginning to have a positive impact on their economic performance. The gross domestic product (GDP) growth rates in these countries have improved. Some of the European industrial economies are continuing to experience high rates of unemployment, and achieving a fiscal balance is a major challenge.

After two years of robust expansion, growth of world trade decelerated in the latter part of 1995 and early 1996. World trade is estimated to have increased by 6.7% in 1996, after having grown close to 9% per annum in the previous two years. The deceleration is due largely to a cyclical decline in import demand in the United States (US) and Europe, and slower growth of trade in the Asian economies. Growth of world trade is expected to revive in 1997 in response to better economic performance in the industrial economies and, consequently, as the trade performance of the Asian economies picks up. According to current forecasts, global economic growth could accelerate in 1997.

Industrial Economies

Since 1994, the major industrial economies have been in the recovery phase of the business cycle. The only exception was the Japanese economy which continued to be sluggish, experiencing less than 1% growth rate in 1994 and 1995. While recovery has been strong in 1996 in the Japanese economy, in



some European economies growth performance was less than anticipated. The US economy, however, continued to perform well in 1996. Importantly, since the major industrial economies are at different stages of their business cycles, the cumulative upswing in the economic cycle of the Group of Seven (G7) – Canada, France, Germany, Italy, Japan, United Kingdom, and US – remains comparatively weak. The average growth rate of these economies in 1996 was 2.2%, which is only marginally better than the 1.9% growth recorded in 1995.

The US economy is in its sixth year of sustained expansion. While expansion of the economy was rapid over 1992–1994, growth moderated in 1995. This was in response to the imposition of tighter monetary conditions due to fears of overheating. In 1996, the US economy grew at a sustainable rate of 2.3% with relatively low inflation (2.6%). With sustained growth, the unemployment rate has dropped to 5.4%. Plans have also been drawn to balance the budget by early next decade. Growth, however, slowed down in 1996 in some other important industrial countries such as France, Germany, and Italy due to a combination of factors such as tight monetary policies aimed at containing inflation, fiscal contraction, and, in some instances, structural rigidities, and loss of competitiveness. In Japan, economic growth accelerated as a result of a succession of fiscal stimulus packages in conjunction with an expansionary monetary policy. A major fiscal stimulus was provided at the end of 1995, and its impact was manifested in 1996. Better economic prospects in conjunction with low real interest rates have resulted in an improved investment climate in Japan. Simultaneously, the depreciation of the yen has contributed to an increase in aggregate demand. The GDP growth rate in 1996 was 3.3%, and it is forecast to stay at the same level in 1997. As a result of the lagged effects of exchange rate realignment, exports have decelerated while imports have picked up. Import demand has also increased due to a revival of economic acrivity. Both the trade and the current account surpluses of Japan have, therefore, narrowed.

Economic Indicators of ADB DMCs and Rest of Developing World

	DMCs			Latin America			Africa		
	1994	1995	1996 ^a	1994	1995	1996 ^a	1994	1995	1996 ^a
GDP Growth Rate (%)	8.5	8.2	7.4	4.7	0.9	3.0	2.9	3.0	5.0
Inflation Rate (%)	10.2	9.1	6.1	210.9	35.6	20.4	36.8	32.1	21.3
Current Account Balance (\$ billion)	(6.3)	(30.0)	(46.9)	(49.5)	(33.2)	(36.3)	(11.8)	(15.9)	(16.6)
Exports Growth Rate (%)	18.7	21.8	4.8	15.0	21.2	9.1	1.2	14.4	7.1
Imports Growth Rate (%)	16.8	23.1	5.6	17.1	9.7	9.6	6.0	17.6	7.3
External Debt Outstanding (\$ billion)	514.4	553.7	597.9	576.5	628.7	654.3	268.2	283.4	282.0
Debt-Service Ratio ^b	15.2	14.3	14.5	42.5	44.5	40.5	23.2	29.6	28.8

^a Preliminary estimates.

^b As percentage of exports of goods and services.

Sources: International Monetary Fund, *World Economic Outlook* (Washington, DC, October 1996); and ADB data file.

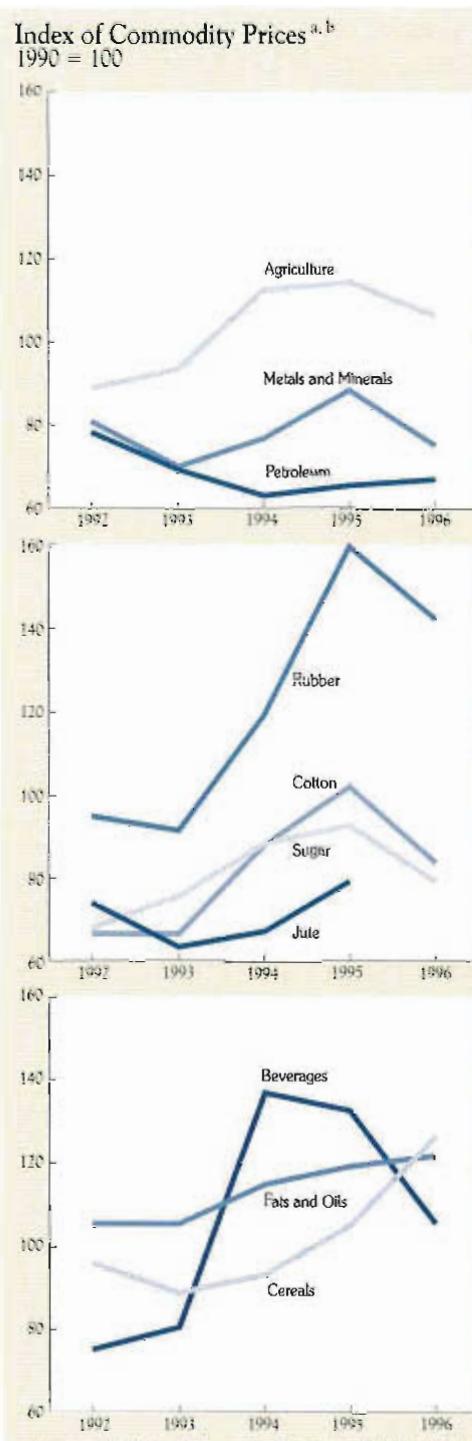
In sum, the G7 countries are following a medium-term policy stance of aiming for sustainable growth with low inflation. The majority of these countries have cautiously guarded against a buildup of inflationary pressures, and are in the process of reducing their fiscal deficits. Monetary policy has recently been relaxed in some of these economies to boost economic growth. The combination of fiscal and monetary measures has successfully contained inflation, while providing a moderate growth stimulus. However, high unemployment rates in some G7 countries, especially in Europe, continue to pose serious policy challenges. An enduring solution would require introducing structural reforms in some of these countries.

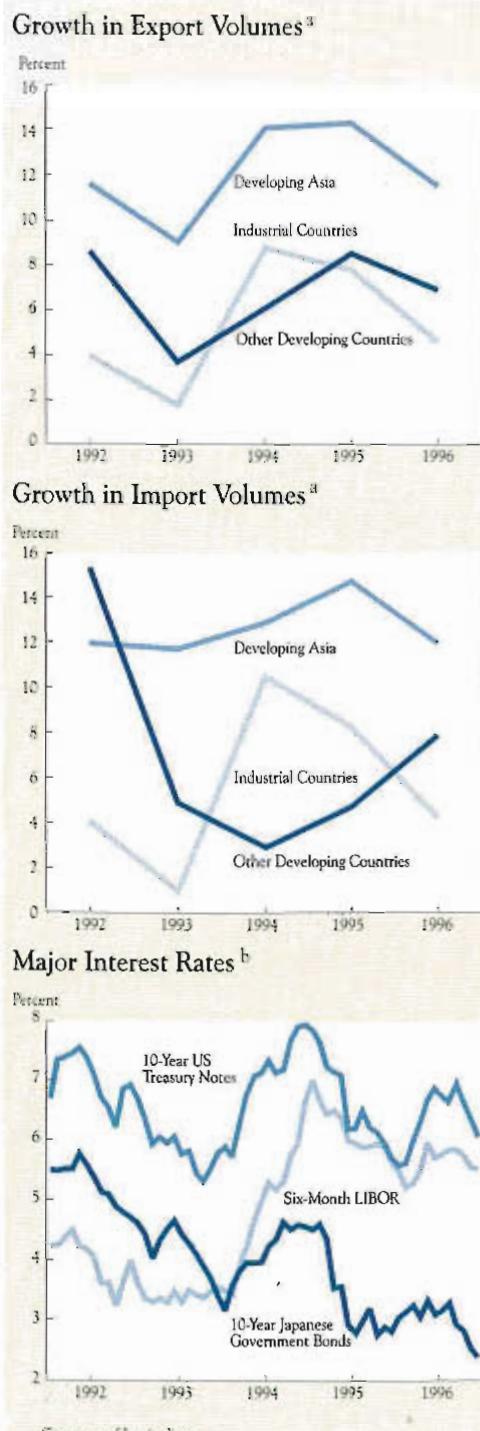
Developing Economies

Despite a marked slowdown in the Latin American region, due to the Mexican financial crisis, average real GDP growth rate in all developing countries was 3.4% in 1995. In 1996, however, the economic growth scenario in the developing countries was mixed. While growth in Latin America recovered with better performance in Argentina and Mexico, and the growth momentum in Africa strengthened, the Bank's DMCs experienced a deceleration in their growth rates. The average aggregate GDP growth rate of all developing countries in 1996 was 4.1%, somewhat better than that in the preceding year.

Overview of the Bank's Developing Member Countries

The average growth rate of the Bank's DMCs has moderated over the last two years, from 8.5% in 1994 to 8.2% in 1995, and further to 7.4% in 1996. The growth slowdown in 1996 is due to a combination of country-specific features, but the single-most important factor has been the contraction in external demand and weak export unit values. This has caused a sharp slowdown in the growth of export receipts of the region. For the broad subregional groups, average economic growth of the NIEs is estimated to have declined to 6.3% in 1996. In particular, the Republic of Korea and Singapore have been hurt by falling semiconductor prices and weak external demand for electronic and computer-related goods. In a similar manner, economic growth in Southeast Asia declined to 7.4% in 1996 from 8.2% in 1995. Cambodia, Indonesia, Malaysia, and Thailand experienced slower growth as a result of sluggish export performance. On the other hand, the Philippines registered a steadily improving GDP growth rate in 1996, while the Lao People's Democratic Republic (Lao PDR) and Viet Nam continued to experience robust economic performance. As a consequence of policy measures aimed at restoring macroeconomic stability, economic growth moderated further but remained strong in the People's Republic of China (PRC) in 1996. Mongolia's growth rate fell in 1996 due to a decline in international prices of its main exports. South Asia's overall growth performance in 1996 did not change compared with 1995. Bhutan, India, Maldives, and Sri Lanka recorded slower growth performance, while Bangladesh, Nepal, and Pakistan experienced improved economic activity. The three Central Asian economies (Kazakhstan, Kyrgyz Republic, and Uzbekistan) are making progress in the economic restructuring process, and have experienced positive growth rates after going through severe contraction in the earlier year. The larger economies





Sources of basic data:

^a International Monetary Fund, *World Economic Outlook*, October 1996.^b ADB data file.

of the Pacific DMCs accounted for most of the growth that occurred among these countries in 1996.

Inflationary pressures in DMCs abated further in 1995 and this trend continued in 1996, reflecting prudent macroeconomic management. On the external side, the aggregate current account deficit of DMCs deteriorated substantially in 1996 due to a decline in the export growth rate. The growth rate of imports also declined, but was on average higher than that of exports. The combined current account surplus of the NIEs is estimated to have declined sharply in 1996. The main contributing factor was a sharp deterioration in the current account deficit of the Republic of Korea from \$8.3 billion in 1995 to an estimated \$23.7 billion in 1996. The PRC's current account surplus improved moderately to about \$2 billion. In Southeast Asia, the current account deficit is estimated to have widened to \$36 billion in 1996, from \$33.5 billion in 1995, due to increases in the current account deficits of Indonesia, Philippines, and Thailand. In the case of South Asia, the current account deficit widened somewhat from \$9 billion in 1995 to \$12 billion in 1996. The Central Asian republics experienced an improvement in the current account deficit. The external positions of Pacific DMCs in 1996 showed considerable variation.

Newly Industrializing Economies¹

Growth in the NIEs slowed down in 1996 due to the global slump in the demand for electronic and related products. Inflation in the NIEs has eased slightly, while the consolidated current account surplus has declined sharply from \$11.7 billion in 1995 to a mere \$0.6 billion in 1996. Only the Republic of Korea has a current account deficit, while the other three NIEs have surpluses. Having achieved virtual full employment, the NIEs are now concerned with sustaining international competitiveness by modernizing the capital stock, increasing productivity of labor, and keeping wage increases in line with growth in productivity. These countries are investing in more sophisticated and technologically advanced industries. Traditional labor-intensive industries are being progressively shifted to lower-wage locations both within and outside Asia.

Economic Growth

Hong Kong's economy grew at a moderate pace in 1996 with a GDP growth of 4.7%, the same growth rate achieved last year. Rising equity and property markets helped to restore consumer confidence, while infrastructure investment remained strong. The successful implementation of stabilization measures, which have improved the PRC's medium-term growth prospects, also provided support to Hong Kong's economy. Growth of the labor force accelerated in 1996 by 3.1%. However, with employment expanding more rapidly by 3.5%, the unemployment rate continued to decline to about 2.6%, down from 3.6% in late 1995. Hong Kong's economy appears to be on a cyclical recovery, and is

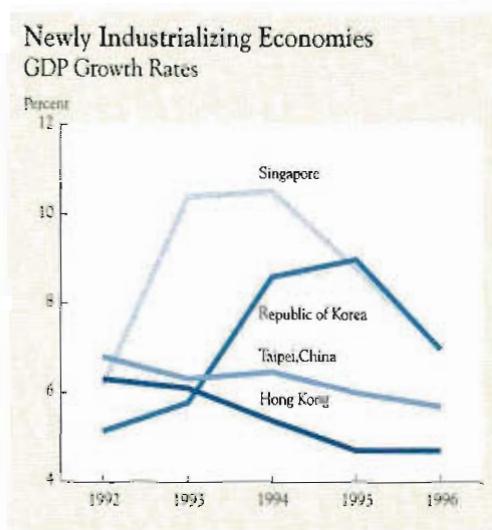
¹ Hong Kong, Republic of Korea, Singapore, and Taipei, China. Some of these economies have per capita income equivalent to or even higher than some industrial countries. The Republic of Korea has become a member of Organisation for Economic Co-operation and Development (OECD), the second Asian country to have done so after Japan.

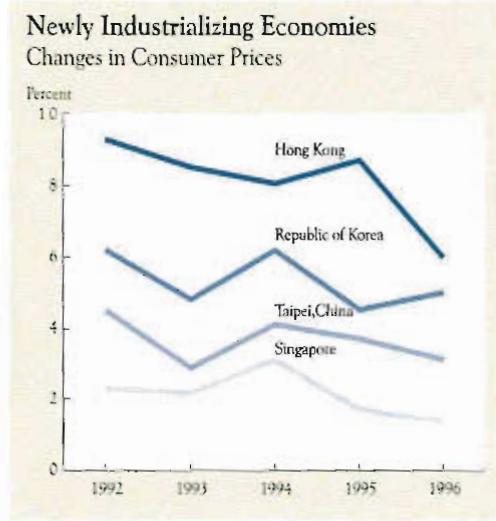
likely to grow at about 5% in 1997. Sectoral developments point to a steady improvement in construction, and a strong performance in services exports. Retail sales are also expected to improve in 1997 because of rising incomes, improved confidence, and an increase in tourism.

The Republic of Korea's economic growth was robust in 1995 (9%), mainly because of brisk investment activity and vigorous export growth. Despite phenomenal expansion, the economy did not overheat as excess demand pressures were moderated by widening trade and current account deficits. The economy also achieved remarkable export performance in 1995, due mainly to the competitive edge provided by the strength of the yen. In contrast, the economy slowed down perceptibly in 1996. Hampered by slowing exports due to slack in demand, falling prices of semiconductors, and sluggish capital investments, GDP growth in 1996 was estimated at 7%. The slowdown was led by a cyclical contraction and a marked deceleration in export growth. All the major sectors registered lower growth in 1996, except for services which improved its performance from 7.7% in 1995 to 8% in 1996. Agriculture sector growth declined from 2.8% in 1995 to 1% in 1996, and industrial production from 10.3% to 7.7%. Private consumption growth also decelerated from 7.9% in 1995 to 6.7% in 1996 due largely to sluggish spending on nondurable goods and services. At the same time, there was a sharp reduction in investment growth in 1996, due to uncertain export prospects of heavy and chemical industries. Construction investment, too, suffered a slowdown, owing to a slump in building construction. As an outcome of slower economic growth, employment growth slowed down from 2.7% in 1995 to 1.9% in 1996. The unemployment rate remained low at about 2%.

Singapore's economy performed better than expected in 1995, boosted by strong global demand for electronic products and high economic growth in neighboring economies. Low inflation, high productivity growth in most sectors, and further liberalization of the labor market contributed to the rapid growth of 8.8% in 1995. In 1996, economic growth slowed down to 7% with the deceleration in growth rate affecting all sectors. The industry sector led the decline with a growth rate of a mere 6.5%, compared with 9.5% in the earlier year, reflecting the slump in the global demand for electronic and computer-related goods. The financial and business services sectors also experienced a deceleration in the growth rate to 7.2% in 1996, compared with 8.3% in 1995, reflecting subdued activity in the stock market despite the buoyant performance of the domestic banking sector. Exports were also adversely affected by an appreciation of the Singapore dollar, in addition to a slowdown in external demand. The only sector which experienced acceleration in growth was construction, expanding by 18% in 1996, compared with 8.4% in 1995. Despite a boom in construction; investment activity remained weak, dragged down by relatively low levels of equipment investment.

Taipei,China experienced economic growth in 1995 of 6%, reflecting difficulties faced by the financial sector and the property market. Growth moderated in 1996 to 5.7% because of a weakening in the demand for export markets of electronic products, and damage caused by typhoons. Agriculture sector growth declined sharply from 2.6% in 1995 to 0.1% in 1996, while the industry sector posted much weaker growth in 1996 of 3.9%, compared with 5.7% in 1995. Construction activity was also subdued. The services





sector, which accounts for about 60% of GDP, continued to perform well with a growth rate of 7.2%. Although the unemployment rate is low by international standards, it increased to nearly 2.5% in 1996 from 1.8% in the previous year, prompting the Government to freeze immigration of foreign labor, and launch new job-training schemes.

Inflation

Hong Kong's inflation rate in 1996 averaged 6%, well below the 1995 level of 8.7%. The major reasons for the decline in the inflation rate were the effective appreciation of the Hong Kong dollar due to its link with the US dollar, and the strengthening of the latter *vis-à-vis* major currencies in 1996, lower increases of house rents, lower wage increases, and lower prices on some key commodities. The monetary policy also remained tight for a good part of the year. With the linked exchange rate system and continued tight monetary policy, inflation is expected to continue its downward trend in 1997.

The Republic of Korea's consumer price index (CPI) as of end-1996 rose by 4.5%,² despite declining economic growth. Prices of agriculture sector products and services, especially public utility prices, were higher in 1996, compared with the earlier year. Wages are estimated to have increased by 12% in 1996. However, a potentially serious problem is the demand of workers for higher real wage increases. Resistance to wage increases in excess of increase in productivity, and efforts to align labor laws with Organisation for Economic Co-operation and Development (OECD) standards caused serious labor unrest. Unless labor problems can be amicably resolved, the economy will continue to suffer loss of output, inflationary pressures, and reduced competitiveness.

Singapore's CPI rose by 1.4% in 1996. Inflationary pressures remained moderate due to a strong domestic currency; high savings rate, well in excess of domestic investment demand; the softening of the demand in the property market; and a general moderation in economic activity, which kept wage increases in check. Inflationary pressures were also eased by a tight monetary policy and a prudent fiscal stance.

In Taipei, China, prices increased at a moderate rate in 1996. Owing to a decline in the world prices of raw materials, both import prices and wholesale prices fell, compared with 1995. In addition, the slower increases in the prices of services and residential rent, as well as restrained wage trends, also helped to hold down upward price movements. As a result, consumer prices, excluding food, rose by only 2.78%. However, food prices rose sharply during the second half of the year, following the damage caused by a major typhoon. Consumer prices rose by 3.07% for the year as a whole.

External Sector

Hong Kong's weaker export performance in 1996 reflected the strengthening of the US dollar, to which the Hong Kong dollar is pegged, and a weak demand for imports in most European economies. Overall, domestic exports

² Figure differs from that in Table 3 in the Statistical Annex, which reports an average of period.

fell in 1996 by about 8%, compared with 1995 levels, while reexports increased by 7%. Total merchandise exports rose in 1996 by 4%, considerably lower than the 14.8% growth in 1995. Because imports grew even more slowly (estimated at 3% in 1996), and the terms of trade improved in favor of Hong Kong, the visible trade account improved somewhat.

The Republic of Korea suffered serious deterioration in its balance of payments in 1996. The export growth rate dropped sharply to about 4.1% in 1996, compared with 31.5% in 1995, due to a drop in the international price of semiconductors and weak external demand for electronics, computer peripherals, automobiles, textiles, and chemicals. The export performance was also affected by depreciation of the Japanese yen *vis-à-vis* the US dollar, which eroded the relative competitiveness of Korean exports. In addition, the real effective exchange rate of the won appreciated by 8%, further weakening the price competitiveness of exports. Import growth also decelerated in 1996 to 12.2%, compared with a 32% increase in 1995. However, consumer goods imports continued to surge and are estimated to have increased by about 21% in 1996. With imports growing faster than exports, the trade deficit widened in 1996 to \$15.3 billion from \$4.7 billion in 1995. The current account deficit is estimated to have further deteriorated to about \$23.7 billion.

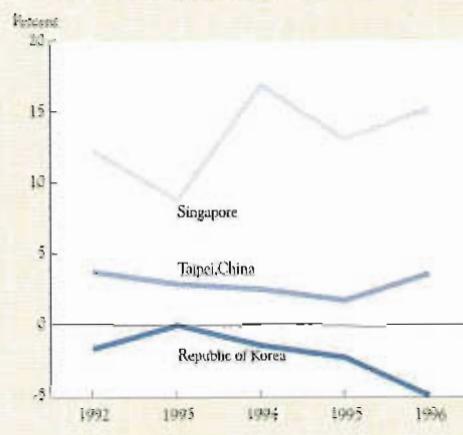
Growth of Singapore's exports dropped to about 6.7% in 1996, down from 21.5% in 1995. The decline was due to a weaker global demand for electronic and computer-related goods, which account for about 26.5% of total exports. As the global oversupply of electronic products persisted throughout the year, with prices remaining weak, the overall export performance remained well below the economy's potential. However, given the openness of Singapore's economy, and the import dependence of exports, slower growth of exports was matched by slower growth of imports, which grew by a mere 6%. Nevertheless, the trade balance shifted from a surplus of \$1.6 billion in 1995 to a deficit of \$0.6 billion in 1996. Despite the deterioration in the trade deficit, the current account surplus remained healthy at an estimated \$14.2 billion, representing 15.3% of the country's gross national product (GNP).

Trade activity in Taipei, China decelerated sharply in 1996 with merchandise exports growing by 8.2% (compared with 20% in 1995), and imports by 2% (compared with 21% in 1995). The sharp reduction in exports of electronic and computer-related products was largely responsible for the lower export growth. The sluggish growth of imports was due to a slowdown of domestic investment, as well as the depreciation of the New Taiwan dollar. Because imports grew much slower than exports, the trade balance improved markedly. The current account surplus more than doubled to \$10 billion, representing 3.7% of GNP in 1996, up from 1.8% of GNP in 1995.

Domestic Policies

Hong Kong's high inflation is a cause for concern. However, the increase in prices of tradable goods has been consistently lower than that of nontradables. To address the issue of high inflation and to be able to maintain the economy's competitiveness, the Government has taken steps to reduce supply-side constraints and to continue on its path of fiscal conservatism.

Newly Industrializing Economies
Current Account Balance (percent of GDP)



The Republic of Korea's entry into OECD has brought about a number of policy changes. In 1996, companies dealing in securities were allowed to move into the trust business, and the reserve requirements on bank deposits were reduced. Overseas borrowing restrictions have been diluted, and the ownership limit of individual foreign investors has been increased. Effective October 1996, the foreign ownership ceiling on Korean shares was increased from 18% to 20%. The Government has also legislated to bring labor laws in line with OECD norms. The country experienced widespread labor unrest toward the end of 1996. The Government is also encouraging the participation of women in trade and industry.

Since Singapore's economic slowdown in 1996 was due primarily to a cyclical downturn in the demand for electronic and computer-related products, no significant fiscal stimulus was considered necessary to restore economic growth. However, to reduce the vulnerability of the economy on account of concentration of exports in electronics and heavy chemicals, the Government has identified a number of "industrial clusters" that it wishes to promote under its "Manufacturing 2000" Program. These include petrochemicals, precision engineering, and chemicals.

Taipei, China is fast maturing into an industrial economy in which the industry sector is undergoing major restructuring. Light and labor-intensive industries are giving way to capital-intensive and high-technology industries. Promoting such industries so that they can compete internationally is a continuing challenge to the Government. The Government has launched the Asia-Pacific Regional Operations Center, which is aimed at promoting closer economic links between Taipei, China and the neighboring economies.

People's Republic of China and Mongolia

The economy of the PRC grew at double-digit rates during 1992–1995. Widespread structural reforms were introduced during this period, and the economy was gradually opened up to the outside world. As a consequence, the PRC experienced rapid growth of foreign trade, and has also attracted large amounts of foreign direct investment. To prevent overheating and to stabilize the economy, the Government has been following tight monetary and fiscal policies since mid-1993. This helped the economy to achieve a "soft landing." Policies aimed at structural reforms and stabilization have had positive effects on the trade and current account balances, exchange rate stability, domestic resource mobilization, and in moderating inflationary pressures.

Mongolia made significant progress during 1990–1994 in implementing structural policy reforms. As a result, after four years of negative growth and high inflation, the economy began to recover in 1994 and 1995, when significant positive growth was recorded. The recovery was more fragile in 1996 due to declining export unit values, a decline in tourism receipts, and problems in the banking sector.

Economic Growth

The PRC's GDP growth in 1996 is estimated at 9.7%, which was somewhat lower than the 10.2% growth registered in 1995. In terms of sectors, agriculture sector output grew by 5.1% in 1996, compared with 4.5% in 1995.

The agriculture sector remained buoyant due to an increased rate of public investment, good climatic conditions, and the upward adjustment of procurement prices introduced in mid-1994, which improved incentives to farmers. Industrial output growth remained strong at 12.3% in 1996. However, compared with 1995, growth was slower because the output of state-owned enterprises was constrained by the tight credit policy. Fixed-asset investment growth was also moderated in 1996. The official urban unemployment rate remained relatively low at 3% in 1996. However, taking into account the estimated 40 million workers, including redundant workers in state-owned enterprises, and about 120 million migrant workers who may or may not be fully employed in the formal sector, the unemployment rate could be higher. Progress in dealing with inefficiencies in state-owned enterprises has been slow.

Mongolia's economy grew by 2.6% in 1996, compared with 6.3% in 1995. The slower growth is due to a fall in the international prices of its major exports (e.g., copper and cashmere), disruptions in power supplies, financial and liquidity problems in the banking sector, and a fall in tourism revenue. The emerging private sector provided the main impetus for growth in 1996. Private sector growth has been strong in tourism-related services, retail trade, and the livestock sector.

Inflation

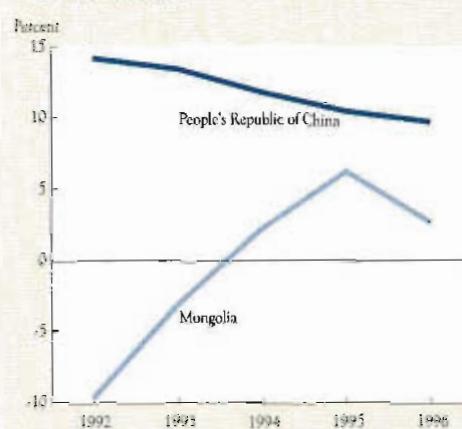
Inflation in the PRC fell sharply in 1996 as a result of the Government's policy measures. The national retail price index (RPI) dropped to 6.1%, well below the 21.7% growth at the end of 1994 and 14.8% at the end of 1995. The broader CPI, which includes services as well as retail goods, was slightly higher at 8.3%. The relatively low inflation rate in the PRC can be attributed to several factors. Among the major reasons are tight monetary policy, bumper harvests in agriculture, and development of new market-oriented macroeconomic management measures. Inflation was also checked by policies aimed at specifically neutralizing the expansionary monetary impact of rapid accumulation of foreign exchange reserves. In addition, low rates of global inflation also moderated the price increase in the PRC.

The average rate of inflation in Mongolia in 1996 was estimated at 57.5%. Continuing high inflation reflects rising import prices as a result of a 45% depreciation in the exchange rate. A substantial increase in power and heating tariffs also contributed to an increase in price levels in 1996. The one-time adjustment in the utility tariffs and emerging prices will eventually reduce the pressure of subsidies on the budget, and contribute to a reduction in inflation in 1997.

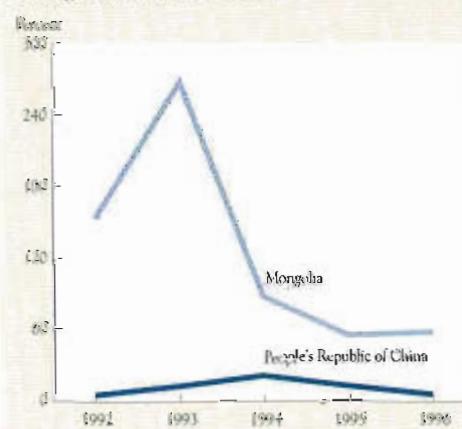
External Sector

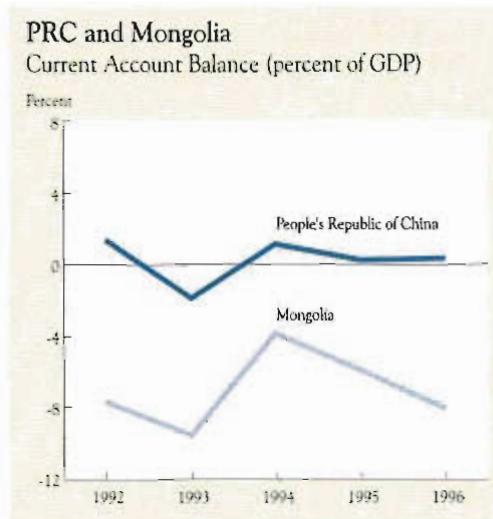
The PRC's foreign trade picture deteriorated in 1996. Exports grew by a mere 1.5% to \$130 billion, compared with 24.9% the previous year. Imports grew by 5.1% in 1996 to \$116 billion, compared with 15.5% the previous year. The slower growth of exports was due to the discontinuation of value-added tax rebates to exporters, and to the stricter enforcement of copyright and patent laws by the Government. Despite the slowdown of exports, the PRC increased its global market share in garments, textiles, and light machinery.

**PRC and Mongolia
GDP Growth Rates**



**PRC and Mongolia
Changes in Consumer Prices**





Import growth remained subdued because of weaker domestic demand. As a consequence, the merchandise trade surplus in 1996 was lower, at \$14.4 billion, compared with \$18.1 billion in 1995. The current account registered a surplus of \$2.1 billion in 1996, slightly above the \$1.6 billion recorded in 1995. The PRC continued to be the largest recipient of foreign direct investment in the developing world, totaling \$42.3 billion in 1996. Official foreign exchange reserves rose to \$105 billion at the end of 1996, from \$76 billion at the end of 1995.

In Mongolia, merchandise export earnings in 1996 were \$423 million, 12.8% less than the 1995 level. Imports increased by 4.5% to \$511 million, from \$489 million in 1995. The trade deficit was about \$87 million and the current account deficit was 8.7% of GDP. The major reason underlying the deterioration in the external accounts in 1996 was a 30% drop in international copper prices and a 10% decline in cashmere prices, which led to a significant decline in the country's terms of trade.

Domestic Policies

The PRC, according to the Ninth Five-Year Plan (1996–2000), will have transformed itself into a socialist market economy by the end of the Plan period. This goal is to be achieved by adopting market-oriented reforms, poverty-reduction schemes, opening the economy further to the outside world, and strategies for environmentally sustainable growth. The Government has placed priority in achieving an appropriate balance between reforms and development, and social stability. Encouraged by success in bringing inflation under control, the Government reduced lending and deposit rates on two occasions during 1996. Credit easing reflected the growing confidence of the Government as an indirect tool of monetary management, and is expected to improve the performance of state-owned enterprises. The yuan was made convertible on the current account in 1996, four years ahead of schedule. This should provide further incentives to increase foreign trade.

In Mongolia, the new Government, which took office in the middle of 1996, is committed to implementing wide-ranging reforms designed to accelerate Mongolia's transition to a market-based, export-oriented economy. Despite difficult economic conditions, the Government implemented some bold policy measures which included raising energy prices and closing of unviable commercial banks.

Southeast Asia³

Although there is diversity in living standards and level of development, the Southeast Asian countries share a number of common features, such as prudent macroeconomic management, high savings rates, high investment rates, and sustained rapid economic growth. Malaysia and Thailand have the highest per capita income levels, having grown rapidly over the past decade. The two countries have also been recipients of sizable inflows of

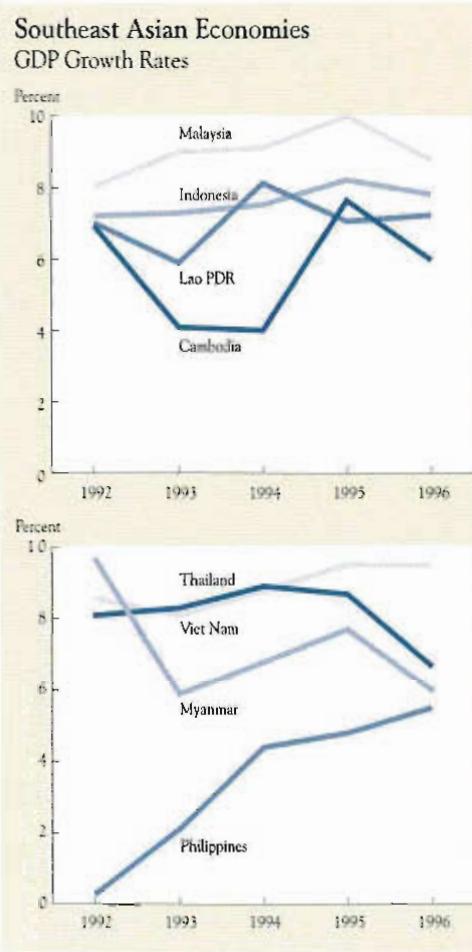
³ Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, and Viet Nam. In the discussion, Cambodia, Lao PDR, Myanmar, and Viet Nam are dealt with separately because these economies are in a state of transition and, hence, face a different set of economic problems.

foreign direct investment, which has helped them to rapidly add industrial capacity and adopt new technology. While unemployment is not a problem in either country, both are faced with the challenge of upgrading their industrial base toward producing more capital- and skill-intensive product lines. Critical to this challenge is also the need to improve the capacity of human resources. Indonesia, because of its much larger population and sizable oil and natural gas reserves, is in a somewhat different category than its neighbors. However, it shares a number of features, including a high savings rate, a rapidly growing industry sector, and large inflows of foreign direct investment. The Philippines has surmounted a number of difficulties and seems poised to join the other countries of the region in shifting to a high-growth mode. However, to sustain the pace of economic momentum, the country still has to boost its relatively low savings rate, and overcome the deficiencies of infrastructure. Finally, the Southeast Asian economies in transition – Cambodia, Lao PDR, Myanmar, and Viet Nam – are all making progress by moving toward a market-based system at varying paces. Cambodia continues to make good progress in implementing reforms. The Lao PDR has established the basic elements of a market-oriented system. Further reforms, particularly to increase domestic resource mobilization, and basic development activities, such as further monetization of the economy, remain the challenges of the future. Myanmar is making an attempt to shift toward a market-based economy, although it has a long way to go before the process is completed. Viet Nam is just beginning the industrialization process, and is focused on import substitution with some export orientation in labor-intensive manufacturing. While adopting market-oriented policies in many areas, it still maintains a strong central planning apparatus. The Government has liberalized most prices, continued reforms in fiscal policy, rationalized the public enterprise sector, and instituted improvements in the foreign trade regime.

Economic Growth

The Indonesian economy grew rapidly in 1995, driven by strong private consumption and investment demand. In the face of domestic and external imbalances, overheating was the leading concern of the policymakers. Consumer price inflation was close to 9.4% and the current account deficit more than doubled to \$7.02 billion from the previous year. To deal with these challenges, the Government adopted a tight monetary policy in 1995. This slowed import growth in 1996 and moderated consumer price inflation. Lower domestic demand coincided with weak demand for exports. However, the implementation of a large number of foreign and domestic investment projects maintained GDP growth at 7.8% in 1996, only slightly lower than the 8.2% growth achieved in 1995. Robust foreign direct investment was the driving force underlying the growth momentum of the economy in 1996.

Malaysia's high growth rate, stable prices, and healthy fiscal surplus reflect the effectiveness of sound macroeconomic management. GDP growth, based on market prices, continued to be robust in 1995 at 9.5%. A key concern of the monetary authorities in Malaysia has been the sharp deterioration in the current account deficit to \$7.5 billion in 1995, from \$4.1 billion in 1994. As a result, monetary policy has been kept tight since the middle of 1995, raising interest rates and increasing bank reserve requirements. The



economy's growth rate moderated in 1996 to 8.2%. Apart from government-induced policy measures to restrain domestic demand, GDP growth in 1996 was also adversely affected by a slowdown in the growth of exports. As electronic products account for over 30% of exports and 18.5% of manufacturing, the economy is vulnerable to the continuing slump in the global electronic market.

The Philippine economy is gradually moving to a higher growth path, having recovered from the severe recession in the early 1990s. The recovery further strengthened in 1995, with GDP growing steadily at 4.8%. The restoration of political stability and the successful implementation of economic reforms have led to the recovery. The average inflation rate remained steady, while the current account deficit widened. Economic growth was strong in 1996, with GNP expanding by about 6.8% and GDP by 5.5%. The difference between growth rate of GDP and GNP is the net factor income from abroad, which are largely workers' remittances. Economic growth was driven primarily by a construction boom and strong growth in the agriculture and services sectors. The agriculture sector grew by 3.1%, up from 0.8% growth in 1995, while the services sector grew by 6% in 1996, compared with 5% in 1995. The overall steady growth is attributed to political stability and economic reforms – public sector monopolies are in the process of being dismantled, while the basic industries are being opened to foreign competition. Containing the inflationary pressures and softening of the interest rate would further strengthen the foundations for sustaining growth over the medium term.

Thailand's economic growth has been remarkable over the past decade, at an average rate of 10%, with low inflation below 5%. Growth was buoyed by strong domestic demand, rapid expansion in exports, and a surge in the inflow of foreign direct investment. The economy's rate of growth slowed down perceptibly in 1996 to about 6.7%. The major causes of the decline in growth performance are tight monetary policy, falling exports, and political uncertainty, which prevailed in the run-up to the general elections. The agriculture sector grew in 1996 by 3.1%, virtually the same growth rate as in 1995. The industry sector experienced a sharp deceleration in the growth rate to 8.2%, compared with a growth of 11.4% in 1995, and the services sector grew by 6.1%, compared with 7.6% in 1995. Thailand also recorded a fiscal surplus equivalent to 0.9% of GDP in 1996.

Cambodia's GDP growth rate slowed down to about 6% in 1996, compared with 7.6% in 1995. The agriculture sector failed to sustain its remarkable performance of the previous year, and recorded a growth rate of only 1.5%. This was due mainly to floods which destroyed large areas of rice fields throughout the country. The industry sector continued to perform well, registering a growth rate of 13.5% in 1996. The services sector is estimated to have grown by 7.7%.

In the Lao PDR, economic growth accelerated to 7.2% in 1996, substantially above the average GDP growth of 6.4% during 1991–1995. Agriculture, which still accounts for more than half of GDP, was affected by floods but managed to grow by about 3% in 1996. Industry expanded by 13.4%, and the services sector by 10.4%. The low level of domestic saving is constraining investment by the private sector, which lacks access to foreign capital. Growth in GDP for 1997–1998 is targeted at about 7.5% per annum. Also, the 1996–2000 public investment plan allocates an increasing

share of expenditure to education, health, and social development to enhance the productive capacity of human resources.

Myanmar's GDP is estimated to have grown by 6% in 1996, compared with a growth rate of 7.7% in 1995. Agriculture, the largest sector of the economy, grew by 5.4%, mining by about 13%, manufacturing by 10%, and construction by 4.5%. The financial sector registered a healthy growth rate of 14.6%.

Viet Nam experienced continued rapid growth in 1996, due in part to the considerable progress made in economic liberalization. The upsurge in economic activity, however, has been accompanied by increased inflationary pressures and deteriorating current account deficits. Economic growth was robust at 9.5% in 1996. Growth was led by strong performance of the industry sector, which expanded by 13.3% in 1996. The sector now contributes over 30% of GDP. High industrial growth is, to a large extent, the result of strong foreign direct investment flows.

Inflation

Inflation in Indonesia slowed down due to the Central Bank's continued tight monetary stance, which has moderated the pace of private consumption growth. The increased stock of grains and improved food distribution channels have provided added protection against weather-induced price increases. Food prices are estimated to have fallen in 1996, while housing, textiles, and services costs were higher. The overall inflation rate in 1996 dropped to about 8%, compared with 9.4% in 1995. Falling inflation has allowed an easing of the interest rates.

Malaysia's monetary policy remained tight throughout 1996 as a means to check the buildup of inflationary pressures, and to contain the deficit of the current account of the balance of payments. The moderation of domestic demand and the slowdown in export growth reduced the pressures for overheating. Inflation was, therefore, low at 3.5% in 1996, although it was marginally higher than the 3.4% experienced in 1995.

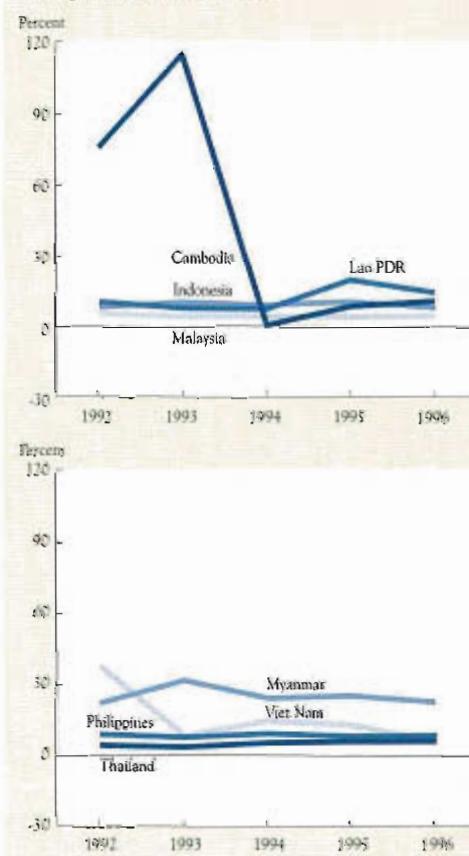
Consumer price inflation in the Philippines has been falling steadily since March 1996, partly due to the easing of agricultural supplies, and partly due to the tightening of monetary policy. Stable food prices and prudent management of capital inflows further contributed to keeping inflation in check. For the year as a whole, the inflation rate averaged about 8.4%.

Consumer price inflation in Thailand was estimated at 5.9% in 1996, compared with 5.8% in 1995. The inflation rate was contained at a relatively low level due to both supply-side factors, such as higher production of rice and processed food, and subdued demand because of a slack in the economy. A strong baht also contributed to softening the rate of inflation.

Cambodia's inflation rate has been steadily rising over the last few years. In 1996, the inflation rate increased to about 10% as a result of the production shortfall in crops caused by heavy floods, particularly in the latter part of the year.

In the Lao PDR, the Government is trying to keep a tight money supply, restricting annual money supply growth to about 20%. Measures taken to contain inflation were largely successful, as the Vientiane CPI, which is used as a proxy for inflation in the country, decelerated to 14%

Southeast Asian Economies
Changes in Consumer Prices



in 1996 from 19.4% in 1995, led largely by higher food prices early in the year caused by flood-induced shortages of rice and other foodstuff.

Inflation in Myanmar is officially estimated at around 22%, although it could be higher given the limited coverage and time lags in releasing the official figures.

Viet Nam's inflation has declined after two consecutive years of double-digit inflation. The key factors behind this downward trend have been tight monetary policy, good rice harvest, and better food distribution. The Government has demonstrated fiscal prudence and restraint in monetary policy. In light of experience last year, the authorities have carried out advance stockpiling of key items such as cement and rice. Inflation is estimated to have been 6% in 1996. Although consumer price inflation has fallen sharply this year, the threat of higher inflation in the medium term remains. Rapid economic growth, strong capital inflows, and rising per capita incomes, combined with persistent infrastructure bottlenecks and imminent shortages of construction materials, have the potential to push prices upwards.

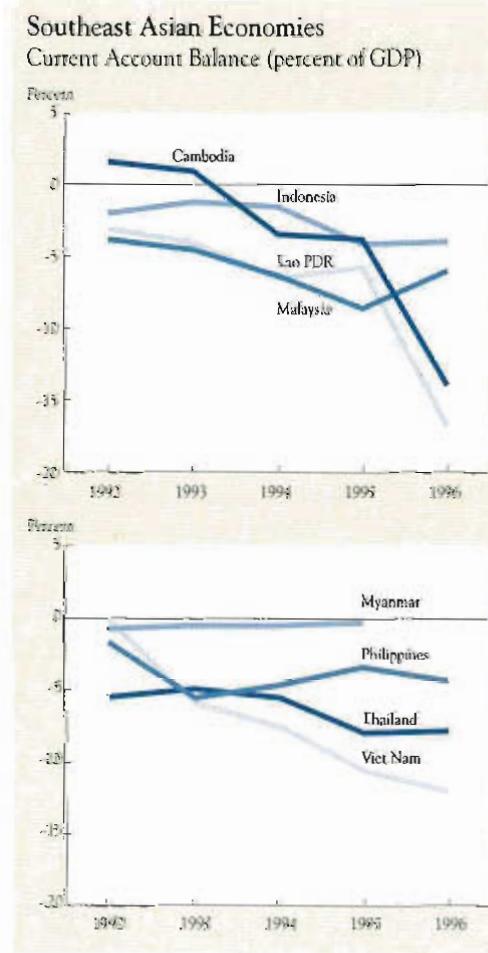
External Sector

Indonesia's export performance in 1996, especially of non-oil manufactures, was considerably below Government expectations. Relatively low exposure of Indonesia to electronic exports (less than 5% of non-oil exports) has, however, insulated the country from the sharp slowdown in exports witnessed in the neighboring countries, which are heavily dependent on electronic exports. Simultaneously, firmer oil prices have had a favorable effect on the country's export receipts. Moderate economic activity also kept import growth in check. Merchandise exports grew by an estimated 8.8% in 1996 (compared with 13.1% in 1995), while merchandise imports grew by about 11.8% (compared with 23% in 1995). The trade surplus was estimated at \$5.1 billion in 1996. However, the large deficit on the invisibles account balanced out the surplus, leaving a current account deficit of \$8.9 billion in 1996, compared with a deficit of about \$7 billion in the previous year.

Malaysia's merchandise export growth decelerated sharply in 1996 to 4%, compared with a growth of 25.9% in the previous year. Import growth in 1996 was even lower at 1.3%. Consequently, the trade balance was in surplus of about \$1.8 billion. However, due to a large deficit in the invisibles account, the current account deficit was about \$5.9 billion.

The Philippines' merchandise exports in 1996 grew by 17.5%, while imports expanded at an even higher rate of 25%. While export performance was strong, it was lower than the 29.4% growth recorded in 1995. The rapid expansion in imports was due mainly to a surge in capital and intermediate goods imports, which should enhance the productive capacity and the competitiveness of the economy. As a result of substantially divergent rates of growth of exports and imports, the trade deficit widened to about \$12 billion in 1996. With a surplus in the services account, due largely to workers' remittances, the current account deficit was estimated at \$3.5 billion. The current account deficit was more than offset by a surplus on the capital account. Continued capital inflows, both private and official, have enabled foreign exchange reserves to increase to \$13.3 billion by end-December 1996.

Thailand's total exports declined in 1996, compared with a 24.7% growth in 1995. This slump is attributable partly to the worldwide downturn



in the demand for electronic products but, more importantly, to the decline in the competitiveness of traditional labor-intensive manufactured exports, such as textiles, garments, and shoes. Stagnation in exports negated any likely benefit from a sharp decline in the growth of imports from 31.6% in 1995 to a mere 4.1% in 1996. This brought about a sharp deterioration in the current account deficit to about \$14.5 billion (8.4% of the GDP), which is a source of concern to the country's policymakers. The recent sluggishness in Thai exports suggests that the strength of the baht, together with rising domestic wages, may be taking a heavy toll. Unless the economy can make expeditious progress in moving up the value-added ladder in exports through improvements in skills formation, export growth may continue to be constrained and the current account deficit may not ease in the short run. International reserves are, however, at a comfortable level, providing somewhat more than six months of import cover.

Cambodia's domestic exports are estimated to have declined by about 28.1% in 1996 as a consequence of the log export ban introduced in 1995. Imports are also estimated to have declined by 14.9% in 1996, compared with the previous year. The trade deficit was about \$400 million and the current account deficit was estimated at \$430 million (14.1% of GNP).

The Lao PDR's exports in 1996 are estimated to have declined by 9.5%, while imports grew by 15.1%. Exports are concentrated in a few products such as electricity, logs and timber, and garments. Likewise, imports are concentrated in construction, electrical goods, and machinery and equipment. In 1996, there was a sharp decline in manufactured goods with garment exports falling by 15% with the loss of Generalized System of Preferences access in the leading markets. Simultaneously, imports of investment goods also increased because of higher investment in hydropower projects during the year. Trade deficit in 1996 was estimated at \$363 million and the current account deficit at \$308 million.

Myanmar's exports are estimated to have grown by about 9% in 1996, while imports increased by about 6%. Although the trade deficit widened during the year, a growing share of imports is accounted for by capital goods which directly affect the production capacity of the economy.

Viet Nam's trade deficit deteriorated to \$3.4 billion in 1996, compared with a deficit of \$2.3 billion in 1995. Export growth in 1996 was, however, healthy at 30.4%, but imports expanded at an even higher rate of 35.2%. The current account deficit in 1996 was estimated at \$2.9 billion, compared with a deficit of \$2 billion in 1995.

Domestic Policies

The Indonesian authorities introduced a series of deregulation measures in 1996 aimed at improving the performance of non-oil exports and narrowing the growing current account deficit. Tariff rates were lowered, the value-added tax on the shipping industry was abolished to bring down transportation costs, private enterprises were permitted to establish bonded zones exempt from value-added tax, and the restriction on 100% foreign ownership was lifted in commodities such as trading, mining, and forestry. Bank Indonesia followed a restrictive credit policy aimed at curbing overheating of the economy. Greater exchange rate flexibility was introduced with the widening of the intervention band of the rupiah in September 1996 from

3% to 8%. Using privatization proceeds and budget surplus, the Government prepaid high-cost external debt.

Malaysia addressed its current account deficit by significantly tightening the monetary policy, maintaining a surplus in the Federal Government's budget, and introducing a range of measures to promote services sector exports. Simultaneously, the Government continued its measures to liberalize the banking and financial services. The Government also announced that it would make regular issues of zero-coupon bonds to provide a benchmark yield curve for developing the private sector bond market. The Seventh Malaysia Plan (1996–2000), approved in May 1996, reoriented the investment-driven growth strategy toward greater reliance on productivity improvements. The emphasis on private sector-led growth, successfully pursued during the Sixth Plan period, will continue with further privatization of government services and infrastructure. In line with Malaysia's strong budgetary position and high level of domestic saving, only a limited role is anticipated for foreign borrowing. The 1997 Budget, announced in October 1996, continued the stance of fiscal conservatism. Rapid economic growth and a widening tax base have resulted in rapid expansion of revenues and a sharp increase in the budget surplus. This has enabled the Government to finance most of its development expenditure from its own resources as well as to prepay its more expensive foreign loans. This was achieved despite a gradual reduction in tax rates in the previous three budgets.

The Philippine economy is set for sustained growth. Recent structural reforms have significantly reduced the macroeconomic distortions, the public sector and the fiscal imbalances have been reduced, and the Central Bank restructuring has restored confidence in the banking system. The opening up of the telecommunications and the banking sectors, and the deregulation of the domestic oil industry should attract larger investments in these sectors. The growth in GNP is likely to be driven by continued growth in exports and investment on the demand side, and by growth of total factor productivity on the supply side.

Thailand is in the process of gradually implementing changes in its commercial policy as part of the mandate under the World Trade Organization. In 1995, the Government restructured customs tariffs on 20 product categories covering 6,898 tariff lines. Average tariff rates will be reduced to 17% by 1997, with a reduction in the number of rates from 39 to 6. In March 1996, the Cabinet endorsed the Eighth Economic and Social Development Plan 1997–2001. The Plan calls for a continuing emphasis on human development, social sector development, regional and local development, and on improvement in the quality of life and natural resource management and preservation. A corresponding budget was approved for fiscal year (FY) 1997⁴ in late August 1996; the FY1997 budget of 984 billion baht is equivalent to over 18% of GDP. While the Bank of Thailand is committed to slowing the growth of domestic credit, in the first half of 1996 it sought to increase liquidity somewhat. In accordance with the five-year financial sector master plan, the Bank of Thailand began issuing new licenses to foreign banks in August 1996. The key for long-term macroeconomic stability is to promote domestic saving to reduce the current account deficit. New measures to address the level and growth of domestic

⁴ The fiscal year in Thailand is from 1 October to 30 September.

saving include selective use of tax incentives to encourage long-term contractual saving; liberalization of the life insurance industry; and restructuring of personal and corporate income taxes to encourage saving and investment.

Cambodia faces important challenges if the pace of high growth is to be sustained. The most important of these is the country's low rate of saving. Policies need to be put in place to mobilize both private and public saving. The former requires the rapid development of a reliable financial sector, which can attract savings at a positive real interest rate, particularly from rural areas which still support the bulk of the population. Steps in this direction are being gradually introduced. The latter requires a buoyant revenue system and careful public expenditure management, for which fiscal reforms are being phased in under the Enhanced Structural Adjustment Facility (ESAF).

In October 1996, the Lao PDR Government adopted a socioeconomic development plan for 1996–2000, which identifies priorities in food production, commercialization of enterprises, human development, infrastructure, and promotion of the services sector. However, the weakness of the foreign exchange system could pose a threat to macroeconomic stability. The economy faces acute shortage of foreign exchange, which is likely to persist till new export industries develop and the country is able to generate substantial foreign exchange revenues from its hydropower projects.

Myanmar's success in the coming years and the long-term sustainability of its economic growth depend crucially on two related factors: the implementation of the market reform program, and the achievement of macroeconomic stability. The process of gradual transformation from a centrally planned economy to a market-oriented economy, started in the late 1980s, already includes the removal of government control from the agriculture sector; the opening up of foreign trade, including border trade, to the private sector; an open-door policy for foreign direct investment; and permission for private financial institutions to operate. The system of forced government procurement of major crops has been largely abolished, and the domestic marketing and processing of crops have been liberalized. In the industry sector, all subsectors have been opened up to the private sector, except oil and gas extraction, and the mining of gems. Further issues requiring attention are the lack of adequate physical infrastructure, especially power, water, and telecommunications services.

Viet Nam is currently making rapid progress in structural reforms, and restoring macroeconomic stability under the ESAF arrangement with the International Monetary Fund (IMF). From a medium-term perspective, the country is also in the process of implementing reforms in the legal system; land policy, especially simplifying and rationalizing the regulations on land use rights; state enterprises, especially by making them commercially viable; rural infrastructure; existing power plants and distribution systems; the system of financing education and better targeting of spending on health; and the system of social safety nets.

South Asia⁵

Countries in this subregion share a number of fundamental features such as low per capita income growth, and a dependence on external resources

⁵ Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

to supplement the domestic savings effort. South Asia's economic performance in 1996 was at an aggregate level similar to that in 1995. Bhutan, India, Maldives, and Sri Lanka experienced a slowdown in their growth rates. Bangladesh, Nepal, and Pakistan continued to make good economic progress. While most South Asian economies have been undertaking policies aimed at promoting structural efficiency and macroeconomic stabilization, they have a long way to go before the policy regimes match those of Southeast Asian economies. Rapid progress on the policy front is clearly the key to South Asia's economic success over the medium to long term, especially since the external environment is likely to remain favorable.

Economic Growth

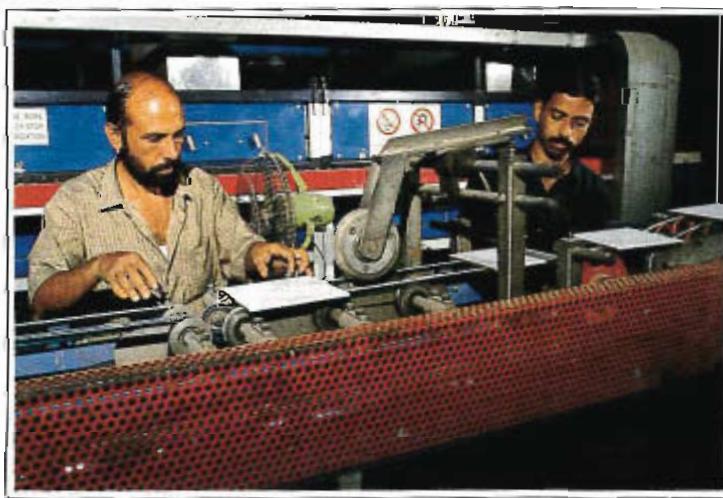
Bangladesh's GDP growth rate in 1996⁶ accelerated to 4.7% from 4.4% in 1995. The agriculture sector grew by 1.9%, while the industry sector, which was adversely affected by social unrest during the first quarter of 1996, grew at a lower rate of 5.7%, compared with 8.4% achieved in 1995. The Government is targeting GDP growth of 7% over the next few years. It also anticipates keeping the overall budget deficit at 5.7% of GDP, and plans to pursue appropriate monetary management to keep inflation in check.

Bhutan's economic development has been generally favorable in 1996. The commissioning of the ferro-alloy plant and expansion in the capacity of the cement industry contributed significantly to bring real GDP growth to about 6.4% in 1996.

India's⁷ economic performance in 1994 and 1995 was commendable, especially when viewed against the severe economic problems confronted in the early 1990s. GDP growth⁸ in 1995 was estimated at 7.1%, slowing down slightly from the 7.2% growth experienced in 1994. The industry

sector has been performing strongly, recording growth rates of 11.6% in 1995 and 9.4% in 1994. In 1996, the economy slowed down somewhat, due largely to a deceleration in the industrial growth rate because of weak domestic and external demands. Industrial production is estimated to have increased by about 8.7% in 1996. Similarly, growth in the services sector is anticipated to decline to 7.4%, compared with 8.8% in the previous year. Nevertheless, the economy recorded a growth rate of about 6.8% in 1996, aided by strong agriculture growth following a good monsoon season which compensated for the deceleration in the industry and services sectors. A weak fiscal position remains a major cause of concern in the sustainability of economic growth over the medium term. Infrastructural constraints, especially power generation, are proving to be a significant constraint.

Real GDP growth in the Maldives is estimated at 6.5% in 1996, down from the 7.2% achieved in 1995.



The Industrial Finance Corporation of India, a private sector company, was a recipient of a \$150 million loan from the Bank in 1988, to assist viable enterprises.

⁶ In Bangladesh, 1996 refers to fiscal year 1995/96, ending 30 June.

⁷ In India, 1996 refers to fiscal year 1996/97, ending 31 March.

⁸ Based on quick estimates as of January 1997.

This can be explained by capacity constraints in both the tourism and fisheries sectors.

Nepal's⁹ GDP grew by 6% in 1996, higher than the 3.4% growth recorded in 1995. The higher growth of the economy is due to the recovery of the agriculture sector which expanded by 5.4%, a turnaround from the previous year's contraction of 0.3%. Favorable monsoon allowed for higher production of food grains and cash crops. The manufacturing sector grew by 4.9%, compared with a growth rate of 2% in 1995 because of the revival of carpet and garment industries. Similarly, industrial growth increased from 3.2% in 1995 to 5.3% in 1996, while the services sector improved its growth rate from 6.4% to 7.3%.

Economic growth in Pakistan¹⁰ improved significantly in 1996 with GDP expanding by 5.9%, compared with 4.4% in 1995. Growth was led by the recovery of the agriculture sector which expanded by 6.7% because of a bumper harvest in cotton, and expansion in output of whear and rice. The services sector also improved significantly, expanding by 5.9%, compared with 4.1% in the previous year. The industry sector recovered in 1996, growing at 6%, compared with 3.6% in 1995. The strong performance of the large-scale industry sector was helped by a significant increase in investment in plant and machinery. Further, the textile industry got a boost because of the bumper cotton crop. The budget deficit in 1996 is estimated to be in the range of 5.5% of GDP. Above-average growth rate is estimated to have created an additional 1 million jobs, 70% of which are in rural areas.

Sri Lanka's economic problems have deepened due to internal problems in conjunction with adverse weather conditions. The economy is estimated to have grown by a mere 3.8% in 1996, a sharp deceleration from the 5.5% growth recorded in 1995. The drought in early 1996 caused severe power shortages and crop losses, which have impacted severely on the economy's performance. Tourist arrivals also dropped by 31% in the first six months of 1996. Aggregate demand weakened considerably as inflation eroded disposable incomes.

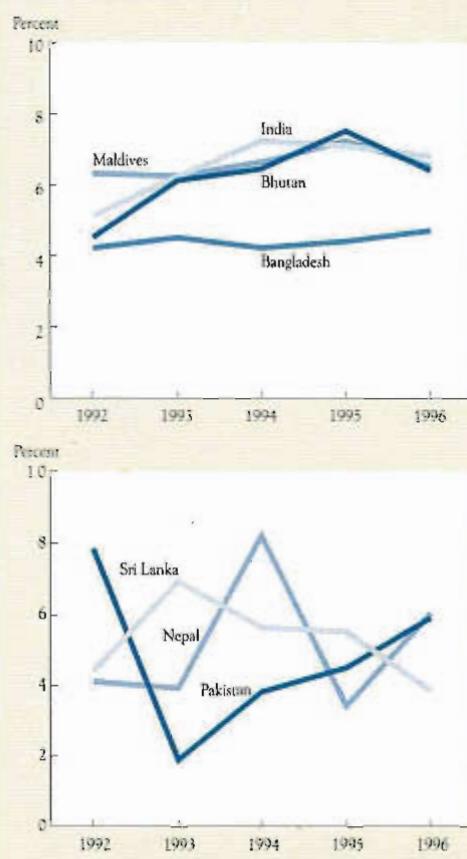
Inflation

The inflation rate in Bangladesh is estimated to have been contained at 4% in 1996 due to a drop in rice prices in April 1996 following a good harvest. In recent years, the monetary policy has been generally expansionary with a sharp increase in credit to the private sector. Steps are being taken to strengthen the financial system so that monetary policy can become a potent tool for macroeconomic management.

Inflation in Bhutan is estimated at 9% in 1996, which is closely related to inflation in India due to the fixed parity of the local currency, the ngultrum, to the Indian rupee.

India's end of period consumer price index moderated in 1995 to 8.9% (compared with 8.1% in 1994), due partly to a tight monetary policy, and partly to postponement of the adjustment of administrative prices of commodities in the earlier part of the year. In July 1996, petroleum prices

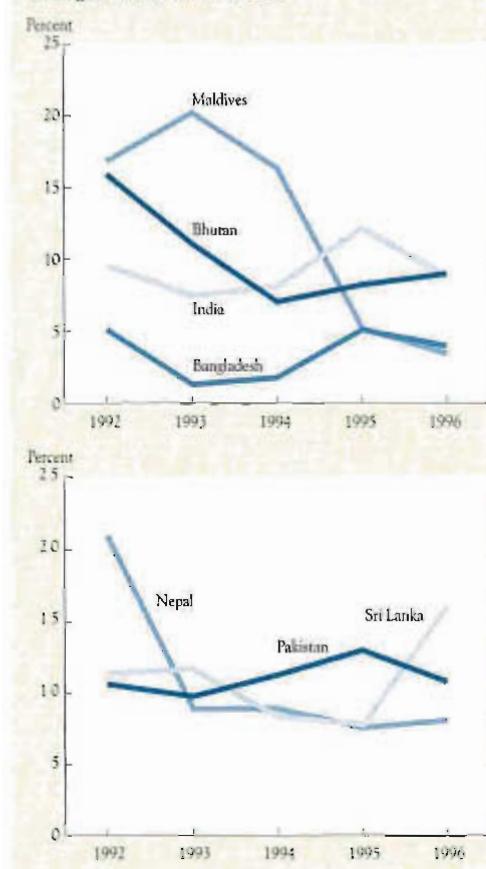
Selected South Asian Economies
GDP Growth Rates



9 In Nepal, 1996 refers to fiscal year 1995/96, ending 15 July.

10 In Pakistan, 1996 refers to fiscal year 1995/96, ending 30 June.

Selected South Asian Economies Changes in Consumer Prices



were increased by an average of 18% while, earlier in the year, procurement prices and minimum support prices of various agricultural commodities were raised by 5–10%. The monetary policy has also been relaxed in recent months. While these factors are likely to push up prices, weak domestic demand has, however, kept inflationary pressures in check. The annual rate of inflation was low at 4.7% in the first quarter of 1996, but had increased to 8.7% by December 1996. Inflationary pressures escalated as welfare-spending commitments and the subsequent need to increase revenues put pressure on prices; inflation for the year was estimated at 8.9%.

Inflation in the Maldives was contained by tight monetary policy in conjunction with better performance of the economy. Inflation was at 3.5% in 1996, compared with 5.4% in 1995.

Nepal's CPI increased by 8.1% in 1996, compared with 7.6% in 1995. Escalation of prices of food and beverages, as well as petroleum products, contributed significantly to the inflationary pressures. The depreciation of the Nepalese rupee by about 11% exerted added pressure on prices.

Pakistan in 1996 continued to pursue monetary policy aimed at economic stabilization by constraining credit expansion. As a consequence of a tight monetary policy, in conjunction with a good harvest, inflationary pressures were relatively subdued. Inflation is estimated at about 10.8% in 1996, lower than the 13% in 1995.

Consumer price inflation in Sri Lanka escalated in 1996 because of production failure due to internal problems, drought, and the adoption of measures to remove food subsidies. Additional pressure came from an increasing fiscal deficit. Due to an increase in government expenditure, government finances came under pressure. The Government had to remove subsidies to contain the budget overrun. Consumer price inflation was estimated at an annual rate of 15.9% in 1996.

External Sector

Bangladesh has introduced substantive trade policy reforms over the last few years, which have reduced and rationalized tariff rates and phased out nontariff barriers. This resulted in strong export growth in 1995. Export growth, however, decelerated in 1996 to around 11.8%, while imports grew by 17.9%. Slow export growth and the stagnant inflow of workers' remittances raised the current account deficit to 3% of GDP, compared with 0.6% in the previous year. Foreign exchange reserves fell to about \$2 billion in June 1996. External trade recovered after the elections.

Bhutan's exports increased by 9.3% to \$77 million while imports reached \$104 million. The current account deficit of \$48 million (14% of GDP) was a marked improvement brought about by a contraction in the trade deficit. The balance-of-payments position had an overall surplus equivalent to 15.4% of GDP in 1996.

India's export earnings from April to December 1996 reached \$24.2 billion, while imports totaled \$27.5 billion for the same period.¹¹ Despite a rise in the international prices of petroleum products, import earnings are expected

¹¹ Figures for imports and exports will differ from those shown in Table 5 in the Statistical Annex, which shows end of fiscal year.

to decelerate in 1996 due to a slowdown in industrial and export growth. For the whole of 1996, the current account deficit is estimated to have narrowed to \$4.9 billion or 1.4% of GDP from \$5.4 billion in 1995.

Export earnings in the Maldives increased to \$92 million in 1996, which is a growth of 7.8% over 1995. This has been achieved through an expansion in the fish and garments exports. Imports also registered a growth of 10.3%. With higher official transfers and increases in tourist arrivals, the overall balance-of-payments position improved strongly, and gross international reserves reached an equivalent of 3.1 months of import cover.

Nepal's current account deteriorated substantially in 1996 to an estimated 9.5% of GDP. Export demand for woolen carpet and ready-made garments was weak, resulting in an export growth rate of about 1.7%. With imports continuing to grow rapidly, the trade deficit crossed the \$1 billion mark for the first time.

Pakistan's export growth rate in 1996 was 7%, which was lower than the 16.1% growth achieved in 1995. Imports grew in 1996 by 16.2%, compared with 18.5% in 1995. With imports growing faster than exports, the country's trade deficit increased to \$3.7 billion from \$2.5 billion in 1995. The surplus on the invisibles account absorbed a part of the trade deficit, and the current account deficit in 1996 was estimated at \$4.2 billion (6.5% of GNP). The Government undertook corrective measures, such as a devaluation of the Pakistani rupee and the regulatory duty of 10%, to arrest a possible deterioration of the current account in the second half of 1996.

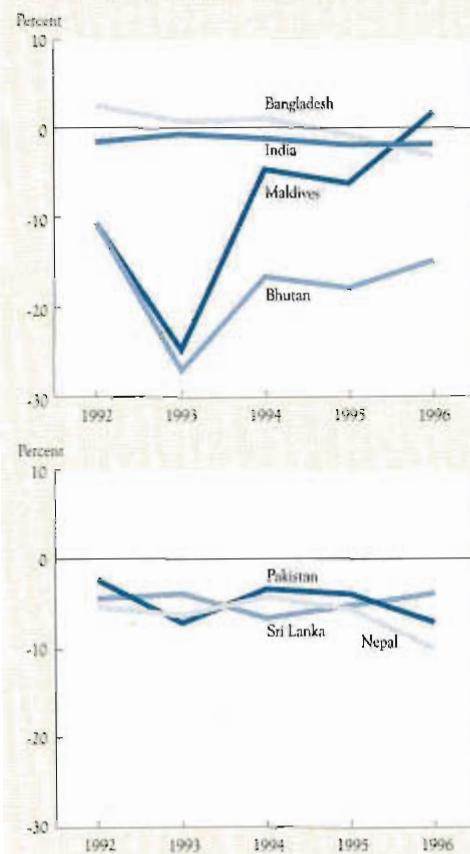
Sri Lanka's sluggish economic growth in 1996 contributed to a low demand for imports, particularly of consumer goods and investment materials. Consequently, imports rose by about 8% in 1996, compared with a 9% increase in 1995. Export growth was also moderate at 12% in 1996, compared with growth of 18.4% in the previous year. However, the trade balance is estimated to have improved somewhat in 1996 to \$0.8 billion from \$0.9 billion in 1995. The current account deficit also improved from \$546 million in 1995 to \$519 million in 1996.

Domestic Policies

Compared with the achievements of Bangladesh's economic reforms in recent years, its progress in 1996 was limited, partly because of political disturbances. On the fiscal side, while tax administration was strengthened and corporate income taxes reduced, there was little improvement in the coverage of the value-added tax. In the area of financial reforms, some important steps were taken to improve the efficiency of the banking system. In early 1996, a new capital-adequacy system, based on a risk-weighted measure of banks' portfolios with a minimum 8% capital-adequacy ratio, replaced the previous liability-based minimum 6% capital-adequacy system. In the external sector, the Government introduced additional trade reforms in 1996. These included reducing tariff and nontariff barriers, enhancing external competitiveness, and further liberalizing foreign exchange controls.

In Bhutan, significant progress was made in financial sector reform with the introduction of government-security auctions, and the conversion of the Unit Trust of Bhutan into a second commercial bank. In the area of tariff reform, preparatory work has been undertaken through the liberalization of foreign exchange regulations and the strengthening of the legal framework.

Selected South Asian Economies
Current Account Balance (percent of GDP)



In India, further progress was made in broadening and deepening the economic and structural reforms during 1996, albeit at a slower pace. The Reserve Bank of India lowered the statutory liquidity ratio and cash reserve requirements, and further liberalized deposit rates in the context of ongoing financial sector reforms. New guidelines for expenditure management were announced; these require government agencies to prepare manpower and expenditure-reduction plans, impose a minimum rate of return for investments undertaken in state-owned enterprises, and improve cost recovery of utilities. Steps have also been taken to continue the privatization program. Also, a Divestment Commission was established to implement public enterprise reforms. The upcoming Ninth Five-Year Plan (FY1997/98–FY2001/02) will focus on fostering economic growth, employment generation, and poverty reduction, and will stress the need for infrastructure development, including the provision of an enabling environment for private sector activities. To ensure sustainability of the growth process and to maintain macroeconomic stability, India will need to bolster domestic saving and investment. Further progress in fiscal consolidation, particularly at the state level, and removal of rigidities in factor markets are the logical next steps in the reform process.

In the Maldives, the Government is challenged by the need to introduce reforms in the tax system, the financial sector, the exchange and trade system, public enterprises, and the regulatory environment. This is in view of its medium-term objective of sustaining an adequate level of economic growth, while maintaining a viable external position. To achieve this objective, there is a need to introduce new taxes, draft commercial and bankruptcy laws, and implement more privatization measures.

The Government of Nepal has taken several steps toward attaining economic stability by controlling the budget deficit, limiting internal borrowing, strengthening revenue administration, and maintaining price stability. The Government is committed to implementing a "Three-Year Rolling Budget" to facilitate project selection and transparency, efficiency, and accountability in spending. A new valuation system has been introduced to improve the efficiency of customs operations, and the process of privatizing state enterprises has been reactivated. To support poverty reduction, the Government's social spending will be focused on education and health care. Likewise, increased emphasis is being given to sustainable rural land-use and labor-intensive programs to protect the environment and provide employment to the rural poor.

Pakistan's Government is undertaking widespread reforms to increase the competitiveness of the economy and to spread the benefits of development to the low-income groups. Trade reforms have focused on the reduction of tariff rates and restructuring of the customs system. Tax reforms are also under way, especially relating to scaling down of personal and corporate income tax rates. The Government pushed ahead with its privatization plans in the energy, industry, and financial sectors. Simultaneously, to improve the provision of basic social services, the Government approved the second phase of the Social Action Plan (SAP) which covers 1996–2000. The SAP aims to improve the delivery of basic social services, especially to those in rural areas and those aimed at women. The Government, however, faces major macroeconomic challenges of reducing the fiscal deficit and narrowing the current account deficit.

In Sri Lanka, the Government is attempting to restore macroeconomic stability, bring inflation under control, and create an environment for normal growth to resume. An important element in the exercise is to reduce the budget deficit to about 5% of GDP. In the financial sector, the priorities of the Government are to privatize public sector banks, establish a mechanism for auctioning government debt instruments, establish rating agencies, and further open the capital account. Public administration reforms, such as rationalization of the civil service and government pension scheme, are being contemplated.

Central Asian Republics¹²

The Central Asian republics are economies which are in a state of transition to market-based systems. Their institutions are undergoing rapid transformation. The database of these economies is being developed, hence information on them is currently lacking.

Economic Growth

Kazakhstan's GDP in 1996 is estimated to have grown by 0.7%, after experiencing severe contraction in economic activity since independence in 1991. Agriculture sector production increased in 1996 as a result of normal weather conditions. Industrial output also increased for a range of products, such as cast iron, coal, crude oil, and natural gas. The fiscal situation remains strained with an overall budget deficit of 2.8% of GDP. Due to some contraction in output over the last five years, unemployment levels had grown to 9% by mid-1996.

The Kyrgyz Republic, after five years of negative growth, experienced a recovery in 1996, registering a 3.5% growth. Reforms in the agriculture sector resulted in increased crop production. In the industry sector, improvement has also been recorded as evidenced by increased production of household appliances.

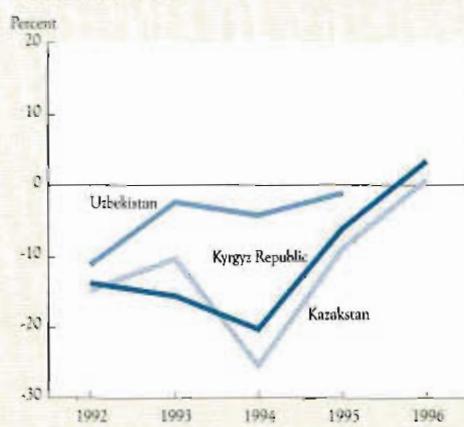
Economic growth in Uzbekistan has been steadily improving since 1993. In 1995, GDP contracted by only 1.2% and the economy is expected to post positive growth in 1996. The industry sector experienced better performance in 1996, particularly in the output of chemical, petroleum, machine building, metal working, and wood processing subsectors. Some progress has likewise been made in the services sector, resulting from the privatization of shops and small enterprises. In agriculture, however, grain production has declined because of poor weather conditions.

Inflation

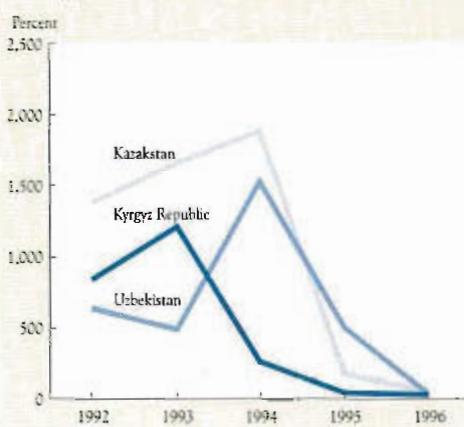
Kazakhstan's inflation in 1996 was estimated at 39%, a significant improvement from the high level reached in 1994. The introduction of a national currency in November 1993 and the development of monetary tools by the Central Bank contributed to the rapid decline in inflation.

Inflation also moderated significantly in the Kyrgyz Republic to about 30.3% in 1996.

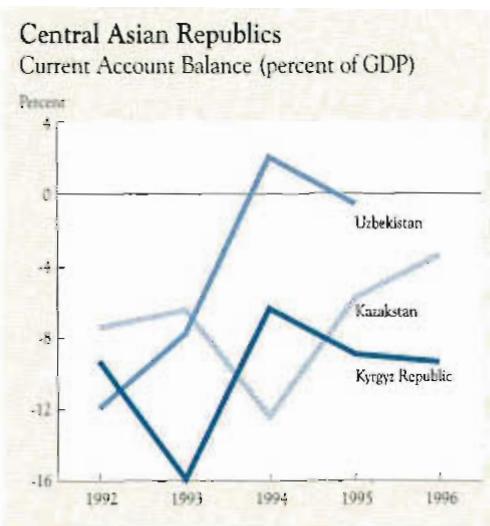
Central Asian Republics
GDP Growth Rates



Central Asian Republics
Changes in Consumer Prices



¹² Kazakhstan, Kyrgyz Republic, and Uzbekistan.



In 1995, Uzbekistan's inflation rate was estimated at 516%, compared with an exceptionally high level (about 1,000%) in 1994. A further drop of the inflation rate is likely to have occurred in 1996.

External Trade

Kazakhstan's merchandise trade deficit in 1996 was estimated at \$602 million (approximately 2.9% of GDP), while the current account deficit was even larger (3.4% of GDP) because of considerable transfers associated with emigration and increased payments on external debt. The capital account includes substantial foreign direct investment, ranging between \$850 million and \$900 million, the bulk of which was in the metallurgy and oil and gas subsectors.

The Kyrgyz Republic experienced a widening trade gap estimated at \$366 million due to a surge in imports. However, inflows of official transfers provided support to the balance of payments, and the country managed to accumulate a small amount of foreign exchange reserves. Experience with attracting foreign direct investment has not been particularly encouraging. The Government is targeting foreign exchange reserves to increase to about three months of import equivalent by the end of 1997.

Uzbekistan's balance-of-payments position has improved during the past few years. In 1995, exports increased by 29.4% and imports by 31.9%. The trade balance gradually moved toward a surplus in 1995 after suffering from large deficits immediately after independence. Earnings from cotton and gold exports, together with expansion in oil and grain production, helped improve the country's external trade position. The 1996 exchange reserves are estimated to be about six months of import cover.

Domestic Policies

The Government of Kazakhstan continues to implement macroeconomic stabilization programs focused on the reduction of inflation and the fiscal deficit. The Government has likewise pursued its privatization program and has so far transferred housing assets, service-sector enterprises, and small and medium enterprises to the private sector.

As the Kyrgyz Republic's economy moves toward a market-based system, one of its major reforms involves the restoration of fiscal balance through increased revenue collection and a strengthening of tax administration. In this context, civil service reforms have also been initiated to improve efficiency of public institutions. Social reforms have also been lined up to target pension systems and social benefits, particularly those for education and health.

Uzbekistan's transition from a predominantly state-owned economy to a market-based economy has been relatively slow, despite the willingness of the Government to undertake reforms. The Government has continued to accelerate and deepen the structural reforms, but restoration of economic growth remains a challenge. Many reform programs, such as the public investment program, reform of nonperforming state enterprises, and the liberalization of the foreign exchange system, remain unfinished.

Pacific DMCs¹³

Although all the Pacific DMCs have subsistence agriculture sectors, which provide basic livelihoods for a large segment of their populations, they differ widely in other important characteristics such as size, resource endowments, trade and economic relations with other regions, economic growth potential, and institutional capacity for economic management. Fiji, Papua New Guinea, and Solomon Islands – which together account for more than 70% of total Pacific DMC population – have more broad-based resource and economic structures and inherent development capacity than have most of the other members of the group. This is true especially in relation to the small island atoll countries of Kiribati, Marshall Islands, Federated States of Micronesia, and Tuvalu. In these countries, the domestic resource base is extremely limited with coconut and marine products being virtually the sole commercial export items. However, fisheries income derives very largely from licensing arrangements for foreign fishing fleets rather than through employment-generating domestic fishing industries as in Solomon Islands, where fish exports are an important contributor to foreign exchange earnings.

Another important difference among the Pacific DMCs is in the structure of external income. Commodity exports from Papua New Guinea and Solomon Islands are usually sufficient to generate trade account surpluses, whereas this is not so for the other members of the group, which all have significant trade deficits. For Cook Islands, Fiji, Tonga, Vanuatu, and, increasingly also, Western Samoa, tourism is a principal source of external earnings; and private transfers or remittances from nationals living abroad are especially significant for Kiribati, Tonga and Western Samoa. In contrast, official transfers from the US are the main source of external income in the case of the Marshall Islands and the Federated States of Micronesia.

The relatively large size of the public sector is a common feature of most Pacific DMC economies, and is one reason why these economies often have difficulties in adjusting to events such as a reduction in external grant aid or adverse changes in commodity prices. An expanding role for the private sector is an essential requirement for diversification of productive activity, and the development of ability to cope with adverse external circumstances. Most Pacific DMCs concur with that view but apart from those countries in which drastic structural change became inescapable in recent years, progress in most other Pacific DMCs in reducing the role of government has been slow.

Many of the DMCs in 1996 were faced with the need for resolute fiscal action to deal either with specific problems or with those arising from the need for fundamental economic restructuring.

In terms of economic management, choice of monetary policy instruments is limited for six of the Pacific DMCs because of the lack of a national monetary unit. The Cook Islands uses the New Zealand dollar; the Marshall Islands and the Federated States of Micronesia, the US dollar; and Kiribati, Nauru, and Tuvalu, the Australian dollar. Also, there are marked differences in governance capacity. In Fiji, Papua New Guinea, Tonga, and Western Samoa, although there is clearly scope for improvement, information systems

¹³ Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu, and Western Samoa.

for decision-making, especially as regards budgetary management, are relatively well developed. In Papua New Guinea, the recent devolution of responsibility to provincial and district lands is promoting severe transitional problems. Elsewhere, in part because of the difficulties faced by small countries in providing for the range of skills required, the timeliness, scope, and quality of data available are very much poorer and limit the capacity for assessing needs as well as performance. In the Cook Islands, substantial progress has been made under the economic restructuring program currently being implemented.

The larger economies among the Pacific DMCs accounted for most of the economic growth that occurred in the Pacific island economies in 1996.

Economic Growth

In the Cook Islands, GDP in 1996 declined by an estimated 5% following a contraction of similar magnitude in 1995. A major program of economic restructuring in response to a severe financial crisis is now well under way.

Fiji's economy recovered well in 1996 with economic growth reaching 4.4%, compared with 1.4% in 1995. Sugar production showed a small gain but most of the growth came from other sectors of the economy, especially mining, manufacturing (such as garment production for export), and those activities in the services sector that benefited from an increase in tourism.

Kiribati and Tuvalu each maintained growth of around 2%.

Economic growth in Marshall Islands, Federated States of Micronesia, and Nauru is likely to have been adversely affected as these countries also began a process of significant structural adjustment.

The Papua New Guinea economy recovered from a contraction of GDP by 2.9% in 1995, to grow at 2.2% in 1996. Performance improved in most sectors of the economy but the overall outturn was adversely affected by a sharp fall in mining output.

Solomon Islands continued to grow strongly though at a lower rate than in 1995, on the back of its unsustainable rate of forestry logging. Other sectors of primary industry, except fishing, also contributed to growth, while the high level of government expenditures provided additional stimulus.

Tonga's growth contracted from 2.3% in 1995 to 1.6% in 1996.¹⁴

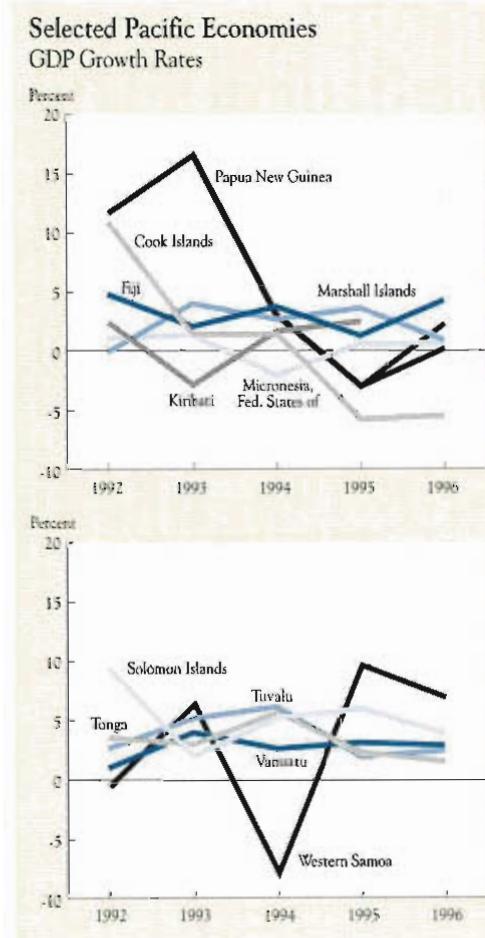
Economic activity in Vanuatu continued to be dampened by the effects of political uncertainty on investor confidence, although some further recovery in agriculture sector output and tourism was a positive factor.

Western Samoa showed strong growth at about 7%, in line with the sharp recovery experienced in 1995 when the economy staged a sharp recovery from the effects of the devastation of its main crop, taro. Increased output of coconut products and further expansion of tourism were again evident.

Inflation

In the Cook Islands, inflation was low, reflecting the rates prevailing in New Zealand.

In Fiji, prices edged up toward the end of 1996 but the average increase of 3% over the year was not significantly greater than in 1995.



¹⁴ For Tonga, 1996 refers to fiscal year 1995/96, ending 30 June.

In the Marshall Islands, some progress was made in reducing the rate of consumer price increase below the 1995 level of 7%.

Inflation in the Federated States of Micronesia in 1996 is estimated to remain at its 1995 level.

In Papua New Guinea inflation was much lower at an average rate of 13% during 1996, in contrast to the 17% recorded in 1995 following the floating of the kina. By the end of the year, consumer prices were some 7% higher than at the end of 1995.

Continued high levels of government spending in Solomon Islands were an important factor in the inflation rate rising to 12.5% in 1996.

Inflation in Tonga fell steadily through 1995, averaging less than 1% for the year as a whole. In 1996, however, increased food and housing costs pushed up the average inflation rate to 2.8%, about the same as that experienced by Vanuatu.

For Tuvalu, inflation declined to 3.4%, a reflection of continuing low rates of price increase in Australia and New Zealand, the main sources of imports.

In Western Samoa, where inflation was reduced to low levels in 1995 after reaching over 18% in 1994, consumer prices began to rise again in 1996 as the level of economic activity continued to be strong.

External Sector

The trade deficit of the Cook Islands, although still large, contracted in 1995 as imports declined. A further decline in imports and, hence, in the trade deficit was in prospect for 1996.

Fiji's external position improved as a result particularly of a rise in export receipts, enabling a current account surplus of 0.8% of GDP in 1996 in contrast to a deficit of 2.4% of GDP in the previous year. External reserves increased during 1996 to nearly six months of import cover.

Large trade deficits are likely to have continued to be a feature of the economies of Kiribati and Tuvalu, although in their cases, earnings from investments, fishing licenses, and external aid are, with prudent management of public finances, normally sufficient to maintain external balance.

With exports and imports projected to be much the same in 1996 as in 1995, the current account deficit of the Marshall Islands is likely to have remained at around 50% of GDP, financed in large measure by official transfers from the US.

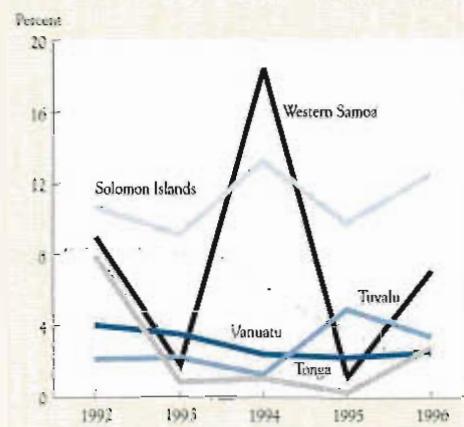
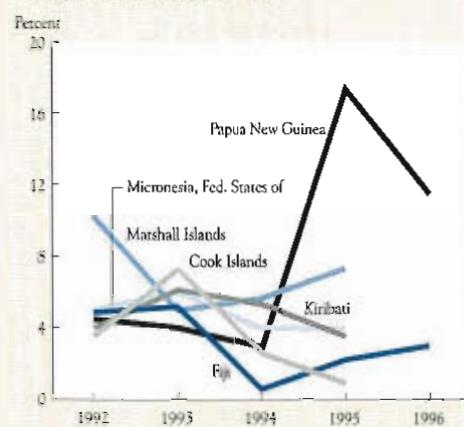
The position of the Federated States of Micronesia was similar, with a current account deficit remaining in the region of 60% of GDP.

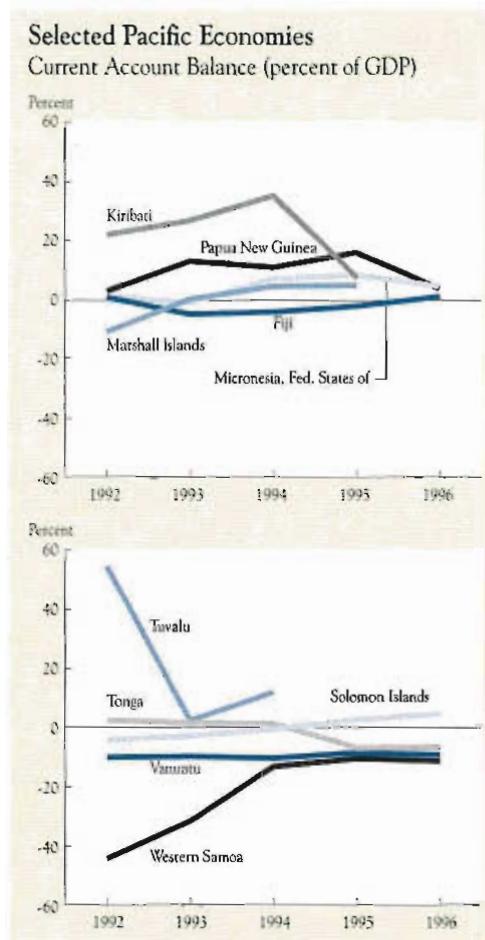
In Nauru, imports declined significantly following the virtual closure of the Bank of Nauru in 1996. The value of exports continued its downward trend with the drop in phosphate prices, while the negative trade balance remained lopsided.

For Papua New Guinea, a decline in export earnings, along with higher import payments, resulted in a sharp fall in the current account surplus from nearly 16% of GDP in 1995 to 3.8% in 1996. Capital account transactions, however, were sufficiently favorable to permit a rise in external reserves to 3.8 months' import cover at end-1996, compared with 2.6 months in 1995.

Solomon Islands' exports of logs, fish, copra, and palm oil all showed strong growth; and despite a further increase in imports, the overall positive

Selected Pacific Economies
Changes in Consumer Prices





balance enabled external reserves to reach the equivalent of two months' import cover, the highest for many years.

Although Tonga's trade balance worsened, external receipts from services, remittances, and official transfers were sufficient to permit a small contraction in the current account deficit from 6.8% of GDP in 1995 to 6.3% in 1996.

Vanuatu's external position did not change much from 1995. The trade deficit widened slightly as imports grew faster than exports. The current account deficit increased to an estimated 9% of GDP despite higher receipts from tourism and official transfers.

Western Samoa's overall balance of payments moved into a small surplus by the end of 1996, with the improvement in tourism revenues and strong growth in agricultural exports, combined with continuing fiscal restraint.

Domestic Policies

In the face of increasingly severe fiscal difficulties, a major restructuring program in the Cook Islands began in 1996, involving large reductions in government employment and expenditure, privatization of government commercial activities, and the introduction of requirements to maintain a balanced budget. These reforms had profound effects on economic activity and social conditions in the country.

In Fiji, a rescue package to protect depositors following the insolvency of the National Bank of Fiji, entailed a substantial rise in the net fiscal deficit from 0.5% of GDP in 1995 to 6.9% in 1996. Measures to contain the consequent effects on the economy were thus needed.

The Government of Kiribati adopted a new national development strategy in 1996.

For the Marshall Islands, a principal policy issue in 1996 was the implementation of initial measures to adjust the economy to the progressive decline of external funding. These measures included tax increases and expenditure reduction, especially through reduction of civil service staff numbers.

The Federated States of Micronesia also initiated programs of structural adjustment by the constituent states in 1996, involving both tax increases and reductions in public sector employment and expenditure.

Nauru cut its fiscal year 1997 budget by about 50% to Australian \$24 million. Further cuts are planned for fiscal year 1998, along with significant downsizing in civil service and state corporations.

In Papua New Guinea, the generally conservative approach to fiscal management adopted in late 1994 was maintained with the overall fiscal balance moving from a deficit of 0.8% of GDP in 1995 to an estimated surplus of 0.3% in 1996.

The financial position of Solomon Islands Government remained precarious in 1996. Positive action to rein in expenditure, reduce the fiscal deficit of over 7% of GDP, and clear outstanding payments arrears and debt-servicing charges was largely absent. Progress in reducing the extent of government dominance in the economy was also minimal.

Tonga continued its policies to control rising private sector credit and overseas fund transfer facing the current account deficit and declining external reserves.

Tuvalu experienced a higher increase in public expenditure than revenue; as in 1995, the shortfall was covered by earnings of the Tuvalu Trust Fund.

Vanuatu's fiscal position also worsened in 1996, with revenue falling short of budget and payments arrears increasing. Part of the problem stems from continued political instability during 1996, but the failure to institute reforms to widen the tax base, improve expenditure controls, and reduce the size of government underlies the financial difficulties that have emerged.

In Western Samoa, in the wake of a series of natural disasters, the Government has followed a policy of fiscal restraint, and has also promoted private sector-led growth.

Outlook for 1997

Newly Industrializing Economies

Economic performance in the NIEs is likely to strengthen in 1997 due to expectation of increased exports. It may be recalled that growth of these economies decelerated in 1996 due to decline in export growth, which began in the latter part of 1995 and continued in 1996. Cyclical factors that caused the decline in export growth are anticipated to bottom out, and the economies are set for relatively higher growth. In the medium term, having achieved relatively high growth and per capita income, the NIEs will face the challenge of sustaining growth by moving to higher-level technology and more capital-based production.

Hong Kong's economy is expected to recover further in 1997 with an increase in GDP to around 5%. Investment activity is expected to remain strong, consumer demand is likely to strengthen, and exports are projected to pick up. Sectoral developments point to a steady increase in the construction sector and a strong performance in export of services. Growth in tourism should provide a boost to the economy in 1997.

In the Republic of Korea, economic growth is forecast to decelerate further to about 6% in 1997 as the contractional phase of the business cycle is projected to continue in the first half of the year. Improvements in investment activity and exports, the two areas that have supported growth in the past, are likely to be slow because of existing structural problems. The Korean production structure has been observed to have been somewhat rigid; structural adjustment measures may need to be vigorously pursued to bring the economy back on track. Several policy measures will continue to be taken in 1997 in line with OECD norms.

Singapore's real GDP growth is expected to improve marginally to around 7.5% in 1997. Singapore's economy is largely dependent on exports and reexports, and is highly vulnerable to global economic downturns. With the favorable developments anticipated in the global trade environment, the economy's revival is imminent. The diversification strategy of the manufacturing base will also help push the economy into producing more sophisticated products.

Taipei, China's consumption and investment expenditures are expected to improve moderately, and result in slightly higher GDP growth of around 6.2% in 1997. Export performance will improve as the economies of its large trading partners, the US and Japan, improve. Taipei, China's financial system needs to be restructured as it could depress the economic potential of the country. The Government is playing an active role in determining and promoting industries in which the economy has distinct comparative advantage

and in which it can continue to compete globally. In this context, Taipei, China has launched its comprehensive and ambitious plan, the Asia-Pacific Regional Operations Center Plan.

People's Republic of China and Mongolia

The PRC's strong economic performance is forecast to continue for the next two years. GDP is expected to grow by about 9% in 1997. The Government's agricultural policies are expected to result in the sector growing by about 4.5% per annum. Given normal weather conditions, grain production is expected to increase on average by 10 million tons next year. Industrial production is expected to grow at a rate of 11.1% in 1997, in line with the Government's efforts to prevent overheating, and to rationalize the investment and production patterns of state-owned enterprises. The services sector is forecast to grow at a rate of close to 8% per annum. The fiscal situation of the Central Government over the next two years depends on the buoyancy of revenues and the extent to which state-owned enterprise reforms are implemented. The gradual easing of monetary policy could put some upward pressure on prices in 1997. The PRC's export performance is anticipated to improve in 1997.

Growth prospects in Mongolia are modest. Growth is forecast at 3–4% per annum for 1997. Agriculture and industry are each projected to grow by about 3%. The services sector is expected to grow by 4%. These projections assume that economic policies continue to address problems in the banking sector; that incentive structures in agriculture and industry are improved; that structural reforms in public sector enterprises are pursued; and that renovation of thermal plants and modernization of coal mines to improve the reliability of power and heat supply are continued. Inflation is expected to decline to 40% in 1997. On the external side, the balance-of-payments position is anticipated to deteriorate further in 1997. The current account deficit is projected to increase to 10% of GDP.

Southeast Asia

Southeast Asia is expected to maintain a high growth rate in 1997, albeit at a decelerated pace than witnessed in the first half of the 1990s. Overall average economic growth is projected to remain around 7.3%, only marginally higher than in 1996. The economic outlook of Indonesia, Malaysia, and Thailand is not likely to change significantly in 1997, partly as a result of restrictive fiscal and monetary policies aimed at containing inflation and improving the current account position, and partly because these economies are in the process of reorienting their production structure to technologically more advanced products. The Philippines and Viet Nam are well poised to post high, medium-term sustainable growth. The outlook for Cambodia, Lao PDR, and Myanmar is contingent upon these economies pushing ahead with the reform process in conjunction with macroeconomic stability. Overall, the economic growth for Southeast Asia will be largely supported by relatively strong domestic private consumption and investment demand, improvement in exports, and appreciable inflows of foreign investment.

Indonesia's economic growth is projected to remain close to 8% in 1997. The non-oil manufacturing sector is expected to maintain its role as

the leading sector in spurring growth. The utilities and construction sectors are also anticipated to perform strongly. Foreign confidence in the country's economic performance and management has remained strong, which is a positive factor in sustaining economic growth.

Malaysia's GDP growth in 1997 is expected to be in the region of 8%, close to the 8.8% growth achieved in 1996. The monetary and fiscal stance is expected to remain restrictive to contain the widening current account deficit. The economy is, however, subject to a number of risks and uncertainties which need to be addressed in the medium term. These include vulnerability to external shocks because of limited substitution possibilities of imports with domestic production, and greater volatility of exports; excessive reliance on monetary policy to deal with pressures of overheating which raises the prospects of attracting volatile short-term capital inflows; and having achieved near-full employment, the country needs to pay more attention to accelerating the pace of increase in total factor productivity, including substantially upgrading the technical capabilities and skills of the labor force.

The Philippines is faced with the challenge of sustaining the relatively high growth it has achieved since 1993. The Philippines' GDP is expected to grow by about 6% in 1997, slightly above the 5.5% growth in 1996. The GNP growth could be in the range of 7–7.5%. Recent structural reforms have significantly reduced macroeconomic distortions and further liberalized the economy. Private investments are being further driven by the opening up of the telecommunications and banking sectors. In the absence of weather-induced crop failures, agriculture should also contribute to better economic performance.

Thailand's economic growth slowed down in 1996, while the current account deficit was high. A marginal increase in the growth rate is likely to occur in 1997 as external demand revives. Growth in agriculture sector output is likely to be sustained at the current level, while the industry and services sectors are likely to pick up. Important concerns in the medium term include macroeconomic imbalances, such as a widening current account deficit and savings-investment gap, and potential loss of competitive advantage in labor-intensive exports.

Viet Nam's GDP is expected to grow by 9.5% in 1997 provided the Government does not falter on the IMF Program and the pace of structural reforms is not slackened. Industry will remain the fastest-growing sector, expanding at a rate of 13.3%, with agriculture growing at 4.5%, and services at about 10.8%. The medium-term prospects for the economy appear to be positive.

The outlook in 1997 for Cambodia is relatively buoyant. Real GDP is estimated to grow at about 6.5% in 1997. This is based on the assumption that weather conditions will be favorable, and that the Government will continue to pursue sound macroeconomic policies in line with the objectives set under the ongoing ESAF arrangement with IMF.

For the Lao PDR, growth in GDP is expected to slow down to 7.5% in 1997.

The success of Myanmar in the coming years and the long-term sustainability of its economic growth depend critically on the ability of the economy to implement market reforms and to achieve macroeconomic stability. On the anticipation that the progress toward market-oriented reforms continues, and the macroeconomic imbalances are addressed, the economy should grow at a faster rate during 1997.

South Asia

Bangladesh's growth target for 1997 is 5.4%, given normal weather conditions. The Government is committed to revitalizing the agriculture sector, enhancing growth of exports, developing domestic industries to attract foreign investment, and creating opportunities for employment. To keep inflation at a low level of 4%, appropriate monetary management should be pursued.

GDP growth in Bhutan is forecast to increase by 5% in 1997, and inflation is expected to moderate. Exports are projected to increase and imports are anticipated to grow at a higher rate. The current account deficit is likely to increase.

India should be able to achieve a GDP growth rate of around 7% in 1997, provided the reform process is expedited. With good weather conditions and an increase in procurement prices, the agriculture sector should remain dynamic while growth is anticipated to pick up in the industry and services sectors. Export performance is also expected to improve significantly, and with a revival in demand for imports, the current account deficit is expected to widen, albeit within the comfortable range of 1-2% of GDP in 1997.

GDP growth in the Maldives is projected at 6% in 1997. Improvements in the agriculture sector are expected with enhanced methods of fishing, and in the services sector with the opening of more islands to tourism.

Nepal's economy should experience a growth rate of about 4.5% in 1997. Agricultural production should increase with favorable climatic conditions, while industrial production is expected to revive with improved export prospects. Lifting of restrictions on foreign investment in industries will also contribute significantly to the improved performance of this sector, which is projected to grow by about 6%. The services sector is forecast to grow by 5% in 1997. Close watch will, however, have to be kept on the current account deficit.

Pakistan's economy should grow at a rate of about 5% in 1997, provided progress can be achieved in restoring macroeconomic stability. This is contingent upon the Government vigorously pursuing structural reforms to improve the competitiveness of domestic industry. In particular, Pakistan needs to become better geared to face the challenges posed by the evolving international economic environment. On the domestic front, policies which promote sustained and equitable socioeconomic development need to be pursued with determination.

An improvement in Sri Lanka's economy could take place in 1997 as the country recovers from the effects of a low investment rate and adverse weather conditions. Manufacturing is expected to continue to be the main engine of growth with better performance expected from textiles, wearing apparel, leather products, food and beverages, and tobacco.

Central Asian Republics

For Kazakhstan, brisk activity is anticipated in private farms, auto transport services, and retail and restaurant services in 1997. Unreconstructed enterprises of the former Soviet Union, however, continue to exert a dampening effect on growth.

In the Kyrgyz Republic, the target growth for 1997 is 9%, following positive results of the government reform programs. Some success has been achieved in combating inflation, and in 1997 inflation is projected to drop to a low 16–17%. As a result of renewed investment in the Kumtor gold mining operation and a subsequent decline in imports, the current account deficit is expected to decline in 1997. Foreign exchange reserves are forecast to increase to approximately three months of imports by the end of 1997.

Uzbekistan's growth for 1997 and 1998 is expected to be moderate. Agriculture will continue to benefit from improved institutional structures. With some attendant difficulties from downsizing and closure of some enterprises, the industry sector could still reap gains from increased activities in the energy and mining sectors. The services sector is likewise expected to post a modest growth as a result of improved output in the industry sector.

Pacific DMCs

Prospects for the Pacific DMC economies in 1997 are for modest growth at best among some of the larger economies, and for low or negative growth among the smaller.

In the Cook Islands, a further fall in GDP is in prospect as the structural reforms bite deeper.

Fiji's GDP growth rate is likely to recede to 3.2%. Although tourism-related activities should provide further stimulus, a contraction of construction, low growth in sugar output, and a more modest performance of mining will be offsetting factors. The fiscal deficit is expected to increase to over 8% of GDP, largely because of continued outlays associated with the restructuring of the National Bank of Fiji. On the external account, Fiji's current account surplus is projected to increase to 1.8% of GDP, and reserves to be maintained at about six months of import cover.

GDP in the Marshall Islands and the Federated States of Micronesia is expected to decline further, as a result of more pervasive structural reforms.

The economy of Nauru is expected to contract further following a trend that began in 1992.

Papua New Guinea is expected to grow somewhat faster in 1997 by about 3%. Though oil output will be lower, most other sectors of the economy will grow at rates higher than in 1996 in some cases. The fiscal deficit in Papua New Guinea is expected to narrow down to 0.9% of GDP in 1997. The current account deficit is likely to deteriorate to about 3% of GDP, as lower exports lead to a fall in the trade surplus and higher debt-service payments result in a rise in the deficit on the services account.

Economic growth of Solomon Islands should be below that in 1996, as logging activity becomes less buoyant, and government activity is less expansionary than in previous years.

Growth in Kiribati, Tonga, Tuvalu, and Vanuatu should remain at about 2%, the same as in 1996. Fiscal deficits are likely to continue in Solomon Islands, Vanuatu, and Western Samoa.

Western Samoa's growth rate is expected to maintain its strength at about 6%.



Infrastructure development reduces constraints to economic growth: the Second Highway Project in Thailand was supported by the Bank with a \$110 million sector loan, approved in 1989.

Operational Priorities and Policies

THE PRIORITIES and policies discussed in this chapter reflect the Bank's strategic development objectives, including the emphasis on policy dialogue with its developing member countries (DMCs). In 1996, in the context of its strategic framework, the Bank again offered DMCs a country-based, integrated approach to development, linking project financing with policy support, capacity building, and regional cooperation. The Bank's policy on program lending, in particular, was strengthened to support the promotion of sound, market-oriented policies in DMCs.

Strategic Framework and Operational Agenda

The Bank's strategic development objectives, as defined in *The Bank's Medium-Term Strategic Framework (1995–1998)*, are to

- promote economic growth;
- reduce poverty;
- support human development (including population planning);
- improve the status of women; and
- protect the environment.

The rationale for these objectives is that economic growth is necessary to reduce poverty, but by itself is not enough to raise the living standards of the poor, women, and other disadvantaged groups. Hence, employment and income-generating opportunities clearly directed at target populations must be promoted. At the same time, economic growth must be sustained through protection of the environment.

As a management tool for planning, programming, and monitoring the implementation of these overall Bank objectives in its operations, the Bank has adopted a classification system that relates individual projects to the five strategic development objectives. The system follows specified criteria, and distinguishes when a project is aimed primarily at meeting a Bank strategic objective other than economic growth and when it has the former as a secondary objective. This tool enables the Bank to track whether the mix of projects and the distribution of loans by objective are in line with its overall development agenda, as well as with its DMCs' development priorities (see *Classification of Projects by Objective table* on page 88).

The Bank achieves its strategic goals by delivering integrated development services to its DMCs. Besides lending from its own resources, the Bank also mobilizes additional flows of investments for the projects it assists, both through cofinancing and through promoting capital markets in DMCs. At the same time, the Bank advises and supports DMCs in relevant policy formulation and reform; is an active partner in capacity building for development management; and facilitates regional and subregional cooperation.

Since the needs in DMCs vary, the Bank tailors its assistance to each DMC through country assistance plans that translate country-specific operational strategies into work programs. The Bank undertakes this planning process in full consultation and partnership with each DMC, analyzing the country's needs in each sector, and identifying where the Bank has a comparative advantage in its services.

Policy Initiatives and Policy Support

With the evolution in the Bank's role from project financing to that of providing an integrated range of development assistance, increased emphasis is placed on policy analysis and reform in all lending and advisory activities. Accordingly, the ability and means to support policy changes in DMCs have become strategically essential.

Program Lending: In particular, program lending plays an important part in the Bank's effort to promote sound, market-oriented policies in its DMCs. After having reviewed its program lending operations and policies, the Bank introduced important amendments to the policy framework. These were implemented in 1996. The review allowed the Bank to assess accomplishments and progress made since the introduction of the policy-based program lending instrument in 1987. The overall impact of program lending has been positive. Program loans have made a significant contribution to the adoption of market-based, outward-looking policies in key sectors of DMCs, which have improved efficiency and performance. While delays were occa-

sionally encountered in the implementation of reform measures, compared with the time frames originally envisaged, the overall implementation record of policy conditions and the general direction of policy reforms in DMCs have been very satisfactory.

To take account of the experience with program lending as well as the changed circumstances in many DMCs, changes were introduced in the Bank's program lending policies in 1996. Program loans will be utilized to facilitate and accelerate the adoption of necessary policy reforms. In addition, a new sector *development program* modality has been introduced; this combines project or sector and program lending

Classification of Projects by Objective, 1993–1996^{a,b}
(by number)

Classification	1993		1994		1995		1996		1993–1996	
	No.	%	No.	%	No.	%	No.	%	No.	%
Traditional Growth Projects ^c	28	45	24	51	25	38	30	39	107	43
Social Projects	22	35	10	21	21	32	31	41	84	34
Poverty Reduction	4	6	—	—	4	6	9	12	17	7
Human Development	17	27	9	19	17	26	21	28	64	26
Women in Development	1	2	1	2	—	—	1	1	3	1
Environmental Projects	2	4	1	2	5	8	8	11	16	6
Growth-oriented Projects ^d	10	16	12	26	14	22	7	9	43	17
Total	62	100	47	100	65	100	76	100	250	100

^a Loan projects are classified in terms of the Bank's strategic development objectives: (i) promote economic growth; (ii) reduce poverty; (iii) support human development (including population planning); (iv) improve the status of women; and (v) protect the environment. Public sector projects are assigned a maximum of two objectives, one primary and one optional secondary. Projects are classified as having social or environmental objectives only if they are designed to specifically and primarily address poverty, human development, status of women, or the environment, and if their expected impact in terms of benefits and beneficiaries is adequately documented and fulfills the relevant classification criteria.

^b Excludes private sector loans/equity, and technical assistance loans.

^c A project is classified as a growth project if its primary aim is to promote economic growth through investments that increase economic production capacity and/or enhance economic efficiency.

^d A project is classified as a growth-oriented project if social emphasis is a secondary aim.

with a view to addressing sector needs more comprehensively. The new program lending policy also emphasizes sector analysis as a precondition for program lending; assesses the policy performance record and programs of DMCs; gives attention to social and environmental issues, including mitigating measures in case of adverse short-term impacts on the poor; and reviews budgetary allocations to and within the sector to ensure that essential needs are met.

There were seven program loans approved in 1996, one each to Cambodia, Cook Islands, India, Lao PDR, and Mongolia, and two to Viet Nam. The first sector development program, which is in the Mongolia education sector, was also approved in 1996; several others are now being prepared.

Another important development was the introduction of wide-ranging structural reforms in several Pacific DMCs, which the Bank supported through broad adjustment programs. In the Cook Islands, for example – which is not a member of either the International Monetary Fund or the World Bank – ADB helped design and support, in cooperation with key bilateral donors, a comprehensive macroeconomic stabilization and adjustment program.

While program loans continue to be a key instrument of the Bank for supporting broad programs of sector policy reform, policy analysis and reform are an integral and essential part of all Bank operations. Therefore, project and sector loans systematically review and assess the policy and institutional frameworks in the sector concerned, engage in policy dialogue with the relevant government authorities, and seek to correct deficiencies, if any, through policy conditions attached to investment loans. Economic and sector work and technical assistance operations are designed to support a well-defined agenda of policy dialogue and reform. Many advisory technical assistance grants are specifically designed to analyze key policy issues, or to strengthen the policy formulation and implementation capacity of major government agencies.

Policy Agenda: The Bank's policy agenda encompasses a wide range of issues, including the regulatory and legal frameworks for growth, trade and investment regimes, relative roles of the private and public sectors, pricing and tariffs, cost recovery, good governance, decentralization, beneficiary participation, and social and environmental issues. For example, in 1996, the Bank worked closely with the Environmental Impact Management Agency (BAPEDAL) of Indonesia to encourage the decentralization of environmental management, which is considered essential for effective monitoring and enforcement of environmental standards promulgated at the national level. To this effect, the Bank will help prepare a master plan for the establishment of provincial, district, and municipal environmental impact management agencies, and investigate means for strengthening the systems and procedures for environmental management at the local level. The Bank also assisted the Government of Indonesia in carrying out comprehensive resource mapping and resource-use planning in its land and marine resource evaluation projects. In the People's Republic of China (PRC), the Bank provided technical assistance to enhance private sector participation in infrastructure development, by helping structure build-operate-transfer projects in the critical power and road subsectors. In Sri Lanka, the Bank supported a comprehensive effort at public administration reform, comprising

Rural Microenterprise Finance in the Philippines

RURAL POVERTY in the Philippines, measured in terms of the capacity of a group to meet specified minimum needs (poverty threshold), continues to increase in absolute terms. Income is inequitably distributed, despite periods of strong economic growth, which slightly reduced absolute poverty and had no impact whatsoever on unequal income distribution. Weak periods of economic growth, on the other hand, worsened the poverty situation and further widened the disparity between the rich and poor. Overall, the pattern of economic growth has been inequitable and has not been accompanied by a growing share for the poorest.

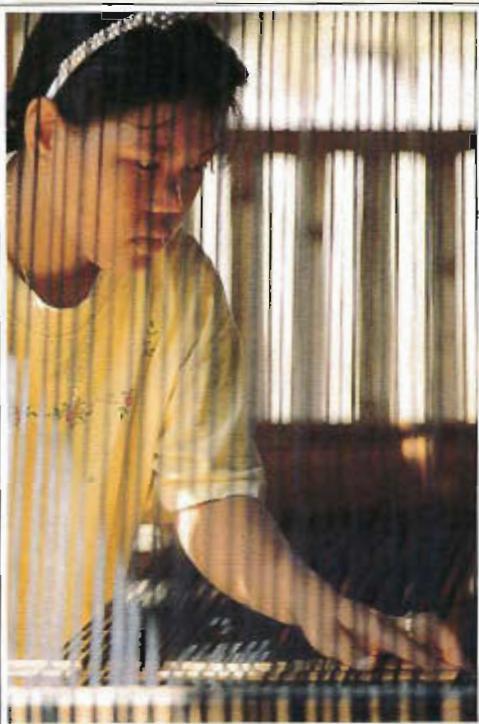
The Philippine financial system is divided into a formal market, which consists of a wide array of banking and nonbanking institutions performing various intermediation services, and an informal sector. The difficulty the poor have in accessing formal credit occurs partly because the structure of the financial system is biased against them. Banks rarely lend to the ultra poor, mainly because of information problems, lack of acceptable collateral, and the high transaction costs of processing small loans. Also, formal financial

institutions, including rural banks, are reluctant and ill-equipped to service the microenterprise sector, particularly the poor.

With the continued growth in the number of unemployed and underemployed, landless rural workers and other disadvantaged groups, particularly women, the high levels of poverty in the rural areas are unlikely to be reduced significantly. However, if these inequities can be corrected through investments in financial services, the ultra poor could help themselves. Access by the poor to adequate and appropriate financial services is a critical factor in helping break the poverty cycle.

The Grameen Bank Approach (GBA) used in Bangladesh is a long-term, successful, and sustainable system for bringing effective financial services to the ultra poor. It has produced significant income, employment, and other social benefits in a number of countries. GBA replicators have gained a wealth of experience in adapting the GBA to Philippine conditions. The Government has now demonstrated its commitment to provide financial services to the ultra poor through the GBA; the proposed project will support the training and credit needs of the nationwide program.

The objectives of the Rural Microenterprise Finance Project in the Philippines are to contribute to a reduction of poverty, create employment opportunities, and enhance rural incomes of the poorest of the poor. Specifically, the project seeks to (i) increase the availability of credit assistance through the GBA to the target group for investment in income-and employment-generating microenterprises; (ii) expand the growth and strengthening of self-help groups comprised primarily of poor rural women; (iii) promote and achieve rapid growth of saving and savings mobilization schemes in the target group; (iv) strengthen the institutional capacity of GBA replicators to provide simple and accessible financial intermediation services (credit and saving to the target group); (v) assist in the development of a self-sustaining financial system for the rural poor through the establishment of a nationwide network of GBA replicators; and (vi) improve the policy environment for a microcredit finance program.



Women are the target beneficiaries of income-generating activities supported by the Bank under the NGO Microcredit Project, for which an \$8 million loan to the Philippines was approved in 1988. The Second NGO

Microcredit Project, funded by a \$30 million loan, was approved in 1991.

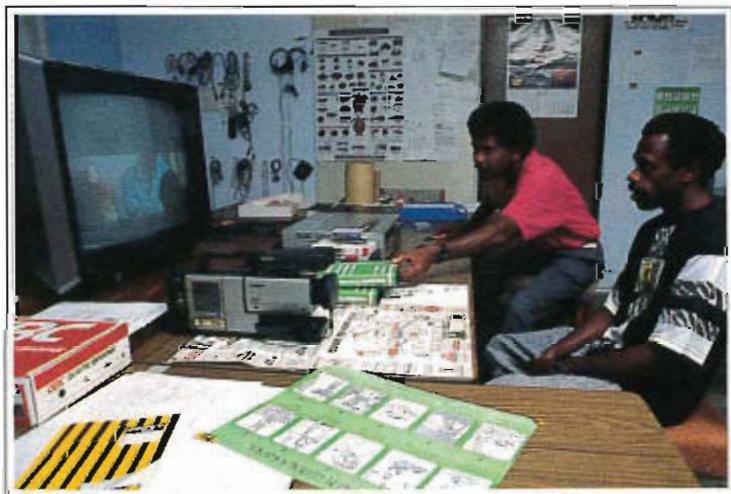
consolidation of core strategic functions in the Office of the Head of Government; improvement of policy coordination at the cabinet and ministerial levels; separation of the policy-making, service delivery, and regulatory functions of public administration; and introduction of results-based management systems and procedures.

Recognizing the importance of water as an essential and increasingly scarce resource that requires careful multisectoral management, the Bank organized in May 1996 a regional consultation workshop aimed at helping in water sector policy formulation. With the participation of almost all DMCs, and strong representation from other international agencies, the private sector, and nongovernmental organizations (NGOs), the workshop was an important step in the process of formulating a water sector policy that reflects the views and needs of all parties and sectors concerned. This Bankwide effort was supplemented at the country level by assistance to water sector policy formulation in Sri Lanka, where a national water resource center and secretariat were established in 1996. Similar initiatives to support sector work in this area were also launched in the PRC and the Lao People's Democratic Republic (Lao PDR). The linkage between the Bank's policy agenda and its operational program was further strengthened in 1996 in the new Country Assistance Plans, which include a synopsis of the Policy Support Program in each DMC. The increased emphasis on policy support and reform in Bank operations reflects and reinforces the evolution of the Bank from a simple project financier, concerned with individual investment projects, to a broad development catalyst and agent of change, concerned with the overall policy and institutional environment for growth.

Social Dimensions

It is increasingly recognized that people are the center of development, and that development is for all people. The concept of social dimensions captures the key elements of human perspectives in development, including poverty reduction, enhancing the role of women in development, human development, and avoiding or mitigating the adverse effects of development interventions on groups that do not have the capacity to absorb such effects. The Bank recognizes the importance of incorporating social dimensions in all its development efforts and operations, and making social dimensions a major consideration in the formulation of development strategies, including operational strategies; the translation of these strategies into operational programs; and the design, implementation, and evaluation of development programs and projects.

Promoting a balance between economic growth and social development continues to govern the Bank's development efforts in the Asian and Pacific region. The focus on the social aspects of development is sharpened by the fact that an ever-increasing number of the region's population lives in poverty despite the overall economic growth of the region. Documents such as The Bank's Medium-Term Strategic Framework



Educational materials on agriculture were prepared under the Agricultural Extension and Training Project in Vanuatu, funded by a \$1.1 million loan from the Asian Development Fund, approved in 1983.

(1995-1998) and *The Report of the Task Force on Improving Project Quality* reflect the Bank's commitment to the social dimensions of development.

The Bank continually refines its activities by reorienting policies and practices toward its objectives of poverty reduction, enhancing the role of women, human development, beneficiary participation, and protection of vulnerable groups. The Bank emphasizes these social dimensions in all aspects of its operations.

During 1996, 31 of the 76 public sector projects approved included components that reflected the Bank's social development concerns. While continuing to review all new loan and technical assistance proposals in light of the Bank's social dimensions policies, efforts to improve on these policies and to advance new ones were undertaken during the year. Existing policies on women in development and cooperation with NGOs are being revised to reflect the Bank's expanding role and operational agenda in these areas. Work continues on developing policies to recognize and help protect indigenous peoples' interests, and to hasten the pace of poverty reduction. Guidelines on participatory development have been established.

Poverty Reduction: Despite progress already achieved in poverty reduction, the problem persists in most DMCs. The magnitude of the task of lifting more than half a billion people in the region from a life of abject poverty is daunting. Economic growth is a necessary but not a sufficient condition for reducing poverty. The Bank recognizes this fact, and works to help the poor through targeted direct assistance for income-generating opportunities. In addition, improving access to health, family planning, education, and

From Policy to Action: Community Model Schools in Pakistan

TWO THIRDS of the world's women over the age of 25 years have never been to school, and 60% of illiterate people are women. Yet, there is concrete evidence to suggest that the returns from education are higher for females than for males. There is also increasing evidence that demonstrates a positive correlation between the education of females and reduced poverty, improved health, nutrition and welfare of women and children, and reduced fertility rates.

In Pakistan, literacy rates for women are under 25%, and primary school enrollment for girls, only about 50%. Most of the country's primary schools for girls have only two rooms for five grades. This school environment leads to a dropout rate of over 50% for girls by grade five, and accounts for low female enrollment rates.

In 1989, the Bank undertook its first-ever girls primary school project to assist the Government of Pakistan in establishing five-room Community Model Schools (CMSs) in 25% of the nation's 4,000 union councils that have populations of at least 10,000. A follow-up project was approved in 1996. Each CMS was established in an existing girls' school in a union council conveniently located to serve nearby smaller schools. The CMSs not only function as primary schools, but also serve as a venue for after-school programs in health, nutrition, and nonformal programs that teach income-generating skills.

Each government-run CMS is provided a boundary wall, latrine, tubewell, and desks as basic amenities for a safe and comfortable learning environment. Playground and sports equipment, sewing kits, tree nurseries, library books, chalk

related services not only increases the economic contribution of the poor, but also assures the sustainability of economic growth.

In the last decade, the Bank has increasingly incorporated poverty reduction as an implicit element in all its projects. Heightened concern for poverty reduction encourages the Bank to undertake core projects that increase incomes and provide employment opportunities, as well as to highlight this concern when formulating conventional projects. Poverty issues are also considered systematically during country strategy and operational programming exercises. During 1996, 15 public sector projects either were aimed primarily at achieving poverty-reduction targets or included poverty-reduction components. These projects were mostly in the microfinance, agriculture and rural development, health, water supply and sanitation, and infrastructure sectors.

Two regional technical assistance studies focusing on poverty reduction were completed during the year; a study is in progress on the poverty-reduction impacts of Bank-assisted projects, and preparation of a project to address poverty reduction in the Greater Mekong Subregion began. Several country-specific poverty reduction technical assistance grants were approved during the year, such as the Rural Income Generation Project and the Coastal Community Development and Fisheries Resources Conservation Project, both in Indonesia. The Bank participated in activities sponsored by the Consultative Group to Assist the Poorest (CGAP), a multidonor group that provides grants to enable poor people to become progressively more productive. Also during 1996, the Bank began preparing for the Fourth Meeting of CGAP, which the Bank will be hosting in Manila in 1997.

boards, and other supplies, which make school an enjoyable place to grow intellectually and socially, were provided by the Norwegian Government.

Besides new or improved facilities, parental involvement is necessary to create a strong school-community partnership and commitment to education. The CMS program encourages this involvement. The Bank-assisted projects have initiated community participation with the aid of nongovernmental organizations to help establish parent-teacher organizations. The model schools also provide community outreach to support teachers in the smaller satellite schools in nearby communities. A learning coordinator already assigned to the union council is provided an office in the CMS, which serves as a center for academic monitoring, and provides half-day workshops for teachers in the satellite schools.

In the long term, the Bank-assisted Primary Education (Girls) Sector (approved in 1989) and Second Girls Primary School Sector (approved in 1996) projects will help increase the number of girls completing grade five, which will lead to more girls going on to higher grades, and eventually improving their employment prospects. The two projects also contribute to the social infrastructure of communities by establishing a national network of CMSs that provide venues for nonformal and other community-based activities for women. The two projects reinforce other Bank-assisted projects in nonformal education and teacher training, such as the Social Action Program (Sector) Project II, as well as other donor activities in Pakistan.

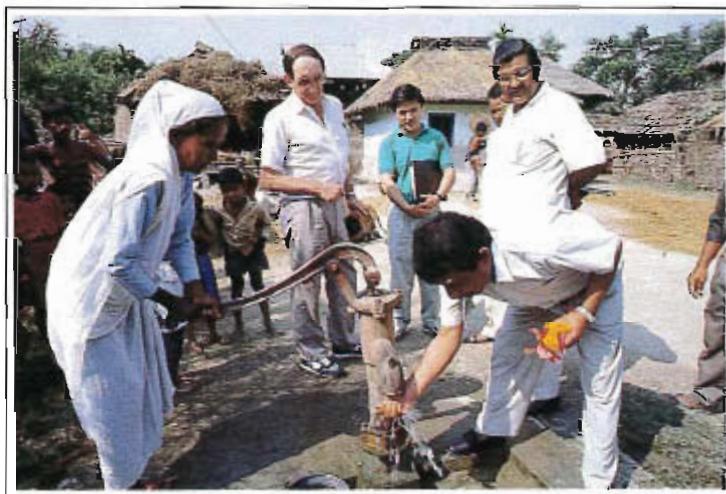
Women in Development: The Bank recognizes that improvements in the status of women are integral to achieving its other strategic development objectives, such as poverty reduction, economic growth, development of a healthier and better-educated society, and overall sustainable development. Investments in women are now widely acknowledged as crucial in achieving sustainable development, in that poor health, low education and training levels, and limited access to resources not only limit women's quality of life but also their contribution to economic efficiency and growth. Public policies and investments that improve the status of women have such benefits as improved public health, low infant and maternal mortality, lower fertility rates, increased life expectancy, and reduced health and welfare costs. The Bank's policy on women in development, adopted in 1986, is currently being revised.

During 1996, the Bank approved three projects that were classified with either the primary or secondary objective of improving the status of women. For example, under the Second Girls Primary School Sector Project in Pakistan, an estimated 300,000 girls will receive basic education. In Viet Nam, the Population and Family Health Project is expected to benefit 750,000 women and 1.7 million children directly.

Protection of Vulnerable Groups: Vulnerable groups include children, the aged, tribal people, ethnic minorities, illegal settlers/squatters, people at the bottom rungs of the social ladder, disabled people, and new and old immigrants. They are often poor and socially powerless, with very little capacity to absorb economic and social shocks. Thus, the costs of adjustment imposed on the vulnerable groups may be out of proportion to their capacity to bear such burdens.

The Bank is aware that while carrying out policy adjustments, institutional reforms, and project investments aimed at improving economic efficiency, enhancing growth, and protecting the environment, it is necessary to provide safety nets to the vulnerable groups that may be adversely affected. Compensating adversely affected people is in the interest of equity and overall social harmony. In its development activities, the Bank follows the principle that as a result of an adjustment, reform, or investment, no group will be worse off, and at least some groups will be better off than before.

Throughout the year, new projects were reviewed to pay particular attention to how these would affect vulnerable groups. The Bank continues to systematize its approach to vulnerable groups through the preparation of policy papers and guidelines. In 1996, the Bank started drafting its *Handbook on Resettlement: A Guide to Good Practice* for carrying out its policy on involuntary resettlement. Also during the year, substantial work was completed on a policy to address the needs of indigenous peoples. Country-level consultations on an indigenous peoples' policy working paper were undertaken to follow up on the regional consultation meeting held in 1995.



Beneficiaries of the Second Water Supply Sector Project in Nepal, for which the Bank provided a loan of \$14.4 million in 1989, discuss the features of a water pump with Bank staff.

Participatory Approach to Development: Participatory development is a process through which stakeholders can influence and share control over development initiatives that affect them directly, as well as decisions and resources that are part of development initiatives. Participation facilitates the interaction of each stakeholder group in development initiatives in a more equitable and collaborative manner. If stakeholders' interests are not identified and addressed before commitments to development are made, these interests often will emerge during project implementation, thereby compromising the effectiveness and sustainability of initiatives in place.

In the past, some of the Bank's investment projects have focused on increasing outputs or providing physical or other infrastructure, without paying enough attention to people who would use either the outputs or the infrastructure services. Examining the impact of these projects has led the Bank to accept that many of the potential benefits of the investments have not been achieved fully, owing to inefficient or inappropriate use of the outputs or infrastructure. Also, adverse impacts of these projects on people and the environment often were not adequately addressed. As a result of these experiences, the Bank is increasingly accorded greater attention to beneficiary concerns, including identifying the potential clientele for the project, as well as their needs, constraints, and demands; their capacity to organize, participate, manage, operate, and maintain project facilities; and their ability and willingness to pay for the project and its services. All new projects are reviewed so that the priority requirements of the people can be successfully met, and that the facilities concerned be operated, managed, and sustained after project completion.

Some areas in which the Bank sought active beneficiary participation in the design, implementation, and/or maintenance of project facilities are in livestock development, water supply and sanitation, agriculture, energy, area conservation, rural infrastructure and irrigation development, education, and family health and nutrition. In November 1996, the Bank published *Mainstreaming Participatory Development Processes into Bank Operations*, a handbook describing how the Bank is institutionalizing participatory development processes in all stages of the project cycle. The regional technical assistance project, *Facilitating Capacity Building and Participation Activities*, was approved during 1996, providing funding to support specific small-scale participation activities.

Cooperation with NGOs: Identified as a key associated process for the Bank to achieve its strategic objectives, cooperation with NGOs involves efforts to identify and develop the means to facilitate the participation of NGOs in project activities as well as in the formulation and implementation of development policies and strategies. In local-level project activities, NGOs have a distinct advantage in helping identify the needs of affected persons and communities, and in engendering community participation. Project sustainability is difficult to achieve unless projects are designed in cooperation with the beneficiaries. Also, NGOs often have an advantage in delivering development goods and services to the harder-to-reach segments of the population.

NGOs play various important roles in development. Many NGOs are familiar with the specific needs and capabilities of the people, and usually

promote self-help and self-reliance among people through innovative approaches. Cooperation with NGOs may result in more effective assistance to the poor and disadvantaged groups of the population in meeting their basic needs, and support improved natural resource management and conservation activities in DMCs. There are many well-organized and experienced NGOs in the Bank's DMCs.

In 1996, 25 new projects involving NGOs during project conceptualization or implementation were approved. These projects were in water supply and sanitation, rural infrastructure, education and health, irrigation, microenterprise, energy, livestock, rural credit, transport, and resource management. NGOs are also widely involved in technical assistance activities, and are becoming involved in country programming work.

Informal meetings were held throughout the year to address specific policy and project questions. More formal discussions were held during the Bank's 1996 Annual Meeting, when a seminar on Bank cooperation with NGOs was held. Also during 1996, country consultations were undertaken to assist in developing a revised Bank-NGO Cooperation Policy. A regional technical assistance project to study NGOs in nine of the Bank's Asian DMCs was approved during the year.

Human Development: Investment in people – human resources – is a vital part of development, and is one of the Bank's strategic objectives. Educated, skilled, innovative, and healthy people are the major contributors to economic growth. Human development relates not only to education and skills development, but includes investment in such vital areas as health and population, water supply and sanitation, and urban and rural development. Such investment will help improve the skills, living standards and quality of life of present and future generations of people, and will help increase their contribution toward sustained and accelerated economic growth.

Countries that neglect these aspects of human development are likely to suffer the consequences of slow and inadequate economic growth, with poor technology and a mismatch of labor supply and demand, often coupled with rapid population growth. Investment in sectors such as health, education, training, and related services, as well as population planning, not only benefits the people receiving these services, but also accelerates economic growth and helps to sustain it over the long term.

The Bank's operations that directly address human development cover the sectors of health and population, education, water supply and sanitation, and urban development. A total of 23 projects approved during 1996 included human development either as a primary or secondary objective.

Social Infrastructure

The development of social infrastructure is an important operational priority of the Bank. Social infrastructure provides the enabling foundation for future economic growth. It improves people's general welfare, and satisfies the basic needs of the vulnerable. The development goals of DMCs are met through Bank investments in education, health and population, water



Training in an electronic manufacturing plant in Pakistan has been made possible through two development finance loans for which the Bank approved a total of \$110 million in 1983.

Bank Assistance for Mongolia to Restructure its Education Sector

MONGOLIA is a large, sparsely populated country. Under central planning and with the support of members of the Council of Mutual Economic Assistance, Mongolia developed an extensive network of education facilities staffed according to nationally prescribed standards. While the system was successful in educational terms – gross enrollment rates at primary and secondary levels were high, and literacy was over 95% – overall, it was inefficient. Teacher-pupil ratios were much lower than in other countries in the region, for example. The transition to a market economy, the disruption of external trade arrangements, and the loss of external subsidies sharply reduced resources available for education and other social services. The shift to a market economy also required that the education system meet new requirements. Mongolia's emerging market economy has created a demand for public administrators and business managers with new attitudes and skills in areas such as law, financial management, accounting, auditing, marketing, and information technology. There are urgent needs to train teachers in these key subjects and to develop new curricula.

A broad program of policy and institutional reforms, supported by focused investments, was essential to improve relevance and productivity, and to ensure financial sustainability of the education system. This program was approved in December 1996. Assistance to restructure and reform Mongolia's education system will be provided by two loans totaling \$15.5 million for the Education Sector Development Program.

For the Bank, this is the first application of the sector development program lending modality, supporting a comprehensive package of policy reforms, investments, and technical assistance designed to make a sector more cost effective and responsive.

The Bank is providing the country with a \$6.5 million policy program loan and a \$9 million investment loan. The main aims of the policy loan are to upgrade the quality of the sector, and improve its efficiency and financial sustainability by

- rationalizing and consolidating the school system, reducing redundant staff through a staff rationalization program covering an adequate compensation package and outplacement services, and improving the capabilities and motivation of retained staff through retraining and more appropriate career paths;
- expanding cost-sharing and cost-recovery schemes for higher education;
- introducing a cost-recovery program for textbook publishing and distribution;
- developing a policy framework for technical education and vocational training;
- supporting privatization and private sector provision of education; and
- establishing an independent accreditation body for higher education.

The parallel investment loan is designed to strengthen education management capabilities, to improve quality and coordination in higher education, and to raise the quality and effectiveness of secondary schooling.

The Bank is also providing a technical assistance grant of \$950,000 to meet key capacity-building needs of the sector, including those of the Ministry of Science, Technology, Education and Culture; local authorities; and selected key institutions. The Ministry will be the executing agency for the program, which will be implemented over five years, ending early 2002.

supply and sanitation, urban development, housing, and tourism.¹ These investments directly reflect the Bank's strategic development and operating objectives. For example, expanding both formal and nonformal basic education improves skills and productivity; increasing public access to adequate health care and sanitation services improves public health and welfare; and providing convenient access to an adequate and safe water supply satisfies a basic human need. Expanded private sector involvement in financing and delivering social sector services is supported by the Bank, as are capacity building and strengthening of social sector institutions. Improved financing mechanisms for social services, poverty reduction, and safety nets are given high priority, as are greater decentralization and devolution of authority to local governments.

The Bank's specific objectives in social infrastructure sectors are as follows.

Education: The economic and social rates of return on investment in education, especially basic (primary and lower secondary) education, tend to be among the highest rates of return on all investments. The Bank therefore aims to support the education sector needs of its DMCs by improving the quality of, and increasing access to, formal and nonformal basic and secondary education, and postsecondary education. This provides a sound foundation for growth and improves equity. To realize gender equality, the Bank either invests in the subsectors where the interests and needs of women are prominent, such as primary and nonformal education, or targets women through special programs that will expand their income-earning opportunities. Provision of skills development, and technical and vocational education and training, supports productivity growth. Rehabilitation and strengthening of education systems are a particular concern in the transition economies.

Basic primary, lower secondary, and nonformal education are the focus of newly approved projects in Cambodia, Indonesia, and Pakistan, and of ongoing projects in Bangladesh, Kazakhstan, Lao PDR, Nepal, Pakistan, and Philippines. New technical assistance grants for these sectors have been approved for Bangladesh, Cambodia, Indonesia, Lao PDR, Pakistan, Uzbekistan, and Viet Nam. The efforts in the Lao PDR and Pakistan specifically target women and girls. In Thailand, a technical assistance grant will develop nonformal secondary education. For Indonesia, a grant will strengthen in-service teacher training. A new project in Indonesia supports higher-engineering education, while a new project in Thailand will upgrade the skills of minimum-wage earners to improve their employment opportunities. Technical assistance grants for Lao PDR, Philippines, Thailand, and Viet Nam will also improve skills development and vocational training. In Mongolia, the Bank's first sector development program and accompanying technical assistance support restructuring of facilities and rationalization of staffing to promote increased quality, effectiveness, and sustainability of the

¹ Projects not included in any of the Bank's current major sectoral classifications, i.e., those that are not sector-specific, are classified as "Others." Tourism is classified as "Others" in Table 12 in the Statistical Annex, but is included in the Social Infrastructure discussion because it is administered by the Bank's Agriculture and Social Sectors Departments.

education sector. Support for rehabilitation and institutional strengthening has started with a project in Kazakhstan, an ongoing technical assistance grant in the Kyrgyz Republic, and new technical assistance grants in Mongolia and Uzbekistan. A technical assistance grant in Indonesia will help determine the policy options to improve the efficiency of resource allocation. Finally, a regional technical assistance grant will bolster training and labor market flexibility across the Greater Mekong Subregion.

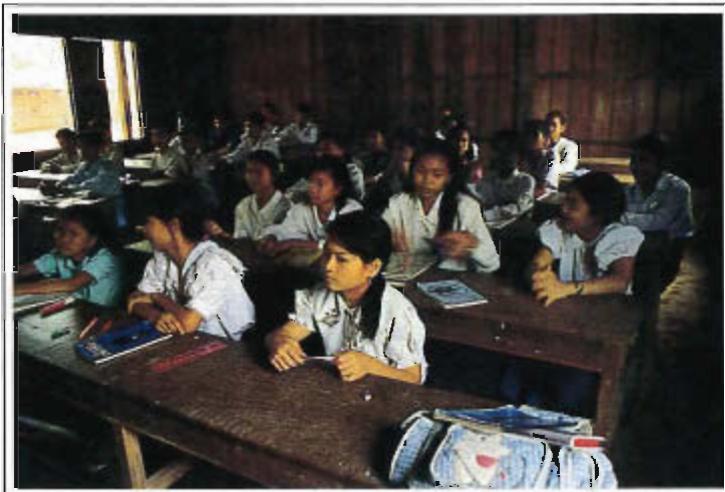
Health and Population: The Bank's main objective for the health and population subsector is to improve the quality of services, increase efficiency, and widen access, particularly for women and children, to primary health care and family planning services. Improved management and increased finance, as well as greater private sector participation, decentralization, and devolution to the local level, are important to achieve the overall objective.

A project for Cambodia to increase the efficiency of basic health services will pilot-test contracts with private sector service providers. A new basic health project in Indonesia uses the family as the focus of interventions. A technical assistance grant in Pakistan supports the development of a project specifically designed to meet the needs of women. A project integrating population and family health services in Viet Nam supports the Government's priority for family planning and health. Technical assistance grants in Bangladesh and Cambodia address institutional, financial, and management concerns in the sector.

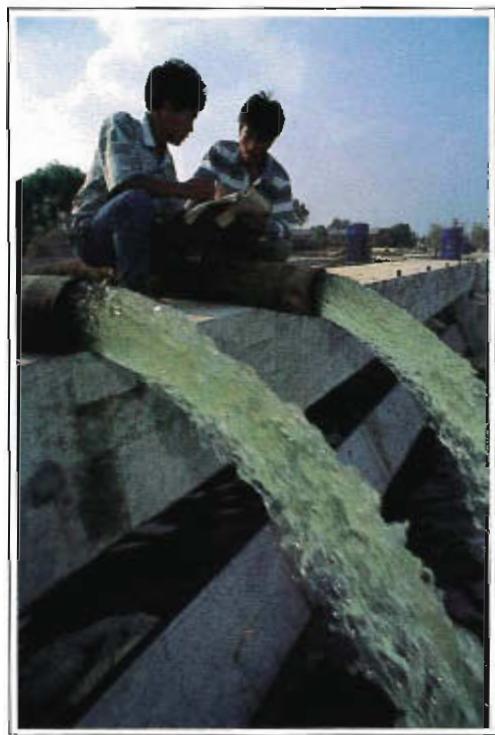
A regional technical assistance grant will help identify health policies and priorities, and will provide the basis for developing a new health policy for the Bank. Also, a regional technical assistance to estimate the extent and identify the causes of child malnutrition is being implemented in partnership with the United Nations Children's Fund (UNICEF).

Water Supply and Sanitation: Access to adequate supplies of safe drinking water and complementary sanitation facilities is critical to the health and well-being of the population. The Bank's main operational objective is to ensure the provision of reliable and safe drinking water and sanitation services. These services should meet basic needs, be cost effective, sustainable, and affordable. Appropriate water and sanitation services are necessary to support human development – both in urban and rural areas; improve the status of women; and protect the environment. Water supply and sanitation components are often included in integrated urban development projects to provide a balanced package of development benefits. The Bank also supports institutional capacity building for water and sanitation agencies, environmental protection, NGO and community involvement, and participation of the private sector in water supply development, management, and maintenance.

During 1996, Cambodia, PRC, Indonesia, Nepal, Philippines, and Thailand were the principal recipients of financial and technical assistance



The Basic Education Textbook Project in Cambodia, for which the Bank approved a \$20 million Asian Development Fund loan in 1996, is in support of the Bank's strategic objective of human development.



Wastewater treatment is a component of the Tangshan and Chengde Environmental Improvement Project in the People's Republic of China, funded by a \$140 million Bank loan in 1993.

for the development and improvement of water sources, water treatment, distribution systems, and wastewater disposal facilities. Institutional improvements were initiated for water and sanitation agencies, including the strengthening of financial management, operational efficiency, and cost recovery; human development; and reducing water losses. The treatment and disposal of municipal and industrial wastewater have also received increased support from the Bank, including the two loans for the Anhui Environmental Improvement Project in the PRC, and technical assistance for the Bangkok Metropolitan Region Wastewater Management Project. In 1996, the Bank remained closely involved with the privatization of the water supply in Manila and Colombo, identified the potential for private sector involvement in water supply in the cities of Bandung and Medan in Indonesia, and conducted a seminar on build-operate-transfer (BOT) projects in the water supply sector in the PRC. The water supply projects in Cambodia, Nepal, and Philippines incorporate extensive community/NGO participation. In 1996, the Bank also continued its involvement in improving the efficiency of water supply operations in several DMCs, including Cambodia, Indonesia, Lao PDR, Pakistan, Philippines, and Viet Nam, mainly through the reduction of unaccounted-for water and management improvements, including revenue-generating and cost-saving measures.

Urban Development and Housing: Rapid urbanization is emerging as a major development issue for many of the Bank's DMCs, and the trend is expected to continue well into the next century. The Bank encourages an integrated approach to urban development, aimed at delivering a balanced range of infrastructure and services to meet basic needs and improve living conditions, particularly for the urban poor. The subsectors covered include water supply and sanitation, flood control, drainage, solid waste management, roads, urban transport, and land development and housing for low-income groups.

Through the Bank's projects, emphasis is given to developing and strengthening the capability, capacity, and operational efficiency of the institutions and agencies responsible for the delivery, management, and maintenance of urban services. The Bank supports measures to mobilize local resources by broadening the tax base, improving revenue generation, introducing cost-recovery mechanisms, setting appropriate consumer charges, including cross-subsidies for the urban poor, and improving the efficiency of revenue collection. The Bank also promotes the participation of the private sector in urban development, including water supply, wastewater and solid waste management, and the contracting out of public services.

In 1996, an integrated urban development project was approved for the Bogor-Tangerang-Bekasi area which is a part of greater Jakarta in Indonesia. This project has provision for extensive private sector participation, particularly in water supply and solid waste management, and includes a study of the water resource management issues in a regional context. Another Indonesian project, the Regional Development Account, strengthened loan financing of local government investments. In addition, technical assistance was approved to prepare urban development projects for Bhutan, Cambodia, India, Indonesia, Mongolia, Pakistan, Philippines, and Western Samoa. Regional technical assistance was approved to address major

urban issues, including megacity management and urban infrastructure finance. A particular focus of this work was on innovative financing mechanisms, including funding through bond issues and private investments, and examples of best practices.

Multisector: Structural difficulties are similar among many DMCs and across social sectors. Thus, there are advantages to be gained by considering these on a cross-sectoral and sub-regional basis. One such program is the Second Social Action Program (Sector) Project in Pakistan. Another is a technical assistance grant in Mongolia, which addresses staff and restructuring issues in education and health. Technical assistance grants are supporting the restructuring of service delivery, emphasizing in particular the decentralization of resource mobilization and responsibility in Kazakhstan and the Kyrgyz Republic. In Mongolia, the poverty reduction program is being strengthened to help address the difficult adjustments needed in the transition from a centrally planned to a market-driven economy.

Environment

The Bank is committed to promoting environmentally sound development in the region. To fulfill this objective, the Bank (i) reviews the environmental impacts of its projects, programs, and policies; (ii) encourages DMC governments and executing agencies to incorporate environmental protection measures in their project design and implementation procedures, and provides technical assistance for this purpose; (iii) promotes projects and programs that will protect, rehabilitate, and enhance the environment and the quality of life; and (iv) trains Bank and DMC staff in, and provides documentation on, environmental aspects of economic development. In reviewing the environmental impact of its projects and programs, the Bank visits the sites, discusses with government officials concerned and affected beneficiaries, and reviews the environmental impact assessments (EIAs) made for the projects and programs. This ensures that all possible alternatives were explored and the best chosen. It also ensures that appropriate and cost-effective mitigation measures were incorporated into the project design, environmental economic analysis was done, as required, and that the suggestions of the affected public were taken into account in designing the project. In compliance with the Bank's policy on disclosure of information, summary EIAs for environmentally sensitive projects are circulated to members of the Board and to the public, providing them the final opportunity to comment on the reports. The Bank monitors the implementation of the agreed environmental management plan. It also evaluates lessons learned, thereby improving the environmental design of similar future projects.

Assistance for Major Reforms in Gujarat State, India

ONE EXAMPLE of the Bank's initiatives in the area of good governance and capacity building may be found in Gujarat State, one of the most progressive and reform-oriented states in India, recognized for its strong industrial and economic growth potential. However, Gujarat faces wide-ranging structural problems: a precarious fiscal position, an inefficient state-owned enterprise sector, and growing infrastructure deficiencies. To address these problems, the Government of Gujarat decided to launch a fundamental reform program encompassing key layers of the public sector. With support from a Bank loan, the Government of Gujarat has committed itself to a reform program to (i) manage prudently state public finances; (ii) divest and restructure state enterprises; and (iii) strengthen the policy, regulatory, legal, and institutional frameworks for private sector participation in critical infrastructure sectors.

To complement the support provided under the loan, the Bank's assistance includes a package of technical assistance grants for capacity building of key institutions that have a crucial role in designing and implementing the reforms. The package consists of (i) a \$600,000 technical assistance project to strengthen the Finance Department in budget policy formulation and projection, treasury functions, expenditure management and control, revenue collection, and debt management; (ii) a \$600,000 technical assistance project to train policymakers and heads of state enterprises in the modalities and techniques of privatization; and (iii) an \$850,000 technical assistance project for capacity building and strengthening of the Gujarat Infrastructure Development Board, the body responsible for attracting, and for setting policies and procedures for, private investment in Gujarat infrastructure projects.

The Bank also promotes projects that will protect, rehabilitate, and enhance the environment and the natural resource base. It assists its borrowers in the conceptualization of such projects. The Bank's annual lending portfolio continues to have an increasing share of environmental projects.

The Bank also encourages DMC governments and executing agencies to incorporate environmental protection measures in their project design and implementation procedures. It assists DMCs in this regard by providing technical assistance grants to build their environmental management capacity, and to support reforms in their environmental policies, legislation, and regulations. In 1996, several DMCs became recipients of these grants.

The Bank continues to promote regional as well as subregional cooperation on critical environmental issues that transcend national borders. It also actively pursues cooperation with other international and bilateral organizations, including environmental organizations, on various environmental aspects of development.

Support for Good Governance and Capacity Building

In 1996, the Bank expanded its efforts to promote good governance and capacity building for effective management of the development process. The Bank's assistance largely focused on strengthening three areas: (i) policy analysis and sector planning; (ii) effective management and delivery of public sector development services; and (iii) government capacity to create an environment conducive to the growth of the private sector. About 65% of the Bank's loan projects in 1996 included components in support of good governance and capacity building. Of the 286 technical assistance projects approved in 1996, 155 projects (including 32 regional technical assistance projects) had good governance or capacity-building objectives. Many of these projects were in support of reforms in social infrastructure, agriculture and natural resources, and financial services.

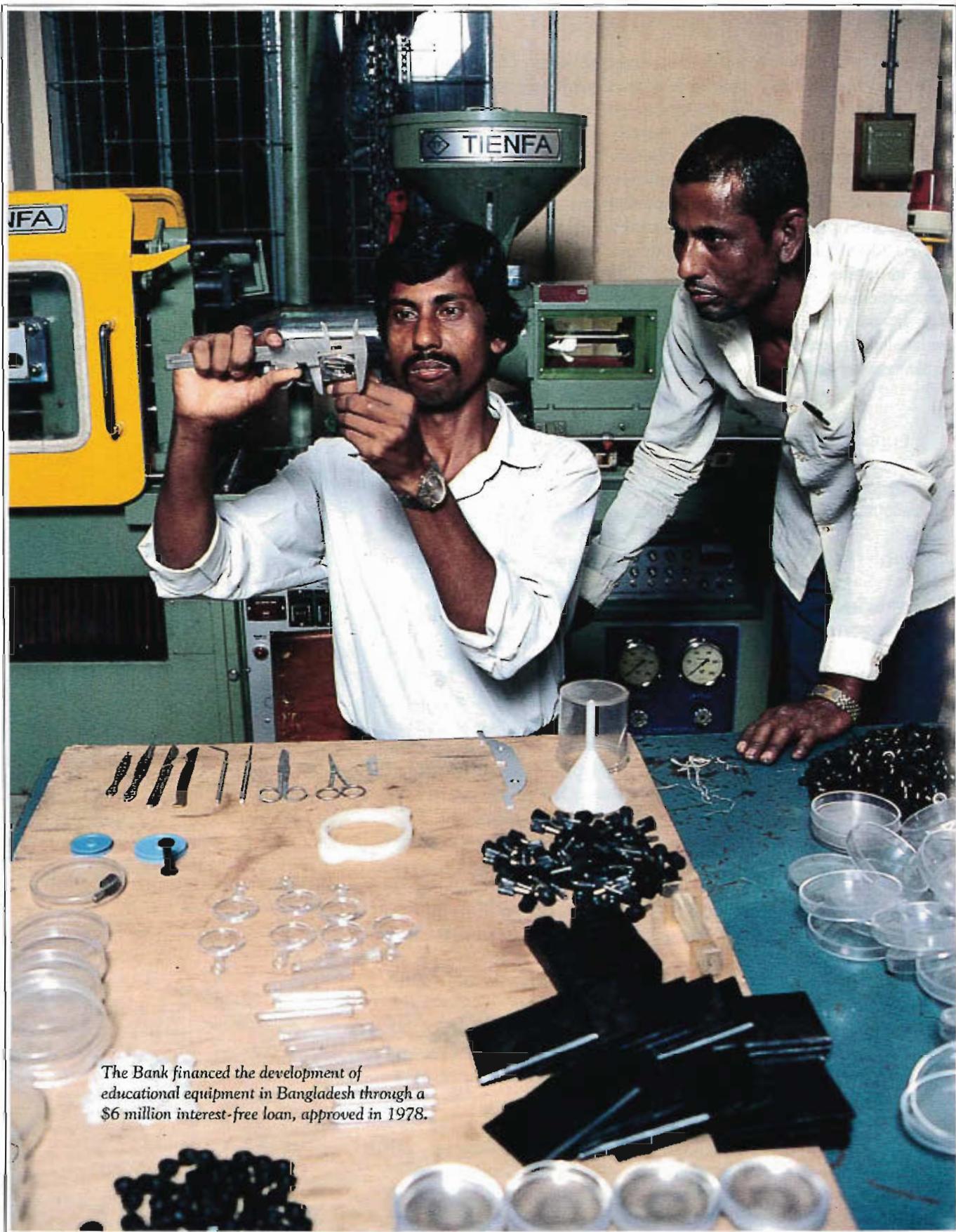
Within the Bank, training programs for staff were conducted to upgrade skills in diagnosing and resolving good governance and capacity-building issues. A regional technical assistance on Facilitating Capacity Building and Participation Activities approved in 1996 was also provided by the Bank to pilot-test a new mechanism for responding to urgent, high-priority needs for capacity building and participation. Experience gained from this pilot facility is expected to help the Bank develop more flexible modes of assistance, particularly for process-oriented interventions.

Asian Development Bank Institute

The Bank's approval of the establishment of the Asian Development Bank Institute (ADBI) in Tokyo was a major accomplishment in 1996. The ADBI will have the following as its major objectives: (i) identify effective development strategies; and (ii) improve the capacity for sound management of the agencies and organizations in DMCs engaged in development work. Achieving these objectives will contribute toward the promotion of sound and forward-looking development strategies and policies in DMCs, the strengthening of institutional capacities to design and carry out development programs and projects, and the widening of participation in the development process. The ADBI will be a major focal point for research on innovative development

strategies to accommodate the diversity and complexity of social conditions in Asia, and for training in development management for policymakers and senior managers from DMCs.

The target clientele of ADBI's research activities include institutions, groups, and individuals engaged in development work in DMCs. For the training programs, the target clientele include middle to top-level policymakers and officials of public and private development institutions in DMCs. Nonprofit private sector institutions may also participate in the Institute's activities. The ADBI will also develop collaborative links with other institutes that share its interests. These partnerships will enable the Institute to bring collective experience and expertise to bear upon a particular issue or subject, or to expand the delivery and dissemination of particular lessons or skills. Such collaboration will enable the ADBI to strengthen capacities and skills of the regional and national institutes in member countries.



The Bank financed the development of educational equipment in Bangladesh through a \$6 million interest-free loan, approved in 1978.

Operations

THE BANK'S operations comprise lending, equity investments, and technical assistance. Through loans, the Bank finances specific projects to support developing member countries' (DMCs) efforts to improve the policy, institutional, and investment environment of sector development, and to help meet the short-term costs that policy adjustments entail. Through the Bank's equity investment operations, which complement domestic resources and encourage other external resources to finance the private sector, a wider range of productive private enterprises is possible. Through technical assistance, DMCs are able to identify, design, implement, and operate development projects, as well as strengthen their ability to formulate development strategies, policies, programs, and plans. Technical assistance also promotes technology transfer and enhances regional cooperation. After a short discussion of each, this chapter examines the Bank's operations in the public sector.

Project Approvals

Cumulative Bank lending since the Bank's inception to the end of 1996 amounted to \$62,172.4 million for 1,374 projects in 35 DMCs. The total volume of Bank lending and equity investments during 1996 amounted to \$5,652.4 million for 89 projects, which was a 0.7% increase from \$5,614.8 million in 1995. Technical assistance grants, including regional activities, amounted to \$175 million for 286 projects.

Lending

Total lending to both public and private sectors amounted to \$5,545 million, against last year's level of \$5,504 million, reflecting a minimal increase of about 0.7%. Loans from ordinary capital resources (OCR) decreased by 4% to \$3,879 million, while concessional loans (Asian Development Fund [ADF]) increased by 14.5% to \$1,665.6 million.

Of the total lending, government and government-guaranteed loans amounted to \$5,389.1 million, comprising \$3,723.5 million from OCR and \$1,665.6 million from ADF for 78 projects. In the private sector, six direct loans amounting to \$156 million were approved without government guarantee. For details, see Tables 9 through 19 in the Statistical Annex.

Equity Investments

The Bank approved ten equity investments in the private sector amounting to \$107.3 million.

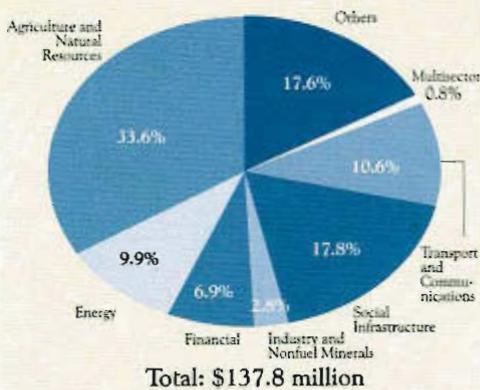
Bank Operations

	Volume (\$ million)		
	1995	1996	% Change
Lending			
OCR	4,049.50	3,879.45	(4.20)
ADF	1,454.90	1,665.63	14.48
Total Lending	5,504.40	5,545.08	0.74
Equity Investments/			
Underwriting	110.40	107.28	(2.83)
Technical Assistance			
Grants	144.72	174.92	20.87
Total	5,759.52	5,827.28	1.18

Lending and Investment Modalities, 1995 and 1996

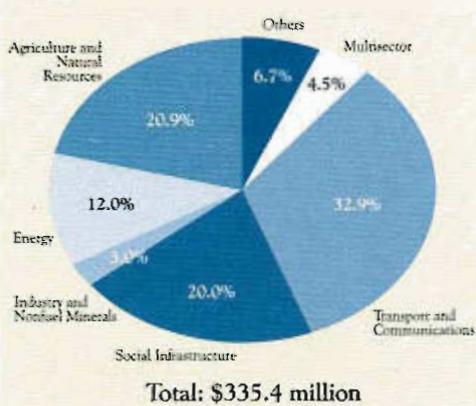
	1995		1996	
	Number of Loans	Amount (\$ million)	Number of Loans	Amount (\$ million)
LENDING				
Project Loans	49	3,556.10	55	3,525.53
Program Loans	5	575.00	7	441.50
Sector Loans	10	1,080.60	13	814.70
Credit Lines	3	203.00	9	600.00
Special Assistance	0	0.00	0	0.00
Detailed Engineering (Technical Assistance) Loans	1	3.20	1	7.35
Private Sector Loans without Government Guarantee	6	86.50	6	156.00
Total Lending	74	5,504.40	92	5,545.08
EQUITY INVESTMENT				
	11	110.40	10	107.28

Technical Assistance Grants by Sector, 1996^a

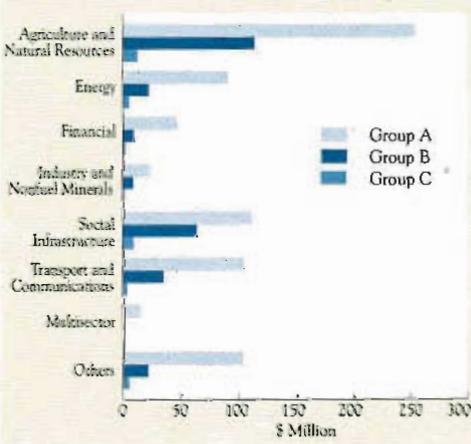


^a Excludes regional activities.

Technical Assistance Loans by Sector, 1996



Technical Assistance Grants by Sector, 1967-1996



The Bank's equity operations, which began in 1983, reached a cumulative total of \$492.7 million in direct investments and underwriting commitments. For details, see Table 19 in the Statistical Annex.

Technical Assistance

The Bank's technical assistance is financed through grants or loans, or a combination of both. Grants are funded from voluntary contributions to the Technical Assistance Special Fund (TASF) by both developed and developing member countries; regular allocation to TASF from ADF; reflows from reimbursable technical assistance; annual transfer of OCR net income to TASF; annual contributions received from the Japan Special Fund (JSF); and grants from multilateral and bilateral sources (under joint and exclusive financing arrangements). See also *Cofinancing and Guarantee Operations* on page 123, and *Special Funds chapter* on page 163.

During 1996, technical assistance grants were approved for 286 projects amounting to \$175 million (an increase of 21% in dollar amount from 1995). The amount included \$37.1 million for regional activities. Technical assistance components of loans amounted to \$335 million, the same as in 1995. For details, see Tables 31, 33, and 34 in the Statistical Annex.

Sixty-four of the Bank's 1996 loans, involving an amount of \$3,508 million, resulted from earlier technical assistance projects. Of this, \$2,569.6 million were from OCR and \$938.7 million from ADF. For details, see Table 32 in the Statistical Annex.

Total Cost of Projects

The 92 loans approved during the year (some projects involve more than one loan) involved an estimated total project cost – which includes Bank, government, and cofinanciers' contributions – of \$21.2 billion (see Table 9 in the Statistical Annex). Bank financing of these projects in loans, equities, and grants amounted to \$5,594 million or 26% of the total cost. Borrowers and/or governments provided \$10,146 million or 49%. About \$5,177 million or 24% were financed through cofinancing from official and commercial sources, equity sponsors, and local financial institutions. Project beneficiaries and subborrowers provide about \$296 million or 1% of the total project cost (see *Sources of 1996 Loans* on page 110 and *1996 Total Cost of Loan Projects and Sources of Financing* on page 111). This is another indication of the Bank's catalytic role in mobilizing resources not only through policy support and capacity-building activities, but also in project financing.

Review of Operations

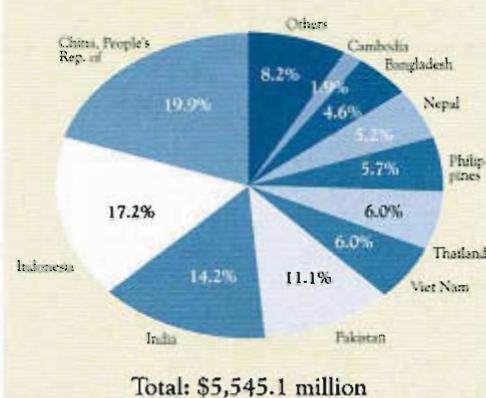
Lending to the public and private sectors during 1996 increased slightly in volume (0.7%), while the number of loans increased substantially (24%) to 92 from 74 in the previous year. The rise was largely due to an increase in the number of loans to Cambodia, People's Republic of China (PRC), India, Indonesia, Kazakhstan, Kyrgyz Republic, Mongolia, Nepal, Pakistan, Philippines, and Viet Nam, as well as an increase in sector and program loans. The first project to Uzbekistan for a loan of \$50 million was approved during the year.

The average size of the year's loans was \$60 million, a substantial decrease from the previous year's average of \$74 million, when the lending program had been characterized by the fact that two large projects accounted for a major portion of the total lending amount.

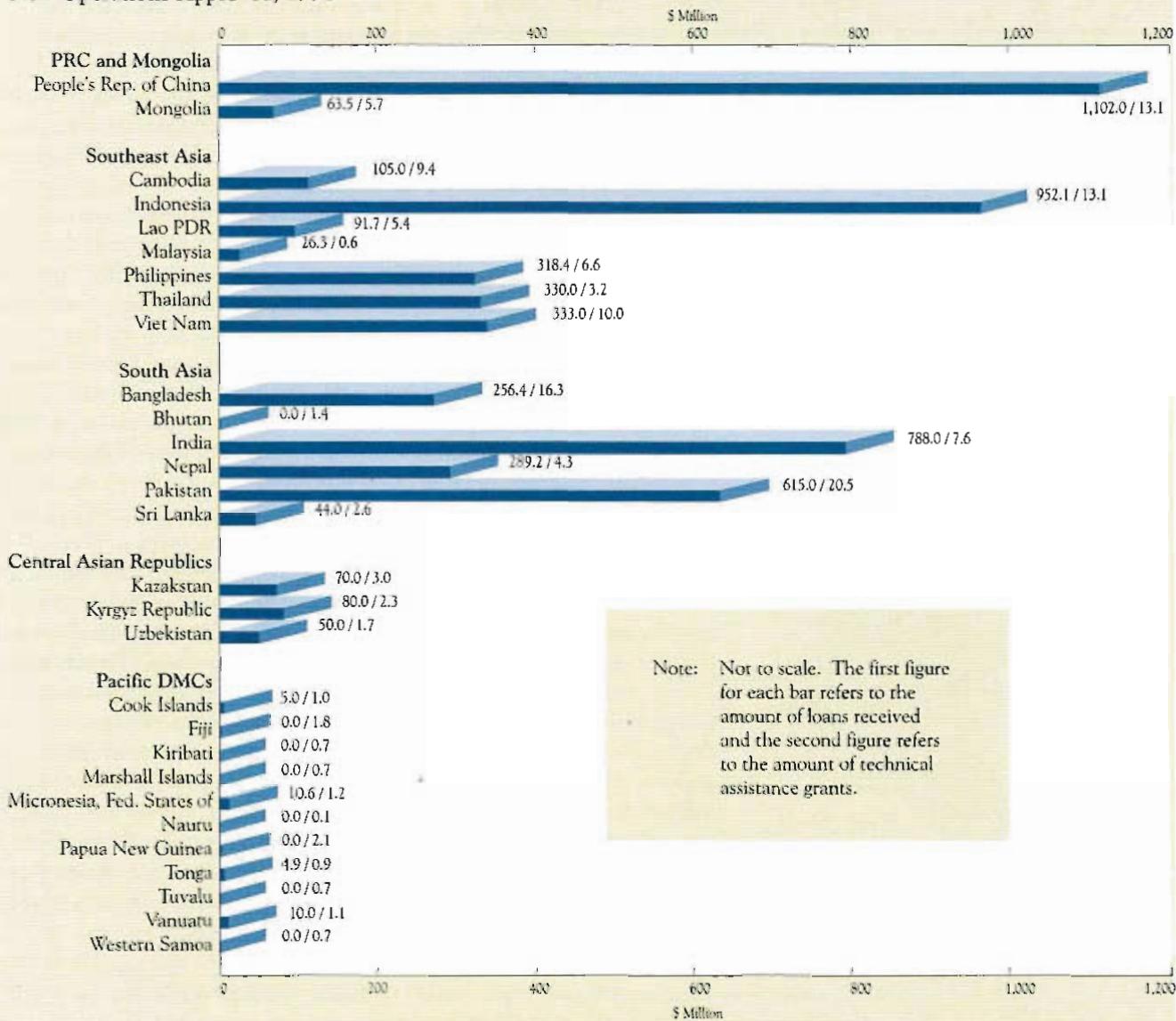
The PRC was again the top borrower in 1996, with \$1,102 million in approvals. It was followed by Indonesia with \$952 million, India with \$788 million, Pakistan with \$615 million, Viet Nam with \$333 million, Thailand with \$330 million, and Philippines with \$318 million.

The *transport and communications* sector received the highest share of loans to the public and private sectors, with about 26.9% of the total lending in 1996, followed by *energy* at 21.5%; *agriculture and natural resources* at 14.5%; and *social infrastructure* (which includes water supply, urban development, education, and health) at about 13.2%. The share of lending to other major sectors are as follows: *multisector*, 9%; *others*, 7.1%; *industry and*

Top Ten Borrowers, 1996



New Operations Approved, 1996



**1996 Technical Assistance by Sector:
Grant- and Loan-Financed**

Sector	Component of Loan	Grant ^a	Total Loan and Grant	%
Agriculture and Natural Resources	70.32	46.33	116.65	24.66
Energy	40.37	13.58	53.95	11.40
Industry and Nonfuel Minerals	9.90	3.90	13.80	2.92
Financial	0.00	9.52	9.52	2.01
Social Infrastructure	66.96	24.49	91.45	19.33
Transport and Communications	110.29	14.66	124.95	26.41
Multisector	15.00	1.10	16.10	3.40
Others	22.52	24.20	46.72	9.87
Total	335.36	137.78	473.14	100.00

^a Excluding technical assistance grants for regional activities amounting to \$37.14 million.

nonfuel minerals, 4%; and financial, 3.8%. For details, see Table 11 in the Statistical Annex.

Agriculture and Natural Resource Sector

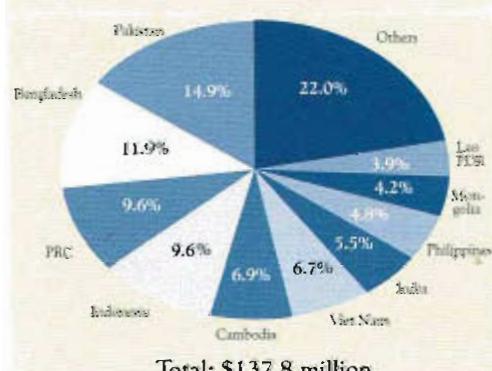
The Bank's strategy in this sector is to enhance the management and development of the natural resource base of DMCs, improve productivity and sustainability of conventional agriculture, and catalyze a self-sustaining rural development process. The strategy emphasizes linking natural resources, agriculture, and rural development assistance with a DMC's overall program of solving economic, social, and environmental problems, and ensuring that the Bank's investments are supportive of the macroeconomic framework of the country. At the project level, clearly identified objectives and priorities,

identification of target groups, participation of the intended beneficiaries in project design and implementation, and institutional capacity building lead to successful performance.

During the year, loans to the agriculture and natural resource sector totaled \$769.8 million for 22 projects in 12 DMCs. In addition, 47 technical assistance grants, amounting to \$46.33 million, were approved for the sector to support project preparation, institutional strengthening, research activities, policy reforms, and service enhancement.

The 1996 lending program reflected the Bank's continuing concern with poverty reduction, improving the status of women, and environmental stabilization. In particular, there was a significant increase in the number of projects addressing crosscutting issues as their primary objective. Those directed primarily at poverty reduction were the Community-Managed Irrigation Sector Project in the Lao PDR; the Second Irrigation Sector and the Third Livestock Development projects in Nepal; the Bahawalpur Rural Development Project in Pakistan; the Bukidnon Integrated Area Development, the Rural Microenterprise Finance, and the Cordillera Highland Agricultural Resource Management projects in the Philippines; and the North Central Province Rural Development Project in Sri Lanka. The Forestry Sector Project in Bangladesh; the Integrated Pest Management for Smallholder Estate Crops, and the Segara Anakan Conservation and Development projects in Indonesia; and the Klang River Basin Environmental Improvement and Flood Mitigation Project in Malaysia¹ were designed as poverty reduction or environmental protection projects. The North Java Flood Control Sector and South Java Flood Control Sector projects in Indonesia had human development as their primary objective. The remaining projects addressed crosscutting issues as a secondary objective.

**Top Ten Recipients
of Technical Assistance Grants, 1996^a**



^a Excluding technical assistance financed under loans and regional activities.

¹ The Klang River Basin Environmental Improvement and Flood Mitigation Project is classified under "Others" in the Statistical Annex.

Rural development, forestry, and natural resource management projects approved during the year emphasized the importance of incorporating beneficiary participation into project design at an early stage to promote ownership and improve operational efficiency. Additional emphasis has been placed on the involvement of nongovernmental organizations (NGOs) to enhance local community participation, reduce dependence on government institutions, and improve transparency. Projects with a high degree of beneficiary participation were the Forestry Sector Project in Bangladesh; the Second Irrigation Sector and the Third Livestock Development projects in Nepal; the Bahawalpur Rural Development Project in Pakistan; and the Bukidnon Integrated Area Development and the Cordillera Highland Agricultural Resource Management projects in the Philippines.

Energy Sector

The Bank's strategy in the energy sector is to assist DMCs in improving energy efficiency in both supply and demand, integrating environmental considerations in energy development, and enhancing private sector participation in funding large-scale energy projects. The institutional focus in the *power* subsector is on corporatization and commercialization of government-owned utilities, and subsector structuring to promote competition in the areas of power generation and power distribution in particular. The development of policy and regulatory frameworks to promote economic use of hydrocarbon resources, and protect the interests of both producers and consumers of such resources, is a key objective in the *hydrocarbon* subsector.

Loans to the energy sector totaled \$1,100.6 million in 1996. Of this, \$788.6 million were in the *electric power* subsector and \$24 million in the *hydrocarbon* subsector. Overall, the loans reflected the Bank's thrust in the *power* subsector for energy efficiency and environmental protection. For example, the Energy Conservation Project in Mongolia was intended to improve the efficiency of the district heating system in its capital, Ulaanbaatar. The Power and District Heating Rehabilitation Project in the Kyrgyz Republic was aimed to improve the country's energy generation and transmission efficiency. The goal of the loan to Bangladesh was sector reform through tariff adjustments, commercialization, corporatization, and privatization. Hydropower development and supply-side efficiency improvements were the objectives of loans to Lao PDR, Nepal, and Pakistan.

In the *hydrocarbon* subsector, one loan amounting to \$24 million was made to Sri Lanka to rebuild petroleum storage facilities damaged by an explosion and fire.

Altogether, 29 technical assistance grants were provided in the energy sector for a total of \$13.58 million. These were meant to support activities such as the preparation of feasibility studies for future projects; power system planning, privatization, corporatization, and commercialization; environmental improvements; and electricity tariffs, rationalization, sector regulation, and legislation.

Agriculture and Natural Resource Loans^a
and Technical Assistance Grants, 1996

	Loans		Technical Assistance Grants	
	No.	\$ Million	No.	\$ Million
Irrigation and Rural Development	9	322.93	16	15.88
Agricultural Support Services	8	263.00	18	10.93
Forestry	1	50.00	4	15.49
Fisheries	3	115.60	6	2.73
Livestock	1	18.30	1	0.60
Industrial Crops and Natural Resources	-	-	2	0.70
Total	22	769.83	47	46.33

^a Excluding private sector loans.

Energy Loans^a and Technical Assistance Grants, 1996

	Loans		Technical Assistance Grants	
	No.	\$ Million	No.	\$ Million
Electric Power	9	788.65	20	9.33
Natural Gas	-	-	4	1.87
Hydrocarbon:				
Refinery	1	24.00	-	-
Fuel Minerals	-	-	2	0.70
Others	3	288.00	3	1.68
Total	13	1,100.65	29	13.58

^a Excluding private sector loans.

Sources of 1996 Loans^a
(\$ million)

Countries Receiving Only OCR Loans	
China, People's Rep. of	1,102.00
India	788.00
Malaysia	26.30
Thailand	330.00
Uzbekistan	50.00
Countries Receiving Only ADF Loans	
Bangladesh	256.40
Cambodia	105.00
Cook Islands	5.00
Kyrgyz Republic	80.00
Lao PDR	91.70
Micronesia, Fed. States of	10.60
Mongolia	63.50
Sri Lanka	44.03
Tonga	4.90
Vanuatu	10.00
Countries Receiving Both OCR and ADF Loans	
Indonesia	884.30 (OCR) 67.80 (ADF)
Kazakhstan	50.00 (OCR) 20.00 (ADF)
Nepal	36.50 (OCR) 252.70 (ADF)
Pakistan	332.00 (OCR) 283.00 (ADF)
Philippines	250.35 (OCR) 68.00 (ADF)
Viet Nam	30.00 (OCR) 303.00 (ADF)

^a See Table 9 in the Statistical Annex.

Financial Sector

The Bank's operations in the financial sector are designed to promote market-based financial systems capable of mobilizing and allocating financial resources in an efficient and effective manner. Key elements of the Bank's operational policy in the financial sector include assisting DMCs in (i) building a financially sound banking sector, which includes promoting commercialization and competition in the banking sector, improving the credit analysis of banks, introducing Bank of International Settlements standards to improve the capital adequacy of banks, and enhancing banking supervision; (ii) strengthening nonbank financial institutions (NBFIs), in particular, developing adequate legal frameworks for the efficient operation and supervision of NBFIs, including credit cooperatives, trust and investment corporations, leasing and finance companies, venture capital firms, insurance companies, pension funds and mutual funds, and promoting the development of institutional investors through liberalizing the fund management industry; and (iii) developing and deepening capital markets – both equity markets and markets for long-term debt – with a view to improving allocative efficiency, through supporting necessary legal, regulatory, and institutional reforms. In support of developing domestic bond markets, the Bank's operations focus on extending benchmark yields and on strengthening the market infrastructure, including clearing and settlement facilities, and improving market transparency and comparability of financial information, particularly information related to publicly traded debt securities.

The Bank's operations in the sector closely reflect the differences in the levels of development among DMCs and, consequently, the variety of demands that are being placed on domestic financial systems. Thus, in the transition economies, where the principal shortcoming is the absence of basic banking skills and financial infrastructure, the Bank's operations focus on the development of the banking system with an emphasis on transferring basic banking skills, while upgrading banking regulation and supervision within the context of market-based approaches. In market-based economies with financial sectors that have been dominated by public sector banks, for example, in most parts of South Asia, the focus is more on deregulation while enhancing prudential and regulatory mechanisms. In the more sophisticated financial sectors of Asia, the Bank's operations are directed at developing capital markets, principally but not exclusively, to facilitate the long-term domestic debt financing that is required to meet the region's rapidly growing needs for infrastructure. Here, too, a strong emphasis is placed on regulation of financial markets, although the weight of the emphasis is placed on developing self-regulatory mechanisms.

Underpinning the Bank's overall assistance to DMCs in the financial sector is the recognition of the crucial role played by the sector in promoting the allocation of saving to the most productive investments. Improved allocation of saving promotes increased growth, as well as higher incomes and saving. Under a regulatory framework that promotes market-based provision of financial services, the competition within the sector will also help ensure efficiency with reduced intermediation costs. Such a financial system will tend to be more flexible and resilient when confronted with domestic and external shocks, and will contribute to macroeconomic stability.

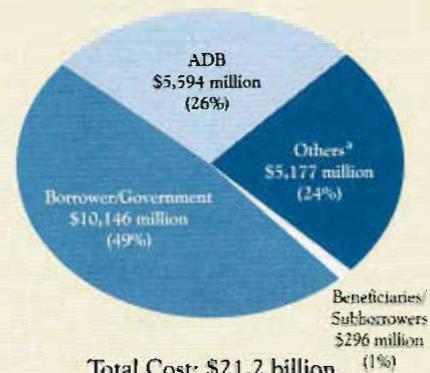
Five loans amounting to \$213 million were made in this sector during 1996. The Bank provided a loan to the PRC, packaged with an equity investment, in a nationwide commercial bank (Everbright Bank of China). This represents the Bank's first-ever external equity position in a nationwide commercial bank in the PRC, and is aimed at encouraging the adoption of modern commercial banking skills and creating a "best practices" commercial bank to serve as a model within the banking sector. This "best practices" development program, which will extend Everbright's operations into project finance, is expected to take five years. Two loans were made to India: one for facilitating private sector participation in the infrastructure sector and the other for strengthening public finance in the State of Gujarat, while reducing the role of the public sector in commercial activities. This second loan is also intended to introduce market-oriented policies to accelerate industrial and infrastructure development.² One loan was provided to the Lao PDR for the second financial sector program. Two loans were provided to Mongolia, both aimed at stemming Mongolia's rapidly deteriorating banking system from further collapse, and thereby reducing systemic risks and gradually restoring market confidence. These loans involved the transfer of basic banking skills into every aspect of banking operations, from undertaking credit analysis and imposing credit controls, to rationalizing branch operations. The loans also focus on improving the overall governance of Mongolia's commercial banks through corporatization and privatization, thus ensuring an effective and sustainable domestic commercial banking system. A loan extended to Viet Nam seeks to develop a market-based financial sector which would broaden private sector participation, thereby increasing savings mobilization, and improve the efficiency of resource allocation through a greater reliance on market mechanisms.

In addition, 21 technical assistance grants for financial sector development in DMCs were approved in 1996 for a total of \$9.5 million. These were aimed mainly at institutional strengthening and capacity building of financial institutions, including banks, NBFIs, and capital markets institutions. For details, see *Table 35 in the Statistical Annex*.

Industry and Nonfuel Minerals Sector

In the industry sector, the Bank seeks to encourage and support the effective operation of markets. Generally, this entails a reduction in government involvement in production, and is achieved through the establishment of market-oriented and outward-looking policies, promoting reforms in state-owned enterprises, and encouraging privatization. However, in situations where the market cannot be relied on to produce the most desirable outcomes, the Bank plays an important role in identifying and assisting in the introduction of the most-efficacious interventions. The Bank has played an important role in environmental improvement projects related to industrial discharges in the PRC and Indonesia. Similarly, there is some concern that market outcomes may result in the provision of inadequate standards and testing, and the Bank has provided a loan to Indonesia which aims to strengthen the institutional structure and testing capabilities of industrial

1996 Total Cost of Loan Projects and Sources of Financing



^a Includes cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

Classification of Country Groups

UNDER the Bank's general classification, Group A countries are those with a per capita GNP of less than \$695 in 1995. Twenty-four DMCs have been classified as Group A. These include some Pacific DMCs with a per capita GNP higher than \$695 in 1995. They have been classified as Group A because of their special economic circumstances.

Group B countries are those with a per capita GNP between \$866 and \$1,618. Group B includes Indonesia with a 1995 per capita GNP of \$980, and Papua New Guinea and the Philippines with a per capita GNP of \$1,160 and \$1,070, respectively. Kazakhstan, Nauru, and Uzbekistan have also been classified as Group B countries.

Group C DMCs had per capita GNP of \$2,017 or more in 1995.

However, the Bank's policy is that such cutoff points need not be used rigidly for classifying countries. Size, remoteness, and other distinctive features also influence classification.

² The two loans to India are classified under "Others" in the Statistical Annex, and are not counted in the statistical computation of the financial sector loans.

research and development institutes, and to improve their linkages with the needs of industry.

Loans to this sector totaled \$192 million in 1996. Seven technical assistance grants totaling about \$3.89 million were approved during the year. The purposes of these grants were energy conservation, environmental improvement, and promotion of private sector trade and industry through institutional strengthening of government agencies concerned. For details, see Table 35 in the Statistical Annex.

Social Infrastructure Sector

Investments in social infrastructure, including education, health and population, water supply and sanitation, and urban development, complement efforts to directly promote economic growth and reduce poverty. Improved

social conditions are a fundamental goal of development and, therefore, projects aimed directly at improving social conditions are a central part of the Bank's operations. Investments in education and health and population improve the well-being of children in the short term and enhance their income-earning potential over time. Such investments also help create a healthy, productive, and adaptable work force, which is essential for sustained economic growth. The objectives of the Bank's water supply projects are to increase sustainable access to safe water, thereby improving the health of the rural and urban poor, and to promote water resource management. Urban development projects help strengthen basic infrastructure systems to enable DMCs to cope with problems generated by rapid urbanization, meet the needs of the urban poor, enhance the urban environment, and strengthen the institutional capacity for urban management. The Bank's social sector projects are designed to address its strategic objectives, including environmental concerns and issues related to poverty reduction. Lending to the social infrastructure sector in 1996 amounted to \$731.1 million for 18 projects.

Social Infrastructure Loans^a and Technical Assistance Grants, 1996

	Loans		Technical Assistance Grants	
	No.	\$ Million	No.	\$ Million
Education	7	367.50	18	11.20
Health and Population	3	108.00	9	3.69
Urban Development	2	90.00	11	5.06
Water Supply and Sanitation	6	165.60	8	4.54
Total	18	731.10	46	24.49

^a Excluding private sector loans.

Seven *education* projects were approved during the year for a total of \$367.5 million, or about 50% of lending to the social sector. The Mongolia Education Sector Development Program was the Bank's first use of the new sector lending modality, combining an integrated package of policy and investment loans together with technical assistance. The Program is designed to assist Mongolia to restructure and improve its education sector to match the requirements of a market economy, including rationalization of education facilities and staff. Projects in Cambodia, Indonesia, and Pakistan target basic education; in Indonesia and Pakistan these focus on women. Projects in Indonesia and Thailand will improve general skills and engineering competencies. In Kazakhstan, the Educational Rehabilitation and Management Improvement Project is the first project to support education sector adjustments in the transition economies.

Three projects for \$108 million were approved in the *health and population* sector. The Basic Health Services Project in Cambodia, is designed to improve basic health indicators in rural areas by contracting services to increase the efficiency of service delivery. The second, the Family Health and Nutrition Project in Indonesia focuses on the family as a unit to ensure appropriate health for all members. The third, the Population and Family

Health Project in Viet Nam, seeks to strengthen the delivery of integrated health and family planning services, widening the range of quality services available.

The Social Action Program (Sector) Project II – a sectoral project in Pakistan for which the Bank provided a loan of \$200 million – will provide continuing support to improve and expand services in the social sectors. This will include education, health, and rural water supply and sanitation.³

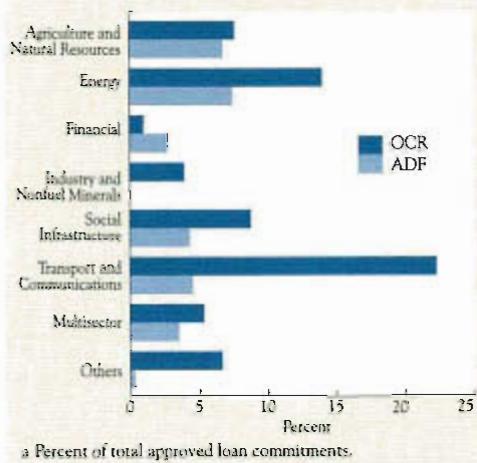
Six projects for an aggregate of \$165.6 million, approved in the *water supply and sanitation* subsector, accounted for 23% of social infrastructure lending. The Phnom Penh Water Supply and Drainage Project in Cambodia; the Anhui Environmental Improvement Project for Municipal Wastewater Treatment in the PRC; the Water Supply and Sanitation Project in the Federated States of Micronesia; the Fourth Rural Water Supply and Sanitation Sector Project in Nepal; and the Rural Water Supply and Sanitation Sector and the Small Towns Water Supply Sector projects in the Philippines were all designed to improve public health by providing access to adequate, safe, and reliable water supply and sanitation facilities, particularly in low-income and high-density housing areas. A salient feature of these projects is the enhancement of people's participation in, and the development of, institutional frameworks for sustainable public utility management. The projects use participatory approaches to achieve partial and/or full-cost recovery in the provision of water supply and sanitation services, and aim at strengthening the capacity of institutions responsible for the planning, implementation, and operation and maintenance of the public utility services.

Two projects amounting to \$90 million, provided to the *urban development* subsector, accounted for 9% of social infrastructure lending. The Metro Bogor, Tangerang, and Bekasi (BOTABEK) Urban Development Sector Project in Indonesia adopts an integrated urban approach, while the Regional Development Account Project in Indonesia aims to improve access to long-term credits for small-scale municipal investments.⁴ Both projects provide support in the development of basic urban infrastructure and services such as water supply and sanitation, terminals and markets, solid waste management, and institutional development. They will help both regional and central governments to improve their capacity in providing basic infrastructure and municipal services to rapidly expanding urban areas.

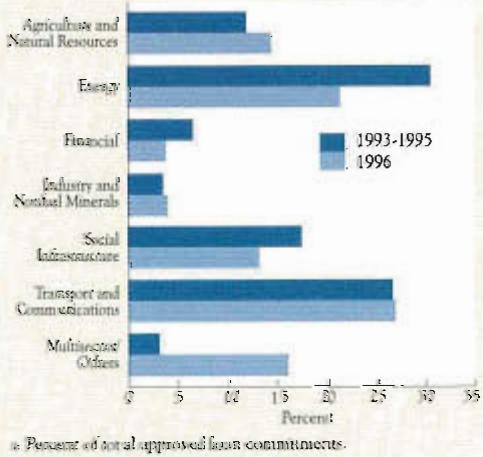
One project for \$17.2 million was approved in the *tourism* subsector.⁵ The Second Tourism Project in Nepal addresses environmental and infrastructure deficiencies that were constraining tourism in the country. The project was designed to blend critically needed infrastructure improvements with the extension of ecotourism development and environmental protection of key tourist destinations, especially to strengthen local government capabilities to manage urban infrastructure and services more effectively.

A total of 46 technical assistance grants amounting to \$24.49 million were approved during the year for the social infrastructure sector. Of these,

Sectoral Distribution of Loan Approvals from OCR and ADF, 1996^a



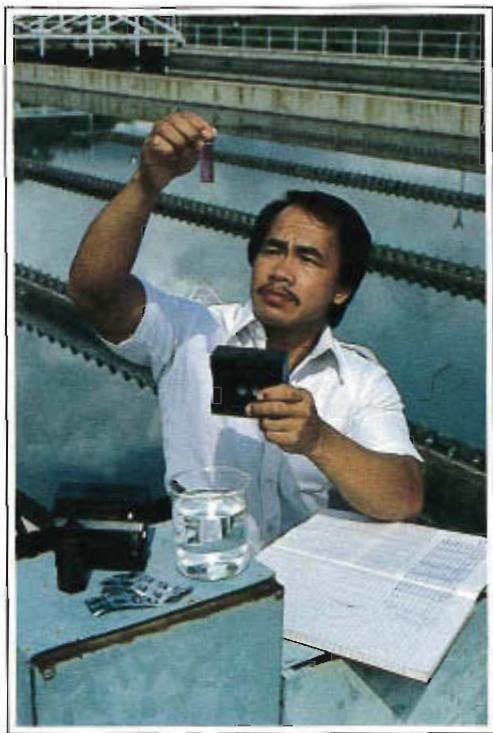
Sectoral Distribution of Loan Approvals: 1993-1995 (average) and 1996 - By Value^a



³ This project is classified under "Multisector" in the Statistical Annex.

⁴ This Project is classified under "Others" in the Statistical Annex.

⁵ Although tourism is included in the discussion of social infrastructure projects, for the purpose of Bank statistics, tourism is classified under "Others" in the Statistical Annex.



Inspecting water samples under the Sabah Water Supply Project to Malaysia, funded by a \$15.3 million Bank loan in 1977.

24 were project preparatory technical assistance grants for the preparation of forthcoming projects, and 22 were advisory technical assistance grants to address issues of institutional capacity building, tariff studies for water supply services, water quality management planning, tourism quality development, institutional support for private sector participation in urban development, policy strengthening, development of local government institutional capacities, particularly in transition economies, and management of delegated responsibilities for the delivery of social services, such as education, health, and social security. In addition, four regional technical assistance grants were approved: the Second Water Utilities Data Book for the Asian and Pacific Region, the Study of Regional Health Policy Priorities, Cooperation in Employment Promotion and Training in the Greater Mekong Subregion, and Reducing Child Malnutrition in Eight Asian Countries.

Transport and Communications Sector

Bank lending to the transport sector is focused on alleviating bottlenecks and constraints to economic development by rehabilitating and improving existing infrastructure, improving transport efficiency, providing necessary capacity, and selectively constructing high-priority transport links. Sector operations increasingly address the changes associated with the provision of transport infrastructure and operations. The considerable demand for additional infrastructure, as well as resources to operate and maintain existing facilities, is placing a severe strain on national resources. If economic and social development is not to be constrained by increasingly congested and inefficient networks, even greater investment will be required in the future. With limited public sector budgets, substantially more resources will be required from private sector sources. Bank operations are increasingly focusing on the need to define the role of both the public and private sectors and to provide a suitable framework to enhance opportunities for the participation of the private sector. In creating the right conditions, the Bank is actively pursuing, through policy dialogue, the need to examine existing institutional setups to define constraints to accessing capital and expertise of private sector institutions.

As with all Bank activities, the environmental and social sustainability of projects is carefully examined during project preparation. This aspect is especially important in this sector. Wherever necessary, mitigation measures are provided to reduce adverse impacts, and project facilities are conceived in a wider developmental context, taking into account social considerations. Prolonged sustainability also requires institutions with the capability and skills to implement, operate, and maintain infrastructure as well as to define future needs. Development of human resources is an important part of sector operations, and capacity-building components are featured in many projects.

In 1996, 14 loans totaling \$1,489 million were approved for the transport and communications sector. Three loans were made to the PRC to develop portions of the planned national trunk highway system. Under these operations, the Bank explored the desirability of operating the tolled facilities as corporatized entities, and eventually using them to raise additional resources for future infrastructure development via stock offerings, bond issues, and/or leasing arrangements.

Associated technical assistance also provides the framework for facilitating the introduction of the build-operate-transfer (BOT) modality in the highways sector, and enabling the private sector to assist in road sector development.

Road projects in Kazakhstan and the Kyrgyz Republic were primarily to rehabilitate existing roads which had deteriorated due to severely constrained budgets resulting from difficulties associated with economic transition. Both loans followed considerable policy dialogue on the need to restructure road sector operations to introduce efficiency and effectiveness, and to apply realistic road user charges to improve pricing regimes and raise revenues. Technical assistance was also provided to address institutional issues and undertake urgently required capacity building. In Bangladesh, the construction of national roads to connect the new Jamuna Bridge with the existing network to Dhaka and beyond was approved, while Viet Nam received a loan for the improvement of the main artery, National Highway No. 1 between Hanoi and the PRC border. The Philippines received a loan to improve national roads, provide accessibility in remote poor areas, strengthen existing roads reaching the end of their design life, and repair and retrofit bridges to minimize risks of seismic failure. The loan also incorporates substantial capacity building for highway planning, routine road maintenance, road safety, road resealing training, and pavement investigation analyses. Policy dialogue was also an important feature in preparing the project, and focused on improving road operations and maintenance, strengthening highway planning and resource allocation, and addressing road safety, road classification, and vehicle overloading.

In the PRC, a loan was made to construct a new railway line between Daxian and Wanxian, which is located in one of the least-developed areas of the country. The loan will improve transport efficiency by providing a missing link in a remote area with access to inland port facilities at Wanxian. The line is expected to promote economic growth over a wide hinterland, as well as along the new route, with branch lines accessing areas with resource development potential. The line will also have a positive social impact on a large population, many of whom are classified as poor.

In Cambodia, Bank lending is mainly focused on the rehabilitation of roads, but air transport also plays a significant role in the country's transport system. The civil aviation subsector plays a major role in supporting the strategy of international integration of the country into the region. In addition, upgrading of the country's civil aviation network and operating standards to safe and efficient levels has been identified as an important requirement for the economic development of the region. In 1996, Cambodia received its first loan for airport development to improve and upgrade facilities at Siem Reap. The project will not only provide for efficient air traffic operations, but will also improve air traffic safety.

A loan to expand port operations and improve efficiency at Fancheng Port in the PRC is expected to promote economic growth in a relatively poor hinterland. The loan will modernize port operations, improve transport linkages and accessibility to the hinterland, and provide urgently needed capacity.

The Bank's telecommunications sector strategy is tailored to the needs of each country. For India, the strategy is to accelerate the development

Transport and Communications Loans^a and Technical Assistance Grants, 1996

	Loans		Technical Assistance Grants	
	No.	\$ Million	No.	\$ Million
Roads	9	1,109.00	13	8.45
Railways	1	100.00	5	2.80
Airports	1	15.00	3	1.25
Ports	1	52.00	2	1.58
Telecommunications	2	213.00	1	0.58
Total	14	1,489.00	24	14.66

a Excluding private sector loans.

of an efficient and effective sector to promote economic growth, and to obtain "universal" access. This is to be achieved through mobilizing and coordinating the integrated development and expansion of the network to provide balanced regional development, and to support policy, regulatory, and institutional reforms. Access to telecommunications will facilitate business efficiency, employment opportunities, and the delivery of social services in the rural areas. For Thailand, the strategy redresses imbalances in the network, which have resulted in inadequate rural coverage and lack of accessibility to information by disadvantaged groups; and promotes planned and orderly reform for the deregulation and privatization of the sector.

The telecommunications project in India promotes private sector participation in the provision of telecommunications services such as public call offices; and supports the sector-restructuring initiatives of the Government by focusing on network expansion in the rural areas. A significant institutional change was the formation of the Telecommunications Commission to promote rapid development of all aspects of the telecommunications sector in India, including technology, production, and services. The private sector is providing mobile phone services in four major cities. Further, the private sector has been invited to provide value-added services such as paging services, electronic voice/mail services, data services, audio text services, video text services, and video conferencing.

Policy actions in Thailand for the deregulation of the sector were formulated through Bank technical assistance for restructuring the telecommunications sector. The project was approved for Thailand to reduce the disparity of access to telecommunications facilities between urban and rural areas, and help accelerate the development of rural areas.

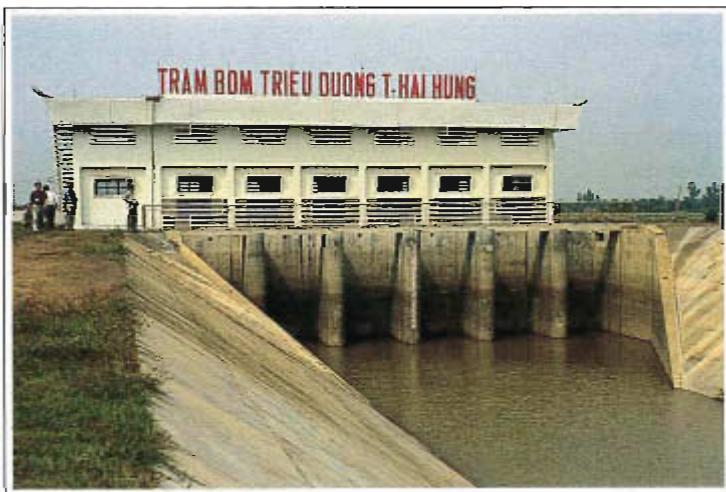
Twenty-four technical assistance grants totaling \$14.66 million were also approved for the transport and communications sector, mainly to support project formulation and preparation, institutional strengthening, policy reforms, and service improvement.

Environment Activities

In 1996, the Bank continued to assist its DMCs develop or reformulate their environmental regulations, build capacities for environmental planning and management, and promote regional cooperation in several environmental areas of importance to the region. The Bank also ensured that the environmental impacts of

projects approved during the year were thoroughly reviewed, and mitigation measures introduced to ensure compliance with national and/or international standards, as required. Efforts were also focused to ensure that targets for projects with environmental objectives were achieved. To complement these efforts, several resource center and training activities were conducted.

In support of their efforts to develop their environmental regulations or standards, the Bank provided technical assistance grants to Bhutan and the Philippines to formulate appropriate environmental quality standards, and assisted the PRC in preparing and revising its environmental and natural resource legislation.



A \$76.5 million Bank loan, approved in 1993, has helped rehabilitate war-ravaged irrigation and flood protection facilities in Viet Nam.

The Bank also provided technical assistance to develop and/or strengthen the environmental management capacity of Cambodia, PRC, and Lao PDR. In Cambodia, Bank assistance focused on strengthening the national environmental agency's use of environmental impact assessment as a tool to ensure environmentally sound economic development. Bank assistance in the PRC focused on promoting the transfer of clean technologies to town and village enterprises. In the Lao PDR, technical assistance was provided to strengthen the country's capacity for integrated regional economic-cum-environmental planning at the river-basin level. Sustainable development and conservation of natural resources in the Nam Ngum River Basin is expected.

The Bank promoted regional cooperation in a technical assistance to address coastal and marine pollution in countries bordering the South China Sea. Similar effort was also supported by the Bank to prevent and mitigate the impact of greenhouse gases in several DMCs, and of acid rain in Northeast Asian countries. To address common environmental concerns crucial to the promotion of environmental sustainability in the Greater Mekong Subregion,⁶ the Bank provided a regional technical assistance for environmental training and institutional strengthening in priority environmental areas.

In 1996, \$368 million, or about 7% of the total lending for public sector projects of \$5,389 million, were provided for projects with primary environmental objectives. Such projects aim to promote the sound management of natural resources and the environment, and such components are valued at more than 50% of the total project cost. Projects that also aim to promote the sound management of natural resources and the environment, and with environmental components estimated at no less than 20% of total project cost, amounted to \$368 million. Total Bank funds for these two categories of environmental projects amounted to \$736 million. Compared with last year's lending for the same type of projects estimated at \$631 million, this year's lending level represents a 17% increase over the previous year's lending level.

Eight projects with primary environmental objectives were approved in 1996. One was a Forestry Sector Project for Bangladesh which covers various forestation, conservation, and natural forest management activities in line with the Forestry Sector Master Plan, prepared with Bank assistance. Three were for Indonesia: The first, the Segara Anakan Conservation and Development Project, aims to conserve, develop, and sustainably manage the Segara Anakan Lagoon/Marine Complex in Central and West Java. The second project, the BAPEDAL (Badan Pengendalian Dampak Lingkungan [Environmental Impact Management Agency]) Regional Network, aims to (i) establish institutional capacity at the regional level to set environmental standards, improve environmental awareness, and provide environmental management and support services; and (ii) strengthen BAPEDAL through human development at the regional and national levels. The third project, the Integrated Pest Management for Smallholder Estates Crops, aims to promote the adoption of cost-effective, environmentally sound integrated pest management practices by smallholder estate crop farmers. This will be achieved partly by strengthening selected government institutions and farmer groups.

In the interior province of Anhui, PRC, the Bank funded two Anhui Environmental Improvement projects that are expected to support

⁶ Cambodia, PRC, Lao PDR, Myanmar, Thailand, and Viet Nam.

environmental improvements and institutional reforms initiated by the Anhui Provincial Government to arrest environmental degradation of the Chao Lake Basin. In Malaysia, the Bank funded the Klang River Basin Environmental Improvement and Flood Mitigation Project, which adopts an integrated approach to provide an improved level of environmental management and coordination, and flood protection in the Klang River Basin. The project is expected to improve environmental conditions, address development needs, and minimize the adverse economic, social, and environmental impacts of flooding in the river basin. A project in Nepal, Second Tourism Development, was also designed with primary environmental objectives. The project blends critically needed improvements in infrastructure, ecotourism, and environmental protection at key tourist destinations.

Projects with secondary environmental objectives funded by the Bank this year include the Phnom Penh Water Supply and Drainage Project for Cambodia; the North China Marine Culture and Coastal Resources Management, and Second Industrial Energy Efficiency and Environment Improvement projects for the PRC; and Renewable Energy Development Project for India.

To ensure that environmental impacts of Bank-funded projects are mitigated to acceptable levels, the Bank reviewed the environmental impact assessment reports and summaries of reports prepared by borrowers of environmentally sensitive projects. In 1996, a total of 21 summary environmental impact assessment reports were circulated 120 days before Board consideration of the respective projects to give interested groups another opportunity to comment on the environmental aspects of the projects. Queries forwarded to the Bank concerning some of these projects were resolved satisfactorily. This year also saw the incorporation of the social aspects of projects into the Bank's mainframe-based Environmental Monitoring Information System (EMIS) that initially was limited to the project's environmental aspects. The merging of both crosscutting concerns into one information system is expected to greatly enhance the mainstreaming of these aspects in Bank lending operations.

The Bank also undertook several resource center activities. To build the environmental management capacity of DMCs, studies focused on the review of environmental legislation and its effective enforcement; use of market-based instruments for environmental management; and review of the environmental conditions and issues in the Central Asian republics. To provide directions in its future operations, country-focused environment papers were prepared. A *Planning Framework for Environmental Management Capacity Building in DMCs* was also prepared to assist in formulating multiyear technical assistance programs for building environmental management capacity in a country. The Bank's Study on Emerging Asia, which includes a review of future environmental challenges in the region, is expected to assist the Bank in charting its environmental strategy and program in the 21st century.

To increase staff awareness on environmental matters, various papers were published focusing on economic valuation of environmental impacts, indicators and indexes; regional cooperation; and the promotion of investments in environment in the region. To share its experiences and exchange views on key regional or country-specific environmental issues, the Bank met and discussed with various organizations, including Economic and Social Commission for Asia and the Pacific (ESCAP), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), multilateral development

banks, and several bilateral organizations. The Bank also participated in seminars and workshops within and outside the region.

Social Development Activities

In contrast to the sectoral focus of the Bank's project activities, social development is a concern extending across the Bank's operations. Social development is based on a framework encompassing the entire range of the Bank's policies and procedures, and applies at each step of the Bank's operational cycle. The Bank's focus on social development is based on the fact that despite the relatively high and sustained rates of economic growth achieved within the region, poverty remains endemic in many DMCs, and that development must address all people.

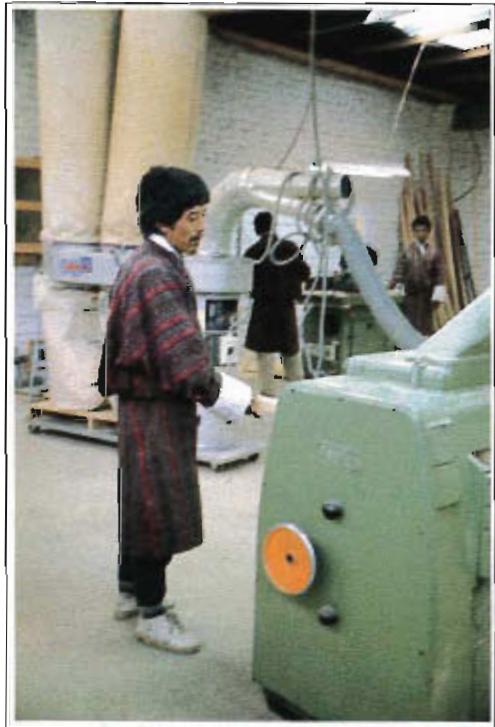
Social development encompasses poverty reduction, enhancing the role of women in development, and addressing issues of involuntary resettlement. It also includes efforts to avoid or mitigate the adverse effects of development interventions on vulnerable groups that do not have the capacity to absorb them. It is the Bank's strategy to incorporate these social dimensions in its development efforts and operations.

Human development, including population planning, is an important part of social development, and is recognized as one of the Bank's strategic objectives. The rapid development of human resources is widely recognized as a necessary condition for sustaining high rates of economic growth. A number of studies have confirmed that investments in human development, especially in primary education and preventive health care, yield significant gains in productivity and income. At the same time, beyond any relationship between human development and economic growth, improvement of the quality of life must be regarded as a developmental goal in itself.

Although the Bank's DMCs grew rapidly during the 1980s, more than half of the world's poor are still in Asia. Special efforts were undertaken in 1996 to assist many DMCs face the challenge of sustaining economic growth through investments and policy adjustments and reforms, while providing opportunities for the poor and disadvantaged groups to benefit from growth. Economically disadvantaged and vulnerable groups, the majority of whom are women, are likely to be affected adversely and be unable to absorb the shocks induced by policy reform, development investments, and environmental regulations. Helping to provide safety nets for these groups is necessary not only from an equity perspective, but also to maintain socioeconomic stability, and arrest environmental degradation.

In 1996, Bank-approved loans with social dimensions as the primary or secondary objective totaled \$1,718 million. Of this, \$557.2 million had poverty reduction as a primary or secondary objective, \$1,236 million had human development as a primary or secondary objective, and \$108 million had women in development (WID) as a primary or secondary objective. Newer and more effective approaches were employed to maximize the social development impact of these projects.

During the year, investment in human resources was an important part of the Bank's social development program. For example, the Basic Health Services Project in Cambodia is expected to benefit some 3.9 million people through strengthening community health services. At the same time, the Bank did not confine its social concerns to development initiatives through



A Bank loan of \$2.5 million to the Bhutan Development Finance Corporation, approved in 1988, has been lent to this woodwork factory to upgrade its technology.

socially oriented projects. It also incorporated social development concerns in conventional projects, such as the Second Tourism Development and the Kali Gandaki "A" Hydroelectric Power projects in Nepal, respectively, through community-based poverty reduction and environmental upgrading activities, and participatory approaches to resettlement and compensation issues. Participatory approaches to the maintenance of irrigation infrastructure are an important element of the Agriculture Sector Program in Cambodia. Other means of incorporating social dimensions in projects include using local communities to construct, operate, and maintain small village infrastructure and watercourses; and using participatory development processes and NGOs to identify beneficiary needs and to implement community-building project components for microfinance schemes.

WID is a central objective of the Bank's development initiatives. Many projects approved during 1996, such as the Basic Education Textbook and Basic Health Services projects in Cambodia; the Basic Education and Family Health and Nutrition projects in Indonesia; and the North Central Province Rural Development Project in Sri Lanka, are substantially targeted to improve women's health and educational opportunities, or have substantial components to facilitate the inclusion of WID processes. In particular, the Family Health and Nutrition Project in Indonesia will focus on maternal and neonatal health problems, and long-term contraceptive use. The latter employs a "family approach," taking into account complex interactions between individuals and their families.

Besides projects, WID strategies and briefing papers were prepared for Kazakhstan, Kyrgyz Republic, and Malaysia. During 1996, WID Country Briefing Papers were published for Cambodia, Kiribati, and Lao PDR, and papers for Kazakhstan, Kyrgyz Republic, and Malaysia are being finalized for publication in 1997. The proceedings of a seminar on WID at the Bank's 28th Annual Meeting, *Towards Beijing...Beyond Beijing*, was also published in 1996. A video on women in Asia, particularly in Bangladesh, Cambodia, and Philippines, entitled *A Voice of Her Own*, was produced in 1996.

Three WID-oriented regional technical assistance projects, Sociolegal Status of Women in Selected DMCs, Low-Income Women Entrepreneurs in Asia, and Global Summit of Women: Women's Economic Power were approved during 1996 and are currently being implemented.

Involuntary resettlement is an important social concern of the Bank. While a review of the implementation of the Bank's Involuntary Resettlement Policy is being undertaken, it has published the comprehensive *Handbook on Resettlement: A Guide to Good Practice* for carrying out its policy more systematically. Complying with the Bank's involuntary resettlement policy, project planners are increasingly examining alternatives to minimize or eliminate the need for land acquisition and resettlement. Some transport projects have changed route alignments, such as the Second Road Improvement Project in Viet Nam, or have adjusted standards used in rural towns where land and population pressures are most intense. Surveys and censuses are increasingly being used to identify persons affected by projects. Some projects have developed comprehensive procedures for consultation with persons affected and, if needed, for grievance redress. These include the Jamuna Bridge Access Roads Project in Bangladesh, which draws on and strengthens consultative and participatory processes, such as using local-level resettlement

workers, public meetings, focus groups, and a grievance-redress committee involving NGOs, as well as special measures, to compensate and restore the livelihoods of squatters. The Kali Gandaki "A" Hydroelectric Power Project in Nepal used regular newspaper reports, meetings with NGOs and affected persons, and public information centers in Kathmandu in a comprehensive public consultation program.

Through its technical assistance operations, the Bank continues to build its own capacity and that of its DMCs to implement socially oriented projects, and to carry out accurate social assessments for conventional projects. Twelve regional technical assistance projects addressing socioeconomic and sociocultural issues were at different stages of implementation during 1996. Also during the year, the Bank approved two regional technical assistance grants focusing on social issues: A Study of NGOs in Asian DMCs (Bangladesh, Cambodia, Indonesia, Lao PDR, Nepal, Pakistan, Philippines, Sri Lanka, and Viet Nam), and Facilitating Capacity Building and Participation Activities. In addition, a regional technical assistance on involuntary resettlement issues, which will assess the potential for capacity building, country policies, laws, strategies, and practices, and recommend operational guidelines and training programs for implementing agencies, was proposed.

The Bank's social development specialists continued to coordinate with projects departments staff in designing projects which maximize social benefits. Strengthening social sector analysis in country strategy, programming work, and lending operations is an ongoing Bank goal. In November 1996, a Roundtable Meeting on the Sociocultural Aspects of Economic Development in Pacific DMCs was held in Fiji in cooperation with the Bank's Office of Pacific Operations.

Also in 1996, training programs on incorporating social development in Bank projects were undertaken by Bank staff and DMC agencies. Three new publications were released during the year: *Sociocultural Issues and Economic Development in the Pacific*, *Mainstreaming Participatory Development Processes*, and *Towards Beijing...Beyond Beijing*.

Active collaboration, covering the range of social issues that concern the Bank, was maintained with various international organizations, including ESCAP, Inter-American Development Bank (IADB), International Labour Organisation (ILO), Overseas Economic Cooperation Fund (OECF), UNDP, UN High Commission on Refugees (UNHCR), UN Children's Fund (UNICEF), UN Development Fund for Women (UNIFEM), and World Bank.

As a member of the Consultative Group to Assist the Poorest (CGAP), a multidonor effort to address poverty reduction through microfinance, the Bank participated in two CGAP meetings held in 1996. The Bank is a member of CGAP's Policy Advisory Group, and participates in consultations to discuss poverty measurement tools. Preparations for the Fourth CGAP Consultative Forum, which will be hosted by the Bank in 1997, were initiated in 1996.

The Bank was also represented at the Donors' Meeting of the Interagency Working Group on Participation held in Washington, DC, during March; at the ESCAP Regional Meeting to discuss "Strengthening National Machineries for the Advancement of Women for Implementation of the Beijing Platform for Action" held in Seoul, Republic of Korea, during September; and at the Bank Poor '96 Regional Workshop held in Kuala Lumpur, Malaysia, during December.

Private Sector Activities

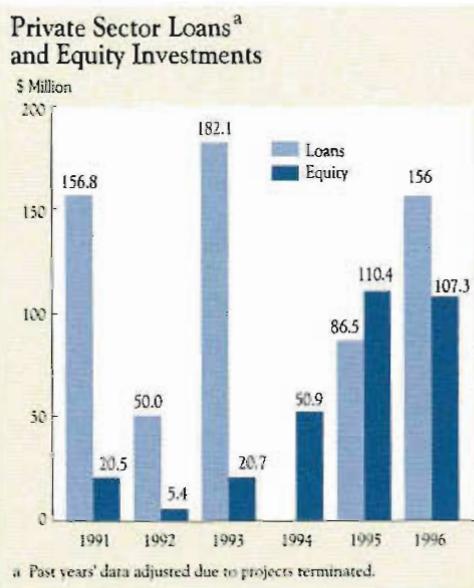
The Bank's private sector operations are intended to help selected private enterprises undertake financially viable projects which have significant economic merit. The Bank provides assistance in the form of loans without government guarantee and equity investments, and helps mobilize domestic and external resources. The growing emphasis placed by DMCs on the role of the private sector in economic development makes direct support for private enterprise a priority for the Bank. At the same time, through policy dialogue, technical assistance, and program lending, the Bank continues to contribute to the creation of a conducive environment for private sector development in DMCs.

The current strategy for the Bank's private sector operations is designed to optimize the benefits of Bank resources allotted to these operations. It calls for (i) focusing support on projects for financial intermediation, capital market, or infrastructure development, with industry sector projects being given lower priority; (ii) taking into account the differing circumstances and needs of host DMCs, and the Bank's overall operational strategy for each country; and (iii) leveraging the Bank's own funds to mobilize a larger flow of private funds into DMCs.

During 1996, the Bank approved ten private sector projects involving commitments of \$263.3 million, of which \$156 million are in loans without government guarantee and \$107.3 million in equity investments. For details, see Table 16 in the Statistical Annex. In line with the strategy of leveraging the Bank's own funds, the 1996 projects involve investments and investible funds totaling \$2.6 billion, in addition to the amount coming from the Bank. This indicates that for every \$1 invested by the Bank, an additional \$10 are mobilized from other investors and lenders.

Of the ten private sector projects, three were infrastructure projects being undertaken on a build-operate-own/build-operate-transfer (BOO/BOT) basis: a 500MW coal-fired power project in India, a 60MW hydropower project in Nepal, and a 150MW gas-fired power plant in Pakistan. These three power-generation projects accounted for 45% of the total amount of funds committed by the Bank to the ten approved projects, and 89% of complementary loans provided by other lenders. The relatively substantial commitments to the three power projects reflect the priority accorded by the Bank to help meet the DMCs' massive infrastructure development need. As is well known, governments concerned, squeezed between tightening budgets and competing high-priority expenditures, cannot keep pace with the ever-rising development demand. In addition, the Bank recognizes the benefits that the private sector can derive from expanded and improved infrastructure facilities and the catalytic role it can play. This catalytic role has a great beneficial impact in countries where the private sector is unable to mobilize needed investment funds from local or offshore financial markets because of imperfections in the local capital markets, and external perceptions of the country risk involved. In these DMCs, the Bank's participation can enhance the sponsors' ability to secure other needed resources. The loans approved by the Bank in 1996 for power projects, for instance, provided the catalytic effect in attracting needed cofinancing.

Domestic financial intermediaries are important in mobilizing resources for economic development, and institutional enhancement of these



intermediaries helps strengthen the financial infrastructure in DMCs concerned. Assistance to individual intermediaries also helps promote the Bank's policy work in the financial sector. Bank assistance is provided in accordance with the stage of development of the financial sector in the host country. The impact of such assistance is particularly significant in transition economies. For instance, the equity investment approved for one of the first three leasing companies to be licensed in Viet Nam will help diversify the financial sector of the country. Another equity investment was approved for Everbright Bank of China (EBBC), one of the PRC's six commercial banks with a nationwide presence. The investment in EBBC represents the first foreign investment in a local state-owned commercial bank. It supports EBBC's strategic plan to transform itself into a shareholding bank grounded on "best practices" principles.

Under its private sector operations, the Bank helps transfer scarce long-term risk capital from capital-rich countries to DMCs for private sector development. This is done through the promotion of offshore investment funds, as well as domestic mutual funds. Such funds help stimulate and broaden emerging securities markets, and function as proxies for overseas investors wanting to invest in DMC portfolios. During 1996, equity investments in two regional funds and one domestic mutual fund were approved by the Bank. The Asian Private Investment Company Limited (APIC) is a regional fund that will tap the huge amounts of investible saving from pension funds in North America and other countries. APIC will invest in infrastructure, industry, and financial services. The other regional fund is the Asian Infrastructure Mezzanine Capital Fund (AMF), which will mobilize funds from international insurance companies. AMF will introduce "mezzanine" financing (which is halfway between risk equity and secured debt) to the region, particularly for infrastructure development. The domestic mutual fund supported by the Bank is The Mutual Fund Company of the Philippines, which will mobilize small savings for investment in the domestic securities market, and offer an alternative to time deposits in banks.

Assistance to industry sector projects is provided by the Bank on a highly selective basis. During 1996, the Bank approved two industry sector projects: an oleochemical complex in Indonesia, and a cement plant in Viet Nam. The Indonesian project is an export-oriented agro-industrial enterprise that supports the development of a less-developed region in the country. The cement project in Viet Nam is so far the largest private sector involvement in a state-controlled industry. It is the biggest private sector project outside the energy sector, and represents the Bank's first private sector loan in Viet Nam. The project will support ongoing reforms to reduce the Government's control over the cement industry. Both projects involve foreign partners providing technology inputs.

Cofinancing and Guarantee Operations

The Bank's cofinancing operations gathered momentum under the new cofinancing and guarantee policy approved in 1995. The policy effectively supports the Bank's emphasis on resource mobilization and catalytic investment strategy. The main objectives of the cofinancing strategy are to (i) play a catalytic role in bringing additional private resource flows to DMCs by assisting cofinanciers in the appraisal and management of risks; and

(ii) continue the promotion of official cofinancing, with special emphasis on low-income countries. Implementation of the strategy also calls for the mainstreaming of cofinancing activities into Bank operations. Under the new guarantee policy, the Bank can provide credit guarantee, where it provides all-inclusive cover for a portion of the debt service, or a risk guarantee, where it covers specific risk events for all (or part) of the debt service. During 1996, commercial cofinancing was mobilized without the use of either credit or risk guarantee by the Bank.

In 1996, cofinancing mobilized from all sources amounted to \$2,695.2 million. This represented a 9% increase over \$2,480.6 million achieved in the previous year, and was equivalent to 49% of the Bank's total lending of \$5,545 million committed during the year. In other words, for every dollar of Bank loan, an additional 49 cents were mobilized through cofinancing. Cofinancing came from official, export credit, and commercial sources. For details, see Table 15 in the Statistical Annex.

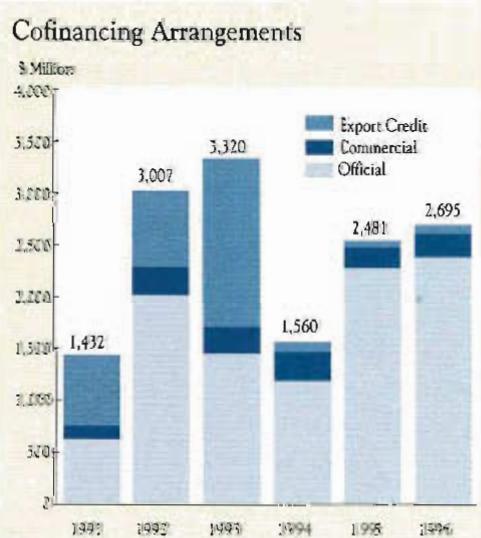
A total of 13 DMCs received cofinancing in 1996 with Pakistan as the top recipient, accounting for 53% of the total, followed by Nepal with 9%, Philippines with 8%, and Indonesia with 7%.

During the period 1970–1996, the cumulative total of cofinancing amounted to \$24.6 billion. Of this total, the energy sector had the largest share, amounting to \$12.6 billion or 51%, followed by transport and communications, \$3.9 billion or 16%, and agriculture and natural resources, \$3.5 billion or 14%. Large infrastructure projects have generally attracted cofinancing more often than other projects.

Official Cofinancing

Official cofinancing reached a new high of \$2,384.9 million, a slight increase of 5% over the previous year's record of \$2,265 million, and accounted for 88% of total cofinancing mobilized during 1996. The share of bilateral sources amounted to 56% or \$1,347 million, while the share of multilateral sources amounted to 44% or \$1,038 million. Because of the nature of official development assistance (ODA), most official cofinancing was provided in the form of concessional loans and grants, largely from bilateral sources. Bilateral cofinancing support was received from nine countries: Australia, Denmark, Germany, Japan, Kuwait, Netherlands, Norway, Switzerland, and United Kingdom. Japan continued to be the largest source of official cofinancing. It cofinanced 10 projects for a total of \$1,034 million, of which \$764 million came from OECF, \$260 million from the Export-Import Bank of Japan, and \$10 million from the Japan International Cooperation Agency.

In addition, the Bank actively pursued cofinancing for technical assistance with official donors. This included voluntary contributions to the Bank's Technical Assistance Special Fund (TASF), annual contributions to the Japan Special Fund (JSF), and untied grants from bilateral sources. The mode of cofinancing used was normally exclusive or joint-financing arrangements. Donors from bilateral sources included the governments of Australia, Denmark, Finland, France, Netherlands, Norway, Sweden, and Switzerland. For details, see *Grant-Financed Technical Assistance from Other Sources, 1996*. During 1996, untied grants from bilateral sources, where the Bank acted as the grant administrator, amounted to \$36.3 million inclusive



of grant assistance from the Netherlands and Switzerland, to finance soft components included in Bank-assisted loans.

The Government of Japan made its ninth year contribution to JSF, amounting to ¥9.03 billion (\$79.9 million equivalent) in untied grant assistance. A total of \$79.9 million for 122 technical assistance projects was sourced from JSF in 1996.

During 1996, the Bank and the United Nations Industrial Development Organisation (UNIDO) signed a Memorandum of Understanding on Working Arrangements to strengthen cooperation between the two organizations in the service of DMCs of common membership. The Government of Belgium also made available to the Bank an initial contribution in Belgian francs (BF) 30 million (\$960,000 equivalent) to finance, on an untied grant basis, technical assistance projects under the Channel Financing arrangement administered by the Bank.

Commercial Cofinancing

Cofinancing from market sources amounted to \$220.5 million for three projects.⁷ The volume of commercial cofinancing depends largely on the size and number of bankable projects identified, as well as the timing of financial closing. The 1996 result for commercial cofinancing was slightly higher than the \$215.5 million achieved in 1995. The Complementary Financing Scheme (CFS) and parallel loan modalities were used for the cofinancing arrangements during the year. Two CFS loans in the private sector totaling \$80.5 million were arranged, while a 15-year parallel loan for \$100 million was successfully concluded without credit enhancement by the Bank for a public sector power project in the PRC. Cofinancing from market sources is expected to increase significantly in 1997 as a result of continued Bankwide efforts to seek cofinancing from market sources, and the identification of an increased number of projects in the pipeline, including those that were slipped in processing from 1996.

Export Credit Cofinancing

In response to the need to cooperate with export credit agencies (ECAs), the cofinancing strategy requires the Bank to take proactive measures in promoting export credit cofinancing for public sector projects. In 1996, the Bank cooperated closely with two ECAs in arranging export credit financing for two BOO/BOT projects on a project financing basis. A total of \$89.8 million of ECA cofinancing was arranged for three private sector power projects.

Bank's Role in Resource Transfer

The net transfer of resources (defined as disbursements less principal repayments and prepayments, payments of interest and other charges plus net equity investments) from the Bank to DMCs decreased from \$794 million in 1995 to \$34 million in 1996. This meant a decrease of 96%, compared

**Grant-Financed Technical Assistance
from Other Sources,^a 1996**
(amounts in \$ thousand)

Donor Country	Number of Projects	
	Projects	Amount
Netherlands	3	21,849.4
France	5	4,604.0
Switzerland	1	3,768.5
Sweden	1	2,700.0
Denmark	5	1,810.0
Norway	2	1,365.0
Australia	1	100.0
Finland	1	100.0
Total	17^b	36,296.9

^a Administered by the Bank.

^b A project financed from more than one source is counted as one.

⁷ Statistics for commercial cofinancing are based on financial closing, unlike in the case of official cofinancing, where records are based on the commitments of the cofinanciers.

Resource Transfer to DMCs
(\$ million)

	1995	1996
OCR	(107)	(943)
ADF	901	977
Total	794	34

with a decrease of 28% in the previous year. For details, see *Loan Disbursements, 1995 and 1996 table on page 171.*

Of the total net transfer, a negative \$943 million was from OCR and a positive \$977 million from ADF. The net transfer from OCR was negative mainly because of prepayments by India, Indonesia, Republic of Korea, and Thailand, which amounted to \$1,404 million.

Loan disbursements amounted to \$3,797 million. The amount exceeded the year's target by 2.4%. There was an increase in disbursements from both OCR (5%) and ADF (7%) resources, compared with last year.

The disbursement ratio (including program loans), defined as the ratio of disbursement during the year over the undisbursed net loan balance at the beginning of the year, plus effective loans approved during the year, was 17.7%, compared with 18.2% in 1995.

By volume of net flow, Bangladesh, PRC, India, and Pakistan were the top four recipients of net transfts from the Bank. The DMCs that experienced negative transfer were Fiji, Indonesia, Kiribati, Republic of Korea,

Bank's Determined Efforts in Resource Mobilization

COFINANCING continues to play a vital role in supporting the Bank's catalytic lending strategy. In the energy sector alone, the Bank has generated total cofinancing of \$1,517 million in 1996, in addition to its own lending through both public and private sector windows. The Bank's active involvement in cofinancing arrangements has enabled Bank-assisted projects to obtain the best possible financing terms.

Cofinancing arrangements have contributed to the success of various Bank projects. For example, the \$170 million private sector Fauji Kabirwala Power Co. Ltd. project in Pakistan could not have been funded without the significant Bank-arranged market cofinancing. Aside from a loan (\$32 million) and an equity investment (\$5.3 million), an additional \$61 million were mobilized through the Bank's Complementary Financing Scheme, which is in the form of a 12-year term loan from a syndicate of international commercial banks. The project promotes a public/private partnership that will help Pakistan encourage private sector participation in an area that has, until recently, been dominated by the public sector. Moreover, the project's debt financing as well as equity financing are expected to (i) encourage long-term investments from foreign and local investors in Pakistan's power sector; and (ii) help assuage the country's critical power shortage.

Another project for which cofinancing from various sources featured highly is a mega project in Pakistan - the Ghazi Barotha Hydropower Project with a total cost of \$2,200 million. A total of \$947 million cofinancing has been attracted from the International Bank for Reconstruction and Development, OECF of Japan, Kreditanstalt für Wiederaufbau (KfW), the European Investment Bank, and the Islamic Development Bank. The Bank provided a loan of \$300 million and a technical assistance grant of \$850,000 cofinanced by the Bank (\$250,000) with the Government of France (\$600,000). The technical assistance is aimed at formulating the power efficiency mechanism to improve demand-side management and reduce power losses. The repayment period of the Bank loan stretches to 25 years, including a grace period of six years and an interest rate to be determined by the Bank's pool-based variable lending rate system.

In the PRC, market cofinancing of \$100 million was arranged at very competitive pricing to support a coal-fired electric power-generating station in Henan Province. The modality used was a syndicated term loan without any credit enhancement, funded entirely by international commercial banks arranged in parallel with the Bank's main loan of \$200 million. The Bank was actively involved in arranging the market cofinancing.

Malaysia, Myanmar, Papua New Guinea, Philippines, Solomon Islands, Thailand, and Western Samoa.

For details of net transfer, see Tables 36–38 in the Statistical Annex.

Law and Development

As part of its efforts to support capacity building and good governance for sound development management, the Bank continued to expand law and development work in 1996, promoting policies, legal reforms, and regulations supporting economic growth; enhancing the status of women; and protecting the environment. Such work has focused on capacity building among institutions responsible for the administration and enforcement of laws and regulations, continuing legal education for government lawyers working with frontline development ministries and with government enterprises, and fostering research into the relationships between economic development and legal reforms.

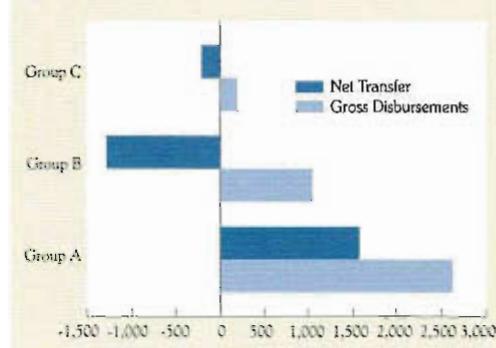
During 1996, the Bank approved 46 law-related technical assistance projects in 16 DMCs dealing with a wide range of sectors, including modernization of land administration in Bangladesh, strengthening environmental impact assessment capabilities and preparation of environmental regulations in Bhutan, developing capacity in audit and inspectorate functions in Cambodia, capacity building for natural resource legislation in the PRC, corporatizing Fiji's water and sewerage sector, restructuring India's state-owned enterprises in Gujarat, establishing a gas regulatory framework in Indonesia, strengthening social service delivery and finance in Kazakhstan, building capacity for the formation and management of water users' associations in the Kyrgyz Republic, developing a regulatory framework for the Credit and Bank Supervision Section of the Maldives Monetary Authority, evaluating environmental standards for selected industry subsectors in the Philippines, and capacity building at the State Auditor-General's Office in Viet Nam.

Among these law and development projects, the Bank financed five regional technical assistance projects. These dealt with the sociolegal status of women, a feasibility study for an Internet legal resource center, mitigation of nonphysical barriers to cross-border movement of goods and people, developing a Greater Mekong Subregion east-west transport corridor, and an ADB/World Trade Organization workshop concerning antidumping and countervailing duty laws and regulations.

In some cases, legislation was enacted, incorporating revisions prepared under Bank-financed technical assistance. For example, in May 1996, the PRC's National People's Congress amended the 1984 Water Pollution Law, following assistance to the staff of the Environmental Protection Committee of the National People's Congress under a Bank technical assistance. The Bank's Telecommunications Project in Mongolia and related technical assistance for telecommunications sector reform resulted in the enactment of its Telecommunications Law in January 1996, and implementation of its subordinate regulatory framework.

The Bank is also supporting a comparative study of the relationships between economic growth and legal reforms in the region. Under a Bank-financed regional technical assistance on The Role of Law and Legal Institutions in Asian Economic Development, interdisciplinary teams of lawyers and

1996 Net Transfer of ADB Resources to DMCs



economists in People's Republic of China; India; Japan; Republic of Korea; Malaysia; and Taipei, China are examining those relationships during the period of their rapid economic development from 1960 to 1995.

Economic Research

The Bank engages in and facilitates research, training, and exchange and dissemination of information through publications, conferences, workshops, and symposia. While research is primarily done at the Economics and Development Resource Center (EDRC), the Asian Development Bank Institute (ADBI), the establishment of which was approved in 1996, will also have a research component, focusing on themes or issues critical for long-term, broad-based, and sustainable development.

The main role of EDRC is to undertake and promote research on key development issues, and strengthen analytical awareness on matters of economic relevance to Bank operations. This primarily translates into (i) undertaking research and analysis on development policy issues and disseminating the findings for the use of DMCs; (ii) providing operational support by reviewing the quality of project evaluation and sector work; (iii) providing information and advice to Management and the rest of the Bank on economic events, studies, and policy debates in the field of development; (iv) providing statistical assistance to DMCs and other parts of the Bank; and (v) providing resource center activities.

In 1996, a major regional technical assistance for a Study on Emerging Asia was implemented. The study reviews the progress achieved in Asia so far, and attempts to identify future major development trends. Other topics under study during the year included social sector issues in Asian transition economies, the global trading environment, financial flows and policy issues, and regional economic cooperation. Major components of the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area Study were completed during the year.

Conferences and seminars were held on various economic issues. These included a panel seminar on Globalization and the Impact on Asia held at the 29th Annual Meeting of the ADB Board of Governors and the Ninth Asian Economic Outlook Workshop which examined Export Performance in the Asian and Pacific region. A conference on Investing in Asia was held jointly with the Organisation for Economic Co-operation and Development in Paris.

In the area of project quality improvement, several measures were undertaken to enhance the economic analysis of projects prior to loan approval. A new version of the Bank's *Guidelines for Economic Analysis of Projects*, to replace that issued in 1987, was finalized. Two technical assistance projects were continued: Economic Evaluation Methodology in Water Supply Projects and Economic Analysis of Build-Own-Operate-Transfer (BOOT) Projects. The *Guidelines for Economic Analysis of Telecommunications Projects* was completed and work began on the *Guidelines for Economic Analysis of Urban Development Projects*, *Benefit Measurements for Rural Electrification*, and the *Best Practice Case Studies for Power Projects*. A Board information paper on Bank criteria for subsidies was also completed and circulated. Workshops for Bank staff on economic analysis of projects were held.

Statistical data collection is an important part of the Bank's assistance to DMCs. During the year, the Bank remained active in the capacity building of DMCs' statistical systems and services through the provision of technical assistance. The Bank also continued to improve its statistical database system in terms of data coverage, and to upgrade its facilities to provide better service in support of Bank operations as well as external users. A Statistics and Data Systems Division (EDSD) Home Page was developed to provide staff and external users access to statistical data comparable with those found in the Bank's *Key Indicators of Developing Asian and Pacific Countries*.

As part of its efforts to strengthen institutions and human development in DMCs, the Bank continued to produce and distribute numerous publications, including the *Asian Development Outlook*, *Asian Development Review*, and *Key Indicators of Developing Asian and Pacific Countries*. The Bank conducted training programs on taxation and financial policies for policymakers. Training workshops in the economic analysis of projects for DMCs were developed for implementation in 1997. The Bank also supported other organizations such as the Asian Productivity Organization and the Colombo Plan in their training programs. The Bank served as a resource center on Asian economic issues for many external organizations from both the public and private sectors.



A \$30 million loan, approved by the Bank in 1977 to the National Development Finance Corporation of Pakistan, was invested in public sector industrial projects.

Country Highlights

THE BANK'S country-based approach to development offers borrowing developing member countries (DMCs) an integrated package of services, which links project financing with policy review, capacity building, and regional cooperation. To ensure a DMC's goals are met, the Bank conducts a study of the country's economic situation and its development plans and priorities. Based on this study, the Bank prepares a country operational strategy – in consultation with the government concerned – followed by the preparation of a country assistance plan. The plan scrutinizes the role of each project with respect to the country's development program and the Bank's strategy. The Bank also conducts yearly country programming missions to consult with the DMC government on its operational strategy and programs. The operational strategy and policy dialogue are presented for each borrowing DMC in this chapter. Strategies for some DMCs are being formulated, while strategies for other countries are being revised to meet changed economic and social circumstances.

In addition, this chapter highlights the 1996 lending and technical assistance activities, as well as project implementation in each borrowing DMC. Major indicators of portfolio performance are given as the number of loans approved at the end of the year, the cumulative number of closed loans, and the number of loans under administration. The amount of contracts awarded, the amount of loans disbursed during the year, and the relevant cumulative amounts are also provided. Disbursement and contract award ratios are given for each country.¹ Major implementation issues encountered by the Bank are highlighted for each country.

For details of country operations, see the Statistical Annex (Tables 9–14 for loans by country and sector, Tables 22–30 for contract awards and disbursements, and Tables 31–35 for technical assistance grants).

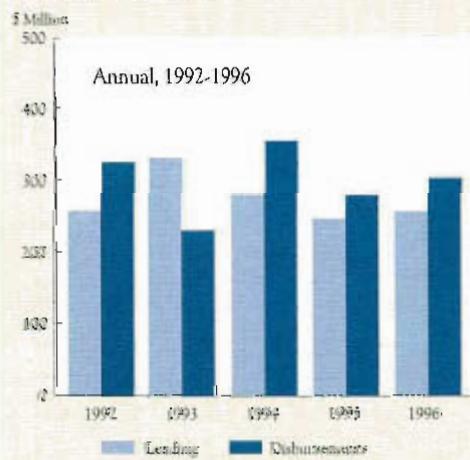
Bangladesh

Operational Strategy: The Bank's operational strategy for Bangladesh focuses on poverty reduction. Ways to create economic opportunities for the poor and improve their access to basic social services through equitable and sustainable growth are being emphasized. A significant component of the Bank's operations in the country in support of economic growth is human development, particularly of women, through education, and the provision of employment and income opportunities. The Bank pays attention to protecting and improving the environment, promoting broad-based and

Bangladesh:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Natural Resources	56	1,882.1	38.0
Energy	18	1,069.8	21.6
Transport and Communications	14	855.1	17.3
Social Infrastructure	20	756.5	15.3
Industry and Nonfuel Minerals	8	241.0	5.0
Financial	7	137.6	2.8
Total	123	4,942.1	100.0

Bangladesh:
Lending and Disbursements

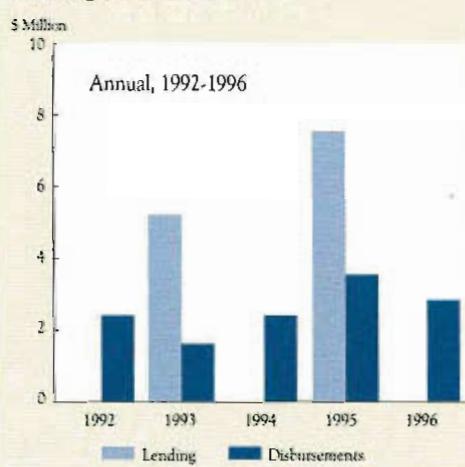


¹ The contract award ratio is the ratio of contracts awarded during the year over the value available for contract awards at the beginning of the year. The value of the contracts to be awarded under newly approved and signed loans during the period is added to the opening balance of the value available for contract awards. The Bankwide contract award ratio is 21.65%. The disbursement ratio is the ratio of disbursement during the period/year over the undisbursed net loan balance less cancellations at the beginning of the period/year. Effective loans approved during the period/year have also been added to the beginning balance of undisbursed loans. The Bankwide disbursement ratio is 17.77%.

Bhutan:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Multisector	2	12.4	24.1
Social Infrastructure	2	10.4	20.3
Transport and Communications	2	9.7	18.8
Agriculture and Natural Resources	2	7.8	15.1
Energy	1	7.5	14.6
Financial	1	2.5	4.9
Industry and Nonfuel Minerals	1	1.2	2.2
Total	11	51.5	100.0

Bhutan:
Lending and Disbursements



equitable economic growth through greater market orientation and support, and enhancing private sector participation. Policies and projects that promote the productive and sustainable use of labor will be adopted to make growth more equitable.

Policy Dialogue: During the year, the major focus of the policy dialogue was on promoting private sector investment in power generation, and restructuring the power sector. The main objectives of this exercise were to introduce corporate management of utilities and improve managerial accountability of each facet of the generation, transmission, and distribution process. Institutional and legislative reforms were encouraged in the forestry sector to streamline policies and procedures for people-oriented forestry programs, and promote participatory forestation for sustainable development and management of forest resources. Dialogue for further improving the efficiency and accountability of Bangladesh Railways through institutional and organizational reforms was continued. The Bank also provided further assistance to modernize and reform the country's land administration and taxation system to establish efficient property markets, promote timely development-related land acquisition, and increase resource mobilization.

Loans and Technical Assistance: In 1996, the Bank provided three loans amounting to \$256.4 million to Bangladesh. The loans were for projects in the transport (roads), energy, and forestry sectors. The Bank also approved 14 technical assistance grants totaling \$16.3 million, of which \$1.7 million were for project preparation. Two of the approved technical assistance grants, totaling \$10.6 million, were exclusively financed by Switzerland and the Netherlands.

Project Implementation: Of the 123 loans approved as of end-1996, 83 had been closed and 40 were under administration. Contracts worth \$227.6 million were awarded during the year, bringing the cumulative total of contracts to \$3,387.8 million. The contract award ratio for 1996 was 18.8%. Disbursements for the year totaled \$301.4 million, bringing cumulative disbursements to \$3,490.8 million. The disbursement ratio for 1996 was 24.9%. The Bangladesh Resident Mission assisted the Government in coordinating and monitoring Bank projects and programs, as well as in dialogue on policy issues. A portfolio performance review was undertaken to deal with issues concerning project implementation and quality. A country programming mission was conducted to confirm the 1997 lending program.

Bhutan

Operational Strategy: The Bank is assisting Bhutan in its efforts to move toward a more diversified economy. The assistance enhances the country's capacity to earn foreign exchange and develops its capacity for macroeconomic management. Lending is focused on infrastructure projects such as power, transport (roads), and urban infrastructure. Financial sector improvement and environmental protection are also emphasized. Technical assistance will continue to be focused on a broader range of sectors where capacity building is required, including agriculture, physical infrastructure, and social infrastructure.

Policy Dialogue: Although the Bank has encouraged a more transparent and liberal commercial environment to help promote private sector

activities, private sector development has been constrained by lack of infrastructure, a small base of entrepreneurs, and labor shortages. The Government continued to aim at financing all its recurrent expenditures from domestic resources, and its development expenditures from external grants and soft loans. To increase revenues, the need to broaden the base for tax revenues, introduce user fees, and improve cost recovery were emphasized. These efforts will need to be closely monitored to prevent further deterioration in the fiscal situation.

Loans and Technical Assistance: No loans were approved in 1996. Four technical assistance grants, totaling \$1.44 million, were approved.

Project Implementation: Of the 11 loans approved as of end-1996, eight had been closed and three were under implementation. Contracts amounting to \$5.7 million were awarded during 1996, bringing the cumulative total to \$38.6 million. The contract award ratio for 1996 was 49.5%. Disbursements during the year amounted to \$2.8 million, bringing cumulative disbursements to \$33.7 million. The disbursement ratio for 1996 was 15.8%. The Government's monitoring of project implementation and other related positive initiatives in addressing project implementation constraints have resulted in improved contract awards and disbursements. However, project implementation continues to be impeded by a shortage of skilled labor, delayed establishment of project offices, and high turnover of project implementation staff.

Cambodia

Operational Strategy: The Bank's operational strategy in Cambodia is to build capacity by (i) strengthening sector institutions; (ii) supporting GDP growth by fostering the transition to a market economy, and rehabilitating the country's physical and social infrastructure; (iii) improving the access of the poor to employment opportunities; and (iv) improving and protecting the environment. The Bank focuses on poverty reduction by enhancing GDP growth, and by designing projects and programs which benefit the poor, particularly in rural areas. Supporting the Government's development thrust in its transition to a market economy, developing human resources, and ensuring sound natural resource management are other major areas of attention.

Policy Dialogue: In light of Cambodia's transition from a centrally planned to a market-oriented economy, discussions between the Bank and the Government in 1996 continued to focus on macroeconomic management, medium-term economic planning, investment programming, and strengthening of government institutions and the legal framework. Agriculture sector reform was an important agenda among the sectoral policies. The Bank also assisted the Government in developing sound management practices by preparing guidelines on public procurement and establishing an independent audit office.

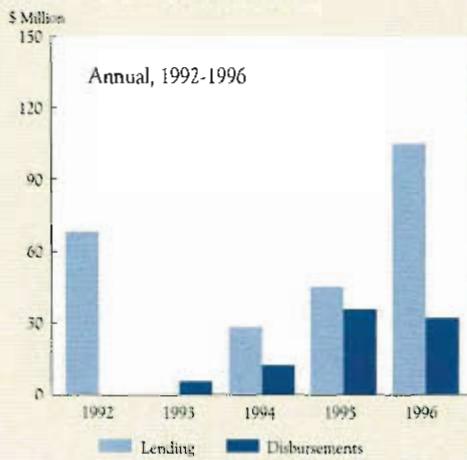
Loans and Technical Assistance: There were five loans totaling \$105 million and 16 technical assistance approvals for \$9.4 million in 1996.

Project Implementation: Ten loans totaling \$247.7 million had been approved as of end-1996. Nine loans are currently under administration. Contracts amounting to \$23.2 million were awarded, bringing the cumulative total to \$93.5 million. The contract award ratio for 1996 was 8.5%. Disbursements in 1996 totaled over \$32.1 million, with cumulative

Cambodia: Cumulative Bank Lending (as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Social Infrastructure	4	80.0	32.3
Multisector	1	67.7	27.3
Agriculture and Natural Resources	2	55.1	22.2
Energy	2	29.9	12.1
Transport and Communications	1	15.0	6.1
Total	10	247.7	100.0

Cambodia: Lending and Disbursements



disbursements totaling \$86 million. The disbursement ratio for 1996 was 20.4%. As the country is in the midst of its transition to a market economy, institutional, financial, and human resource constraints were encountered in project implementation. As of end-1996, the Bank has provided substantial technical assistance, amounting to about \$39 million, including cofinancing of about \$10 million from other sources. Over 50% of the technical assistance is focused on capacity building and institutional development.

People's Republic of China

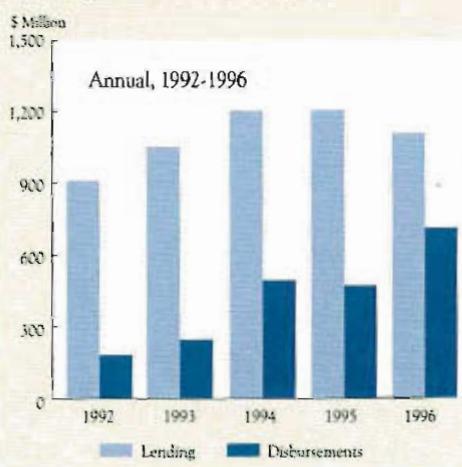
Operational Strategy: The Bank's operational strategy in the People's Republic of China was updated in 1996, taking into account the country's significant socioeconomic transformation during the last 17 years, and its development priorities for 1996-2000. The revised operational strategy emphasizes three broad objectives: (i) improving economic efficiency; (ii) promoting economic growth to reduce poverty in the inland provinces; and (iii) enhancing environmental protection and natural resource management. The main operational thrusts of the strategy include (i) a shift of Bank assistance to projects in the interior provinces; (ii) provision of policy support for the economic reform program, including fiscal, financial, and enterprise reforms; (iii) capacity-building support focused on macroeconomic management, environmental management, capital market development, and improving the legal and regulatory framework; and (iv) promotion of private sector participation and cofinancing activities to help meet the large financing requirements, particularly in infrastructure development. The Bank fully supports the Government's objectives of preserving social stability and maintaining public support for the continued implementation of market-based reforms.

Policy Dialogue: Continuing policy discussions between the Bank and the Government focused on the need to deepen monetary, fiscal, financial, and enterprise reforms to support the development of a socialist market economy. Because of the large financing requirements of the country's modernization program, the Bank also stressed the need to promote private sector participation and alternative methods of financing – including build-operate-transfer (BOT) and build-operate-own (BOO) schemes – for infrastructure development in the transport, communications, power, and water supply sectors. Another important topic of discussion centered on the need to mobilize domestic resources through the development of capital markets. In this regard, the Bank is supporting a domestic mutual fund industry through a series of policy-based technical assistance grants. Policy dialogue has also been focused on completing the fiscal reform program embarked on by the authorities in 1992. A cluster of advisory technical assistance projects relating to various aspects of public finance and budget management is contained in the operational program. Other policy issues discussed with the Government include (i) adoption of appropriate energy pricing to promote energy conservation and environmental protection; (ii) the need to increase investment in agriculture and rural development to help reduce poverty; (iii) adoption of commercial banking practices; (iv) development of a legal and regulatory framework to support the transition

People's Republic of China:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	23	2,638.0	41.4
Energy	12	1,416.3	22.2
Industry and Nonfuel Minerals	5	686.8	10.8
Financial	6	530.0	8.3
Agriculture and Natural Resources	8	519.6	8.1
Multisector	3	400.0	6.3
Social Infrastructure	2	188.0	2.9
Total	59	6,378.7	100.0

People's Republic of China:
Lending and Disbursements



to a socialist market economy; and (v) improved environmental management. A significant accomplishment in the latter category was the passage of amendments to the Water Pollution Law in May 1996, which were drafted with Bank assistance.

Loans and Technical Assistance: Eleven loans totaling \$1.1 billion were approved in 1996. Five were for transport and communications projects (\$652 million), three for finance and industry projects (\$350 million), and one each in agriculture (\$70 million), energy (\$2 million), and social infrastructure (\$28 million). Twenty-five technical assistance grants were approved in 1996, amounting to \$13.1 million. Of these, five were for the preparation of new projects.

Project Implementation: Of the 59 loans approved as of end-1996, 11 had been closed and 48 were under implementation, including 14 waiting to become effective. During the year, contracts amounting to \$760.6 million were awarded, bringing cumulative contract awards to \$3,193.2 million. The contract award ratio for 1996 was 24%. Disbursements for the year amounted to \$707.2 million. Cumulative disbursements reached \$2,640.3 million. The disbursement ratio for 1996 was 21.6%. Two country project review missions were undertaken to discuss cross-sectoral and project-specific implementation issues. Seminars on loan disbursements, procurement, and the use of consultants were held to prepare new executing agencies for effective and smooth project implementation. In addition, a "Training-of-Trainers" program was conducted on the Bank's operational policies and project implementation.

Cook Islands

Operational Strategy: The Bank's operations in the Cook Islands promote sustainable economic growth within a stable macroeconomic environment by supporting a comprehensive economic reform and restructuring program; enhancing the role of the private sector; and developing social and physical infrastructure to promote private sector growth and the development of the outer islands. Other important concerns include human development and environmental protection.

Policy Dialogue: Discussions during the year centered on the reform and restructuring of the economy. The Bank played an active role in assisting the Government to formulate and implement the Economic Restructuring Program. Technical assistance was provided to strengthen institutional, administrative, and business processes for sound financial and economic management. Strategies to address fiscal and debt-service problems, and the active participation of the wider community in the reform process were also discussed.

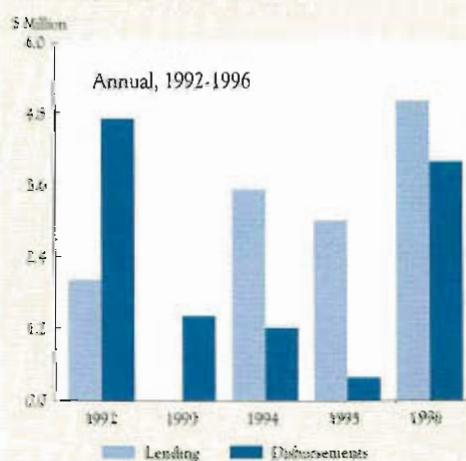
Loans and Technical Assistance: In 1996, the Bank approved a \$5 million loan for the Economic Restructuring Program, and two advisory technical assistance grants totaling \$991,000.

Project Implementation: Of the ten loans approved as of end-1996, six had been closed and four were under administration. Contract awards in 1996 totaled \$3.8 million, with cumulative contracts awarded totaling \$14.8 million. The contract award ratio was 45.8%. Disbursements during the year amounted to \$4 million, with total cumulative disbursements at \$16.5 million. The disbursement ratio for 1996 was 35%.

**Cook Islands:
Cumulative Bank Lending
(as of 31 December 1996)**

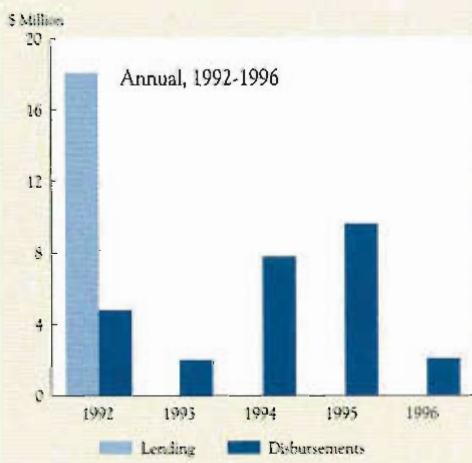
Sector	No. of Loans	Amount of Loans (\$ million)	%
Financial	3	6.0	25.3
Transport and Communications	2	5.4	22.8
Others	1	5.0	21.1
Multisector	2	3.8	16.0
Social Infrastructure	1	2.7	11.4
Agriculture and Natural Resources	1	0.8	3.4
Total	10	23.7	100.0

**Cook Islands:
Lending and Disbursements**



Fiji:**Cumulative Bank Lending
(as of 31 December 1996)**

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	3	38.0	31.4
Energy	3	36.9	30.5
Agriculture and Natural Resources	3	27.6	22.8
Social Infrastructure	1	9.6	7.9
Financial	2	9.0	7.4
Total	12	121.1	100.0

**Fiji:
Lending and Disbursements****Fiji**

Operational Strategy: The Bank's operations in Fiji support the Government's ongoing efforts to expand and diversify the economic base; help develop market-friendly, export-led growth policies; and enhance the pace of public sector reforms. Key components of the Bank's program are assistance in strengthening the policy formulation, planning, and evaluation capacities of key sectoral departments; reorienting policies to focus on the role and needs of the private sector; and commercializing and corporatizing public enterprises.

Policy Dialogue: Discussions during the year focused on improving policies and operational capacity in the transport, energy, and environment sectors, as well as on capital market development, agricultural diversification, and corporatizing public entities.

Loans and Technical Assistance: No loans were made in 1996. Three advisory technical assistance grants amounting to \$1.8 million were approved for capital market development, management of the strategy for agricultural growth, and corporatization of water supply and sewerage services.

Project Implementation: Of the 12 loans approved as of end-1996, 11 had been closed. Contract awards for the year amounted to \$560,000, bringing the cumulative total to \$108.9 million. Disbursements for the year amounted to \$2.1 million and cumulative disbursements reached \$110.2 million. The disbursement ratio for 1996 was 38.6%.

India

Operational Strategy: The Bank's operational strategy for India is to assist the Government in achieving its objectives of increased economic efficiency and higher levels of sustainable economic growth. These objectives are to be accomplished through (i) support for structural reforms; (ii) promotion of competition and enhanced private sector participation; (iii) development of regulatory mechanisms and institutional capacities; (iv) corporatizing and restructuring of public sector undertakings; and (v) enhanced resource mobilization through financial sector and capital market reforms. At the sectoral level, the Bank facilitates development in the energy, transport, communications, and urban infrastructure sectors. To mobilize resources, support for financial and capital market reforms will be continued. The Bank's strategy also advocates support for selected States that show commitment to policy reforms and have adequate implementation capacity. This geographic focus enables the Bank to maximize the development impact of its assistance. Emphasis is also given to improving the incentive environment for enhanced private sector participation.

Policy Dialogue: Intensive dialogue was undertaken during the year with the Central and Gujarat State Governments under the Gujarat Public Resource Management Program Loan, resulting in the first major initiative to operationalize the Bank's state-level operation. The program loan is designed to support reforms in various areas, including fiscal consolidation, restructuring and privatization of state-owned enterprises, and improvement of the regulatory system in key infrastructure sectors. To alleviate the country's serious infrastructure bottlenecks, the Bank actively pursued sectoral reforms in the power, transport, and communications sectors through projects

and dialogue. The power sector was one of the focal points in the Bank's operations, with emphasis on structural reform, cost recovery, and an increased role for the private sector. The Renewable Energy Development Project seeks to promote entrepreneurial investments in nonconventional and environmentally sound power generation. In the communications sector, the Rural Telecommunications Project was designed to extend basic facilities and thereby reduce geographical disparity in living standards. The Bank also developed an innovative financial modality to encourage private financing of public infrastructure. The Private Sector Infrastructure Facility Project is aimed at catalyzing additional resources in the power, road, port, and telecommunications sectors by fostering the long-term debt market. The Bank also supported institutional strengthening and regulatory framework development to improve the environment for private sector investments.

Loans and Technical Assistance: In 1996, the Bank approved five project loans – including one private sector loan without government guarantee – amounting to \$788 million in the energy, financial, and telecommunications sectors. The Bank also approved a program loan for \$250 million to support comprehensive economic reforms in the State of Gujarat. In addition, the Bank approved 17 technical assistance grants totaling \$7.6 million.

Project Implementation: Of the 46 loans approved as of end-1996, nine had been closed and 37 were under administration, including six waiting to become effective. Contract awards for the year totaled \$576.8 million, bringing the cumulative total to \$3,590.8 million. The contract award ratio for 1996 was 22.2%. Total disbursements for the year amounted to \$605.6 million, with cumulative disbursements reaching \$3,182.7 million. The disbursement ratio for 1996 was 20.8%. As a result of the Government's holding of quarterly project review meetings, project implementation improved through the use of a standardized bidding document and advance release of projected annual expenditures at the start of the fiscal year. In addition, the establishment of a task force by the Government to streamline procurement procedures and ensure timely release of funds, and the use of direct payment procedures have helped project implementation. A country project administration and implementation seminar was conducted to assist the Government in improving project implementation.

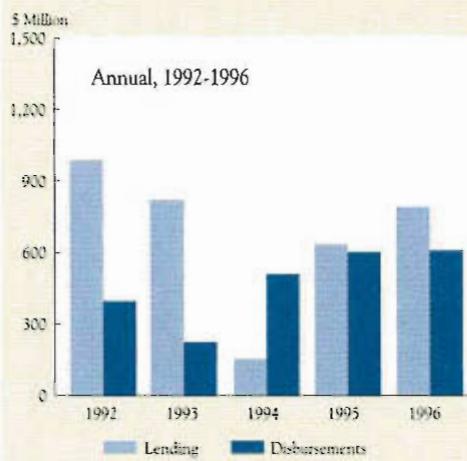
Indonesia

Operational Strategy: The Bank's operational strategy for Indonesia aims at raising the country's international competitiveness by improving factor productivity. This is in line with the Government's development objectives of efficient, equitable, and environmentally sustainable growth. The strategy includes (i) improving physical infrastructure; (ii) developing more productive human resources; and (iii) integrating sustainable resource management. Human development is essential for creating capacity to absorb and/or develop new technology and for promoting more efficient production. While pursuing growth objectives, sustainable resource management should be ensured to prevent environmental degradation from eroding factor productivity. Poverty reduction and improving the status of women are regarded as integral parts of improving factor productivity. In this regard, the Bank's operational strategy gives emphasis

India: Cumulative Bank Lending (as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Energy	15	2,666.8	40.7
Transport and Communications	11	1,975.6	30.1
Financial	10	1,080.0	16.5
Multisector	3	300.0	4.6
Others	1	250.0	3.8
Industry and Nonfuel Minerals	4	175.9	2.7
Social Infrastructure	2	105.0	1.6
Total	46	6,553.3	100.0

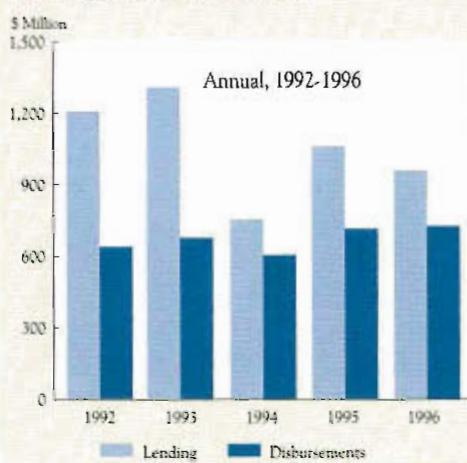
India: Lending and Disbursements



Indonesia:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Natural Resources	89	3,417.4	26.1
Social Infrastructure	53	3,282.7	25.1
Energy	26	2,730.0	20.8
Transport and Communications	28	2,130.9	16.3
Financial	7	940.0	7.2
Industry and Nonfuel Minerals	13	431.7	3.3
Multisector/Others	5	164.0	1.2
Total	221	13,096.7	100.0

Indonesia:
Lending and Disbursements



to development activities in less-developed areas, including the eastern islands where the incidence of poverty is lower than the national average. The strategy also envisages a proactive role for the Bank to support the Government's ongoing efforts at liberalizing the economy and carrying out policy changes to improve efficiency. This is to be accomplished mainly by (i) strengthening the policy environment to support further economic reforms; (ii) supporting capacity building of agencies concerned; and (iii) catalyzing more private sector investments.

Policy Dialogue: Policy dialogue during the year focused on major sectoral issues. In the agriculture/water resources subsector, the dialogue addressed (i) effective and efficient resource management; (ii) beneficiary participation in planning, implementation, and management; (iii) adequate operation and maintenance for irrigation, flood control, water supply systems, and enhanced cost recovery; (iv) innovative financial assistance modalities to farmers or farmer groups; and (v) institutional reforms for the sector to respond more efficiently to the changing global trade environment. Capacity building was also addressed, focusing on decentralization, local resource mobilization, and public-private partnerships. In the energy, electric power and gas, transportation, and industry sectors, dialogue centered on sector restructuring, including establishing a regulatory framework, setting tariffs and phasing out subsidies, and further commercializing public utilities and institutions. In the education and health sectors, policy dialogue concentrated on (i) closer interagency cooperation and coordination; (ii) the need for more resources for education and health; (iii) cost recovery in education, not only from students but also local industries; and (iv) promotion of private education and health systems.

Loans and Technical Assistance: Fifteen loans for 13 projects, totaling \$952.1 million, were approved during the year, including two for water resources development from the Bank's concessional funds. Seven loans were for the agriculture/water resources development sector (\$315.1 million), one for industry (\$80 million), two for education (\$187 million), one for health (\$45 million), two for the urban sector (\$130 million), one for transport (\$150 million), and one for environment (\$45 million). The Bank also approved 25 technical assistance grants totaling \$13.1 million. Of these, 11 were for the preparation of new projects.

Project Implementation: Of the 221 loans approved as of end-1996, 141 had been closed and 80 were under administration. Seven loans are waiting to become effective. Contract awards during the year totaled \$635.7 million, bringing the cumulative total to \$7,317.5 million. The contract award ratio for 1996 was 18.3%. Total disbursements for the year amounted to \$722.3 million, with cumulative disbursements reaching \$7,541.7 million. The disbursement ratio for 1996 was 14.7%. Project implementation continued to be satisfactory, with the Indonesia Resident Mission providing assistance to the Government and executing agencies. A project portfolio review, held jointly with the Government in September 1996, further streamlined operations and led to a better understanding of procurement and disbursement procedures. In addition, a country project implementation and administration seminar was held for executing agency staff to identify ways to improve implementation time.

Kazakstan

Operational Strategy: In view of the progress made toward achieving macroeconomic stabilization, Bank operations in Kazakstan will be focused on providing assistance in growth-oriented investments in infrastructure, productivity-enhancing investment in agriculture, and investments in human development. The Bank undertook a strategy study which aims to formulate a new country operational strategy for Kazakstan to replace the interim strategy of 1994. The main objectives of the strategy include (i) encouraging the transition to a market-based economy by supporting the Government's reform agenda; (ii) promoting the rehabilitation of the environment; (iii) strengthening the long-term potential for sustainable growth; and (iv) encouraging the creation of a new output structure and new production capacity through private sector investment. Cofinancing with other donors is actively sought to address difficulties in sourcing local counterpart funds.

Policy Dialogue: Discussions were held in support of sectoral policy and institutional reforms in agriculture, education, roads, and social services. The main objectives of policy dialogue were (i) to create markets and nurture competitive forces within the agriculture sector, while increasing the efficiency of water management and improving systems of credit delivery; (ii) to establish appropriate road-funding and cost-recovery systems, and promote a private sector-led construction industry; (iii) to strengthen the education management system and undertake curriculum reform; and (iv) to increase the efficiency and delivery of social services. The policy support program also intends to explore possibilities of regional cooperation among PRC, Kazakstan, Kyrgyz Republic, and Uzbekistan in areas such as transport and communications, energy, payment systems, and trade policy.

Loans and Technical Assistance: Two loans totaling \$70 million were approved during the year. One loan was for road rehabilitation (\$50 million) and the other for education (\$20 million). The Bank also approved seven technical assistance grants amounting to \$3 million. Of these, three were for the preparation of new projects.

Project Implementation: All five loans extended to Kazakstan, since it became a member in 1994, are under implementation. In 1996, contracts amounting to \$35 million were awarded, resulting in a contract award ratio of 23.4%, while disbursements were \$32.3 million. The disbursement ratio was 27.9%. Cumulative contracts awarded totaled \$98.6 million, and disbursements were nearly \$96 million. Institutional support continued to be provided under ongoing technical assistance operations to acquaint government personnel with the Bank's procurement and disbursement policies and procedures. Technical assistance was provided to train the staff of executing agencies in project implementation practices.

Kiribati

Operational Strategy: The Bank's operational strategy for Kiribati is to promote sustainable growth and improve the quality of life. To this end, Bank operations seek to improve economic management, develop the private sector, upgrade skills, and address problems in the urban, environment, public health, and sanitation sectors.

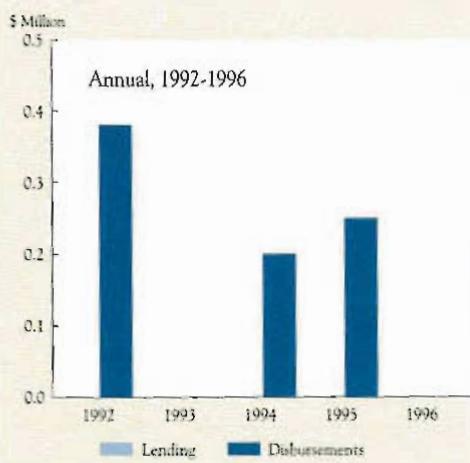
Kazakstan: Cumulative Bank Lending (as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Natural Resources	1	100.0	43.5
Others	2	60.0	26.1
Transport and Communications	1	50.0	21.7
Social Infrastructure	1	20.0	8.7
Total	5	230.0	100.0

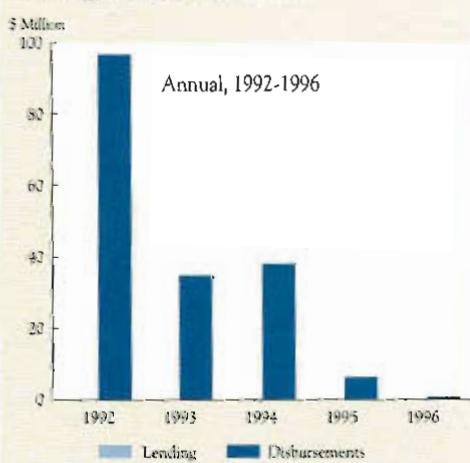
Kiribati: Cumulative Bank Lending (as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	2	2.3	46.9
Energy	2	1.6	32.7
Financial	1	1.0	20.4
Total	5	4.9	100.0

Kiribati: Lending and Disbursements



Republic of Korea: Lending and Disbursements



Policy Dialogue: The key issues discussed in 1996 were macroeconomic management, budgetary process reforms, public sector efficiency, and water supply, sanitation, and public health matters.

Loans and Technical Assistance: No loans were made in 1996. Two technical assistance grants for \$672,500 were approved for strengthening institutional capacity in financial and economic management, and for environmental improvement.

Project Implementation: Of the five loans approved as of end-1996, all are closed. No contract awards or disbursements were made during the year.

Korea, Republic of

Project Implementation: All 79 loans have been closed as of end-1996. In 1996, no new contracts were awarded. Disbursements during the year amounted to \$660,000.

Kyrgyz Republic

Operational Strategy: In 1996, a new operational strategy for the Kyrgyz Republic was approved. The primary objective of this strategy is to facilitate the country's transition to a market economy and to help the country build a solid base for sustainable development. The basic elements of the strategy include (i) supporting the Government's reform agenda, encouraging institutional changes, and strengthening social protection; (ii) arresting the rapid deterioration of economic potential by investing in physical infrastructure and human development; and (iii) encouraging the creation of a new output structure, and new production capacity through private sector investment and job creation. The new strategy concentrates the Bank's operations on four priority areas: (i) improvements in the provision of public services, particularly social services provided by local governments, and management of reform by the Central Government; (ii) agriculture, including rural finance; (iii) human development; and (iv) infrastructure, especially in the road and energy sectors.

Policy Dialogue: The Bank's policy dialogue with the Government focused on supporting policy and institutional reforms in the agriculture, infrastructure, energy, rural finance, and social sectors. In agriculture, the Bank continued the work initiated under the 1995 program loan to accelerate land reform and farm restructuring; improve irrigation management; and enhance the competitive forces in newly emerging agricultural markets. In other areas, key policy targets include (i) providing the institutional framework to support a credit union system for rural finance; (ii) adjusting and rationalizing the tariff structure for power and heating; (iii) establishing appropriate funding and cost-recovery mechanisms in the road subsector; and (iv) reforming the local social service systems to promote cost recovery and poverty and unemployment reduction, and promote sustainable decentralized social policies. Special efforts were also made to promote regional cooperation among neighboring DMCs in communications, transport, energy, and payment systems.

Loans and Technical Assistance: Two loans totaling \$80 million were approved to support the Government's efforts in rehabilitating facilities in the energy and transport sectors. Four technical assistance grants amounting

to \$2.3 million were also approved. Of these, one was for the preparation of a new project.

Project Implementation: As of end-1996, four loans totaling \$160 million had been approved for the Kyrgyz Republic. Contract awards in 1996 amounted to \$72.6 million, while disbursements reached \$26.2 million. In 1996, contract award ratio and disbursement ratio were 60.1% and 27.3%, respectively. Ongoing technical assistance operations continued to help acquaint government agencies with the Bank's operational policies and procedures for improving project implementation.

Lao PDR

Operational Strategy: The Bank's operational strategy for the Lao PDR places high priority on sustainable economic growth to raise the level of national income. The Bank also emphasizes policy reform, social services, and human development to enhance the economic environment and incentive framework. The Bank's priority is to support sustainable economic growth and development through infrastructure investment that will have an impact on the domestic economy. The Bank assists in developing social services, addressing human development needs, and building the country's institutional capacity to manage a growing economy and modernizing society. The Bank also promotes subregional cooperation to enhance market opportunities for the Lao PDR's landlocked economy. Bank support is also directed at bringing the rural sector into the market economy by extending the transport, energy, and communications infrastructure to rural growth points. This gives rural producers better access to markets, and to technical and commercial services.

Policy Dialogue: The restructuring of commercial banks, including ways to improve their operational efficiency and implement prudential regulations, was the main focus of the Bank's policy dialogue in 1996. The legislation of three laws for land, water, and forests was covered during the processing of the Community Managed Irrigation Sector Project. The Government also established a separate fund, financed by a portion of hydropower export revenues from the Nam Leuk Hydro-power Project, to improve the Phou Khao Khouay National Biodiversity Conservation Area. Policy dialogue also focused on developing National Procurement Guidelines and Regulations, and on establishing an independent audit authority for the Lao PDR.

Loans and Technical Assistance: Three loans totaling \$91.7 million were approved in 1996. Ten technical assistance grants were also approved for a total of

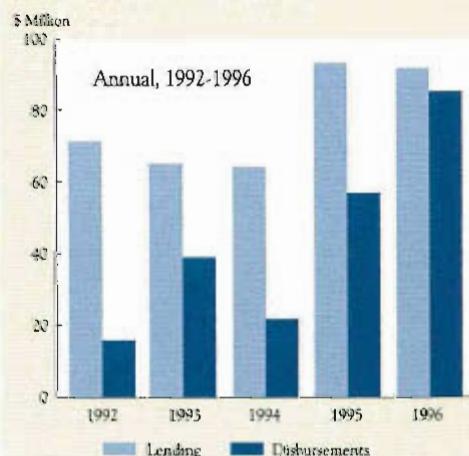
Kyrgyz Republic: Cumulative Bank Lending (as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	1	50.0	31.2
Others	1	40.0	25.0
Agriculture and Natural Resources	1	40.0	25.0
Energy	1	30.0	18.8
Total	4	160.0	100.0

Lao PDR: Cumulative Bank Lending (as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	8	201.0	31.1
Energy	12	193.3	29.9
Agriculture and Natural Resources	9	105.7	16.4
Social Infrastructure	8	96.4	14.9
Financial	2	50.0	7.7
Total	39	646.4	100.0

Lao PDR: Lending and Disbursements



\$5.4 million, of which three were for project preparation. The remaining seven were advisory.

Project Implementation: Of the 39 loans approved as of end-1996, 20 had been closed and 19 were under administration. During the year, contracts amounting to \$127.9 million were awarded, bringing the cumulative total to \$472.6 million. The contract award ratio for 1996 was 48.2%. Disbursements in 1996 totaled \$85.3 million, and cumulative disbursements amounted to \$364.8 million. The disbursement ratio for 1996 was 27.9%. Institutional weaknesses and shortage of skilled personnel were the major constraints affecting project implementation. Several technical assistance grants are currently provided by the Bank to support institutional strengthening and capacity building of various government agencies.

Malaysia

Operational Strategy: The Bank's operational strategy for Malaysia supports the Government's drive to increase productivity and efficiency, primarily through private sector initiatives. It focuses on policy environment support, infrastructure development, environmental protection and improvement, as well as poverty reduction. The loan and technical assistance program to be implemented during the period 1996–2000 will focus on human development, environmental protection, balanced regional development, subregional cooperation, and capacity building and policy support.

Policy Dialogue: The Bank assisted the Government in developing new approaches to agricultural development projects which operationalize the Government's emphasis on private sector-led, commercial-scale projects which also take into account the need for sustainable development. The Government was given assistance to strengthen the regulatory framework and assess infrastructure needs. The Bank also completed the technical assistance for institutional strengthening of the Office of Women's Affairs, and provided assistance for upgrading the labor market information system.

Loans and Technical Assistance: The Bank approved a \$26.3 million loan to strengthen environmental management and flood

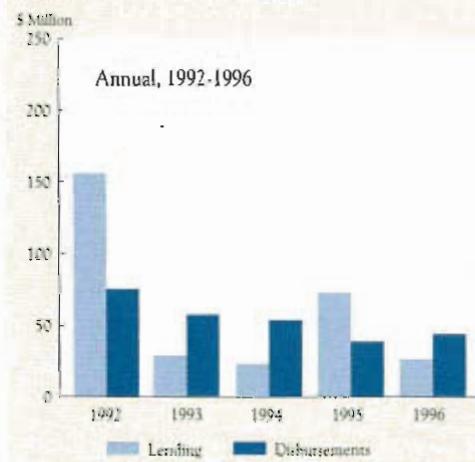
protection in the Klang River Basin. The Project will undertake significant environmental improvements and strengthen river basin management in this rapidly urbanizing and industrializing region, which includes Kuala Lumpur. A technical assistance grant of \$560,000 was also provided to upgrade the labor market information system.

Project Implementation: Of the 75 loans approved as of end-1996, 65 had been closed and ten

Malaysia:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Social Infrastructure	20	710.6	36.5
Agriculture and Natural Resources	26	566.0	29.1
Energy	11	321.5	16.5
Transport and Communications	15	255.1	13.1
Industry and Nonfuel Minerals	1	53.0	2.7
Others	1	26.3	1.3
Financial	1	15.0	0.8
Total	75	1,947.5	100.0

Malaysia:
Lending and Disbursements



were under administration. The contract awards for the year amounted to \$103.5 million, bringing cumulative contract awards to \$1,217.6 million. The contract award ratio for 1996 was 30.8%. Disbursements amounted to \$43.7 million, bringing cumulative disbursements to \$1,126.2 million. The disbursement ratio for 1996 was 11.5%.

Maldives

Operational Strategy: The Bank's operations in the Maldives focus on fiscal management, regional development, and environmental protection. The strategy aims to achieve equitable and sustainable economic growth.

Policy Dialogue: Financial sector policies and management were the principal areas of dialogue with the Government. Bank technical assistance also facilitated policy discussions with the Government on regional development and education sector planning.

Loans and Technical Assistance

No loan or technical assistance was approved in 1996.

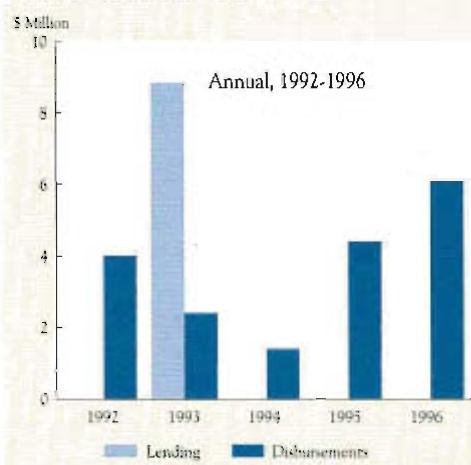
Project Implementation

Of the six loans approved as of end-1996, four had been closed and two were under administration. Contracts worth \$1.7 million were awarded during the year, bringing the cumulative figure to \$33.5 million. Disbursements amounted to \$6 million in 1996, with total disbursements reaching \$30.9 million. The disbursement ratio for 1996 was 52.5%.

Maldives:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	3	16.2	47.8
Energy	2	15.3	45.2
Multisector	1	2.4	7.0
Total	6	33.9	100.0

Maldives:
Lending and Disbursements



Marshall Islands

Operational Strategy: The Bank's operational strategy for the Marshall Islands continues to emphasize donor coordination and improved economic management to prepare for the end of large fund transfers from the United States in 2001. Lending will be directed toward public sector reform and private sector development.

Policy Dialogue: Macroeconomic and fiscal management remained the key issues. Policy dialogue in 1996 centered on civil service and public sector reforms, and domestic resource mobilization. Development of the fisheries policy was discussed as well. The Bank convened the second meeting of the country's aid group to discuss progress with reform implementation.

Loans and Technical Assistance: No loans were made during the year. Two advisory technical assistance grants totaling \$700,000 were approved for financial management and civil service reform.

Project Implementation: Of the six loans approved as of end-1996, one had been closed and five were under administration. Contract awards

Marshall Islands:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Social Infrastructure	4	23.6	76.0
Agriculture and Natural Resources	1	7.0	22.4
Multisector	1	0.5	1.6
Total	6	31.1	100.0

for the year amounted to \$9.5 million, bringing the cumulative contract awards to \$15.4 million. The contract award ratio for 1996 was 43.9%. Disbursements amounted to \$3 million, bringing the cumulative total to \$8.2 million. The disbursement ratio for 1996 was 11%.

Federated States of Micronesia

Operational Strategy: The Bank's operational strategy for the Federated States of Micronesia promotes donor coordination and policy reform for improved economic management when large fund transfers from the United States end by 2001. The Bank supports efforts to achieve public sector reform and private sector development.

Policy Dialogue: Macroeconomic and fiscal management remained the key policy issues. Dialogue in 1996 centered on civil service reform, public sector reform, and domestic resource mobilization. Fisheries and agricultural policies were also discussed. The Bank convened the second meeting of the country's aid group to discuss progress with reform implementation.

Loans and Technical Assistance: A \$10.6 million loan was made in 1996 for a water supply and sanitation project. Three advisory technical assistance grants totaling \$1.17 million were approved for the improvement of budget management, fisheries policy, and land tenure systems.

Project Implementation: Both loans approved as of end-1996 were under administration but one was not yet effective. Contract awards in 1996 totaled \$870,000, while disbursements totaled \$110,000. The contract award ratio for 1996 was 6.2%, while the disbursement ratio was 2%.

Mongolia

Operational Strategy: The Bank's operational strategy for Mongolia is to facilitate the country's transition from a centrally planned to a market economy. Priority is given to the creation of an environment for a competitive and efficient economy, development of human resources, strengthening of institutions, and improvement of infrastructure.

Policy Dialogue: The Bank has been engaged in a policy dialogue with the Government on financial sector issues for the past two years. This resulted in major advances in 1996 with Parliamentary approval of two new banking sector laws. These laws will strengthen the regulatory and supervisory powers of the Central Bank, and provide the framework to upgrade banking services. A comprehensive restructuring strategy for commercial banks has been prepared, and measures have been implemented under the Bank's guidance to improve skills and systems in the banking sector. Another key element of the Bank's policy dialogue has been to advise the Government on ways to reduce budgetary subsidies to public utilities and state-owned enterprises. The Bank focused on means to help make the energy system financially sound and capable of generating resources for the operation and maintenance of existing capacity and future expansion. As a result of the Bank's policy dialogue, the Government made much-needed tariff increases for heat and electricity. The Government budget has been bearing an unsustainable burden for social sectors outlays. This is a legacy from the past regime. The Bank has provided policy advice on ways to upgrade the quality,

**Federated States of Micronesia:
Cumulative Bank Lending
(as of 31 December 1996)**

Sector	No. of Loans	Amount of Loans (\$ million)	%
Social Infrastructure	1	10.6	62.0
Agriculture and Natural Resources	1	6.5	38.0
Total	2	17.1	100.0

**Mongolia:
Cumulative Bank Lending
(as of 31 December 1996)**

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	4	109.5	34.8
Industry and Nonfuel Minerals	2	60.0	19.0
Energy	3	53.8	17.1
Agriculture and Natural Resources	2	38.0	12.1
Financial	2	38.0	12.1
Social Infrastructure	2	15.5	4.9
Total	15	314.8	100.0

performance, and efficiency of delivery in the health and education sectors, and to restructure the sectors so that they are more appropriate for a market economy. Key reforms have focused on ways to rationalize educational and institutional capacities, promote cost recovery, and support privatization. In late 1996, the Government adopted a scheme to encourage voluntary retirement in the education sector. As the leading multilateral agency in Mongolia, the Bank has coordinated its policy dialogue with the International Monetary Fund, the World Bank, and key bilateral donors.

Loans and Technical Assistance: Five loans for three projects totaling \$63.5 million were approved in 1996 in the finance, energy, and education sectors. The Education Sector Project was the Bank's first sector development project in Mongolia, combining both policy and investment components. The Financial Sector Program Loan supported wide-ranging policy reforms in the financial sector. Sixteen technical assistance grants totaling \$5.7 million were also approved, of which three were for the preparation of new projects.

Project Implementation: Of the 15 loans approved as of end-1996, three had been closed and 12 were under administration. During the year, contract awards and disbursements amounted to \$43.4 million and \$34.1 million, respectively. The respective cumulative figures were \$204.7 million and \$142.8 million. The contract award ratio for 1996 was 30%, while the disbursement ratio was 23.2%.

Myanmar

Operational Strategy: The Bank continued to monitor economic developments in Myanmar. An operational strategy will be formulated when appropriate.

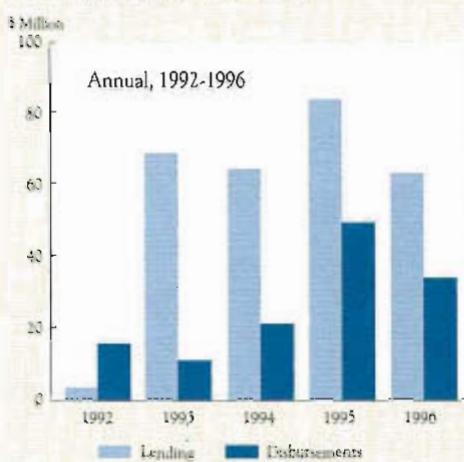
Loans and Technical Assistance: No loan has been provided to Myanmar since 1986 and no technical assistance since 1987.

Project Implementation: Of the 32 loans approved, 31 loans have been closed and one loan, which was approved in 1986, remains open with no project activity carried out. No contract award or disbursement was made in 1996.

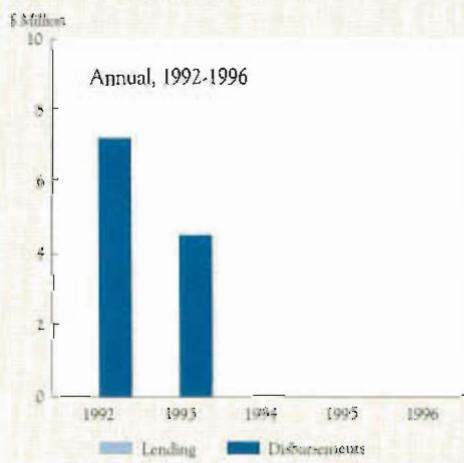
Nauru

Operational Strategy: The Bank's proposed operational strategy for Nauru emphasizes assistance to the Government to formulate and implement an economic and financial adjustment program. The draft strategy was formulated in consultation with the Government, recognizing the country's difficult macroeconomic and financial situation that has persisted for the last

Mongolia: Lending and Disbursements



Myanmar: Lending and Disbursements



several years. In July 1995, Nauru was classified as Group B, under the Bank's classification system (see page 111).

Policy Dialogue: The Bank's dialogue with the Government was focused on issues in economic and financial management, and coordination of external assistance to the country.

Loans and Technical Assistance: No loan was made in 1996. The Bank's first technical assistance grant in the amount of \$100,000 was approved to formulate a national reform program.

Nepal

Operational Strategy: The Bank's operational strategy for Nepal aims at poverty reduction through broad-based and labor-intensive economic growth, and expansion of basic social services. The Bank supports agriculture in particular, as well as tourism, physical and social infrastructure, and power projects, and seeks to expand job opportunities for the poor. Structural reform is supported to create the right policy environment for private sector development. Continued support will be provided to implement the Bank-financed Agricultural Perspective Plan, which identifies the priority areas for intervention toward this growth-oriented strategy. The Bank will also continue to assist in improving and protecting the environment through human development, poverty reduction, and natural resource management.

Policy Dialogue: Discussions were focused on economic liberalization to increase reliance on market forces and to promote the private sector. To maintain fiscal and macroeconomic stability, the Government was encouraged to mobilize domestic resources, mainly through tax and customs reforms, and to prepare for the introduction of the value-added tax. To prioritize development expenditure for projects, improved budgeting, release, and reimbursement procedures will have to be continued. Improvements in the institutional, financial, and technical viability of implementing agencies were also emphasized.

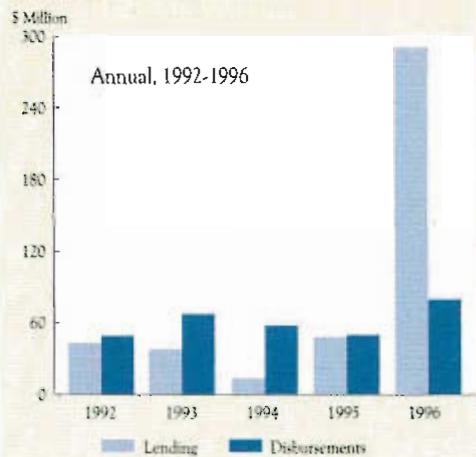
Loans and Technical Assistance: Eight loans – including two private sector loans without government guarantee – were approved during the year, totaling \$289.2 million, for projects in the agriculture, tourism, energy, social, and rural infrastructure sectors. Seven technical assistance grants totaling \$4.3 million were also approved.

Project Implementation: Of the 89 loans approved as of end-1996, 57 had been closed and 32 were under implementation, including two yet to become effective. Contract awards in 1996 totaled \$67.2 million, bringing the cumulative total to \$884.5 million. The contract award ratio for 1996 was 15%. Disbursements for the year totaled \$78.4 million, with cumulative disbursements standing at \$847.9 million. The disbursement ratio for 1996 was 14.4%. Both contract awards and disbursements were below target because of nonrelease of the second tranche under the Industry Sector Program Loan, delayed implementation of the Special Assistance for Oil Supply Project, and delays in contract approval. The Nepal Resident Mission assisted the Government and executing agencies in administering projects and carrying out other Bank operations in the country. A portfolio performance review was undertaken to identify cross-sectoral and country project implementation constraints to improve project implementation and quality, and for confirming the 1997 lending program.

Nepal:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Natural Resources	47	677.5	45.1
Energy	13	382.4	25.5
Transport and Communications	11	197.7	13.2
Social Infrastructure	10	132.1	8.8
Industry and Nonfuel Minerals	5	75.1	5.0
Others	3	35.6	2.4
Total	89	1,500.4	100.0

Nepal:
Lending and Disbursements



Pakistan

Operational Strategy: The Bank's operational strategy for Pakistan focuses on human development, including education, health, population welfare, and water supply and sanitation. High priority is given to improving the situation of women as beneficiaries and providers of social services. The Bank will also continue to support economic growth to ensure job opportunities for a rapidly growing population, and to generate financial resources for sustained investment in

human and physical capital in both the private and public sectors. Critical infrastructure bottlenecks in the agriculture, transport, and energy sectors will be addressed on a priority basis, and natural resource management remains an important concern.

Policy Dialogue: Extensive policy dialogue was conducted on macroeconomic reforms, financial management, and aid utilization, in close coordination with the International Monetary Fund and the World Bank institutions and the Overseas Economic Cooperation Fund. On the sectoral level, focus was on the agriculture and social sectors. The Social Action Program (Sector) Project II, approved in November 1996, includes a number of measures to expand the quantity and improve the quality of social services, personnel management, and the role of private sector providers. The main areas of policy interventions included participatory approaches by beneficiaries and the private sector, cost-recovery mechanisms for operation and maintenance, domestic resource mobilization, and strengthening management capacities of provincial and local governments.

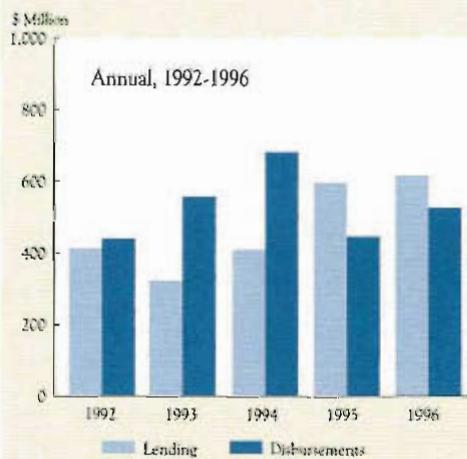
Loans and Technical Assistance: Five loans, including a private sector loan without government guarantee, were approved in 1996. The loans totaled \$615 million and were in the agriculture, energy, and social infrastructure sectors. Eleven technical assistance grants amounting to \$20.5 million were also approved during the year.

Project Implementation: Of the 173 loans approved as of end-1996, 101 had been closed and 72 were under administration, including four yet to become effective. Contract awards during the year amounted to \$506 million, bringing the cumulative figure to \$5,942.9 million. The contract awards ratio for 1996 was 23.2%. Disbursements for the year totaled \$525.2 million, with cumulative disbursements reaching \$5,875.2 million. The disbursement ratio for 1996 was 17.6%. The Pakistan Resident Mission was strengthened to assist in project implementation; 14 out of 67 projects were delegated to it for administration. A country portfolio performance review mission was undertaken to identify country

Pakistan:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Energy	43	2,707.0	30.2
Agriculture and Natural Resources	51	2,647.8	29.5
Financial	31	1,172.0	13.1
Social Infrastructure	22	991.2	11.0
Transport and Communications	11	767.0	8.6
Multisector/Others	3	344.0	3.8
Industry and Nonfuel Minerals	12	341.4	3.8
Total	173	8,970.4	100.0

Pakistan:
Lending and Disbursements



and cross-sectoral issues affecting project performance and quality. The country project administration and implementation seminar, which was conducted during the year, helped the executing agencies in improving project implementation performance.

Papua New Guinea

Operational Strategy: The Bank's operational strategy for Papua New Guinea is an expansion of productive capacity and employment in the nonmining sectors. The Bank assisted the Government in formulating and implementing sector policies, and in developing institutional frameworks for employment creation, output diversification, and economic growth on a sustainable basis. Bank operations were in the areas of agriculture, fisheries, health, water supply, transportation, education, and industry. In light of changes in Papua New Guinea's development policies and circumstances since 1993, and the recent release of the National Development Strategy, a review of the Bank's operational strategy is under way.

Policy Dialogue: Discussions were focused on reform in the health care systems, fisheries management and issues, and implementation of the 1995 Organic Law, which amended relationships between national, provincial, and local governments.

Loans and Technical Assistance: No loans were made in 1996. Six technical assistance grants amounting to \$2.1 million were approved, two of which were for project preparation.

Project Implementation: Of the 42 loans approved as of end-1996, 33 had been closed and nine were under administration. Contract awards for the year amounted to \$5.6 million, bringing the cumulative total to \$427.2 million. The contract award ratio for 1996 was 6%. Total disbursements for the year amounted to \$11.9 million, with cumulative disbursements reaching \$424.4 million. The disbursement ratio for 1996 was 11%. A country project implementation and administration seminar was conducted to assist the Government in improving project implementation performance.

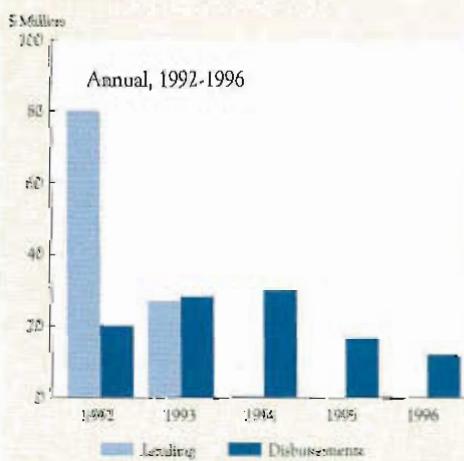
Philippines

Operational Strategy: The Bank's current operational strategy for the Philippines complements the Government's six-year development plan (1993–1998). The Bank focuses on promoting and sustaining efficient private sector-led growth, expanding employment opportunities, and enhancing the international competitiveness of the economy. Support for the development of basic infrastructure is a key element of the strategy. Other predominant concerns are poverty reduction and the promotion of human development. With fundamental economic reforms in place and the Philippine economy registering strong growth over recent years, the Government is focusing increasingly on the advancement of social reforms, increased participation in the development process, and more equitable sharing of the benefits of growth. The Bank has begun reorienting its strategy to assist the Government more directly in its efforts under the Social Reform Agenda, and is focusing assistance

Papua New Guinea:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	10	171.1	31.4
Agriculture and Natural Resources	9	164.6	30.2
Social Infrastructure	11	120.1	22.0
Energy	5	43.0	7.9
Financial	3	22.5	4.1
Multisector	3	16.0	2.9
Industry and Nonfuel Minerals	1	8.4	1.5
Total	42	545.7	100.0

Papua New Guinea:
Lending and Disbursements



on the social sectors and the more disadvantaged members of the society, while continuing to provide support for expansion of the infrastructure base to sustain economic growth.

Policy Dialogue: The Bank's policy discussions with the Government focused on (i) promoting greater private sector participation in the development process; (ii) strengthening the administrative and fiscal capacities of local governments; (iii) expanding the involvement of non-governmental organizations in project preparation and implementation; and (iv) addressing environmental problems in urban and rural areas. In the agriculture and natural resource sector, policy discussions continued to emphasize the need for the development of basic rural infrastructure, including farm-to-market roads and related support services such as credit, extension, and marketing services. Dialogue continued also on the management and protection of natural resources, particularly on the fisheries sector, the critical importance of coastal zone management, and on the use of a community-based approach to project management in the forestry sector. In the power, water supply, and road sectors, policy dialogue centered on good governance with special focus on issues relating to pricing and cost recovery, operation and maintenance, and the privatization of publicly provided services, where feasible. In the health and education sectors, policy dialogue centered on the devolution of functions to local governments, and the need for further organizational streamlining and institution-building to improve service delivery at the local level. The operational implications of the Official Development Assistance (ODA) Act of 1996 were also reviewed with the Government.

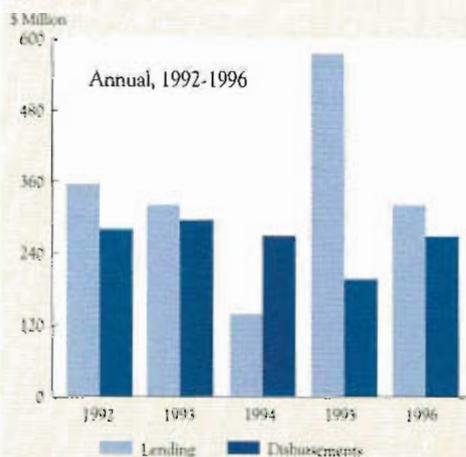
Loans and Technical Assistance: Nine loans for seven projects totaling \$318.4 million were approved in 1996 for agriculture (\$59 million), power (\$5.4 million), transport and communications (\$167 million), and social infrastructure (\$87 million). During 1996, the Bank also approved 11 technical assistance grants amounting to \$6.6 million, of which six were for the preparation of new projects.

Project Implementation: Of the 155 loans approved as of end-1996, 101 had been closed and 54 were under administration. Contract awards totaled \$342.9 million, bringing the cumulative total to \$3,781.4 million. The contract award ratio for 1996 was 24%. Total disbursements for the year amounted to \$266.5 million and cumulative disbursements reached \$3,803.5 million. The disbursement ratio for 1996 was 15%.

**Philippines:
Cumulative Bank Lending
(as of 31 December 1996)**

Sector	No. of Loans	Amount of Loans (\$ million)	%
Energy	25	1,766.2	29.0
Agriculture and Natural Resources	56	1,481.9	24.3
Social Infrastructure	27	991.8	16.3
Transport and Communications	23	927.9	15.2
Financial	14	595.0	9.8
Multisector	6	283.7	4.7
Industry and Nonfuel Minerals	4	42.8	0.7
Total	155	6,089.3	100.0

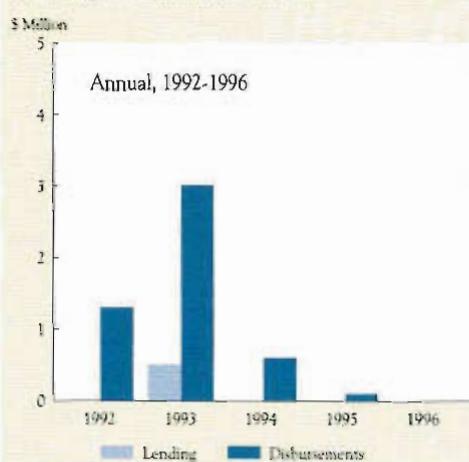
**Philippines:
Lending and Disbursements**



Solomon Islands:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Natural Resources	4	20.2	46.7
Energy	2	8.9	20.6
Transport and Communications	3	8.0	18.5
Financial	2	4.0	9.2
Social Infrastructure	1	1.7	3.8
Multisector	1	0.5	1.2
Total	13	43.3	100.0

Solomon Islands:
Lending and Disbursements



Solomon Islands

Operational Strategy: The Bank aims to promote the development of the private sector in Solomon Islands. To achieve this, it is prepared to provide policy advice, and enhance the development of social and physical infrastructure conducive to the growth of business activities. The Bank is also prepared to support improvements in natural resource management, and to strengthen the Central Government

agencies' capacity to formulate and implement development policies and projects.

Policy Dialogue: In the absence of loan operations, the extent of policy dialogue was limited.

Loans and Technical Assistance: No loan or technical assistance was approved in 1996.

Project Implementation: All 13 loans approved in the past are closed. The cumulative total of contract awards remained at \$37.1 million, and the cumulative disbursements at \$37.6 million. The amount of arrears to the Bank is \$801,411.

Sri Lanka

Operational Strategy: The Bank's operational strategy for Sri Lanka aims to reduce poverty and unemployment through supporting measures, which would raise the level of economic performance and efficiency. The strategy aims to (i) promote sound macroeconomic policies to improve domestic resource mobilization; (ii) improve the capacity and efficiency of the public sector; (iii) provide adequate basic infrastructure to avoid bottlenecks to balanced national development; and (iv) ensure an appropriate matching of labor force skills to meet market requirements. Efficiency gains are expected to emerge through supporting public sector reforms and increasing the scope for private sector participation in the economy.

Policy Dialogue: Advisory technical assistance to improve public sector efficiency was the principal focus of policy dialogue in 1996. The Bank assisted the Government in examining ways to streamline the public administration system. Bank assistance was also provided to review the Government's contract and procurement procedures to remove bottlenecks for the effective and timely implementation of development projects. Policy discussions were also continued in 1996 in the water sector, with emphasis on strengthening institutional arrangements to improve water sector management and sustainability.

Loans and Technical Assistance: Two loans amounting to \$44 million were approved during the year in the energy (\$24 million) and agriculture

Sri Lanka:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Natural Resources	35	745.0	40.9
Financial	11	336.0	18.4
Energy	9	265.8	14.6
Social Infrastructure	11	263.5	14.5
Transport and Communications	9	192.3	10.5
Multisector	1	14.7	0.8
Industry and Nonfuel Minerals	2	5.1	0.3
Total	78	1,822.4	100.0

(\$20 million) sectors. The Bank also approved seven technical assistance grants amounting to about \$2.6 million.

Project Implementation: Of the 78 loans approved as of end-1996, 54 had been closed and 24 were under administration, including one yet to become effective. Contract awards during the year amounted to \$112.4 million, bringing the cumulative total to \$1,290.7 million. The contract award ratio for 1996 was 16.4%. Disbursements during the year amounted to \$149 million, with cumulative disbursements reaching \$1,277.1 million. The disbursement ratio for 1996 was 24.2%. A project performance review, undertaken during the year, helped identify several key issues concerning project implementation, and the Government pledged its continuous efforts to address those issues. A project implementation and management seminar was also held to familiarize executing agency staff with the Bank's procedures and requirements.

Thailand

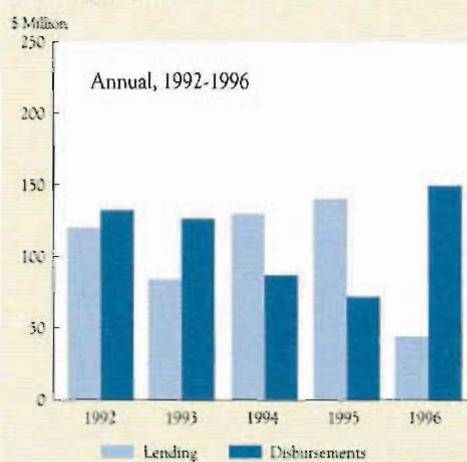
Operational Strategy: The objectives of the Bank's operational strategy for Thailand are to sustain its long-term competitiveness in the face of an increasingly complex domestic and external environment, and achieve a more equitable distribution of the benefits of economic growth. To attain these objectives, the Bank focuses its efforts on (i) supporting the upgrading of physical infrastructure, with special emphasis on lagging regions and associated policy and institutional reforms including privatization and greater private sector participation; (ii) developing human resources with a focus on emerging constraints involving shortages and mismatched skills and an inadequate science and technology base; and (iii) managing the environment and natural resources in terms of conserving long-term potential and appropriate utilization for economic activities. A notable feature of the Bank's approach is its effort to link economic activities in less-developed regions of the country to those in neighboring countries in the context of subregional economic cooperation.

Policy Dialogue: Dialogue in 1996 focused on ways to encourage private sector investments in infrastructure, corporatize and privatize public utilities, enhance the efficiency of state enterprises, improve the management of the environment and natural resources, and promote decentralization. Extensive dialogue was carried out on cost recovery, corporatization programs of state enterprises, and accessibility of the enterprises to the international capital market. In

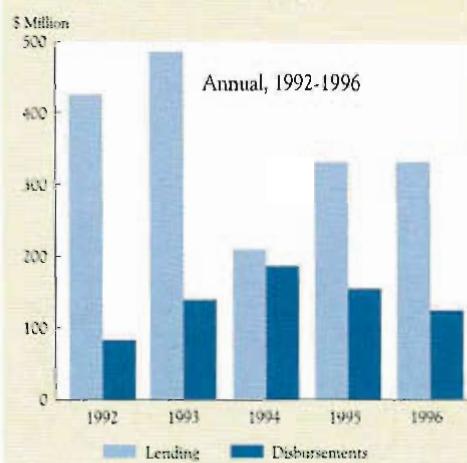
Thailand:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Energy	27	1,632.3	42.9
Transport and Communications	17	1,214.5	31.9
Social Infrastructure	12	569.4	15.0
Agriculture and Natural Resources	11	209.1	5.5
Financial	6	140.0	3.7
Industry and Nonfuel Minerals	1	39.0	1.0
Total	74	3,804.3	100.0

Sri Lanka:
Lending and Disbursements



Thailand:
Lending and Disbursements



addition, the sectoral reform program under the Third Rural Telecommunications and the Rural Electrification projects were discussed. A significant outcome of policy dialogue was the establishment, in the Skills Development Project, of a Government and private sector partnership to match training more closely to market demand. Other crosscutting concerns, particularly on women in development and rural poverty, were also addressed in dialogues on the Small Farmer Credit and other Bank projects in Thailand.

Loans and Technical Assistance: Four loans totaling \$330 million were approved in 1996 for rural agricultural financing (\$50 million), rural telecommunications and electricity (\$100 million each), and skills development in the education sector (\$80 million). Eight technical assistance grants totaling about \$3.2 million were also approved, three of which were for project preparation.

Project Implementation: Of the 74 loans approved as of end-1996, 18 were under implementation. Contracts amounting to \$276.8 million were awarded, bringing the cumulative value to \$2,311.8 million. The contract award ratio for 1996 was 25.8%. Disbursements in 1996 totaled \$123.3 million, with cumulative disbursements reaching \$2,132.4 million. The disbursement ratio for 1996 was 12%.

Tonga

Operational Strategy: The Bank's operational strategy for Tonga supports the Government's economic and social development objectives, focusing on (i) public sector and public enterprise reform; (ii) human development and capacity building in relevant ministries of the Government; (iii) infrastructure development to support private sector development with due consideration to environmental protection; (iv) agriculture crop diversification and processing; and (v) equitable development of the outer islands and rural areas.

Policy Dialogue: Advisory technical assistance to strengthen economic management and reform the budget system was the focus of policy dialogue in 1996. Issues related to transport (civil aviation, ports, and roads), development finance, electricity tariffs, and civil service reform were also addressed.

Loans and Technical Assistance: A \$4.9 million loan was approved for the Second Power Development Project. Two advisory technical assistance grants amounting to \$900,000 were approved.

Project Implementation: Of the 14 loans approved as of end-1996, nine were closed and five were under implementation. Contract awards during the year totaled \$2.6 million, bringing the cumulative total to \$32.3 million. The contract award ratio for 1996 was 9.3%. Disbursements for the year totaled \$3 million, with the cumulative total reaching \$28.9 million. The disbursement ratio for 1996 was 16.2%.

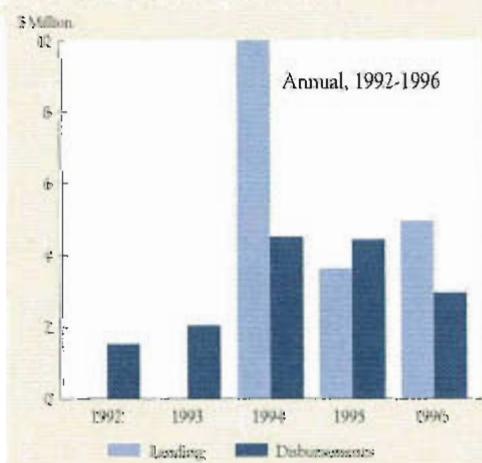
Tuvalu

Operational Strategy: The Bank's operational strategy for Tuvalu aims at sustainable economic and social development through (i) human development; (ii) improving the transport sector, including civil aviation and interisland transport; (iii) enhancing private sector development; and (iv) improving the environment and quality of life by emphasizing social dimensions in

Tonga:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Energy	2	12.2	25.5
Multisector	5	11.4	23.8
Transport and Communications	2	11.3	23.7
Financial	2	6.5	13.6
Agriculture and Natural Resources	2	6.0	12.6
Industry and Nonfuel Minerals	1	0.4	0.8
Total	14	47.8	100.0

Tonga:
Lending and Disbursements



development projects. Assisting the Government in donor coordination is an important task of the Bank.

Policy Dialogue: Discussions centered on economic management, foreign direct investment in the fisheries sector, international and domestic transport by sea and air, urban and environmental management, and aid coordination.

Loans and Technical Assistance: No loans were made in 1996. Two technical assistance grants amounting to \$700,000 were approved for a domestic civil aviation study and a three-year program for the improvement of economic and financial management.

Uzbekistan

Operational Strategy: The Bank's interim operational strategy for Uzbekistan is aimed at assisting the Government to further the transition to a market economy. This entails providing support for policy reforms, capacity building, and institutional strengthening; and sector investments that promote growth, improve efficiency, and rehabilitate the deteriorating infrastructure. The strategy sharply focuses the Bank's assistance program in the near term on three priority sectors: (i) agriculture, including financial support of small and medium agro-industrial enterprises; (ii) infrastructure rehabilitation, especially in the road and railway subsectors; and (iii) education. The Bank's technical assistance projects will focus on sector studies to lay the foundation for future sector lending programs, institutional strengthening, and capacity building. In addition, the Bank will play a catalytic role in mobilizing cofinancing sources.

Policy Dialogue: The Bank's operations in Uzbekistan began in 1996. In developing the first loan project, the Bank started the process of policy dialogue. The initial focus was on reforms needed to create a market-oriented, competitive, and efficient agro-processing subsector. Discussions with the Government concentrated on (i) promoting the development of small and medium nonstate agro-processing enterprises; (ii) facilitating the phaseout of residual monopolistic structures in the agro-processing subsector; (iii) improving the financial performance of agro-processing enterprises; and (iv) building institutional capacity. The Bank also actively supports regional cooperation of Uzbekistan with other DMCs in the areas of transportation, energy, and payments systems.

Loans and Technical Assistance: A \$50 million loan was approved in 1996 to support market-based development of small and medium nonstate enterprises in rural agro-processing. Five technical assistance grants amounting to \$1.7 million were also approved. Three of these were for the preparation of new projects.

Project Implementation: A Rural Enterprise Development Project amounting to \$50 million was approved in December 1996. Uzbekistan became a member of the Bank in 1995.

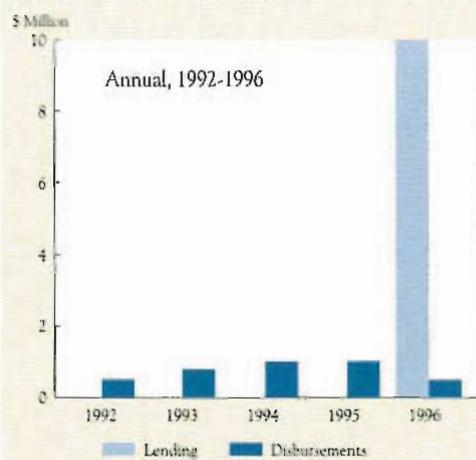
Vanuatu

Operational Strategy: The Bank's operational strategy for Vanuatu seeks to raise the country's growth potential and capability through (i) developing social and physical infrastructure in two urban areas – Port Vila and Luganville

Vanuatu:
Cumulative Bank Lending
(as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	
		(\$ million)	%
Social Infrastructure	1	10.0	34.2
Transport and Communications	2	9.2	31.3
Financial	2	6.0	20.5
Multisector	1	3.0	10.2
Agriculture and Natural Resources	1	1.1	3.8
Total	7	29.3	100.0

Vanuatu: Lending and Disbursements



– by improving water supply, sewerage, and roads; (ii) improving basic physical infrastructure in the outer islands to reduce social and income disparities; and (iii) mitigating environmental degradation, including forestry management. The strategy emphasizes strengthening the policy formulation, planning, and evaluation capacity of the Ministry of Finance in regard to macroeconomic and fiscal management. The strategy also supports the Government's efforts to improve the business environment by developing financial services and physical infrastructure, training, and providing business support services.

Policy Dialogue: The Bank's policy support program is closely linked to its country operational strategy. The key theme of the Bank's policy dialogue during 1996 was capacity building in selected government agencies. Policy discussions with the Ministry of Finance, National Planning Office, and the Public Works Department centered on improving financial management in regard to urban services through increased user charges.

Loans and Technical Assistance: A \$10 million loan for the Urban Infrastructure Project was approved. Four advisory technical assistance projects amounting to \$1.12 million were also approved, including two associated with the loan and one for budget management.

Project Implementation: Of the seven loans approved as of end-1996, four had been closed and three were under administration, including one yet to become effective. Contract awards for the year amounted to \$640,000, bringing the cumulative amount to \$16.2 million. The contract award ratio for 1996 was 1.5%. Disbursements for the year were \$460,000, bringing the cumulative total to \$17 million. The disbursement ratio for 1996 was 20%.

Viet Nam

Operational Strategy: The Bank's operational strategy for Viet Nam is to promote efficient economic growth and sustainable development, and to reduce poverty. The strategy is designed to facilitate the transition and restructuring of the economy, according to market-based principles, while promoting balanced and sustainable development. The Bank's support to

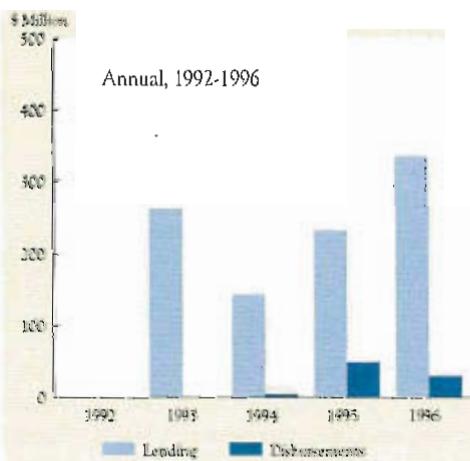
Viet Nam in the medium term addresses critical constraints in the following areas: (i) policy reform and institutional development; (ii) infrastructure development; (iii) rural development; (iv) human development; and (v) environmental and natural resource management.

Policy Dialogue: A vital component of the Bank's operations in Viet Nam is support for policy and structural reforms to improve public sector efficiency, and to encourage the

Viet Nam: Cumulative Bank Lending (as of 31 December 1996)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Natural Resources	10	344.0	34.0
Transport and Communications	5	276.2	27.3
Social Infrastructure	5	178.6	17.6
Financial	2	97.0	9.6
Energy	2	86.3	8.5
Industry and Nonfuel Minerals	1	30.0	3.0
Total	25	1,012.1	100.0

Viet Nam: Lending and Disbursements



development of the private sector. Dialogue included support for increased efficiency through tariff reform and other measures to increase cost recovery and strengthen financial management, policy analysis, and planning within state-owned utilities. Policy dialogue also plays an important role in improving natural resource management and environmental protection. To facilitate policy dialogue, advisory technical assistance was provided to key government agencies that formulate and implement policy reforms. A technical assistance to support public administration reforms through the Committee on Government Organization and Personnel was approved.

Loans and Technical Assistance: The Bank approved five loans totaling \$333 million for the agriculture, social infrastructure, transport, and financial sectors, and one loan to a private sector corporation in the industry sector. The Bank's policy-based loan to support the Government's proposed Financial Sector Program was approved. Another policy-based loan in the industry sector is included in the medium-term program. Fifteen technical assistance grants totaling \$10.1 million were also approved, six of which were for project preparation.

Project Implementation: Of the 25 loans approved as of end-1996, 11 had been closed and 14 were under administration. Contract awards in 1996 amounted to \$37.5 million, bringing the cumulative figure to \$202.7 million. The contract award ratio for 1996 was 5.6%. Disbursements amounted to \$28.7 million, with cumulative disbursements reaching \$105.4 million. The disbursement ratio for 1996 was 4.8%. Viet Nam has been experiencing project implementation difficulties due to centralized decision-making procedures, lack of counterpart funds, and lack of standardized procurement procedures. The Bank has engaged the Government in policy dialogue and also provided technical assistance for resolving these issues.

Western Samoa

Operational Strategy: The Bank supports ways to promote the private sector, improve basic infrastructure, strengthen institutional capabilities, and develop technical skills, particularly on policy analysis and economic management. Its aim is to assist Western Samoa in effecting structural changes in the productive sectors of the economy.

Policy Dialogue: Topics discussed pertained to policy reforms and institutional changes to stimulate and sustain economic growth. The need to ensure a financially sustainable level of investment and adopt a private sector-led economic strategy was stressed. Implementation of the Privatization Strategy and Privatization Master Plan and measures to liberalize the financial sector were encouraged.

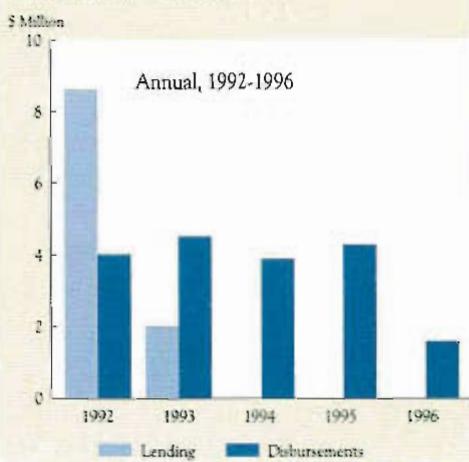
Loans and Technical Assistance: No loans were made in 1996. Two technical assistance grants totaling \$700,000 were approved, one of which was for project preparation.

Project Implementation: Of the 25 loans approved as of end-1996, 24 had been closed and one was under administration. Contract awards during the year totaled \$440,000, bringing the cumulative amount to \$85.4 million. The contract award ratio for 1996 was 61.2%. Disbursements for the year totaled \$1.6 million, with cumulative disbursements reaching \$85.5 million. The disbursement ratio for 1996 was 51.9%.

**Western Samoa:
Cumulative Bank Lending
(as of 31 December 1996)**

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Natural Resources	9	41.5	46.2
Financial	5	16.0	17.8
Energy	6	15.0	16.7
Transport and Communications	4	13.0	14.4
Multisector	1	4.4	4.9
Total	25	89.9	100.0

**Western Samoa:
Lending and Disbursements**





This market has become more accessible to the public as a result of a road constructed with ADB assistance. The Bank has provided five loans totaling \$71.05 million for road improvement in Papua New Guinea.

Ordinary Capital Resources and Financial Management

THE BANK'S ordinary capital resources (OCR) comprise subscribed capital, reserves and surplus, and funds raised through borrowings. At the end of 1996, loans from OCR accounted for 70% of cumulative Bank lending. The effective and efficient management of OCR is governed by five key sets of financial policies: capital resource management policies, borrowing policies and strategies, net income management policies, liquidity policy, and loan products and credit risk policies. This chapter examines the OCR, the performance and allocation of net income, loan products, and the Bank's borrowing and liability management strategy.

Fourth General Capital Increase

As of the final deadline for subscription of 30 September 1996, subscriptions to the Fourth General Capital Increase (GCI IV) had been made by 55 member countries. The total number of shares subscribed was 1,719,302, amounting to \$24,675.4 million.

Capitalization

As of 31 December 1996, the Bank's authorized capital stock amounted to \$50,102.7 million (SDR 34,909.9 million). During the year, GCI IV subscriptions of 27 member countries became effective in an aggregate amount of \$7,776.5 million (SDR 5,418.4 million). As of 31 December 1996, the subscribed capital stock stood at \$49,368 million (SDR 34,398 million).

Performance and Allocation of Net Income

Financial Ratios: In measuring its financial strength, the Bank considers two decisive income indicators: the reserve/loan ratio (RLR) and the interest coverage ratio (ICR). The RLR is the ratio of reserves to disbursed and outstanding loans, which measures the Bank's ability to cope with the possibility of one or a few borrowers defaulting on loans, that could lead to a protracted arrears situation. The ICR is the ratio of net income (before deducting interest on borrowings) to interest on borrowings, and measures the Bank's capacity to meet interest obligations on its debts from income.

On the basis of the 1993 review of financial policies, and given an unavoidable concentration of the loan portfolio (e.g., the five largest borrowers account for 85% of the loan portfolio), a minimum RLR target was set at 25%. In addition, the minimum ICR was set at 1.25. The maintenance of these minimum requirements will continue to ensure investor confidence in the Bank's bonds. At the end of 1996, the RLR and the ICR were 40.6% and 1.7, compared with 35.2% and 1.7 at the

end of 1995. The higher RLR in 1996, compared with 1995, was mainly due to higher loan prepayments and the effect of changes in exchange rates. The concomitant decrease in the average balance of loans outstanding, as a result of higher loan prepayments in 1996, led to a lower income from loans and, therefore, a lower ICR.

Income and Expenses: Gross income decreased by 10.5% from \$1,745.3 million in 1995 to \$1,561.7 million in 1996, as a result of a 2.8% decline in the Bank's average operating assets and a decrease in the realized rate of return on the investment portfolio. Of the total gross income, \$1,170 million was generated by the loan portfolio, \$359.8 million by the investment portfolio, and \$31.9 million from other sources. For details, see *Income and Expenses – Ordinary Capital Resources table*.

The average yield on the loan portfolio declined to 7.1% in 1996 from 7.4% in 1995 due mainly to an increasing share of lower-yielding variable-rate loans in the portfolio. The share of such loans increased from 74.3% in 1995 to 85% in 1996. The yield on the investment portfolio decreased to 5.6% in 1996 from 6.9% in 1995. This decrease was attributed to less-favorable conditions prevailing in international fixed-income markets during the year. The overall net return on average operating assets achieved for the year was 2.5%, compared with 2.8% in 1995.

Total operating expenses amounted to \$989.6 million, down \$95.3 million, or 8.8% from the previous year. The fall in expenses was due to an \$84.7 million decrease in financial expenses, a \$500,000 increase in administrative expenses, and an \$11.1 million decrease in

the provision for losses. Total operating expenses accounted for 63.4% of the gross income, compared with 62.2% in 1995.

Net income for the year, before appropriation of guarantee fees to Special Reserve, amounted to \$572.1 million, a 13.4% decrease from the previous year. This compared with a 28.6% increase in net income in 1995.

Loan Products

Lending Rates: As a development institution, the Bank aims to provide developmental funds to its borrowers at the lowest possible cost. The Bank's lending rate is basically derived by adding a spread (currently 40 basis points) to the average cost of borrowings. In addition, a commitment fee of 0.75% per annum is charged on undisbursed portions of the loans. Currently, the Bank has three lending windows for loans from OCR. These are (i) the pool-based multicurrency loan window, established in July 1986, where loan disbursements are made in a variety

**Income and Expenses – Ordinary Capital Resources
(\$ million)**

Income and Expenses	Actual				
	1992	1993	1994	1995	1996
1. Total Income	1,345.2	1,510.0	1,525.3	1,745.3	1,561.7
a. From Loans	943.4	1,075.8	1,187.5	1,312.8	1,170.0
b. From Investments	392.1	410.0	296.1	418.7	359.8
c. From Other Sources	9.7	24.2	41.7	13.8	31.9
2. Less: Expenses					
a. Interest and Other Financial Expenses	729.0	831.8	878.4	962.6	877.9
b. Administrative Expenses ^a	81.0	88.9	110.7	108.3	108.8
c. Provision for Losses	0.6	19.5	22.7	14.0	1.9
Total Expenses	810.6	940.2	1,011.8	1,084.9	989.6
3. Net Income ^b	534.6	569.8	513.5	660.4	572.1

Note: Figures may not add due to rounding.

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

^b Before appropriation of guarantee fees to Special Reserve.

of currencies of the Bank's choice; (ii) the pool-based single-currency loan window in US dollars established in July 1992; and (iii) the market-based loan (MBL) window, established in December 1994, which provides single-currency loans to private sector borrowers and to financial intermediaries in the public sector.

For the first and second semesters of 1996, the Bank's pool-based variable lending rates were 5.97% per annum and 6% per annum, respectively, for multicurrency loans, and 6.89% per annum and 6.82% per annum, respectively, for US dollar loans. For the first half of 1997, the applicable lending rates, which are effective from 1 January 1997, are 6% per annum for multicurrency loans, and 6.79% per annum for US dollar loans.

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

Loans

Loan Disbursements and Repayments: OCR loan disbursements in 1996 totaled \$2,562.6 million, an increase of 4.93% from 1995 (see *Loan Disbursements table on page 171*). Principal repayments for the year were \$2,344.1 million, of which \$1,403.8 million represented prepayment on loans. On 31 December 1996, cumulative loans outstanding after allowance for possible losses amounted to \$16,070.4 million.

Status of Loans: There were 48 OCR loans approved in 1996, of which 71.5% were made to three countries – People's Republic of China, India, and Indonesia.

At the end of 1996, nine private sector loans were in arrears. Of these, three loans with an aggregate outstanding disbursed balance of about \$19.9 million were in nonaccrual status.

Borrowings

The major objectives of the Bank's borrowing and liability management strategy are to ensure the availability of long-term funds for lending operations, to fund the liquidity portfolio, and to minimize the cost of borrowing for the Bank and its borrowing member countries. To achieve these objectives, the Bank seeks to do the following:

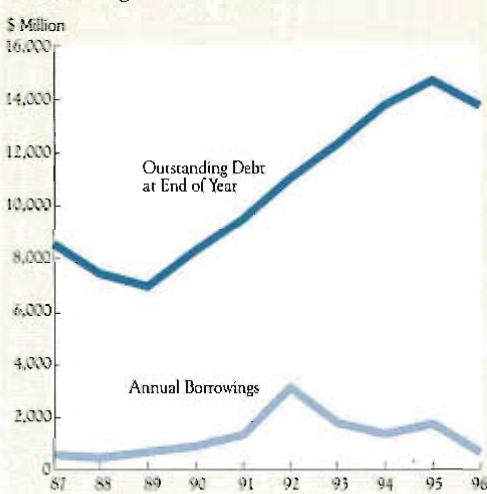
- maintain a borrowing presence in the major capital markets and, where possible, increase the size of its public bond issues to provide "benchmark issues" that increase liquidity in the secondary markets, broaden the distribution of its bonds, and favorably align its funding and trading spreads with those of other supranational borrowers;
- emphasize borrowings in the longer-maturity range (to the extent that the related borrowing costs remain attractive) to minimize

Lending Rates^a
(% per annum)

	1995	1996	
1 January	6.11	5.97	(multicurrency)
	6.90	6.89	(US dollar)
1 July	6.05	6.00	(multicurrency)
	6.91	6.82	(US dollar)

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

Borrowings, 1987-1996



Borrowings, 1996
(amounts in millions)

Country	Type	Borrowing	Principal Amount	US\$ Equivalent ^a
Eurobond Market	Public Offering	6.25% 10-Year Bonds due 2006	f400	239.5
Taipei, China	Public Offering	6.00% 7-Year Bonds due 2003	NT\$7,000	254.6
Eurobond Market	Private Placement	3.67% 15-Year Notes due 2011 ^b	¥10,000	89.5
Total				583.7^c

^a At the Bank's exchange rates effective at the date the terms of the borrowing were determined by the President.

^b A dual-currency bond issue – principal is payable in yen while the interest is payable in US dollars.

^c Total does not tally due to rounding.

fluctuations in its lending rates and to ensure a reasonable maturity relationship between borrowings and loans;

- expand its investor base by borrowing in the private placement markets of various currencies;
- tap new markets, especially where this will help develop capital markets in the Asian and Pacific region;
- use swap markets where cost-efficient arbitrage can significantly lower the cost of target currencies and transform structured financing into conventional fixed-rate liabilities; and
- use short-term bridge financing should temporary deficiencies in disbursements or debt-service currencies arise, and if market conditions are not attractive for bond issues with longer maturities.

In view of higher-than-expected loan prepayments, the total amount of funds raised by the Bank during 1996 – \$583.7 million – was considerably below the total envisaged at the beginning of the year. The year's borrowings were all issued as fixed-rate liabilities (see *Borrowings table*) and were swapped into US dollar fixed-rate and floating-rate liabilities to fund loans under the pool-based single-currency loan window in US dollars and the market-based loan window, respectively. The average maturity of the borrowings undertaken in 1996 was 9.5 years, compared with 9.9 years in 1995. The after-swap cost of the fixed-rate US dollar liability was 5.92%, compared with 6.38% in 1995. In February 1996, the Bank offered a ten-year Euro guilder public bond issue in the amount of Dutch guilder (f)400 million, which was swapped into a US dollar fixed-rate liability.

Underscoring its continuing commitment and efforts to assist in the further development of the Asian and Pacific region's emerging bond markets, the Bank returned to the New Taiwan dollar (NT\$) bond market in December 1996 with a NT\$7,000 million domestic public bond issue. With a view to achieving a broad distribution and secondary market liquidity, approvals were secured from the Government to classify the Bonds as an eligible instrument for purposes of the Central Bank's rediscount window as well as for investment by insurance companies. An application was also submitted to the Government for classification of the Bonds as government

Bond equivalents, allowing commercial banks to trade and make market on the Bonds. The proceeds of the NT\$ Bonds were swapped into a US dollar floating-rate liability.

Also in December 1996, the Bank entered into a 15-year dual-currency Euroyen/US dollar private placement for yen (¥) 10 billion. The proceeds of this private placement were swapped into a US dollar floating-rate liability.

As of 31 December 1996, the Bank's outstanding borrowings amounted to \$13,697 million, with an average maturity of 5.89 years and an average after-swap cost of 5.96%.

Liquid Asset Investments

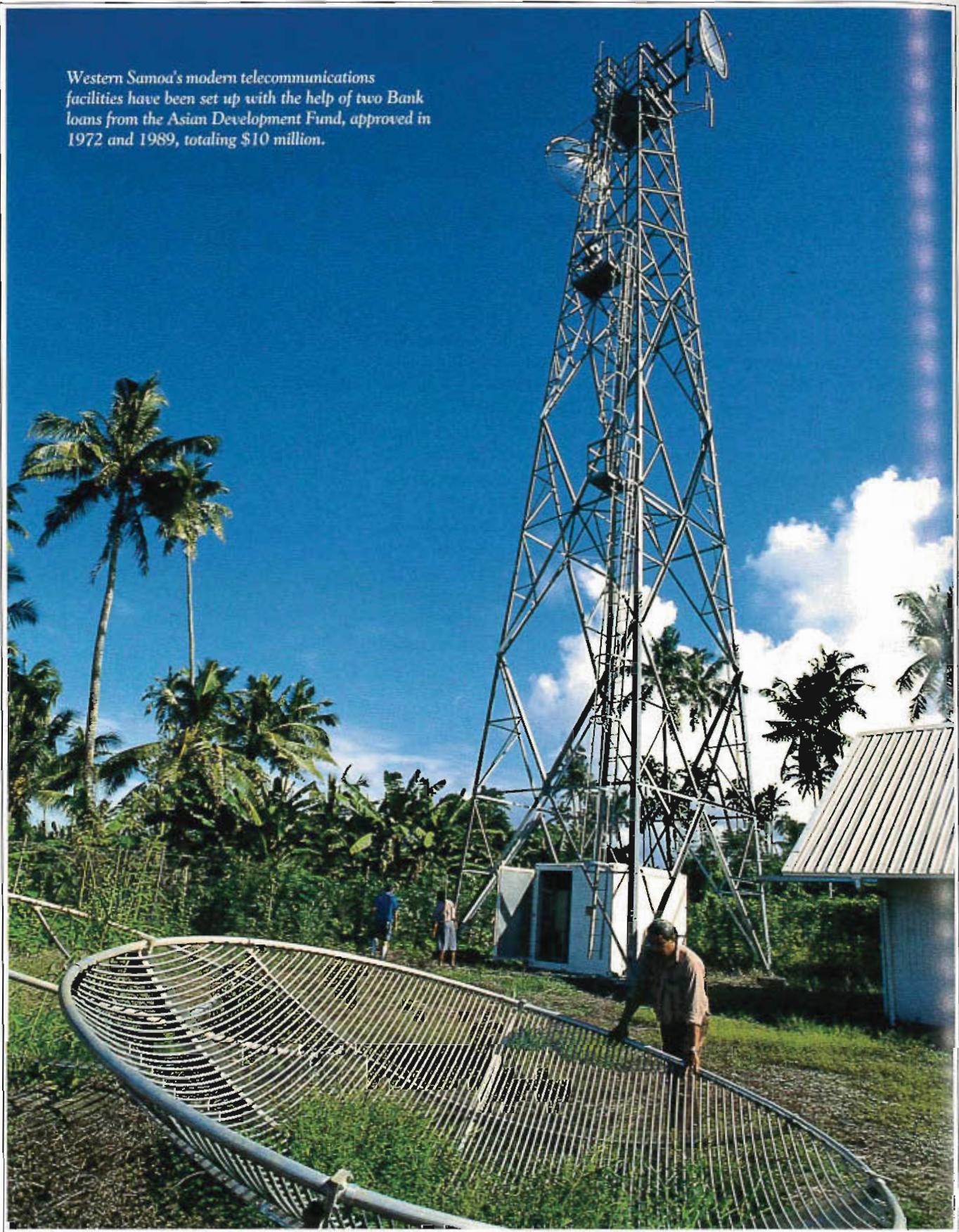
As of 31 December 1996, the Bank's liquid assets, consisting of investment holdings (net of special reserve investments) and unrestricted cash, totaled \$6,188 million, or approximately 42.8% of undisbursed loan balances. Year-end levels of liquid assets are maintained at no less than 40% of undisbursed balances of both effective and not-yet-effective loans. This helps to ensure the uninterrupted availability of funds for the Bank's operations and adds to flexibility in borrowing activities, especially when borrowings may be temporarily affected by adverse conditions in the capital markets.

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

The Bank's OCR investments increased to \$6,332 million equivalent as of 31 December 1996 from \$6,069 million equivalent a year earlier. The investment portfolio was denominated in 23 currencies. The realized rate of return on OCR investments in 1996 was 5.6%, compared with 6.9% in 1995. Holdings of securities remained at approximately 41% of the portfolio, while investments in short-dated time deposits and other banking instruments accounted for 59% of the portfolio. The duration of the portfolio was 12.6 months at the end of 1996, compared with 13 months at the end of 1995.

To further streamline back-office operations as well as risk management, a back-office automation system and a digital information delivery system were procured in 1996. Both systems are scheduled to be implemented during 1997.

Western Samoa's modern telecommunications facilities have been set up with the help of two Bank loans from the Asian Development Fund, approved in 1972 and 1989, totaling \$10 million.



Special Funds

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

The ADF, whose resources consist mainly of contributions mobilized under periodic replenishments from member countries, is designed to provide loans on concessional terms to those developing member countries (DMCs) with a low per capita gross national product (GNP) and limited debt-repayment capacity. At the end of 1996, loans from the ADF accounted for 30% of cumulative Bank lending. The ADF and TASF are multilateral sources of concessional assistance dedicated exclusively to the needs of the Asian and Pacific region.

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

The JSF was established in 1988, when the Government of Japan and the Bank entered into a financial arrangement whereby the Government of Japan agreed to make an initial contribution to the Fund and the Bank became the administrator. The purpose of the JSF is to help DMCs restructure their economies and broaden the scope of opportunities for new investments, thereby assisting in the recycling of funds to DMCs. While JSF resources are used primarily to finance technical assistance operations, these resources may also be used for equity investment operations in DMCs.

Asian Development Fund

ADF Commitment Authority: At the end of 1995, the maximum amount of new lending that the Bank could undertake with the available ADF resources was about \$1,400 million. By the end of 1996, after taking into account amounts of donor contributions which became available during the year, as well as new loan commitments and movements in exchange rates, the maximum amount of new lending that could be undertaken with the available resources had fallen to \$400 million. *For details, see Table 39 in the Statistical Annex.*

Future Resource Requirements and ADF VII Negotiations: Negotiations on the sixth replenishment of the Asian Development Fund (ADF VII) continued throughout 1996 with donor meetings held in Bonn (February), Manila (April), Hong Kong (June), Kuala Lumpur (September), and Copenhagen (October). Substantial progress was achieved toward an

ADF Commitment Authority
(at end of period; \$ million)

	1995	1996
ADF Lending Limitation	7,655	6,692
Committed but Undisbursed Loans	6,255	6,292
Total ADF Commitment Authority	1,400	400

agreement that would meet the Bank's requirement for concessional resources for the four-year period 1997–2000.¹

New Financial Planning Framework for the Management of ADF Resources: The formulation of plans for enabling more efficient use of nondonor resources, for increasing the volume of such resources, and for introducing a new planning framework for the financial management of all ADF resources, represented a substantial commitment on the part of the Bank in 1996 to meet the evolving challenge of mobilizing concessional resources. Prudent implementation of these plans will strengthen the Bank's capacity for concessional resource mobilization in the long run and serve the interests of the donors and borrowers of ADF resources.

Broadening Support for ADF from within the Region: During 1996, as part of its efforts to mobilize donor support for ADF, the Bank continued its consultations with nonborrowing DMCs and several higher-income borrowing DMCs to encourage them to strengthen and broaden support for ADF from the Asian and Pacific region. Six DMCs (Hong Kong; Republic of Korea; Malaysia; Singapore; Taipei, China; and Thailand) participated in the ADF VII negotiations in 1996.

Donor Burden-Sharing: During the ADF VII negotiations held in 1996, donors continued to emphasize the importance of fair and equitable burden-sharing for mobilizing donor resources for ADF. Donors agreed that the overall burden share between nonregional and regional donors should move from 55:45 in ADF VI toward parity.

ADF Loan Approvals, Disbursements, and Repayments: In 1996, 44 ADF loans were approved, of which 50.6% were made to Bangladesh, Pakistan, and Viet Nam. Cumulative ADF loans grew by 1.1% to \$18,758.7 million. The largest borrowers were Pakistan, Bangladesh, and Sri Lanka. ADF disbursements during 1996 reached \$1,234.1 million or a 7.8% increase over \$1,144.9 million in 1995. At the end of the year, cumulative disbursements from ADF resources totaled \$11,981.3 million. Loan repayments during the year amounted to \$136.1 million, and cumulative repayments were \$900 million. During 1996, seven ADF loans were repaid in full. *For details, see Table 9 in the Statistical Annex and Loan Disbursements table on page 171.*

Loans to Afghanistan have been in nonaccrual status since the beginning of 1993. Total outstanding loans to Afghanistan amounted to \$30.4 million, or 0.24% of the total ADF loan portfolio. Nine loans to Solomon Islands were in nonaccrual status as of 31 December 1996.

Portfolio Position: The ADF investment portfolio at the end of 1996 amounted to \$459 million, compared with \$418 million at the end of 1995.

¹ On completion of their negotiations in Tokyo on 17 January 1997, donors recommended \$6,300,000,000 (SDR 4,299,343,497) as the level of ADF operations for the four-year period 1997–2000. They also recommended that, initially, new donor contributions amount to \$2,609,837,120 (SDR 1,781,045,436). In addition, the donors recommended that nondonor resources amount to \$3,300,000,000 (SDR 2,252,037,069).

Of the portfolio, 9% was held in securities issued or guaranteed by governments of member countries. The remainder was invested in deposits and other bank instruments in member countries. The return on ADF investments over the year was 4.2%, compared with 5.7% in 1995.

The portfolio was denominated in 18 currencies. Japanese yen and US dollars fomed 30% of the porrfolio.

ADF Revenue and Expenses: In 1996, the excess of ADF revenue over expenses (net income) was \$63 million, bringing the accumulated surplus to \$1,011 million at the end of the year.

Gross revenue, consisting mainly of revenue from ADF investments and service fees on ADF loans, amounted to \$145 million. Expenses, consisting mainly of administration charges payable to OCR, were \$82 million.

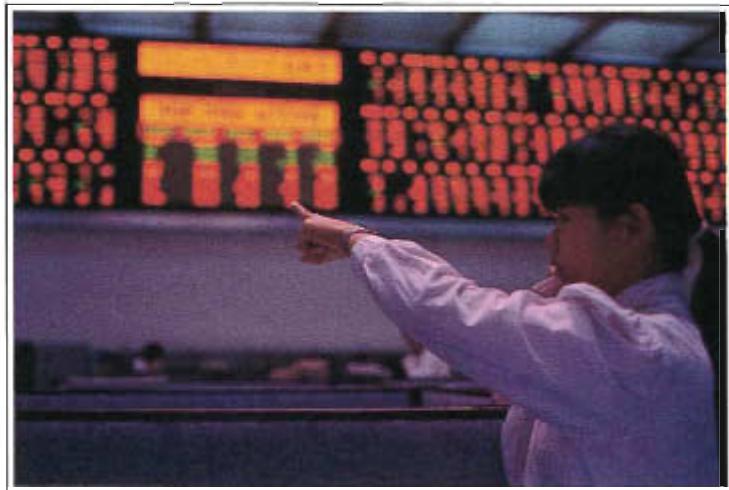
Technical Assistance Special Fund

The TASF portion of ADF VI contributions received by the Bank as of 31 December 1996 amounted to \$147.3 million (equivalent to \$140.8 million at the exchange rates specified in Governors' Resolution No. 214).

There was no allocation of net income of OCR to TASF for 1996. During the year, India offered a contribution (its fourteenth) to the TASF, amounting to \$131,000 equivalent,² and Pakistan made a direct voluntary contribution of \$63,000 equivalent. Pakistan's contribution (its twentieth) was partly untied, available for use in financing costs of services and facilities procured from all DMCs.

As of end-1996, total TASF resources amounted to \$630 million, composed of allocations from ADF V and ADF VI contributions (\$238 million), allocations from OCR net income (\$261 million), direct voluntary contributions to TASF (\$85.7 million), income from investments and other sources (\$48.7 million), and transfers out of TASF to ADF (\$3.5 million). Of the total TASF resources, \$511.9 million had been used/committed, leaving an uncommitted balance of \$118.1 million. *For details, see Table 40 in the Statistical Annex.*

Operations and Resource Position: The TASF contributed 42% of funding for services to member countries, with 169 technical assistance projects effective during the year. Revenue from investments increased from \$7.9 million in 1995 to \$8.8 million, despite a decline in the yield of TASF investments from 4.1% in 1995 to 3.6%, due mainly to additional resources available from the second regularized TASF replenishment. Total revenue and contributions amounted to \$14 million.



Training in stock market automation in Thailand was made possible through a \$100,000 technical assistance grant from the Bank, approved in 1990.

Technical Assistance Special Fund Resources^a
(at end of period; \$ million)

	1995	1996
Regularized Replenishment		
Contributions	237.1	238.0
Allocations from OCR Net		
Income	261.0	261.0
Direct Voluntary Contributions	85.7	85.7
Income from Investment and Other Sources	40.6	48.7
Transfers out of TASF to ADF	(1.3)	(3.5)
Total TASF Resources	623.1	630.0

^a Figures do not add due to rounding.

² India's contribution, which is partly untied, was accepted by the Bank on 24 January 1997.



Agricultural workers in the Lao PDR, one of the six countries in the Greater Mekong Subregion which was the recipient of \$2.26 million for two regional technical assistance grants approved in 1996, partly funded from the Japan Special Fund and by the Governments of Finland and Norway.

At the end of the year, TASF investments stood at \$211 million. Other assets, comprising dues from banks, accounts receivable from ADF and contributors, advances to consultants, and others, totaled \$12 million. Accounts payable to consultants amounted to \$225,000.

Japan Special Fund

Review of Activities: During 1996, the Government of Japan provided a total amount of ¥9.03 billion (equivalent to about \$79.9 million) for its ninth-year contribution to the JSF. The amount included ¥7.0 billion in regular contributions and ¥2.03 billion in supplementary contributions. This brought Japan's cumulative commitments to JSF, since its inception on 10 March 1988, to ¥72.83 billion (equivalent to about \$633.9 million, excluding translation adjustments). For details, see Table 41 in the Statistical Annex.

The cumulative total included regular contributions amounting to ¥60.6 billion and supplementary contributions of ¥12.23 billion. The supplementary contributions were to be used for organizing symposia/training (¥0.29 billion), women in development activities (¥1.5 billion), environment-related activities (¥7.7 billion), and for activities to promote the private sector (¥2.74 billion).

Of the total contributions received, \$326.54 million had been used as of 31 December 1996, including \$324.44 million for technical assistance and \$2.1 million for equity investments. Funds awaiting disbursements are invested. In 1996, income from such investments amounted to \$2.44 million, down by 61.6% as a result of a decline in interest rates. As agreed with the Government of Japan, part of the investment income was used to defray the Bank's direct and identified administrative expenses.

Operations and Resource Position: Total expenditure amounted to \$76 million (up 1.5%) for services to member countries and \$1.3 million (up 16.4%) in administrative expenses.

Despite additional contributions committed during the year, there was an operational deficit, which decreased JSF net assets to \$314.9 million.

The cash flow position remained satisfactory. The \$79.9 million received from contributions, together with the \$3 million received from interest earned on investments, provided the major source of funds.

At year-end, the quantum of JSF investments stood at \$416 million, down 7.5%. Other assets, comprising due from banks, advances to consultants, and others, decreased by 8.2% from \$4.9 million to \$4.5 million, while accounts payable stood at \$500,000.

Project and Program Administration

THE STEPS in a typical Bank-financed project include project identification, fact-finding to establish project feasibility, appraisal to assess project soundness and viability, consideration and approval by the Board, and finally, project implementation. Some projects may require technical assistance to collect pertinent information or undertake preliminary project design. Many projects are also subject to postevaluation when completed.

Each step is accomplished with developing member country (DMC) participation, ensuring that identified projects fit within the national development program. In appraising a project, its technical, financial, economic, social, environmental, production, marketing, and management aspects, as well as loan conditionalities, are closely examined. This helps to pinpoint specific steps necessary to ensure the project's smooth and efficient implementation and operation.

Implementation, which generally takes around seven years depending on the type and nature of the project, is assessed by Bank review missions, which visit the project at least once a year throughout the implementation period. Bank loans are often channeled through executing agencies, government departments, semigovernment and public enterprises, and to the private sector, often through national development finance institutions. To help in resource mobilization and more efficient use of investible funds for economic development in DMCs, Bank loans are also channeled to the private sector in DMCs, without seeking a guarantee from the governments. The loan is disbursed to meet expenditures under the loan agreement, as and when they are incurred. In this chapter, the implementation and disbursement phases of the project cycle are discussed, as is private sector involvement in the process.

Administration

A total of 487 projects were under administration as of end-1996. These included 430 projects in the public sector and 57 projects in the private sector. Of the public sector projects, 401 were performing satisfactorily (by conforming to target dates and project costs, and by complying with loan covenants established during appraisal), 28 faced implementation or operational problems, and one was considered inactive. *For details, see Table 21 in the Statistical Annex.*

Altogether, 704 project administration missions, including private sector loan missions and multiproject missions, were fielded to review the progress of projects and to discuss problems, if any, with executing agencies. These missions spent a total of 7,784 persondays, or an average of 11.8 persondays per project. The average was significantly higher than last year's 7.1 persondays per project due to inclusion of days spent by supporting staff on missions. Implementation support was provided to

executing agencies by the Bank's regional and resident missions. Portfolio performance reviews were carried out to improve disbursements by restructuring or reformulating slow-moving projects and identifying loan proceeds for cancellation.

Country project review missions were undertaken in ten DMCs in 1996. The purpose was to discuss implementation problems, cross-sectoral issues, and remedial measures with senior government officials.

The implementation of 78 projects was completed during the year, bringing to 1,051 the cumulative number of completed projects. Project completion reports were prepared for 45 projects. The total number of reports prepared as of end-1996 was 719. For details, see *Table 21 in the Statistical Annex*.

As in earlier years, project administration procedures continued to be revised in light of the Bank's strategic plan. Computer systems continued to be developed for better monitoring and evaluation of benefits. Nine seminars and workshops were held to enhance the implementation capabilities of executing agencies (*see Seminars on Project Implementation and Administration, 1996 table*). A total of 284 senior and middle-level officials benefited from these activities. In addition, five in-house seminars were held for Bank staff dealing with project processing and administration.

Contract Awards

During 1996, contracts totaling \$3,980.4 million (excluding contracts for technical assistance projects) were awarded by executing agencies in DMCs

Seminars on Project Implementation and Administration, 1996

Type	Country/City	Seminar Dates
Country Project Implementation and Administration	India/New Delhi	22 Feb-1 Mar
Country Project Implementation and Administration	Indonesia/Jakarta	8-19 Apr
Country Project Implementation and Administration	Papua New Guinea/ Goroka	22 Jul-2 Aug
Country Project Implementation Management Seminar	Bangladesh/Dhaka	4-14 Aug
Training of Trainers	Thailand/Bangkok	18 Sep-5 Oct
Country Project Implementation Management Seminar	Sri Lanka/Colombo	16-25 Oct
Regional Project Implementation and Administration	Philippines/Manila	14-25 Oct
Country Project Implementation Management Seminar	Pakistan/Islamabad	17-17 Nov
Training of Trainers	People's Republic of China/Beijing	10 Nov-2 Dec

for consulting services, procurement of goods and related services, and civil works. This represented a 15.8% increase from 1995. Consultancy contracts under loan projects totaled \$182 million. These involved 409 consulting contracts (111 international and 298 domestic). For details, see Tables 20 and 22-30 in the Statistical Annex.

For technical assistance projects, 645 contracts were awarded for consultancy services, amounting to \$130 million and involving 187 consulting firms and 458 individual consultants.

Seminars on business opportunities were held in Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Republic of Korea, New Zealand, Norway, Spain, Sweden, Switzerland, Turkey, Taipei, China, United Kingdom, and United States.

Loan Disbursements

The 1996 loan disbursements, a new disbursement record, amounted to \$3,797 million, exceeding the year's target of \$3,708 million by 2% and 1995 figures by 6%. Of the 1996 total, OCR disbursements amounted to \$2,563 million and ADF disbursements \$1,234 million, representing 68% and 32% of the total amount, respectively. This was achieved despite a slight increase in loan approvals for 1996 amounting to \$5,545.1 million, about 0.7% above the 1995 loan approvals. The comparative details of disbursements in 1995 and 1996 by lending modality are shown in the *Loan Disbursements, 1995 and 1996* table on page 171.

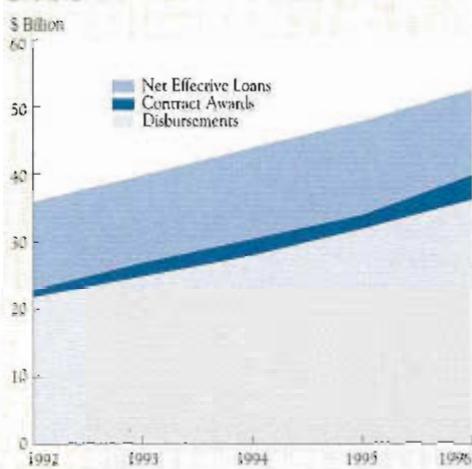
Private Sector Investment Portfolio

Starting with small stand-alone equity investments in 1983 followed by loans without government guarantee two years later, the Bank's private sector operations have built up a portfolio which totaled \$998 million as of 31 December 1996. This total portfolio was made up of \$603 million in outstanding investments and \$395 million in undisbursed commitments, and represented a 22% increase over 1995. About 62% of the total portfolio was in loans amounting to \$623 million and \$375 million in equity investments (see *Portfolio Distribution by Sector, 1996* table).

Over 30% of the total portfolio was accounted for by relatively large loans and equity investments in infrastructure projects, which had recently been given priority by the Bank's private sector operations in line with the growing trend in DMCs to open the infrastructure sector to private investment. Another 29% of the portfolio consisted of equity investments in pioneering private financial institutions, including those that help promote capital market development (e.g., securities firms and rating agencies), and loans to selected private finance companies and banks for onlending to small and medium enterprises.

The portfolio also included, to the extent of 17%, equity stakes in investment funds and fund management companies, which enable the Bank to leverage its own resources for supporting private investment. These funds comprised venture capital funds, mutual funds, private equity funds, and lately, larger funds that provide equity and/or debt financing to infrastructure projects. The balance of the portfolio consisted of loans and equity investments in manufacturing, agriculture, and other

Contract Awards and Disbursements: 1992-1996



Portfolio Distribution by Sector,^a 1996

Sector	Investments Held		
	No. of Companies	Amount (\$ million)	%
Infrastructure	10	324	32
Financial Institutions	35	287	29
Agriculture, Manufacturing, and Other Industries	29	240	24
Investment Funds	78	167	17
Total	102	998	100

^a At year-end.

industries that received support from the Bank, starting in the mid-1980s when several DMC governments were beginning to withdraw from certain industrial activities and encourage the private sector to undertake large industrial ventures, particularly with foreign technology and investment.

At the end of 1996, the total portfolio included loans and equity investments in 102 companies, comprising 89 companies in 12 DMCs, and 13 regional financial entities and funds. Twelve companies were added to the portfolio in 1996 and nine were removed as a result of loan cancellation, loan repayment, equity divestment, and investment write-off. Of the 102 companies comprising the portfolio, 50 were operating profitably, 30 were in various stages of implementation, and 22 were underperforming or operating at a loss.

Disbursements in 1996 amounted to \$71 million, down from \$160 million during the previous year. The decline was due mainly to delays in the implementation of some projects approved during the past year. At the end of 1996, disbursements to 27 companies had yet to be completed.

Interest and other income earned on the private sector portfolio in 1996 totaled \$32 million, compared with \$35 million in 1995. Dividends received amounted to \$6.9 million (3.2% yield), compared with the previous year's \$6.3 million (4% yield). Capital gains made on equity divestments during the year amounted to \$5.9 million, as against \$700,000 in 1995.

Allowance for possible losses on impaired loans and equity investments in 1996 totaled \$56.6 million, representing 9.4% of outstanding loans and equity investments. This allowance included specific loss provisions amounting to \$16.8 million on impaired loans and equity investments, and general loss provisions of \$39.8 million on the balance of outstanding loans and equity investments not specifically provided for.

Loan Disbursements, 1995 and 1996
 (amounts in \$ thousand)

Disbursement	1995					
	OCR	% of Total OCR	ADF	% of Total ADF	Total	% of Total Disbursements
Project Loan						
Nondevelopment Finance Institution	1,697,436	69	852,173	74	2,549,609	71
Development Finance Institution	113,482	5	29,574	3	143,056	4
Special Assistance	0	0	0	0	0	0
Total Project Loans	1,810,918	74	881,747	77	2,692,665	75
Sector Loan	382,034	16	174,050	15	556,084	15
Program Loan	148,675	6	89,124	8	237,799	7
Private Sector Loan ^a	100,467	4	0	0	100,467	3
Total	2,442,094	100	1,144,921	100	3,587,015	100

Disbursement	1996						% Change (1996/1995)		
	OCR	% of Total OCR	ADF	% of Total ADF	Total	% of Total Disburse- ments	OCR	ADF	Total
Project Loan									
Nondevelopment Finance Institution	1,842,737	72	896,220	72	2,738,957	72	9	5	7
Development Finance Institution	144,895	5	43,156	4	188,051	5	28	46	31
Special Assistance	0	0	0	0	0	0	0	0	0
Total Project Loans	1,987,632	77	939,376	76	2,927,008	77	10	7	9
Sector Loan	407,109	16	209,549	17	616,658	16	7	20	11
Program Loan	126,324	5	85,201	7	211,525	6	(15)	(4)	(11)
Private Sector Loan ^a	41,513	2	0	0	41,513	1	(59)	0	(59)
Total	2,562,578	100	1,234,126	100	3,796,704	100	5	7	6

^a Excluding disbursements for equity investments amounting to \$59.26 million in 1995 and \$29.38 million in 1996.



A harvest of palm under the Gohor Lemo Palm Oil Processing Project in Indonesia, for which an \$11.3 million Bank loan was approved in 1975. During postevaluation in 1983, and again during reevaluation in 1989, this project was found to be generally successful.

Postevaluation and Internal Audit

DURING the year, the Bank engaged in both external and internal evaluation processes through its postevaluation and internal audit functions. Both functions are examined in this chapter.

Postevaluation

The Post-Evaluation Office (PEO) continued to implement the initiatives commenced in 1995 on the recommendations of the Task Force on Improving Project Quality. In support of the direction set out in *The Bank's Medium-Term Strategic Framework (1995–1998)*, the postevaluation work program in 1996 again placed emphasis on conducting more impact evaluation studies, reevaluation studies, and special studies, while keeping the coverage of the project performance audit reports (PPARs) at a level of 30% of completed projects. During the year, PEO completed a total of 47 postevaluation reports. These comprised 25 PPARs, five technical assistance performance audit reports, two impact evaluation studies, four reevaluation studies, two special studies, one technical assistance completion report, the Fifteenth Report of Postevaluation Abstracts, the Eighteenth Annual Review of Postevaluation Report, two country syntheses of postevaluation findings, three sector syntheses of postevaluation findings, and the 1996 Annual Performance Evaluation Program.

Project Performance Audit Reports

While PEO is involved in many areas, most of its efforts are in conducting PPARs. The 25 PPARs prepared during the year covered 22 projects, two program loans, and one special assistance project. Of these, 12 project and program loans were in Group A countries; nine project and program loans in Group B countries; and four projects in Group C countries. By sector, there were ten project and program loans in agriculture and natural resources, four projects in transport and communications, four projects in social infrastructure, one project in energy, one special assistance project in industry, two project loans for development finance institutions, and three multisector project loans. See *Classification of Country Groups box on page 111*.

Cumulatively, by the end of the year, 477 PPARs had been prepared for 497 project and program loans covering all major sectors and subsectors in 26 developing member countries (DMCs).¹

Of the 25 projects and programs postevaluated in 1996, 11 (44%) were classified as generally successful, 11 (44%) as partly successful, and 3 (12%) as unsuccessful. Since the analysis of performance by sector for this year's postevaluated projects and programs is limited by the small sample size,

Performance Classification by Investment Cost and Loan Disbursed, 1996

	Investment Cost		Loan Disbursed	
	Amount (\$ million)	%	Amount (\$ million)	%
Generally Successful	932	56	343	32
Partly Successful	524	32	640	61
Unsuccessful	194	12	71	7
Total	1,650	100	1,054	100

1 The difference of 20 is explained by the fact that 16 PPARs covered two projects each and two covered three projects each.

Performance Classification by Sector, 1996

Sector	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	3	30	6	60	1	10	10	100
Financial	-	-	2	100	-	-	2	100
Energy	1	100	-	-	-	-	1	100
Industry and Nonfuel Minerals	1	100	-	-	-	-	1	100
Multisector	2	67	-	-	1	33	3	100
Social Infrastructure	1	25	2	50	1	25	4	100
Transport and Communications	3	75	1	25	-	-	4	100
Total	11	44	11	44	3	12	25	100

annual comparison of results is misleading. Cumulatively, of the 497 projects and programs reviewed by the end of 1996, 292 were classified as generally successful, 153 as partly successful, 50 as unsuccessful, and two were not rated. PEO's experience indicates that projects in the energy, and transport and communications sectors continued to have high success rates because these projects were designed on the basis of a known technology and their performance was not critically influenced by external factors. As shown in the charts (see pages 178-181), the number of projects in these sectors performed better in each country group and year of approval. The charts also show that projects in the agriculture and social infrastructure sectors performed somewhat less satisfactorily, irrespective of country groups, because of such factors as design deficiency,

inadequate institutional capacity of the executing agency, particularly with respect to project supervision and subproject evaluation, weather disturbances, and delayed mobilization by contractors hired.

Total investment costs of the postevaluated projects and programs had originally been estimated at \$1,714 million. Actual costs upon completion came to \$1,650 million, about 4% lower. The factors responsible for cost underruns in project costs and Bank financing included reduction in project scope, movements of exchange rates, underutilization of credit lines, and overestimation of project costs and contingencies during appraisal.

In terms of actual investment costs (comprising both foreign exchange and local costs), 56% of the projects and programs postevaluated were generally successful, 32% partly successful, and 12% unsuccessful. These figures indicate that, on average, generally successful postevaluated projects involve bigger investment costs. In terms of loans disbursed by the Bank, the respective rates were 32%, 61%, and 7%.

Implementation delays ranging from about one month to seven years were experienced in 22 out of 25 postevaluated projects and programs. The average implementation delay was estimated at 2.4 years. In many cases, the implementation period estimated at appraisal was optimistic, inadequately taking into account anticipated difficulties in implementation. In other cases, the delays were attributed to factors such as delays in loan effectiveness; deficiencies in design and changes in project scope; shortage of inputs and materials, such as cement and fuel; unsatisfactory performance of contractors; lack of counterpart funds; difficulties in recruiting consultants; delay in government approvals for local costs; procurement problems; shortage of trained personnel; land acquisition problems; and civil disturbances.

A number of projects postevaluated during 1996 have contributed to the social and economic development of the countries concerned (see *Economic and Social Benefits of Selected Projects* box on page 176). Experience of the 1996 postevaluated projects and programs highlights, among other things, several lessons which are relevant to future Bank operations: (i) the continued relevance of keeping project design well-focused, manageable in scope, and

in line with the DMCs' absorptive capacity for implementation and operations after project completion; (ii) the importance of beneficiary targeting to ensure proper delivery of benefits; (iii) the need to incorporate a detailed performance management mechanism in the project design to increase efficiency in project implementation and performance; (iv) the need to fully examine the alternatives at the project preparation and design stage; (v) the need for covenants in loan agreements to be based on a detailed consideration of whether such covenants are relevant, appropriate, and feasible; (vi) the importance of Bank leverage to facilitate capacity building early in a project because its effectiveness decreases as a loan approaches its closing; and (vii) the need to improve construction supervision by the government.

Technical Assistance Performance Audit Reports

The five technical assistance performance audit reports prepared in 1996 related to the development of a small-scale rural credit project in Viet Nam; strengthening the industrial waste management capability of the Ministry of Industry and Handicrafts in Lao PDR; supporting policy analysis in the Ministry of Finance in the PRC; institutional strengthening of the Agricultural Bank of Papua New Guinea; and urban transport planning in Malaysia. The projects in PRC, Lao PDR, Malaysia, and Viet Nam were found to be generally successful, while the project in Papua New Guinea was classified as partly successful.

The experience of the postevaluated technical assistance projects revealed that, for more effective implementation of technical assistance grants involving training in transition economies, the general background of the trainees should first be evaluated, and remedial action incorporated in the training to increase absorption of training benefits. The other lessons learned were that high levels of technical assistance ownership by the government and the recipient agency, appropriate level of effective clients and counterparts, hands-on technical assistance

Postevaluation Approach and Project Classification

THE BANK undertakes postevaluation of completed projects to (i) provide accountability to its shareholders; and (ii) distill lessons of experience to improve the quality of future projects and enhance the development impact of its lending to DMCs. The Bank adopts a two-step evaluation system. The first step consists of the preparation of a project completion report (PCR) for all completed projects/programs by the operational divisions responsible for their processing and implementation. The principle behind this approach is that, for most effective learning and impact on future operations, the initial evaluation should be carried out by those who have been directly involved. To ensure an independent evaluation, the second step consists of the preparation of a project performance audit report (PPAR) by the Post-Evaluation Office. The PPAR evaluates the effectiveness and sustainability of a project in achieving its objectives, and audits the PCR for adequacy and integrity, focusing on specific issues meriting closer attention.

On the basis of implementation experience, performance, and expected developmental impact, projects are classified as generally successful, partly successful, or unsuccessful. A project is considered generally successful if it is expected to be economically viable or can generate economic and social benefits commensurate with original

expectations and/or costs incurred. A project is rated as partly successful if its benefits are believed to be sustainable at reduced levels, with reasonable prospects for improvement if remedial actions are taken. If a project is not technically and/or economically viable, it is classified as unsuccessful. It is important to note that such classification made at the time of postevaluation may be revised during subsequent reevaluation which is conducted on selected projects. Also, a partly successful project is not viewed as an unsuccessful project.

Postevaluation is undertaken not only through the preparation of PPARs but also through evaluation studies which are aimed at more intensive analysis of particular issues or subjects of broader relevance to the Bank's operations, policies, and procedures. These studies comprise impact evaluation, reevaluation, and special studies. Impact evaluation provides insights into the extent to which the benefits of Bank lending in a particular sector are spread and sustained. Reevaluation focuses analysis on project impact and sustainability about five years after the postevaluation stage. Special studies provide intensive analyses of particular issues or comprehensive reviews of postevaluation findings in a specific country or sector.

Postevaluation has also covered the Bank's technical assistance operations. However, technical assistance performance audit reports have been prepared on a limited scale.

management, intensive supervision, and careful selection of technical assistance consultants will help ensure high success levels in attaining technical assistance objectives.

Impact Evaluation Studies

During the year, two impact studies were carried out to evaluate the impact of Bank assistance to the industrial crops and natural resource sectors in Sri Lanka and to assess the Bank's assistance to DMCs for benefit monitoring and evaluation (BME).

The Sri Lanka study (consisting of projects, program loans, and technical assistance approved between 1968 and 1995) aimed to assess the major impacts of the Bank assistance in promoting modernization and development in the sector, particularly the tea, coconut, and sugar industries. Over the early period covered by the study, the sector performance was adversely affected by government regulations and fiscal controls. Consequently, the record of success with postevaluated projects was mixed, and, overall, the sector had lost its competitive advantage. It was also found that during the latter period, the performance of the sector was considerably enhanced

Economic and Social Benefits of Selected Projects

A NUMBER of projects postevaluated in 1996 were found to have provided tangible economic and social benefits to the DMCs concerned. They also addressed crosscutting issues, such as poverty reduction, improvement of the status of women, and environmental protection. Some examples follow.

- A flood damage restoration project in Pakistan involved the restoration of structures in the road, education, and water subsectors for about 2,000 subprojects. Flood protection and irrigation works generally restored the basic conditions for crop production and protection of infrastructure such as towns, villages, roads, schools, and health centers.
- In Indonesia, the irrigation package project resulted in increasing rice production and farm incomes in the West Semarang area. The increased incomes contributed to poverty reduction in the project area. Since women do a considerable amount of planting, weeding, and fertilizer application, the higher crop intensity has meant that more women are engaged in such work, thus further contributing to increases in family incomes.
- A water supply project in Malaysia has generated considerable economic and social benefits by improving the quality of life through the availability of potable water for local communities, including low-income groups. The population covered by the water supply provided under the project has increased from 58% in 1984 to over 90% in 1996.
- The flood rehabilitation project in Bangladesh protected the rivers within the project area from further erosion, secured homestead from further flooding, increased productivity of farmlands, and increased rural road communication. Furthermore, the restoration of facilities to their preflood conditions minimized losses to the poorer sectors of the affected communities.
- A brackishwater shrimp culture development project in Thailand successfully met its major objectives of increasing shrimp production to meet domestic consumption and generate additional foreign exchange for the country. The significant increase in the number of shrimp farms brought about by the project resulted in an improvement in the real income of shrimp farmers. Furthermore, the project expanded employment opportunities for women because the biologists, technical trainees, and administrative staff of the Department of Fisheries were predominantly women.
- An agricultural program loan for Sri Lanka resulted in positive environmental impacts. It helped discourage overuse of chemical fertilizers, inspired the Government to promote the use of organic fertilizers, contributed to more participatory management of irrigation systems, and complemented the Government's efforts to increase public investment in rural environmental management.

through program loan assistance provided which addressed relevant policy issues. Important reforms leading to the abolition of ad valorem taxes and export duties (tea and coconut) had been carried out, thus improving the capacity of operators to reinvest. Furthermore, plans had been prepared for privatizing the plantation estates. The study identified a continuing need to improve the macroeconomic management of the economy, reduce inflation, increase the availability of long-term capital, and provide appropriate fiscal incentives for facilitating further investments in cultivation and factory processing.

The second impact study was carried out under a regional technical assistance for Evaluation of Bank Assistance to Developing Member Countries for Benefit Monitoring and Evaluation, approved in June 1995. The study covered a review of 128 Bank loans (amounting to \$5.6 billion) and related technical assistance projects provided to the agriculture and social infrastructure sectors in five countries: Bangladesh, Indonesia, Pakistan, Philippines, and Sri Lanka. The study indicated that the Bank's overall experience in terms of the three sets of BME activities, i.e., benchmark surveys, benefit monitoring, and benefit evaluation, has been mixed. Although Bank guidelines on BME were adhered to in a large number of cases, results have not been as positive as expected. The most established BME activity was the conduct of benchmark studies. However, its purpose of providing indicators for BME was not achieved, mainly because of lack of clear definitions of indicators and parameters required for such activity. Bank efforts aimed at BME capacity building and institutional development have not been effective either. Based on the workshops conducted under the regional technical assistance, the study concluded that the Bank's current practice of undertaking BME at individual project level was inadequate and there is a need to link it with the sector and eventually with the national level. A project performance management system (PPMS) which focuses on all levels of project performance would be a better system.

Reevaluation Studies

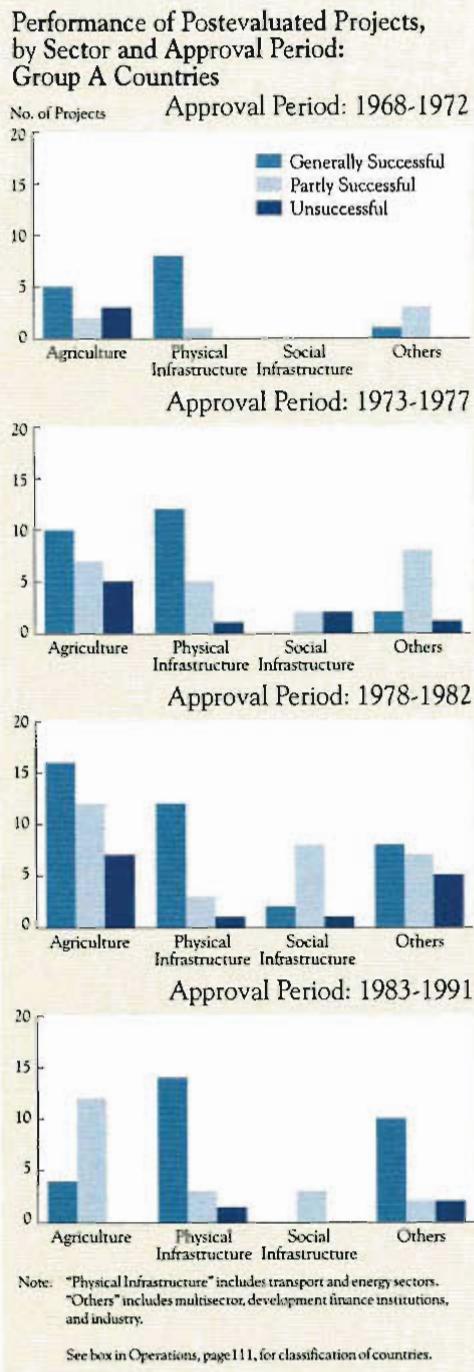
The Songkhla and Phuket Ports Project in Thailand was reevaluated in 1996, five years after its postevaluation. Contrary to earlier concerns about the inability of the ports to attract and increase cargo traffic, cargo throughput at each port accelerated and the volumes are approaching each port's maximum handling capacity. The average daily traffic volumes using the two bridges were found to exceed by over six times the appraisal estimates and by nearly four times the revised estimates at postevaluation. Significant socioeconomic impacts were identified in terms of diversity in employment opportunities and the local development resulting from the construction of the bridges and roads component. Hence, the project was reassessed from partly successful to generally successful.

A reevaluation of the Lower Citanduy Irrigation Project in Indonesia found a substantial improvement in project outputs since the time of postevaluation in 1991. This resulted in an upgrading of the project's performance from partly successful to generally successful. The project provided an effective irrigation system and flood and tidal protection facilities, and assisted in onfarm development which helped raise rice production. The

Bank Systems for Managing Project Performance

THE BANK currently uses three major systems to manage and assess the performance of its projects. The project administration system (PAS) is used by the projects departments, in conjunction with project review missions and the project administration committee notes, to review and report on the physical and financial progress of project implementation. The benefit monitoring and evaluation (BME) system is normally undertaken by executing agencies using consultants financed under Bank loans to monitor project benefits. The project performance audit report (PPAR) is undertaken by the Post-Evaluation Office to evaluate selected projects, generally three years after project completion. In addition, the programs departments also lead, annually, the country portfolio performance review mission (CPPRM) which reviews and reports on the status of the Bank's portfolio of projects and technical assistance in a specific country.

While each system has been developed to address specific needs and objectives, the fact that they are not integrally linked diminishes the overall effectiveness of Bank support for project management and implementation. During 1996, two regional workshops were organized by the Bank under a regional technical assistance for Evaluation of Bank Assistance for Developing Member Countries for Benefit Monitoring and Evaluation. These workshops led to the preparation of a plan for the Bank to support the implementation of the project performance management system (PPMS) in the Bank and DMCs. The action plan was formulated with active interaction between DMCs and a cross-section of the Bank's operations staff. Several initiatives have been carried out to implement the PPMS. A number of projects have been selected for experimenting with the PPMS on a trial basis. PPMS will be further refined for broader implementation, taking into account the experience from pilot projects.



reevaluation also highlighted substantial benefits brought about by the road and water supply components. The project roads enabled the farmers to have easy access to markets, resulting in better farmgate prices for produce and lower prices for inputs. Delivery of government services has improved significantly, bringing about rapid socioeconomic development in the region. Some of the major lessons learned from the project suggest that (i) involving beneficiaries and developing operation and maintenance capabilities are essential to the success of irrigation projects; and (ii) project facilities should not be turned over to local authorities unless they are technically and financially equipped to assume the responsibility of managing the project.

The performance of the Compensatory Forestry Sector Project in Malaysia, which was postevaluated in 1991 and reevaluated five years later, was reclassified from generally successful to partly successful. At postevaluation, the project was rated generally successful although there were concerns that project sustainability could be achieved only if adequate attention were given to recruitment of labor, research to alleviate fungal diseases, promotion of market demand for *acacia mangium*, and improved recruitment of contractors. The reevaluation, however, found that (i) labor problems became more acute and caused delays in carrying out the silvicultural treatments; (ii) fungal diseases became more prominent in areas with trees over ten years old, affecting tree growth and yields; and (iii) production of project sawlogs could only reach about 57% of appraisal target. The major lessons raised during postevaluation were confirmed by the reevaluation. These are (i) the adoption of a single-species forest plantation which faces the possibility of a major disease outbreak if forest management and silvicultural treatments do not incorporate measures for dealing with higher risks of pest and disease outbreaks; (ii) the pioneering nature of the forestry plantation should be emphasized so that alternative management strategies can be tested; (iii) research and development are crucial even before project commencement to determine the optimum operations and maintenance schedules as well as effective disease control; and (iv) labor availability must be ascertained during appraisal as its constraint would delay most silvicultural treatments and affect growth.

The reevaluation of the Indonesian South Kalimantan Livestock Development Project, six years after it was postevaluated, reconfirmed the partly successful rating given during postevaluation. The credit system introduced under the project was ineffective in promoting rapid expansion of the provincial livestock base. Instead of stabilizing, as expected during appraisal, the goat herd had disappeared. However, the cattle herd was growing faster than expected and had productivity levels comparable with other parts of Indonesia. The increase in cattle had a beneficial impact on crop output, although at a lesser extent than expected at postevaluation. Furthermore, the project's socioeconomic and environmental impacts were positive. By increasing the amount of manure available for use on soils, the project cattle helped improve fertility of farmlands.

Special Studies

Two special studies were carried out during the year to assess the effectiveness of Bank technical assistance for capacity building in Indonesia and Vanuatu.

In Indonesia, the special study evaluated 61 of the 122 advisory and operational technical assistance (AOTA) projects that the Bank had financed as of end-1995. The AOTAs covered a wide range of sectors and subsectors and 32 recipient agencies. The study found that the AOTAs were effective in providing policy advice through studies, manuals, legislation, and development plans. However, the impact in terms of sustainable institutional development was less apparent, as the process is complex and time-consuming. The study emphasized the need to improve the monitoring of the implementation of technical assistance recommendations and to develop a strategic thematic focus for technical assistance operations in the country. The study also found that in some technical assistance projects, where government ownership was inadequate, the quality of technical assistance provided suffered.

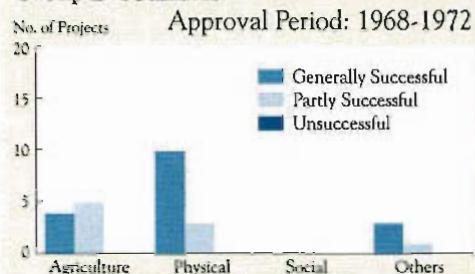
All 18 AOTAs funded by the Bank in Vanuatu as of 31 December 1995 were reviewed. The study revealed that such AOTAs contributed to the design and implementation of organizational and financial information systems in the country. They also helped enhance the policy formulation capacity of the Government and strengthen its legal framework and development/enforcement capacity. However the AOTAs in Vanuatu were also constrained by the limited supply of experienced counterparts and trainees; the relative ineffectiveness of the implementation approaches adopted; limited local commitment to AOTAs; and infrequent supervision by the Bank. The study demonstrated that the high quality of technical input is a necessary but not sufficient condition of AOTA effectiveness. Among other things, AOTAs to Vanuatu, as to other DMCs, must factor in sociological conditions, be technologically appropriate, and have local acceptance.

Recently, the Bank took a number of initiatives to address some of the issues cited in the Indonesia study such as (i) the identification of priority sectors for institutional development and key agencies for organizational development, and (ii) a wide-ranging review of technical assistance operations. A number of recommendations have been made to introduce rigor in technical assistance identification, processing, and design; and improve implementation processes and training in the technical assistance projects as well as their supervision and evaluation.

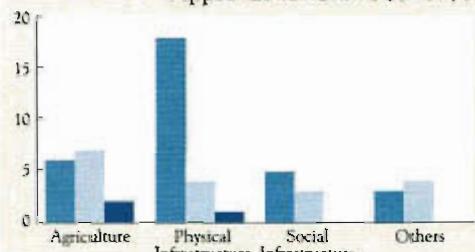
Strengthening the Postevaluation Capability of DMCs

In 1996, PEO administered a study aimed at enhancing the evaluation capacity in Thailand. It focuses on strengthening the evaluation programs of the Office of the Auditor General and assisting the National Economic and Social Development Board in formulating a system for monitoring and evaluating the performance of the Eighth National Economic and Social Development Plan. The development of new performance indicators covering the performance, effectiveness, and impacts of seven basic strategies designed to achieve 12 specific targets of the Eighth Plan is required. The activity comprises extensive data generation at different levels and in various sectors, primarily the social infrastructure sector. As part of the technical assistance, a seminar was organized to present the preliminary findings and recommendations of the study. Key indicators for health, education, family life, economic welfare, inequity and poverty, working life, and regional development have already been identified. Furthermore, preliminary key

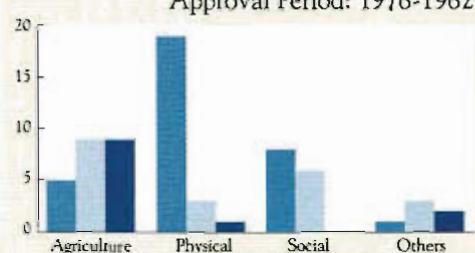
Performance of Postevaluated Projects, by Sector and Approval Period: Group B Countries



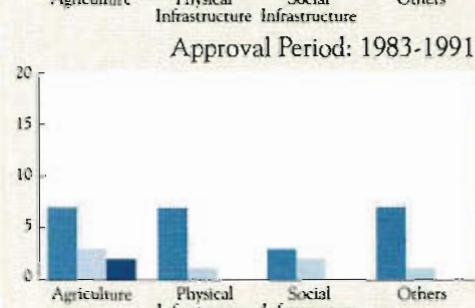
Approval Period: 1968-1972



Approval Period: 1973-1977



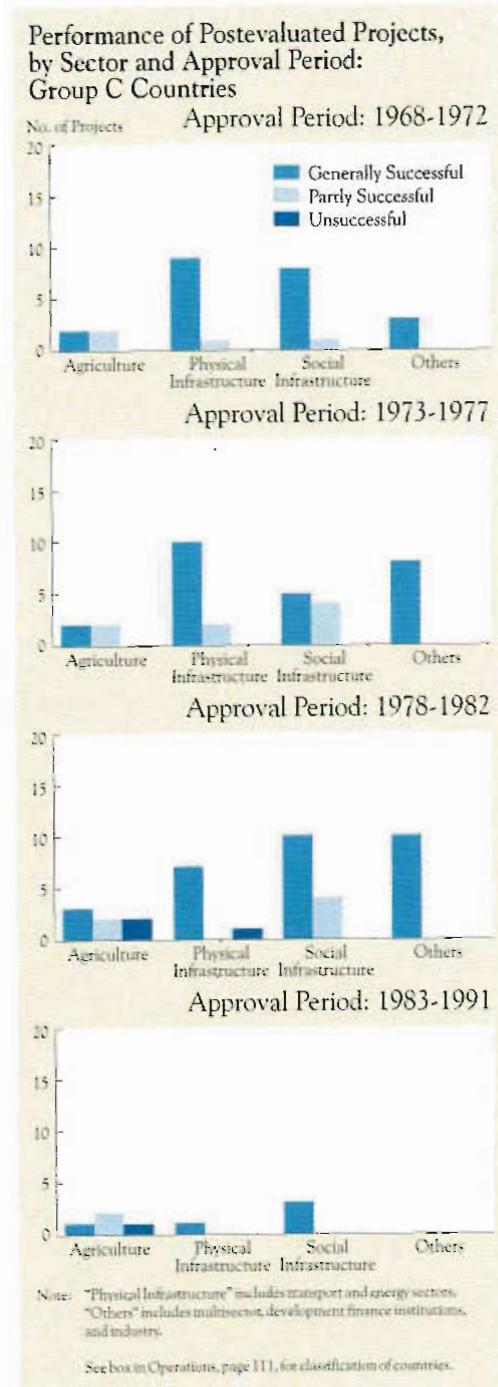
Approval Period: 1978-1982



Approval Period: 1983-1991

Note: "Physical Infrastructure" includes transport and energy sectors.
"Others" includes multisector, development finance institutions, and industry.

See box in Operations, page 111, for classification of countries.



indicators for economic competitiveness, natural resources and environment, and governance have been prepared.

Feedback of Postevaluation Findings

Efforts continued during the year to enhance effectiveness of the feedback system within the Bank to facilitate the application of lessons learned to improve new as well as ongoing projects and development activities. The computerized postevaluation information system, which was redesigned in 1995, was made operational in 1996. The system provides all Bank staff concerned with a facility to view online inquiries or to print reports on basic project data and data contained in project completion reports, project performance audit reports, technical assistance completion reports, technical assistance performance audit reports, reevaluation reports as well as impact evaluation studies, special studies, and country/sector syntheses. Briefings for the operations departments were conducted to generate comments on making the system more user-friendly. The system expedites the dissemination of postevaluation findings and lessons learned to the staff of the operations departments. This was supplemented by the circulation of the Fifteenth Report of Postevaluation Abstracts, Eighteenth Annual Review of Postevaluation Report, two country syntheses of postevaluation findings (Myanmar and the Philippines), and three sector syntheses of postevaluation findings (porrs and shipping, roads and road transport, and industrial crops and natural resources).

Through close interaction with the various departments and offices, PEO prepared an Action Plan which reflects a number of initiatives already under way by different departments and offices. The Plan covered seven key issues: (i) capacity building; (ii) benefit monitoring and evaluation; (iii) project administration; (iv) implementation delays; (v) cost recovery, operation and maintenance, and sustainability; (vi) effectiveness of project preparatory technical assistance; and (vii) follow-up action on project completion report/project performance audit report recommendations.

Annual Performance Evaluation Program

One of the recommendations of the Task Force on Improving Project Quality (TFIPQ) was that the Bank should prepare each year a comprehensive Annual Performance Evaluation Program (APEP) to bring together the activities of various departments and offices as they relate to project performance. The 1996 APEP report presents a review of the 1995 program of activities provided in the 1995 APEP and the program of activities planned for 1996. The APEP covers project/program and technical assistance supervision and monitoring activities; the programs for project/program completion reports and technical assistance completion reports; economic and sector work; country operational programs; country projects' reviews; the postevaluation program; and the review of related performance.

The 1996 APEP concluded that the institutional mechanism for generating feedback in the Bank is fairly comprehensive and well developed. Also, there has been growing awareness, appreciation, and use of the feedback process among Bank staff, as well as by some DMCs. Nevertheless, the scope for improving the feedback mechanism was identified at various stages of

the project cycle. Also, there were some questions and comments concerning the level of resources made available in 1995 to strengthen project and technical assistance supervision activities in line with the recommendations of the TFIPQ. Therefore, the budgeting process needs to be more closely integrated with the various "change" initiatives of the Bank. The APEP could help minimize the impact of tighter resource constraints by identifying weaknesses in the feedback process and proposing corrective measures on a timely basis.

Regional Conference

Against the background of generally positive experience of project implementation in the PRC since its membership in the Bank in 1986, PEO undertook a study on project planning and management in the PRC in 1996. The findings of the study were first discussed at a workshop conducted in Beijing which was attended by project implementing agencies from various provinces in the country. Subsequently, a regional conference attended by senior officials from 15 DMCs was organized by the Bank in Shanghai to consider the study's results.

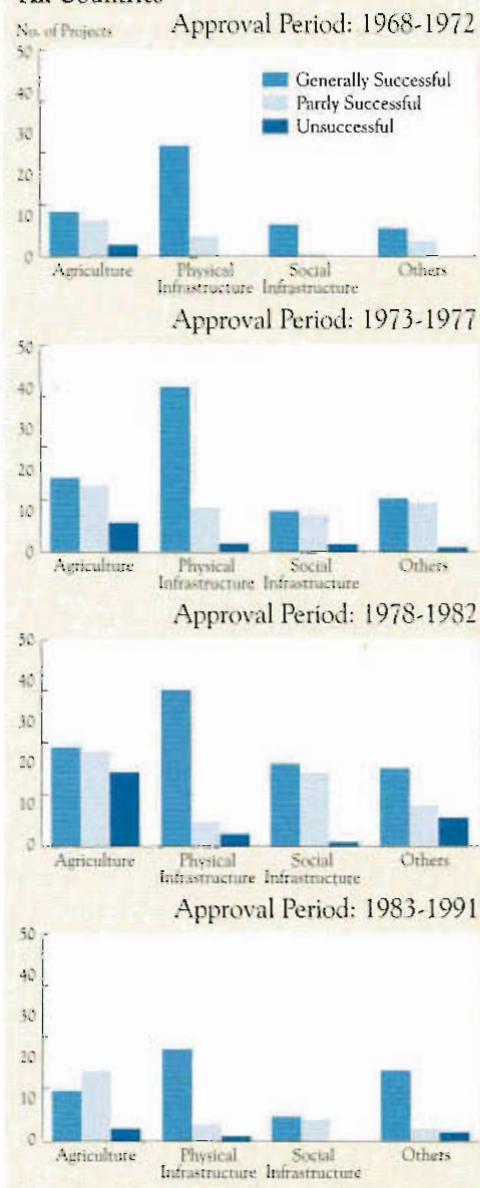
The regional conference was seen by the DMC participants as an important element of the Bank's support for increased regional cooperation. The deliberations included (i) an overview of the PRC's economic achievement, development strategy, and investment management system; (ii) planning and management of Bank-financed projects in the PRC; (iii) special features of project planning and implementation experience in the PRC; (iv) strengths of the PRC's project planning and management efforts, and their relevance to other DMCs at various stages of the project cycle; and (v) emerging problems in the PRC's project management and corrective measures under consideration.

Despite the unique features of the PRC's development planning and management systems, there are many areas from which lessons can be learned by DMCs with some adaptations. The key good practices that could be followed include (i) improving "quality of project at entry" through a participatory approach in project preparation; (ii) ensuring that projects reflect sector objectives within the context of the national plan and firm financing packages; (iii) introducing a strong and structured system of project supervision, and ensuring continuity of key technical and administrative project staff during the period of implementation; (iv) strengthening the system of local government with devolution of authority and access to resources in the preparation and implementation of projects; and (v) establishing a system of evaluation of completed projects to monitor benefits and sustainability. In discussing some general issues relating to the development process, the conference highlighted the importance of human resource planning and the need to promote domestic private and foreign investments to supplement government efforts to accelerate the rate of economic growth in DMCs.

Interagency Cooperation

The Bank maintained close coordination with multilateral and bilateral aid agencies on postevaluation activities through the Expert Group on Aid

Performance of Postevaluated Projects,
by Sector and Approval Period:
All Countries



Notes: "Physical Infrastructure" includes transport and energy sectors.
"Others" includes multisector, development finance institutions, and industry.

See box in Operations, page 111, for classification of countries.

Evaluation of the Development Assistance Committee of the Organization for Economic Cooperation and Development. This has promoted professional contact and interaction among agencies in areas relating to evaluation policy, classification system, methodology and feedback, and the sharing of information on postevaluation results and findings.

PEO, as the Bank's representative to the meetings of the Heads of the Evaluation Units of the Multilateral Development Banks (MDBs), was actively involved in the formalization of the Evaluation Cooperation Group (ECG) in 1996. The purpose of the ECG is to increase deliberately efforts and means to cooperate with the aim of (i) strengthening the use of evaluation for greater MDB effectiveness and accountability; (ii) sharing lessons from MDB evaluations and contributing to their dissemination; (iii) harmonizing performance indicators, evaluation methodologies, and approaches; (iv) enhancing evaluation professionalism within the MDBs; (v) facilitating the involvement of borrowing member countries in evaluation, and promoting their evaluation capacity; and (vi) collaborating with the heads of evaluation units of bilateral and other multilateral development organizations.

Internal Audit

The Bank's internal audit function conducts periodic, independent, and objective appraisals of Bank activities to ascertain the adequacy and effectiveness of controls, and to identify means of improving economy and efficiency in the use of resources in carrying out the Bank's development mission. The internal audit function reports directly to the President. Its activities are reviewed by the Audit Committee of the Board.

Its activities during the year included conducting a formal internal review of its audit procedures and practices to ensure compliance with international auditing standards, as promulgated by the Institute of Internal Auditors, US; making recommendations which led to improvements in financial planning, more efficient procedures for managing depository accounts, and more effective controls over loan disbursements; and making recommendations for strengthening staff accountability in the administrative services bidding process.

To gain a better understanding of the Bank's operations in the field and thereby enable the formulation of more practical and effective recommendations for the programs and projects departments in complying with the Bank's accountability requirements, and formulating the Bank's project administration policies and procedures, the Bank's internal audit function undertook audit missions to Pakistan and India and reviewed selected projects. It also identified opportunities for improving the efficiency and effectiveness of project-related procurement activities and the timeliness of submission of audited financial statements by borrowers.

Other activities of the Bank's internal audit function included (i) providing an audit perspective to a number of Bankwide projects, including the development of an information systems strategy and reviews of business processes; and (ii) providing reviews of new computerized systems to ensure their effectiveness and efficiency, as well as the presence of adequate controls to protect data integrity and reduce the risk of loss.

In addition, the internal audit function participated in an advisory capacity in the technical assistance projects provided by the Bank to Cambodia and the Maldives during 1996 to help these DMCs strengthen their governmental audit function.

It also helped to ensure the reasonableness of the cost of consulting services incurred by the Bank for technical assistance projects. Furthermore, it provided advice to resolve issues resulting from the audits of related consultants contracts.

The Bank's internal audit function also provides integrated assistance to its outside auditors in carrying out the procedures that lead to their formulation of an opinion on the Bank's financial statements. This assistance takes the form of updating internal control questionnaires, examining selected financial transactions, preparing confirmation letters, and providing random samples of financial data.

In 1996, the Bank undertook a competitive bidding process to select outside auditors. As a result, Price Waterhouse (International Firm) was selected as the Bank's new outside auditors for the years 1997 through 2000.



Construction workers in Mongolia work on a portion of the Ulaanbaatar Airport, a project for which the Bank provided a \$36 million loan from the Asian Development Fund, approved in 1993.

Administration

THE EFFECTIVE and sustained achievement of the Bank's five strategic objectives requires a highly skilled, productive, and motivated staff force. It is in this context that the Bank undertook a comprehensive review of its policies and strategies related to human resource management, which included approval of the Human Resource Strategy. Other significant developments in administration in 1996 included introduction of the External Assignment Program, initiation of Staff Study Tours, opening of two representative offices, approval of two resident missions, and completion of the Local Area Network (LAN).

Human Resource Management and Development

In July 1996, the Board approved the Bank's Human Resource Strategy, which outlines the Bank's strategic objectives with regard to managing its staff resources. These include the need to strengthen staff competencies, to enhance work unit and staff productivity, and to promote staff morale and professional growth, all with a view to supporting the more effective achievement of the Bank's operating goals and objectives.

The year also saw the initiation of a number of new staff development programs focusing on areas of increasing operational significance, including sector analysis and strategy development, good governance and capacity building, environment and social analyses, and policy analysis and reform. Other new staff development programs introduced were the External Assignment Program, which supports the assignment of Bank staff to developing member country (DMC) development agencies (including nongovernmental organizations) and other international development institutions to gain new skills and perspectives considered strategically important to the Bank. Also, Staff Study Tours to projects supported by other development agencies were initiated. Staff leave for extended study purposes was expanded to cover supporting staff acquiring additional and operationally relevant qualifications. In general, there has been an extensive emphasis on promoting staff learning, given the dynamic and constantly changing environment in which the Bank is operating.

During the year, the Bank also made extensive investment in its Manager Development Program and Mission Leader Program. Both programs target staff groups who are at the forefront of delivering the Bank's products and services to DMCs and whose skills must, therefore, be continually refined and enhanced to meet the Bank's objectives.

At the end of 1996, the Bank had a total staff of 1,939 coming from 44 of its 56 member countries. The total comprised 653 professional staff¹ and 1,286 supporting staff. During the year, there were 75 appointments and 64 terminations of professional staff, while 102 supporting staff joined the

¹ Includes Management, i.e., the President and Vice-Presidents, but excludes Directors' Assistants.



ADB staff are provided with a variety of development opportunities, such as this computer training class at the Bank's Headquarters, Manila.

Bank, and 94 left. There was a 26% increase in the number of women professional staff: from 79 in 1995 to 100 at the end of 1996.

Compensation and Benefits

A comprehensive review of the professional staff salary policy and structure was completed in 1996. Based on the review, the following policy parameters were approved: continuation of the market-based approach for determination of professional staff salary; use of the World Bank salary structure, which is based on a survey of the salary movements of public and private sector organizations in France, Germany, and United States as a basis for the Bank's market-based approach; consideration of salary changes in selected Asian comparators; and increasing the relativities of the senior staff salary ranges from 95% to 97.5% of comparable World Bank salary ranges.

Based on the new policy, the Bank's professional staff salary structure was increased, on the average, by 4.7% and an overall pay increase of 7% was approved effective 1 May 1996. For Headquarters-based supporting staff, based on a survey of salary movements in comparator organizations in the Philippines, an increase in the salary structure by 10.6% and an overall pay increase of 11.8% was approved effective 1 April 1996.

An allocation of \$25 million was approved for a new housing purchase loan scheme to enable eligible professional staff to purchase their own residential accommodation starting from January 1997. To take into account market trends, a new rental subsidy scheme was introduced to take effect from January 1997. The current rental subsidy scheme was also revised. The leave scheme was enhanced with the introduction of family leave and the streamlining of procedures for leave administration.

Revisions to the staff retirement plan were approved in 1996. The revisions include an increase in the pension accrual rate for pensioners who retired prior to October 1987, the introduction of a dual-currency option for payment of pensions, and a change in the methodology for determining the conversion rate for the currency option from a 60-month to an inflation-adjusted career average, subject to a maximum of 15 years.

Opening of Representative Offices and Resident Missions

Through its representative offices and resident missions, the Bank achieves strengthened representation in donor countries and a broader and more direct access to the Bank's various constituencies. To this end, the Bank opened two representative offices and approved operations in two resident missions in 1996.

The Japanese Representative Office (JRO) in Tokyo, Japan, which was opened in November, will have an important role to play in strengthening the Bank's resource mobilization efforts in Japan by promoting cofinancing with official and commercial sources. The JRO will also be a focal point for disseminating information about the Bank and its activities, advancing the knowledge of the private sector/business community in Japan concerning trends and opportunities in the Asian and Pacific region; strengthening relations between the Bank and multilateral and bilateral institutions/

organizations located in Japan; enhancing public awareness in Japan of the Bank's role and mission; and cooperating with financial institutions for purposes of enhanced resource mobilization. The JRO is the Bank's second representative office in a donor country, the first being the North American Representative Office, opened last year in Washington, DC.

The third office, the European Representative Office in Frankfurt, Germany, which was opened in December, will enhance public awareness about the Bank among its 14 European member countries. It will also assist in the Bank's resource mobilization efforts by promoting cofinancing with official and private sources.

The Bank's resident mission in Phnom Penh, Cambodia, approved in 1996, will help both the Government and the Bank to meet their objectives of reducing poverty, and improving and protecting the environment. In addition, the Mission will facilitate coordination with other donor agencies, assist with activities related to country programming and processing of new loans, provide a suitable local perspective to project design, and improve "quality at entry."

The resident mission in Hanoi, Viet Nam, also approved in 1996, will enhance the working relationship between the Bank and the Government, and facilitate project implementation. The Bank's emphases on policy reform and institutional development, infrastructure development, rural development, human development, and environment and natural resource management will be strengthened as well.

With its resident missions in Cambodia and Viet Nam, the Bank will have seven resident missions, as well as one regional mission and three representative offices.

Information Technology Program

The existing Information Technology Strategy was developed to support the Bank's *Medium-Term Strategic Framework*. It provides for the implementation of cost-effective and efficient information and office automation systems; establishment and enhancement of an Information Technology infrastructure to facilitate information flow; improvement of communication and coordination among departments and the enhancement of operational capacity; and provision of effective end-user support in the proper and efficient use of computer systems. A review of the Strategy has been done and a new Information Systems Strategy has been initiated to build on the current infrastructure as the needs of the Bank evolve.

During the year, implementation of LAN in each of the Bank's resident missions and representative offices was completed for connection to the Bank's enterprise network. This is a significant milestone in the Bank's Information Technology program. It is also significant in support of the recommendation of the Task Force for Improving Project Quality (TFIPQ) for continued delegation of project administration responsibilities to the resident missions and representative offices. The LAN provides resident mission and representative office staff with the ability to share information, use electronic mail, improve external communications through *Internet* access, and access information and electronic documents stored at the Bank's Headquarters. Resident mission and representative office staff have real-time access to mainframe

applications to view project status and related information. The Resident Mission Accounting System, which replaced the manual system, was implemented in the India and Indonesia Resident Missions and in the South Pacific Regional Mission.

Also in 1996, full Internet access and Intranet facilities were extended to additional staff to provide improved communications with external organizations and individuals. The World Wide Web provides a cost-effective means for advertising and sharing useful economic data. In addition, new information was made available on the ADB Home Page, including ADB employment information, Expression of Interest Forms for Technical Assistance, Law and Development, and a Listing of Environmental Impact Assessments. Intranet prototypes were made available in the following areas: Learning Opportunities for Staff, Statistical Data of Developing Member Countries, Security and Safety Manual, and a Home Page for PRC Operations.

New applications development included implementation of a new client/server Postevaluation Information System and a Service Contract Administration System. The Loan Financial Information System was enhanced to accomplish the new local-cost financing reporting scheme, and Project Administration Committee Notes were made available on Lotus Notes. Implementation of the Bank Account Reconciliation System and Financial Futures System was completed. The Country Program Review subsystem of the Strategic Management Information System was also completed. The Benefits Administration System, Staff Retirement System, and Administrative Expense System were enhanced to accomplish the changes in the Housing Assistance Scheme and the new multicurrency payment scheme for retirement pension. The maintenance of most mainframe-based systems was outsourced, as was the development of two new systems.

Groupware applications continued to be developed for Bankwide and department-specific needs. Bankwide applications developed include the Operations Manual and Guidelines on Operational Procedures, Compendium of Staff Instructions, SOCD (Social Development) Handbook, Learning Resource Center materials, and recent library acquisitions. Department-specific applications developed include the Accounting Manual for Controllers, Strategic Planning Office Staff Resource Management, Provisional Board Calendar Discussions, Personnel Issues, Tracking System for Human Resources, a Catalog of Technical Assistance Reports, a Security Issues Database for Administrative Services, and Individual Consultant Resumé for Central Operations Services Office.

Administrative Services

In line with the Bank's thrust for economy and efficiency, several measures were adopted during the year to rationalize the Bank's administrative services and enhance their cost-effectiveness. These services cover a wide range of functions and are geared to support the Bank's strategy and operations.

Initiatives in the administrative area include computerization of various work processes. The computerized Printing Management Information System was developed and implemented to better manage in-house printing

operations to provide efficient, reliable, and cost-effective printing services. The shift from traditional information delivery to an electronic delivery system in the Library continued as new services were introduced Bankwide. The Library's catalog and various other library acquisitions can now be accessed by Bank personnel from their desktop computers. Work processes related to the procurement of services were improved with the development and implementation of the computerized Service Contracts Administration System. To improve the quality of service and the control and monitoring of the large number of shipments of the Bank and its staff, work on developing a computerized Shipment Monitoring System was initiated in 1996. To eliminate repetitive and time-consuming tasks in existing arrangements for issuance of office supplies, the first of three phases of the stockless office supplies scheme, i.e., Automatic Requisitioning Procedures, was implemented.

A new international telecommunications hub was established in Washington, DC, and leased circuits to several resident missions and representative offices were upgraded, resulting in improved quality of communications and cost reductions in telephone and fax services. The Bank's energy conservation project continued to be implemented, resulting in enhanced energy efficiency and significant savings in energy costs.

During the year, the Government of the Philippines exempted expatriate spouses of Bank staff from obtaining work permits to undertake local employment. This has added to the country's pool of qualified personnel, and avoided displacement of expatriate spouses.

Budget

Internal Administrative Expenses (IAE) for 1996 amounted to \$183.640 million, against the original budget of \$189.881 million. The IAE Budget for 1997 of \$199.497 million (*summarized in Appendix 4*) represents an increase of \$15.857 million over the actual expenses of \$183.640 million incurred in 1996. The increase is mainly due to provisions for anticipated price changes, increased expenses for the 30th Annual Meeting of the Board of Governors in Japan in 1997, higher requirements for staff development, full-year administrative expenses of operating the newly established representative offices and resident missions, and the usual provision for general contingency.

Reorganization of Controller's Department's Disbursement Activities

A reorganization of the Disbursement Divisions (East and West) in the Controller's Department was approved in 1996 and made effective on 1 January 1997. The purpose of realignment of disbursement activities is to increase efficiency, expedite response time, achieve staff savings, and provide better support to borrowing member countries as well as Bank's operations departments. These objectives will be achieved through the following: (i) in this country-focused setup, each unit will handle disbursements for technical assistance, public and private sector loans, as well as cofinancing loans in one or more member countries; (ii) the approving authority of a single officer for loan vouchers will be increased from \$200,000 to \$5 million and the approving authority of a technical

assistant for technical assistance vouchers will be increased from \$2,000 to \$10,000; and (iii) the supervisory layer (Section Chiefs) between the Unit Officers and Assistant Controller will be removed. Overall, these changes will lead to a flat but more focused and efficient organizational setup for the disbursement functions of the Bank.

Financial Statements and Independent Auditors' Reports

I.	Ordinary Capital Resources (OCR)	
	Independent Auditors' Report	193
OCR-1	Balance Sheet, 31 December 1996 and 31 December 1995	194
OCR-2	Statement of Income and Expenses for the Years Ended 31 December 1996 and 31 December 1995	196
OCR-3	Statement of Cash Flows for the Years Ended 31 December 1996 and 31 December 1995	197
OCR-4	Statement of Changes in Capital and Reserves for the Years Ended 31 December 1996 and 31 December 1995	198
OCR-5	Summary Statement of Loans, 31 December 1996 and 31 December 1995	200
OCR-6	Summary Statement of Borrowings, 31 December 1996 and 31 December 1995	202
OCR-7	Statement of Subscriptions to Capital Stock and Voting Power, 31 December 1996	204
OCR-8	Notes to Financial Statements, 31 December 1996 and 31 December 1995	206
II.	Special Funds Resources	
	Asian Development Fund (ADF)	
	Independent Auditors' Report	221
ADF-1	Balance Sheet, 31 December 1996 and 31 December 1995	223
ADF-2	Statement of Operations and Accumulated Surplus for the Years Ended 31 December 1996 and 31 December 1995	224
ADF-3	Statement of Cash Flows for the Years Ended 31 December 1996 and 31 December 1995	225
ADF-4	Summary Statement of Loans, 31 December 1996 and 31 December 1995	226
ADF-5	Statement of Resources, 31 December 1996	228
ADF-6	Notes to Financial Statements, 31 December 1996 and 31 December 1995	229
	Technical Assistance Special Fund (TASF)	
	Independent Auditors' Report	234
TASF-1	Statement of Financial Position, 31 December 1996 and 31 December 1995	235
TASF-2	Statement of Activities and Changes in Net Assets for the Years Ended 31 December 1996 and 31 December 1995	236
TASF-3	Statement of Cash Flows for the Years Ended 31 December 1996 and 31 December 1995	237
TASF-4	Statement of Resources, 31 December 1996	238
TASF-5	Summary Statement of Services to Member Countries for the Year Ended 31 December 1996.	239
TASF-6	Notes to Financial Statements, 31 December 1996 and 31 December 1995	240
	Japan Special Fund (JSF)	
	Independent Auditors' Report	243
JSF-1	Statement of Financial Position, 31 December 1996 and 31 December 1995	244
JSF-2	Statement of Activities and Changes in Net Assets for the Years Ended 31 December 1996 and 31 December 1995	245
JSF-3	Statement of Cash Flows for the Years Ended 31 December 1996 and 31 December 1995	246
JSF-4	Notes to Financial Statements, 31 December 1996 and 31 December 1995	247

Deloitte & Touche LLP



San Francisco, California

INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

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

- OCR-1 Balance Sheet, 31 December 1996 and 31 December 1995
- OCR-2 Statement of Income and Expenses for the Years Ended
31 December 1996 and 31 December 1995
- OCR-3 Statement of Cash Flows for the Years Ended
31 December 1996 and 31 December 1995
- OCR-4 Statement of Changes in Capital and Reserves for the Years Ended
31 December 1996 and 31 December 1995
- OCR-5 Summary Statement of Loans, 31 December 1996 and
31 December 1995
- OCR-6 Summary Statement of Borrowings, 31 December 1996 and
31 December 1995
- OCR-7 Statement of Subscriptions to Capital Stock and Voting Power,
31 December 1996
- OCR-8 Notes to Financial Statements, 31 December 1996 and
31 December 1995

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank – Ordinary Capital Resources at 31 December 1996 and 31 December 1995 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte + Touche LLP

19 February 1997

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

BALANCE SHEET

31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

A S S E T S			
	1996		1995
DUE FROM BANKS (Notes B and C)	\$ 94,145		\$ 84,414
INVESTMENTS (Notes B, C, D and J)			
Government and government-guaranteed obligations	\$ 2,624,749		\$ 2,502,675
Time deposits and other obligations of banks	<u>3,707,706</u>	6,332,455	<u>3,565,862</u>
			6,068,537
LOANS OUTSTANDING (OCR-5) (Notes A, B and E)			
Members and guaranteed by members	15,733,776		17,131,900
Private sector	<u>375,153</u>		<u>398,201</u>
Less – allowance for possible losses	16,108,929		17,530,101
	<u>38,544</u>	16,070,385	<u>38,540</u>
			17,491,561
EQUITY INVESTMENTS (Notes A, B and F)	246,700		184,279
Less – allowance for possible losses	<u>16,292</u>	230,408	<u>20,496</u>
			163,783
ACCRUED INCOME			
On investments	114,190		133,685
On loans	<u>249,732</u>	363,922	<u>286,772</u>
			420,457
RECEIVABLE FROM MEMBERS			
Non-negotiable, non-interest-bearing demand obligations (Notes C and I)	364,343		325,147
Amounts required to maintain value of currency holdings (Note I)	5,603		4,552
Subscription instalments (Note I)	<u>2,107</u>	372,053	<u>2,144</u>
			331,843
OTHER ASSETS			
Receivable from currency swaps (Note H)	4,881,018		4,476,938
Notional amounts required to maintain value of currency holdings (Note I)	605,000		652,799
Property, furniture and equipment (Notes B and G)	174,210		180,266
Unamortised issuance costs of borrowings	69,272		83,592
Miscellaneous (Note L)	<u>75,562</u>	5,805,062	<u>79,166</u>
			5,472,761
TOTALS		\$29,268,430	\$30,033,356

See notes to financial statements (OCR-8).

LIABILITIES, CAPITAL AND RESERVES

	1996	1995
BORROWINGS (OCR-6) (Note H)	\$13,663,770	\$14,598,850
ACCRUED INTEREST ON BORROWINGS	319,007	356,757
ACCOUNTS PAYABLE AND OTHER LIABILITIES		
Payable for currency swaps (Note H)	\$ 5,238,762	\$ 5,358,182
Notional amounts required to maintain value of currency holdings (Note I)	243,882	334,610
Payable to Technical Assistance Special Fund (Note J)	-	118
Advance payments on subscriptions (Note I)	4,312	667
Miscellaneous (Note G)	<u>133,047</u>	<u>5,620,003</u>
	<u>133,047</u>	<u>5,620,003</u>
	<u>112,539</u>	<u>5,806,116</u>
CAPITAL AND RESERVES (OCR-4)		
Capital Stock (OCR-7) (Notes B and I)		
Authorized (SDR 34,909,940,000 - 1996 and 1995)		
Subscribed (SDR 34,397,990,000 - 1996, SDR 28,979,560,000 - 1995)	49,367,995	43,077,826
Less - "callable" shares subscribed	<u>45,895,773</u>	<u>39,642,563</u>
"Paid-in" shares subscribed	3,472,222	3,435,263
Less - subscription instalments not due	<u>382,172</u>	<u>337,110</u>
Subscription instalments matured	3,090,050	3,098,153
Less - capital transferred to the Asian Development Fund (Note I)	<u>68,329</u>	<u>70,771</u>
	<u>3,021,721</u>	<u>3,027,382</u>
Unrealized investment holding gains (Notes B, D and F)	60,622	26,169
Accumulated translation adjustments (Note B)	80,432	306,651
Ordinary Reserve (Note J)	5,522,677	5,003,274
Special Reserve (Note J)	178,553	178,112
Surplus (Note J)	230,000	70,000
Net income after allocations and appropriations (OCR-2) (Note J)	<u>571,645</u>	<u>9,665,650</u>
	<u>571,645</u>	<u>9,665,650</u>
	<u>660,045</u>	<u>9,271,633</u>
TOTALS	\$29,268,430	\$30,033,356

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

	1996	1995
INCOME (Note K)		
From loans (Notes B and E)		
Interest	\$1,118,920	\$1,263,909
Commitment charge	47,929	47,430
Other	<u>3,130</u>	<u>1,489</u>
	<u>\$1,169,979</u>	<u>\$1,312,828</u>
From investments (Notes B and D)		
Interest	338,763	372,140
Net gain on sales	<u>21,050</u>	<u>46,538</u>
	<u>359,813</u>	<u>418,678</u>
From other sources - net	<u>31,871</u>	<u>13,824</u>
TOTAL INCOME	\$1,561,663	\$1,745,330
EXPENSES (Note K)		
Interest and other financial expenses	877,846	962,641
Administrative expenses (Notes M and N)	108,793	108,303
Provision for losses (Notes B, E and F)	<u>2,938</u>	<u>13,946</u>
TOTAL EXPENSES	<u>989,577</u>	<u>1,084,890</u>
NET INCOME	572,086	660,440
APPROPRIATION OF GUARANTEE FEES		
TO SPECIAL RESERVE (Note J)	(441)	(395)
NET INCOME AFTER APPROPRIATION OF GUARANTEE FEES TO SPECIAL RESERVE	\$ 571,645	\$ 660,045

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on loans received	\$ 958,594	\$ 1,109,918
Interest on investments received	352,662	281,710
Interest and other financial expenses paid	(825,635)	(893,739)
Administrative expenses paid	(156,966)	(165,111)
Other - net	29,352	(37,165)
Net Cash Provided by Operating Activities	<u>358,007</u>	<u>295,613</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash withdrawn from (invested in)		
time deposits and other obligations of banks	(201,039)	436,800
Sales of investment securities	6,538,807	8,178,766
Maturities of investment securities	15,695,021	16,526,317
Purchases of investment securities	(22,414,503)	(25,252,692)
Principal collected on loans	2,347,776	1,350,889
Loans disbursed	(2,340,463)	(2,222,273)
Property, furniture and equipment acquired	(2,737)	(2,309)
Purchases of equity investments - net	(19,319)	(57,740)
Net Cash Used in Investing Activities	<u>(396,457)</u>	<u>(1,042,242)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds of new borrowings	683,077	2,445,546
Bonds purchased for redemption and borrowings redeemed	(632,192)	(1,566,370)
Matured capital subscriptions collected ¹	28,055	22,497
Issuance expenses paid	(6,051)	(5,860)
Demand obligations of members encashed	6,007	3,931
Net currency swaps	(28,866)	(71,391)
Resources transferred to Technical Assistance Special Fund	-	(145,000)
Net Cash Provided by Financing Activities	<u>50,030</u>	<u>683,353</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(1,849)</u>	<u>226</u>
Net Increase (Decrease) in Due from Banks	<u>9,731</u>	<u>(63,050)</u>
Due from Banks at Beginning of the Year	<u>84,414</u>	<u>147,464</u>
Due from Banks at End of the Year	<u>\$ 94,145</u>	<u>\$ 84,414</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income	\$ 572,086	\$ 660,440
Adjustments to reconcile net income to net cash provided by operating activities:		
Accrued interest and other expenses	5,440	17,948
Accrued income including interest and commitment charges added to loans	(193,747)	(258,799)
Depreciation and amortisation	48,667	20,990
Net gain from sales of investments	(21,050)	(46,538)
Accrued administrative expenses	(3,356)	3,920
Non-cash reimbursement of administrative expenses	(58,194)	(84,710)
Provision for losses	(1,022)	13,946
Other - net	9,183	(31,584)
Net Cash Provided by Operating Activities	<u>\$ 358,007</u>	<u>\$ 295,613</u>

¹ In addition, non-negotiable, non-interest-bearing demand promissory notes amounting to \$59,692 (\$75,850 - 1995) were received from members.

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

For the Years Ended 31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

	Capital Stock	Unrealized Investment Holding Gains (Losses)	Accumulated Translation Adjustments	Ordinary Reserve	Special Reserve	Surplus	Net Income After Allocations and Appropriations	Totals
Balances –								
1 January 1995	\$2,913,814	\$(12,947)	\$235,186	\$4,650,255	\$177,717	\$	–	\$513,106
Change in SDR value of paid-in shares subscribed	65,822							65,822
Additional paid-in shares subscribed during the year	215,237							215,237
Change in subscription instalments not due	(166,223)							(166,223)
Change in SDR value of capital transferred to Asian Development Fund	(1,268)							(1,268)
Change in unrealized investment holding gains (Note D)	39,116							39,116
Change in accumulated translation adjustments	71,465							71,465
Allocation of 1994 net income to ordinary reserve (Note J)			362,106				(362,106)	–
Allocation of 1994 net income to Technical Assistance Special Fund (Note J)							(81,000)	(81,000)
Allocation of 1994 net income to surplus (Note J)				70,000			(70,000)	–
Charge to ordinary reserve for change in SDR value of capital stock (Note J)			(9,087)					(9,087)
Net income for the year 1995				395			660,045	660,440
Balances –								
31 December 1995 (Forward)	\$3,027,382	\$26,169	\$306,651	\$5,003,274	\$178,112	\$70,000	\$660,045	\$9,271,633

See notes to financial statements (OCR-8).

	Capital Stock	Unrealized Investment Holding Gains (Losses)	Accumulated Translation Adjustments	Ordinary Reserve	Special Reserve	Surplus	Net Income After Allocations and Appropriations	Totals
Balances -								
31 December 1995 (Forward)	\$3,027,382	\$26,169	\$306,651	\$5,003,274	\$178,112	\$70,000	\$660,045	\$9,271,633
Change in SDR value of paid-in shares subscribed		(91,145)					(91,145)	
Additional paid-in shares subscribed during the year	130,696						130,696	
Change in subscription instalments not due		(47,654)					(47,654)	
Change in SDR value of capital transferred to Asian Development Fund	2,442						2,442	
Change in unrealized investment holding gains (Notes D and F)		34,453					34,453	
Change in accumulated translation adjustments			(226,219)				(226,219)	
Allocation of 1995 net income to ordinary reserve (Note J)				500,045			(500,045)	-
Allocation of 1995 net income to surplus (Note J)					160,000		(160,000)	-
Credit to ordinary reserve for change in SDR value of capital stock (Note J)				19,358			19,358	
Net income for the year 1996					441		571,645	572,086
Balances -								
31 December 1996	\$3,021,721	\$60,622	\$80,432	\$5,522,677	\$178,553	\$230,000	\$571,645	\$9,665,650

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF LOANS

31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

Borrowers/Guarantors	Loans Outstanding ¹	Undisbursed Balances of Effective Loans ²	Loans Not Yet Effective	Total Loans	Per Cent of Total Loans
Bangladesh	\$ 457	\$ —	\$ 18,500	\$ 18,957	0.06
China, People's Rep. of	2,452,604	2,275,175	1,388,000	6,115,779	20.01
Fiji	56,446	3,316	—	59,762	0.20
India	2,626,729	2,256,165	538,000	5,420,894	17.74
Indonesia	4,463,456	3,755,506	377,300	8,596,262	28.13
Kazakstan	90,000	50,000	50,000	190,000	0.62
Korea, Rep. of	443,771	—	—	443,771	1.45
Malaysia	481,188	294,905	48,900	824,993	2.70
Myanmar	1,831	—	—	1,831	n.a. ³
Nepal	8,591	37,942	—	46,533	0.15
Pakistan	1,935,378	841,727	—	2,777,105	9.09
Papua New Guinea	128,052	41,553	—	169,605	0.55
Philippines	2,377,524	865,984	445,347	3,688,855	12.07
Thailand	1,042,902	906,815	180,000	2,129,717	6.97
Uzbekistan	—	—	50,000	50,000	0.16
Viet Nam	—	—	30,000	30,000	0.10
TOTALS – 31 December 1996	16,108,929	11,329,088	3,126,047	30,564,064	100.00
Allowance for possible losses	(38,544)			(38,544)	
NET BALANCES – 31 December 1996	<u>\$16,070,385</u>	<u>\$11,329,088</u>	<u>\$ 3,126,047</u>	<u>\$30,525,520</u>	
Made up of loans to:					
Members and guaranteed by members	\$ 15,733,776	\$ 11,198,142	\$ 3,020,047	\$ 29,951,965	
Private sector (net of allowance for possible losses)	336,609	130,946	106,000	573,555	
Net balances – 31 December 1996	<u>\$ 16,070,385</u>	<u>\$ 11,329,088</u>	<u>\$ 3,126,047</u>	<u>\$ 30,525,520</u>	
TOTALS – 31 December 1995	<u>\$ 17,530,101</u>	<u>\$ 10,362,225</u>	<u>\$ 3,534,600</u>	<u>\$ 31,426,926</u>	
Allowance for possible losses	(38,540)			(38,540)	
NET BALANCES – 31 December 1995	<u>\$17,491,561</u>	<u>\$10,362,225</u>	<u>\$3,534,600</u>	<u>\$31,388,386</u>	
Made up of loans to:					
Members and guaranteed by members	\$ 17,131,900	\$ 10,255,081	\$ 3,500,600	\$ 30,887,581	
Private sector (net of allowance for possible losses)	359,661	107,144	34,000	500,805	
Net balances – 31 December 1995	<u>\$ 17,491,561</u>	<u>\$ 10,362,225</u>	<u>\$ 3,534,600</u>	<u>\$ 31,388,386</u>	

¹ The interest rates charged on loans outstanding range from 5.97% per annum to 11.00% per annum on loans to governments or with government-guarantee and 6.32% per annum to 13.73% per annum for loans to the private sector. Amounts outstanding on loans made under the Pool-Based Variable Interest Rate System and market-based variable interest rate loans totalled \$13,696,832 (\$13,027,293 - 1995). The average interest yield on loans was 6.78% in 1996 (7.10% - 1995).

² Of the undisbursed balances, the Bank has made irrevocable commitments to disburse various amounts totalling \$897,182 (\$825,061 - 1995).

³ Below 0.01%.

See notes to financial statements (OCR-8).

 MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1997	\$ 964,794	2006	6,923,675
1998	1,078,839	2011	6,960,194
1999	1,138,697	2016	5,883,543
2000	1,242,912	2021	1,914,866
2001	1,330,497		
		Total	\$27,438,017

 SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1996	1995	Currency	1996	1995
Australian dollar	\$ 454	\$ 495	Netherlands guilder	888	1,862
Deutsche mark	96,464	196,006	New Zealand dollar	3,443	4,238
Japanese yen	10,209,305	11,733,073	Swiss franc	1,685,037	2,344,241
Malaysian ringgit	282	378	United States dollar	4,113,056	3,249,808
			Totals	\$16,108,929	\$17,530,101

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF BORROWINGS

31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

	Borrowings		Weighted Average Cost (%)
	Principal Outstanding ¹	1995	1996
	1996		
Austrian schilling	\$ 91,090	\$ 99,128	8.08
Canadian dollar	182,709	183,123	7.88
Deutsche mark	257,268	482,735	7.35
Hong Kong dollar	193,916	193,987	7.34
Japanese yen	5,813,586	6,495,925	5.41
Korean won	94,764	103,466	12.33
Netherlands guilder	457,640	389,865	7.20
New Taiwan dollar	349,205	95,280	6.13
Pound sterling	377,424	346,425	11.01
Swiss franc	1,261,428	1,559,091	6.38
United States dollar	4,617,842	4,687,463	7.59
Principal amounts outstanding	<u>13,696,872</u>	<u>14,636,488</u>	<u>6.63²</u>
Unamortised discounts and premiums	<u>(33,102)</u>	<u>(37,638)</u>	
TOTALS	\$13,663,770	\$14,598,850	

MATURITY STRUCTURE OF BORROWINGS OUTSTANDING

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1997	\$ 794,257	2006	7,704,518
1998	975,223	2011	664,578
1999	809,016	2016	394,438
2000	1,001,160		
2001	1,353,682		
		Total	<u>\$13,696,872</u>

¹ Includes zero coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings (in US dollar equivalents) are:

Currency	Aggregate Face Amounts		Discounted Values	
	1996	1995	1996	1995
Swiss franc	\$361,419	\$425,033	\$135,818	\$151,746
United States dollar	676,063	676,063	285,055	254,676

² The weighted average cost of borrowings outstanding at 31 December 1996 after adjustment for swap activities, was 5.96% (5.95% - 1995).

³ At 31 December 1996, the remaining duration of currency swap agreements ranged from one to ten years. Approximately 53.35% of the currency swap receivables and 50.85% of the payables are due from 31 December 2001 through 31 December 2006.

Currency Swap Arrangements⁴

Payable (Receivable)	1996	1995	Weighted Average Cost (Return) %	Net Currency Obligations	
				1996	1995
\$ (91,465)	\$ (99,347)		(8.08)	\$ (375)	\$ (219)
(181,349)	(181,596)		(7.88)	1,360	1,527
(257,225)	(278,985)		(7.35)	43	203,750
(193,916)	(193,987)		(7.34)	—	—
3,391,447	3,823,424		5.66 ⁴	9,118,826	10,319,349
(86,207)			(3.67)		
(94,764)	(103,466)		(12.33)	—	—
(445,183)	(249,089)		(7.17)	12,457	140,776
(348,698)	(95,280)		(6.13)	507	—
(210,703)	(193,315)		(10.21)	166,721	153,110
652,462	925,134		6.26	1,839,980	2,397,307
(73,910)	(86,918)		(5.81)		
1,194,853	609,624		5.52 ⁴	2,915,097	2,302,132
(2,897,598)	(2,994,955)		(7.43) ⁴		

INTEREST RATE SWAP ARRANGEMENTS⁵

	Notional Amounts	Receive	Average Rate (%)		
			Fixed	Pay	Maturing Through
Receive Fixed Swaps:					
Australian dollar ⁶	\$ 258,621	6.34	4.89		2001–2005
Deutsche mark ⁷	86,207	4.40	3.62		2010
Japanese yen	86,207	5.50		0.18	2004
United States dollar	300,000	6.75		5.74	1999–2004
Receive Floating Swaps:					
Japanese yen	495,689	2.30	4.88		1998–2004
Total	\$1,226,724				

⁴ Includes cost of related interest rate swap transaction.⁵ The interest rate swap information is based on interest rates at 31 December 1996. To the extent that interest rates change, variable interest rate information will change.⁶ Consists of a currency coupon swap with interest receivable in Australian dollar and interest payable in Japanese yen.⁷ Consists of a currency coupon swap with interest receivable in Deutsche mark and interest payable in Japanese yen.

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

31 December 1996

Expressed in Thousands of United States Dollars (Note B)

MEMBERS	SUBSCRIBED CAPITAL						VOTING POWER	
	Number of Shares	Per Cent of Total	Par Value of Shares			Number of Votes	Per Cent of Total	
			Total	Callable	Paid-in			
REGIONAL								
Afghanistan	1,195	0.035	\$ 17,151	\$ 11,668	\$ 5,482	16,551	0.385	
Australia	204,740	5.952	2,938,428	2,732,650	205,779	220,096	5.119	
Bangladesh	36,128	1.050	518,509	482,198	36,311	51,484	1.197	
Bhutan	220	0.006	3,157	2,827	330	15,576	0.362	
Cambodia	1,750	0.051	25,116	20,839	4,277	17,106	0.398	
China, People's Rep. of	228,000	6.628	3,272,256	3,043,040	229,216	243,356	5.660	
Cook Islands	94	0.003	1,349	1,263	86	15,450	0.359	
Fiji	2,406	0.070	34,531	32,105	2,425	17,762	0.413	
Hong Kong	19,270	0.560	276,563	257,188	19,375	34,626	0.805	
India	224,010	6.512	3,214,992	2,989,852	225,140	239,366	5.567	
Indonesia	192,700	5.602	2,765,630	2,571,965	193,666	208,056	4.839	
Japan	552,210	16.054	7,925,318	7,370,297	555,021	567,566	13.200	
Kazakstan	28,536	0.830	409,549	380,859	28,690	43,892	1.021	
Kiribati	142	0.004	2,038	1,894	144	15,498	0.360	
Korea, Rep. of	178,246	5.182	2,558,187	2,379,059	179,127	193,602	4.503	
Kyrgyz Republic	10,582	0.308	151,873	141,238	10,635	25,938	0.603	
Lao PDR	492	0.014	7,061	6,301	761	15,848	0.369	
Malaysia	96,350	2.801	1,382,815	1,285,968	96,847	111,706	2.598	
Maldives	142	0.004	2,038	1,894	144	15,498	0.360	
Marshall Islands	94	0.003	1,349	1,263	86	15,450	0.359	
Micronesia, Fed. States of	142	0.004	2,038	1,894	144	15,498	0.360	
Mongolia	532	0.015	7,635	7,104	531	15,888	0.370	
Myanmar	19,270	0.560	276,563	257,188	19,375	34,626	0.805	
Nauru	142	0.004	2,038	1,894	144	15,498	0.360	
Nepal	5,202	0.151	74,659	69,421	5,238	20,558	0.478	
New Zealand	54,340	1.580	779,888	725,278	54,609	69,696	1.621	
Pakistan	77,080	2.241	1,106,252	1,028,780	77,472	92,436	2.150	
Papua New Guinea	3,320	0.097	47,649	44,333	3,315	18,676	0.434	
Philippines	84,304	2.451	1,209,931	1,125,211	84,720	99,660	2.318	
Singapore	12,040	0.350	172,798	160,699	12,099	27,396	0.637	
Sokomon Islands	236	0.007	3,387	3,157	230	15,592	0.363	
Sri Lanka	20,520	0.597	294,503	273,879	20,624	35,876	0.834	
Taipei,China	38,540	1.120	553,126	514,404	38,722	53,896	1.253	
Thailand	48,174	1.400	691,393	642,970	48,424	63,530	1.478	
Tonga	142	0.004	2,038	1,894	144	15,498	0.360	
Tuvalu	50	0.001	718	660	57	15,406	0.358	
Uzbekistan	23,834	0.693	342,066	318,112	23,953	39,190	0.911	
Vanuatu	236	0.007	3,387	3,157	230	15,592	0.363	
Viet Nam	12,076	0.351	173,315	153,437	19,878	27,432	0.638	
Western Samoa	116	0.003	1,665	1,493	172	15,472	0.360	
Total Regional (Forward)	2,177,603	63.306	\$31,252,958	\$29,049,338	\$2,203,620	2,791,843	64.931	

MEMBERS	SUBSCRIBED CAPITAL					VOTING POWER	
	Number of Shares	Per Cent of Total	Par Value of Shares			Number of Votes	Per Cent of Total
			Total	Callable	Paid-in		
Total Regional (Forward)	2,177,603	63.306	\$31,252,958	\$29,049,338	\$2,203,620	2,791,843	64.931
NONREGIONAL							
Austria	12,040	0.350	172,798	160,699	12,099	27,396	0.637
Belgium	12,040	0.350	172,798	160,699	12,099	27,396	0.637
Canada	185,086	5.381	2,656,354	2,470,338	186,016	200,442	4.662
Denmark	12,040	0.350	172,798	160,699	12,099	27,396	0.637
Finland	12,040	0.350	172,798	160,699	12,099	27,396	0.637
France	82,356	2.394	1,181,973	1,099,191	82,782	97,712	2.273
Germany	153,068	4.450	2,196,832	2,042,978	153,853	168,424	3.917
Italy	63,950	1.859	917,810	853,528	64,283	79,306	1.844
Netherlands	36,294	1.055	520,891	484,423	36,468	51,650	1.201
Norway	12,040	0.350	172,798	160,699	12,099	27,396	0.637
Spain	12,040	0.350	172,798	160,699	12,099	27,396	0.637
Sweden	12,040	0.350	172,798	160,699	12,099	27,396	0.637
Switzerland	20,650	0.600	296,369	275,601	20,767	36,006	0.837
Turkey	12,040	0.350	172,798	160,699	12,099	27,396	0.637
United Kingdom	72,262	2.101	1,037,104	964,483	72,621	87,618	2.038
United States	552,210	16.054	7,925,318	7,370,297	555,021	567,566	13.200
Total Nonregional	1,262,196	36.694	18,115,037	16,846,435	1,268,602	1,507,892	35.069
TOTALS	3,439,799	100.000	\$49,367,995	\$45,895,773	\$3,472,222	4,299,735	100.000

Note: Figures may not add due to rounding.

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

NOTE A – NATURE OF OPERATIONS AND LIMITATIONS ON LOANS, GUARANTEES AND EQUITY INVESTMENTS

Nature of Operations

The Asian Development Bank, a development finance institution, was established in 1966 with its Headquarters in Manila, Philippines. The Bank and its operations are governed by the Agreement Establishing the Asian Development Bank (the Charter). Its principal objective is to help accelerate economic and social development of its developing member countries in the Asian and Pacific region by providing financial and technical assistance for projects and programs which will contribute to sustainable economic development and social advancement. As of 31 December 1996, the Bank is owned by 56 member countries, 40 countries from the region and 16 countries from outside the region.

Mobilizing financial resources, including cofinancing, is an integral part of the Bank's operational activities. In addition, the Bank, alone or jointly, administers on behalf of donors, including members, their agencies and other development institutions, funds restricted for specific uses which include technical assistance for borrowers as well as for regional programs.

The Bank's ordinary operations comprise loans, equity investments and guarantees. It finances its ordinary operations through borrowings, paid-in capital and retained earnings.

Limitations on Loans, Guarantees and Equity Investments

Article 12, paragraph 1 of the Charter provides that the total amount outstanding of loans, equity investments and guarantees made by the Bank shall not exceed the total of the Bank's unimpaired subscribed capital, reserves and surplus, exclusive of the special reserve. At 31 December 1996, the total of such loans, equity investments and guar-

tees aggregated approximately 55.6% (65.0% – 1995) of the total subscribed capital, reserves and surplus, as defined.

Article 12, paragraph 3 of the Charter provides that equity investments shall not exceed 10% of the unimpaired actually paid-in capital together with reserves and surplus, exclusive of the special reserve. At 31 December 1996, such equity investments represented approximately 3.9% (2.7% – 1995) of the paid-in capital, reserves and surplus, as defined.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

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

Valuation of Capital Stock

The authorized capital stock of the Bank is defined in Article 4, paragraph 1 of the Charter "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar) and the value of each share is defined as 10,000 1966 dollars. The capital stock had historically been translated into the current United States dollar (the Bank's unit of account) on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the capital stock has been valued for purposes of these financial statements in terms of the Special Drawing Right (SDR) at the value in current United States dollars as computed by the IMF, with each share valued at SDR10,000.

CONTINUED

As of 31 December 1996, the value of the SDR in terms of the current United States dollar was \$1.43520 (\$1.48649 – 1995) giving a value for each share of the Bank's capital equivalent to \$14,352.00 (\$14,864.90 – 1995). However, the Bank could decide to fix the value of each share at \$12,063.50 based on the 31 March 1978 par value of the United States dollar in terms of gold.

Translation of Currencies

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments other than those relating to maintenance of SDR capital values (see Notes I and J), are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in income.

Investments

All investment securities held by the Bank are considered by management to be available for sale and are reported at estimated fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES". Estimated fair value generally represents market value. Cost or amortised cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). Realized gains and losses are included in income from investments and are measured by the difference between average cost or amortised cost and the net proceeds of sales.

Loans

The Bank's loans are made to or guaranteed by members or their governments, with the exception of loans to the private sector, and have maturities ranging between 10 and

30 years. The Bank requires its borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies which it has disbursed. It is the policy of the Bank to place in non-accrual status all loans for which principal, interest or other charges are overdue by six months. When loans are placed in non-accrual status, the related unpaid interest and other charges are reversed and are deducted from loan interest income and other charges, as appropriate. Interest and other charges on non-accruing loans are included in income only to the extent that payments have actually been received by the Bank. The Bank follows a policy of not taking part in debt rescheduling agreements.

The Bank determines that a loan is impaired when principal and interest is in arrears for one year for public sector loans made to or guaranteed by a member country and six months for private sector loans. If the present value of expected future cash flows discounted at the loan's effective interest rate is less than the carrying value of the loan, a specific valuation allowance is established with a corresponding charge to provision for losses. In addition, the Bank establishes a general loan loss allowance for private sector loan portfolio based on a rate approved by the Board of Directors. These allowances are approved by the Board of Directors.

Management's periodic evaluation of the adequacy of the general loan loss reserve factors and overall allowance for possible losses is based on the Bank's past loan loss experience, known and inherent risks in existing loans and commitments to extend credit and adverse situations that may affect a borrower's ability to repay.

Equity Investments

Investments in equity securities without readily determinable fair values are reported at cost less an allowance for possible losses. The provisions for possible loss of value are established quarterly based on management's evaluation of potential losses for such investments. Equity securities with readily determinable fair values are reported at fair value,

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES". The Bank applies the equity method of accounting to one investment where it has the ability to exercise significant influence.

Property, Furniture and Equipment

Property, furniture and equipment is stated at cost and, except for land, is depreciated over estimated useful lives on the straight-line method. Maintenance, repairs and minor betterments are charged to expense.

Accounting Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the year and the reported amounts of revenues and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Bank considers that its cash and cash equivalents are limited to "DUE FROM BANKS". Certain amounts in the 1995 statement of cash flows have been reclassified to conform to the 1996 presentation.

NOTE C – RESTRICTIONS ON USE OF CURRENCIES AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i) of the Charter, the use by the Bank or by any recipient from the Bank of certain currencies may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 36 developing member countries for both 1996 and 1995, cash in banks (due from banks) and demand obligations totaling \$59,879,000 (\$63,071,000 – 1995) and \$249,966,000

(\$249,241,000 – 1995), respectively, may be, but are not currently so restricted.

In accordance with Article 24, paragraphs 2(i) and (ii) of the Charter, two members have restricted the use by the Bank or by any recipient from the Bank of their currencies to payments for goods or services produced in their territories. Cash in banks (due from banks), demand obligations and investments totalling \$27,000 (\$61,000 – 1995), \$1,010,000 (\$1,000 – 1995) and \$4,070,000 (\$3,454,000 – 1995), respectively, have been so restricted.

NOTE D – INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1996 and 31 December 1995 were as follows:

Currency	1996	1995
Australian dollar	\$ 525,099,000	\$ 475,356,000
Canadian dollar	590,692,000	597,803,000
Deutsche mark	285,931,000	420,780,000
Italian lira	480,905,000	410,146,000
Japanese yen	768,847,000	405,810,000
Pound sterling	292,012,000	271,743,000
Swiss franc	613,290,000	567,045,000
United States dollar	1,877,860,000	1,885,684,000
Others	897,819,000	1,034,168,000
Totals	<u>\$6,332,455,000</u>	<u>\$6,068,537,000</u>

The amortised cost and estimated fair value of the investments by contractual maturity at 31 December 1996 were as follows:

	Amortised Cost	Estimated Fair Value
Due in one year or less	\$4,429,034,000	\$4,430,235,000
Due after one year through five years	1,567,850,000	1,585,665,000
Due after five years through ten years	311,372,000	316,555,000
Totals	<u>\$6,308,256,000</u>	<u>\$6,332,455,000</u>

CONTINUED

Additional information relating to investments in government and government-guaranteed obligations is as follows:

	1996	1995
As of 31 December:		
Amortised cost	\$2,600,550,000	\$2,476,506,000
Estimated fair value	2,624,749,000	2,502,675,000
Gross unrealized gains	29,674,000	27,477,000
Gross unrealized losses	5,475,000	1,308,000
 For the years ended 31 December:		
Change in net unrealized gains (losses)	(1,970,000)	39,116,000
Proceeds from sales	6,538,807,000	8,178,766,000
Gross realized gains	36,732,000	57,604,000
Gross realized losses	15,682,000	11,066,000

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

To reduce credit risk, the Bank is restricted by its Investment Authority to invest in (a) securities which are obligations of limited class of issuers, primarily government or government-guaranteed obligations, multilateral banks and selected commercial banks; and (b) exchange-traded derivatives of such securities. Exposure to interest rate risk may be adjusted within defined bands to reflect changing market circumstances. These adjustments are made through the purchase and sale of both securities and exchange-traded financial futures and options. The use of options has been minimal and there were no outstanding options as of 31 December 1996 (nil – 1995). To increase returns, the Bank may invest in securities denominated in currencies other than the original functional currencies and then enter into covered forward foreign exchange agreements in order to maintain its original mix of functional currency holdings. Accordingly, the financial futures, options and

covered forwards are held for risk management rather than trading purposes.

Futures: Futures are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities, and changes in the market prices are settled daily. Changes in the market value of open futures contracts are recognized as gains or losses in the period of the change and included in income from investments. As of 31 December 1996, there were no outstanding future contracts (\$9,725,000 – 1995).

Covered forwards: Covered forwards are agreements in which cash in one currency is converted into a different currency and simultaneously a forward exchange agreement is executed providing for a future exchange of the two currencies in order to recover the currency converted. The Bank records the covered forward as an investment in the underlying currency. A receivable is created for the forward contract of the originating currency and a payable for the underlying instrument to be converted into the originating currency at maturity. Premiums or discounts are deferred and amortised as income from investments over the life of the underlying instrument. No covered forward agreements were outstanding at 31 December 1996 (nil – 1995).

Short sales: Short sales are sales of securities not held in the Bank's portfolio at the time of the sale. The Bank must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered. The payable created upon entering into a short sale is stated at the market value of the security subject to the short sale and gains and losses resulting from changes in market value are included in income from investments in the period of the change. Short sales are used by the Bank for adjusting the risk exposure of the investment portfolio and for establishing spread positions to

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

enhance income. As of 31 December 1996, there was no open short sale position (nil – 1995).

NOTE E – LOANS AND GUARANTEES

Loans

The carrying amounts and estimated fair value of loans outstanding at 31 December 1996 and 31 December 1995 were as follows:

	1996	
	Carrying Amounts	Estimated Fair Value
Loans to the public sector with interest at variable rates	\$13,460,911,000	\$13,460,911,000
Loans to the public sector with interest at fixed rates	2,272,865,000	2,761,763,000
Loans to the private sector	336,609,000	349,615,000
Totals	\$16,070,385,000	\$16,572,289,000
	1995	
	Carrying Amounts	Estimated Fair Value
Loans to the public sector with interest at variable rates	\$12,770,549,000	\$12,770,549,000
Loans to the public sector with interest at fixed rates	4,361,351,000	5,176,048,000
Loans to the private sector	359,661,000	373,985,000
Totals	\$17,491,561,000	\$18,320,582,000

Prior to 1 July 1986, the lending rate of the Bank was based on a multicurrency fixed lending rate system under which loans carried interest rates fixed at the time of loan approval for the entire life of the loans. Effective 1 July 1986, the Bank adopted a multicurrency pool-based variable lending rate system. In addition, in July 1992, the Bank introduced a pool-based variable United States dollar lending system, and in November 1994, a market-based variable lending system was made available to financial intermediaries in the public sector and to the private sector. For loans to the private sector, approximately 64% (65% – 1995) of the loans were based on variable interest rate.

Undisbursed loan commitments and an analysis of loans by borrowing member countries as of 31 December 1996 and 1995 are shown in OCR-5.

Public Sector Loans

Loans outstanding to or guaranteed by members or their governments with interest rates which vary based on the pool-based variable lending rate system were fair valued using an entry value method. Under this method, fair value was determined based on the terms at which a similar loan would currently be made by the Bank to a similar borrower. For such loans, fair value approximated the carrying amount. For undisbursed balances of effective loans and for loans not yet effective, the contractual amount approximated fair value.

Loans outstanding to or guaranteed by members or their governments with fixed interest rates (principally loans made prior to 1 July 1986) were fair valued using a discounted cash flow method. This method takes into account the scheduled cash flows over the average life, by currency, of the loans, and current funding costs for the average life including a factor for administrative costs. The effect of expected prepayments are also taken into account.

The estimated fair value of loans to or guaranteed by members or their governments was not affected by credit risks based on the Bank's experience with its borrowers.

CONTINUED

As of 31 December 1996 and 1995, there were no public sector loans in non-accrual status.

Private Sector Loans

Loans outstanding to the private sector were fair valued using a discounted cash flow method. The estimated fair value of these loans was \$349,615,000 (\$373,985,000 – 1995).

Three private sector loans were placed in non-accrual status as of 31 December 1996 (four – 1995). The principal outstanding at that date was \$19,899,000 (\$36,594,000 – 1995) of which \$5,976,000 (\$3,805,000 – 1995) was overdue. Overdue interest and other charges on these loans totalled \$4,832,000 (\$3,611,000 – 1995). Placing these loans in non-accrual status resulted in a reduction of \$1,415,000 (\$1,614,000 – 1995) in income from loans for the year ended 31 December 1996.

Loan Loss Provision

The Bank has not suffered any losses on loans made to or guaranteed by members or their governments. No loan loss provisions have been made against loans outstanding guaranteed by members or their governments, but specific and general provisions were made against private sector loans during the year. (See Note K.)

Information appertaining to loans which are subject to specific loan loss provisions as at 31 December 1996 and 31 December 1995 were as follows:

	<u>1996</u>	<u>1995</u>
Total loans without specific loss provisions	\$16,082,380,000	\$17,505,572,000
Total loans subject to specific loss provisions	<u>26,549,000</u>	<u>24,529,000</u>
Total loans	<u>\$16,108,929,000</u>	<u>\$17,530,101,000</u>

	<u>1996</u>	<u>1995</u>
Average amount of loans subject to specific loss provisions	\$27,743,000	\$26,445,000
Related interest income recognized on such loans	\$645,000	\$1,170,000
Cash received on related interest income on such loans	\$489,000	\$901,000

The changes in the allowance for loan losses during 1996 and 1995 were as follows:

	<u>1996</u>	<u>1995</u>
Balance – 1 January	\$38,540,000	\$33,466,000
Provision charged during the year	4,000	5,074,000
Balance – 31 December	<u>\$38,544,000</u>	<u>\$38,540,000</u>
Made up of:		
Specific loan loss provision	\$10,655,000	\$ 8,646,000
General loan loss provision	27,889,000	29,894,000
Totals	<u>\$38,544,000</u>	<u>\$38,540,000</u>

Loan Guarantees and Cofinancings

The Bank extends guarantees for the benefit of its members which are not reflected in the financial statements. Such guarantees include partial credit guarantees where only certain principal and/or interest payments are covered. Such guaranteed payments are generally due 10 or more years from the loan inception date. As of 31 December 1996, guarantees outstanding amounted to \$232,213,000 (\$258,305,000 – 1995). The present value of the contingent

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

future payment obligations of all outstanding guarantees as of 31 December 1996 of \$82,029,000 (\$83,697,000 – 1995) is used to calculate the Bank's lending limitation. None of this amount was subject to call as of that date. The Bank estimates that the fair value of guarantees outstanding at 31 December 1996 and 31 December 1995 is immaterial as no guarantees are expected to be called.

The Bank functions as lead lender in cofinancing arrangements with other participating financial institutions who also provide funds to the Bank's public and private sector borrowers. In such capacity, the Bank provides loan administration services, which include loan disbursement and loan servicing. The participating financial institutions generally have no recourse to the Bank for their outstanding loan balances.

During the year ended 31 December 1996, a total of \$498,000 (nil – 1995) was received as compensation for arranging and administering such loans. This amount has been included in "Income from Other Sources".

Loans administered by the Bank on behalf of participating institutions as of 31 December 1996 and 31 December 1995 were as follows:

	1996	
	Amount	No. of Loans
Public Sector Loans	\$340,148,000	9
Private Sector Loans	98,455,000	16
Totals	\$438,603,000	25
	1995	
	Amount	No. of Loans
Public Sector Loans	\$354,721,000	9
Private Sector Loans	116,988,000	15
Totals	\$471,709,000	24

NOTE F – EQUITY INVESTMENTS

The Bank's investments in equity securities issued by private enterprises located in developing member countries include a \$45,116,000 investment in the Asian Finance and Investment Corporation Ltd. which is accounted for on the equity method. The holding represents 30% of the investee's issued share capital and net assets.

Unrealized gains on equity investments reported at market value were \$36,423,000 at 31 December 1996.

Undisbursed equity investment commitments were \$158,103,000 at 31 December 1996 (\$85,650,000 – 1995).

NOTE G – PROPERTY, FURNITURE AND EQUIPMENT

In 1991, under the terms of an agreement with the Government of the Republic of the Philippines (Government), the Bank returned the former headquarters premises which had been provided by the Government. In accordance with the agreement as supplemented by a memorandum of understanding, the Bank was compensated \$22,657,000 for the return of these premises. The compensation is in lieu of being provided premises under the agreement and, accordingly, is deferred and amortised over the estimated life of the new headquarters building as a reduction of occupancy expense. At 31 December 1996, accumulated depreciation for property, furniture and equipment was \$48,913,000 (\$43,195,000 – 1995). The amortisation for the years ended 31 December 1996 and 31 December 1995 amounted to \$566,000 reducing depreciation expense for the new headquarters building from \$4,692,000 (\$4,684,000 – 1995) to \$4,126,000 (\$4,118,000 – 1995). At 31 December 1996, the unamortised deferred compensation balance (included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES – Miscellaneous") was \$19,306,000 (\$19,872,000 – 1995).

CONTINUED

NOTE H – BORROWINGS AND SWAPS

The Bank uses derivative financial instruments in connection with its borrowing activities to diversify its funding sources across public and private debt markets, currencies and instruments. Currency swaps are used to convert a currency borrowed under advantageous terms into one of the Bank's major operational currencies, taking advantage of the opportunities offered in different financial markets. Such currency swaps enable the Bank to raise operationally needed currencies in a cost-efficient way and to maintain its borrowing presence in the major capital markets. Interest rate swaps are used generally to reduce balance sheet interest rate mismatches arising from lending operations.

The Bank issues structured debt which includes embedded currency and/or interest rate derivatives in order to decrease its cost of borrowing. However, the Bank enters into simultaneous currency and/or interest rate swaps to fully hedge against the effects of such embedded derivatives.

The Bank has a potential risk of loss if the swap counterparty fails to perform its obligations (see Note O). In order to reduce such credit risk, the Bank only enters into long-term swap transactions with counterparties eligible under the Bank's swap guidelines. The Bank does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

Interest rate swaps: Under a typical interest rate swap agreement used by the Bank, one party agrees to make periodic payments based on a notional principal amount and an interest rate that is fixed at the outset of the agreement. The counterparty agrees to make floating rate payments based on the same notional principal amount. Amounts receivable or payable under the terms of the swap are accrued over the period to which the payment relates and the related cost or income is included in interest and other financial expenses. The terms of the Bank's interest rate swap agreements specifically match the terms of particular borrowings.

Currency swaps: Under a typical currency swap agreement, one party agrees to make periodic payments in one currency while the counterparty agrees to make periodic payments in another currency. The payments may be fixed at the outset of the agreement or vary based on interest rates. A receivable is created for the periodic payments to be received and a payable is created for the payments to be made. Swap premiums and discounts are deferred and amortised into interest and other financial expenses over the life of the underlying instruments. The terms of the Bank's currency swap agreements specifically match the terms of particular borrowings.

The fair value of borrowings outstanding is estimated using prevailing market prices where available, or estimated replacement values where market prices were not available.

Outstanding currency and interest rate swap agreements are fair valued at the estimated amount that the Bank would receive or pay to terminate the agreements based upon market quotes from dealers.

As of 31 December 1996 and 31 December 1995, the carrying amounts and estimated fair values of borrowings and swaps were as follows:

	1996	
	Carrying Amounts	Estimated Fair Value
Balance sheet financial instruments:		
Borrowings	\$13,663,770,000	\$14,692,087,000
Currency swap receivables	4,881,018,000	5,087,185,000
Currency swap payables	5,238,762,000	5,796,985,000
	Notional Amount	Unrealized Gain
Off-balance sheet financial instruments:		
Interest rate swaps	\$ 1,226,724,000	\$ 33,940,000

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

	1995	
	Carrying Amounts	Estimated Fair Value
Balance sheet financial instruments:		
Borrowings	\$14,598,850,000	\$15,832,603,000
Currency swap receivables	4,476,938,000	4,730,779,000
Currency swap payables	5,358,182,000	5,951,218,000
	Notional Amount	Unrealized Gain
Off-balance sheet financial instruments:		
Interest rate swaps	\$ 1,345,415,000	\$ 34,320,000

NOTE I – CAPITAL STOCK, CAPITAL TRANSFERRED TO ASIAN DEVELOPMENT FUND AND MAINTENANCE OF VALUE OF CURRENCY HOLDINGS

Capital Stock

The authorized capital stock of the Bank as of the end of 1996 and 1995 consists of 3,490,994 shares, of which 3,439,799 shares (2,897,956 – 1995) have been subscribed by members. Of the subscribed shares, 3,197,866 (2,666,857 – 1995) are "callable" and 241,933 (231,099 – 1995) are "paid-in". The "callable" share capital is subject to call by the Bank only as and when required to meet the Bank's obligations incurred on borrowings of funds for inclusion in its ordinary capital resources or on guarantees chargeable to such resources. The "paid-in" share capital has been paid or is payable in instalments, partly in convertible currencies and partly in the currency of the subscribing member which may be convertible. In accordance with Article 6, paragraph 3 of the Charter, the Bank accepts non-negotiable, non-interest-bearing demand obligations

in satisfaction of the portion payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations. The settlement of such amounts is not determinable and, accordingly, it is not practicable to fair value these receivables.

As of 31 December 1996, all matured instalments amounting to \$3,090,050,000 (\$3,098,153,000 – 1995) were received except for \$2,107,000 (\$2,144,000 – 1995). Instalments not due aggregating \$382,172,000 (\$337,110,000 – 1995) are receivable as follows:

Year ending 31 December:

1997	\$71,291,000	2000	\$59,941,000
1998	98,062,000	2001	48,048,000
1999	91,643,000	2002	13,187,000

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

Capital Transferred to Asian Development Fund

Pursuant to the provisions of Article 19, paragraph 1(i) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973 to be used as a part of the Special Funds of the Bank. The resources so set aside amounting to \$68,329,000 as of 31 December 1996 (\$70,771,000 – 1995) expressed in terms of the SDR on the basis of \$1.43520 (\$1.48649 – 1995) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar – see Note B), were allocated and transferred to the Asian Development Fund.

CONTINUED

Maintenance of Value of Currency Holdings

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of the Charter and relevant resolutions of the Board of Directors. The "Amounts required to maintain value of currency holdings" under "RECEIVABLE FROM MEMBERS" represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purpose of computing maintenance of value of the Bank's holdings of certain member currencies. The settlement of such amounts is not determinable and, accordingly, it is not practicable to fair value these receivables.

Since 1 April 1978, inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain and, accordingly, it is not practicable to fair value such receivables and payables. The notional amounts as of 31 December 1996 consisting of receivables of \$605,000,000 (\$652,799,000 - 1995) and payables of \$243,882,000 (\$334,610,000 - 1995) consist of (a) the increase of \$458,167,000 (\$531,633,000 - 1995) in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar during the period from 1 April 1978 to 31 December 1996 and (b) the net increase of \$97,049,000 (\$213,444,000 - 1995) in the value of such currency holdings in relation to the United States dollar during the same period.

NOTE J - ORDINARY RESERVE AND NET INCOME, SPECIAL RESERVE AND SURPLUS*Ordinary Reserve and Net Income*

Under the provisions of Article 40 of the Charter, 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. During 1996 and 1995, net income after appropriation of guarantee fees to Special Reserve for the years ended 31 December 1996 and 31 December 1995, respectively, were allocated to the Ordinary Reserve, except for \$160,000,000 which was allocated to Surplus (\$70,000,000 to Surplus and \$81,000,000 to Technical Assistance Special Fund - 1995).

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Note B) resulted in a net credit of \$19,358,000 to the Ordinary Reserve during the year ended 31 December 1996 (net charge of \$9,087,000 - 1995). That credit (charge - 1995) is the decrease (increase - 1995) in the value of the matured and paid capital subscriptions caused by the change during the year in the value of the SDR in relation to the United States dollar not allocated to members as notional maintenance of value adjustments in accordance with resolutions of the Board of Directors.

Special Reserve

The Special Reserve represents commissions on loans and guarantee fees on guarantees set aside pursuant to Article 17 of the Charter. Special Reserve assets consist principally of government and government-guaranteed obligations and are included under the heading "INVESTMENTS". For the year ended 31 December 1996, guarantee fees amounting to \$441,000 (\$395,000 - 1995) were appropriated to Special Reserve. The commission charged on loans was discontinued in 1986.

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

Surplus

During 1996, the Board of Governors allocated \$160,000,000 (\$70,000,000 – 1995) out of 1995 net income after appropriation of guarantee fees to the Special Reserve to surplus. Surplus represents funds for future use to be determined by the Board of Governors.

NOTE K – INCOME AND EXPENSES

Total income from loans for the year ended 31 December 1996 was \$1,169,979,000 (\$1,312,828,000 – 1995). The average yield on the loan portfolio during the year was 7.09% (7.37% – 1995).

Total income from investments for the year ended 31 December 1996 was \$359,813,000 (\$418,678,000 – 1995). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 5.59% (6.86% – 1995). If unrealized gains and losses were included, the annualized rate of return would have been 5.55% (7.49% – 1995).

Income from other sources include share of net assets of equity investments accounted for on the equity method. For the year ended 31 December 1996, this amounted to \$9,573,000.

Total interest expense incurred for the year ended 31 December 1996 amounted to \$863,084,000 (\$940,222,000 – 1995).

Other financial expenses consist of amortisation of borrowings' issuance costs and other expenses of \$15,660,000 (\$18,178,000 – 1995) and credits of \$898,000 (charges of \$4,241,000 – 1995) representing the difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity.

Administrative expenses (other than those appertaining directly to ordinary operations and special operations) for

the year ended 31 December 1996 were apportioned between ordinary capital resources and the Asian Development Fund according to the number of loans and equity investments approved during the year. Of the total administrative expenses of \$190,784,000 (\$191,158,000 – 1995), \$81,991,000 (\$82,855,000 – 1995) was accordingly charged to the Asian Development Fund.

For the year ended 31 December 1996, the provision for losses totalled \$2,938,000 (\$4,000 for private sector loans and \$2,934,000 for equity investments). For the year ended 31 December 1995, the provision for losses totalled \$13,946,000 (\$5,074,000 for private sector loans and \$8,872,000 for equity investments).

NOTE L – OTHER ASSETS – MISCELLANEOUS

Included in miscellaneous assets are amounts receivable from the following related funds as of 31 December 1996 and 31 December 1995:

	1996	1995
Asian Development Fund (Note K)	\$19,321,000	\$18,846,000
Technical Assistance Special Fund	53,000	787,000
Japan Special Fund	<u>476,000</u>	<u>218,000</u>
Totals	<u>\$19,850,000</u>	<u>\$19,851,000</u>

NOTE M – STAFF RETIREMENT PLAN

The Bank has a contributory defined benefit Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant as of the first day of service, provided that as of such a date, the employee shall not have reached the normal retirement date at age 60. The Plan applies also to members of the Board of Directors who elect to join the Plan. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service.

CONTINUED

The Plan assets are segregated and held in trust and are not included in the accompanying balance sheet. The costs of administering the Plan are absorbed by the Bank, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their remuneration to the Plan and may also make voluntary contributions. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

Net periodic pension cost for the years ended 31 December 1996 and 31 December 1995, which have been included in administrative expenses for the respective years, consisted of the following components:

	1996	1995
Service costs-benefits earned for the year	\$ 16,353,000	\$ 16,270,000
Interest cost on projected benefit obligation	27,414,000	29,216,000
Return on Plan assets	(46,188,000)	(73,392,000)
Net amortisation and deferral	12,969,000	44,041,000
Net periodic pension cost	\$ 10,548,000	\$ 16,135,000

The following table sets forth the Plan's funded status at 31 December 1996 and 31 December 1995:

	1996	1995
Actuarial present value of pension benefit obligations:		
Accumulated benefit obligation, including vested benefits of \$346,416,000 (\$318,001,000 – 1995)	\$347,887,000	\$320,634,000
Projected benefit obligation	\$403,222,000	\$379,819,000
Fair value of Plan assets, principally marketable securities	487,641,000	436,568,000
Plan assets over projected benefit obligation	84,419,000	56,749,000
Unrecognized net asset at transition, net of amortisation	(7,742,000)	(8,847,000)
Unrecognized prior service cost	6,703,000	6,044,000
Unrecognized net gain	(99,430,000)	(70,408,000)
Accrued pension cost	\$(16,050,000)	\$(16,462,000)

The discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5% (7% – 1995). The effect of projected compensation levels was calculated based on a scale that provides for a decreasing rate of salary increase depending on age; beginning with 13.5% (13% – 1995) at age 21 and decreasing to 5.00% (4.50% – 1995) at age 59. The expected long-term rate of return on assets was 8% for both 1996 and 1995.

NOTE N – POSTRETIREMENT MEDICAL BENEFITS PLAN

In 1993, the Bank adopted a cost-sharing plan for retirees medical insurance premiums. Under the plan, the Bank is obligated to pay 80% of the Group Medical Insurance Plan

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

premiums for retirees, including retired members of the Board of Directors, and their eligible dependents who elected to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits. Net periodic postretirement medical benefit cost for the years ended 31 December 1996 and 31 December 1995, which have been included in administrative expenses for the respective years, consisted of the following components:

	1996	1995
Service costs – benefits earned for the year	\$ 3,357,000	\$ 3,050,000
Interest cost on accumulated post-retirement medical benefit obligation	2,300,000	2,580,000
Net amortisation and deferral	1,350,000	1,742,000
Net periodic postretirement benefit cost	<u>\$ 7,007,000</u>	<u>\$ 7,372,000</u>

The following table sets forth the plan's status at 31 December 1996 and 31 December 1995:

	1996	1995
Accumulated postretirement medical benefit obligation:		
Retirees	\$ 12,445,000	\$ 7,231,000
In-service participants	24,747,000	22,537,000
Totals	<u>37,192,000</u>	<u>29,768,000</u>
Fair value of plan assets	–	–
Accumulated obligation in excess of plan assets	(37,192,000)	(29,768,000)
Unrecognized net obligation at transition, net of amortisation	19,751,000	22,160,000
Unrecognized net gain	(11,638,000)	(15,115,000)
Accrued postretirement benefit cost	<u>\$ (29,079,000)</u>	<u>\$ (22,723,000)</u>

The accumulated postretirement medical benefit obligation was determined using medical cost trend rate of 7.5% (7% – 1995). Increasing the medical cost trend rate by 1% would increase the accumulated postretirement medical benefit obligation as of 31 December 1996 by \$7,204,600 (\$2,789,000 – 1995) and the net periodic postretirement benefit cost by \$776,000 (\$557,000 – 1995) for the year then ended. The weighted average discount rate used in determining the accumulated postretirement medical benefit obligation was 7.5% (7% – 1995).

NOTE O – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of the Bank's significant financial instruments as of 31 December 1996 and 31 December 1995 are summarized as follows:

	1996	
	Carrying Amounts	Estimated Fair Value
On-balance sheet financial instruments:		
ASSETS:		
Due from Banks	\$ 94,145,000	\$ 94,145,000
Investments (Note D)	6,332,455,000	6,332,455,000
Loans Outstanding (Note E)	16,070,385,000	16,572,289,000
Equity investments	230,408,000	230,408,000
Other assets		
Non-negotiable, non-interest-bearing demand obligations	364,343,000	364,343,000
Currency swap receivables (Note H)	4,881,018,000	5,087,185,000
LIABILITIES:		
Borrowings (Note H)	13,663,770,000	14,692,087,000
Other liabilities		
Currency swap payables (Note H)	5,238,762,000	5,796,985,000

CONTINUED

	1996		1995	
	Notional/Contract Amount	Unrealized Gain (Loss)	Notional/Contract Amount	Unrealized Gain (Loss)
Off-balance sheet financial instruments:				
Investments (Note D)			Investments (Note D)	
Futures – Purchase	\$	–	Futures – Purchase	\$
– Sell	–	–	– Sell	9,725,000
Borrowings (Note H)			Borrowings (Note H)	
Interest rate swaps	1,226,724,000	33,940,000	Interest rate swaps	1,345,415,000
Guarantees (Note E)	232,213,000	–	Guarantees (Note E)	258,305,000
On-balance sheet financial instruments:				
ASSETS:				
Due from Banks	\$ 84,414,000	\$ 84,414,000	Additional fair value information, including methods used to estimate certain values, is included in the notes referenced in the above table.	
Investments (Note D)	6,068,537,000	6,068,537,000	Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.	
Loans Outstanding (Note E)	17,491,561,000	18,320,582,000	The fair value of financial instruments that are short-term approximates their carrying amounts.	
Equity investments	163,783,000	163,783,000	If available, quoted market values are used to determine fair values. Financial instruments for which marker quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.	
Other assets			NOTE P – OFF-BALANCE SHEET CREDIT RISK	
Non-negotiable, non-interest-bearing demand obligations	325,147,000	325,147,000	The Bank is a party to off-balance sheet financial instruments. These financial instruments involve elements of credit risk in excess of amounts reflected on the balance sheet. Credit risk represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contract.	
Currency swap receivables (Note H)	4,476,938,000	4,730,779,000		
LIABILITIES:				
Borrowings (Note H)	14,598,850,000	15,832,603,000		
Other liabilities				
Currency swap payables (Note H)	5,358,182,000	5,951,218,000		

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

	1996	1995	1996
			Total Net Assets
			No. of Funds
Credit risk at 31 December:			
Currency swaps	\$58,018,000	\$28,078,000	
Interest rate swaps	56,185,000	52,177,000	
Guarantees (Note E)	82,029,000	83,697,000	

NOTE Q – SPECIAL AND TRUST FUNDS

The Bank's operations include special operations, which are financed from special funds resources, consisting of the Asian Development Fund, the Technical Assistance Special Fund and the Japan Special Fund.

In addition, the Bank, alone or jointly with donors, administers on behalf of the donors, including members of the Bank, their agencies and other development institutions, projects/programs supplementing the Bank's operations. Such projects/programs are funded with external funds administered by the Bank and with external funds not under the Bank's administration. The funds are restricted for specific uses including technical assistance to borrowers and technical assistance for regional programs. The responsibilities of the Bank under these arrangements range from project processing to project implementation including the facilitation of procurement of goods and services.

Special funds and funds administered by the Bank on behalf of the donors are not included in the assets of ordinary capital resources. The breakdown of the total of such funds together with the funds of the special operations as of 31 December 1996 and 31 December 1995 was as follows:

	1996	1996
	Total Net Assets	No. of Funds
Special Funds		
Asian Development Fund	\$19,399,025,000	1
Technical Assistance Special Fund	118,125,000	1
Japan Special Fund	314,902,000	1
Sub-totals	<u>19,832,052,000</u>	<u>3</u>
Trust Funds		
Funds administered by the Bank	59,306,000	16
Funds not administered by the Bank	21,545,000	1
Sub-totals	<u>80,851,000</u>	<u>17</u>
Totals	<u>\$19,912,903,000</u>	<u>20</u>

	1995	1995
	Total Net Assets	No. of Funds
Special Funds		
Asian Development Fund	\$20,379,747,000	1
Technical Assistance Special Fund	180,127,000	1
Japan Special Fund	359,244,000	1
Sub-totals	<u>20,919,118,000</u>	<u>3</u>
Trust Funds		
Funds administered by the Bank	29,887,000	16
Funds not administered by the Bank	26,766,000	1
Sub-totals	<u>56,653,000</u>	<u>17</u>
Totals	<u>\$20,975,771,000</u>	<u>20</u>

During the year ended 31 December 1996, a total of \$217,000 (\$814,000 – 1995) was received as compensation for administering projects/programs under Trust Funds. The amount has been included in "Income from Other Sources".

Deloitte & Touche LLP



San Francisco, California

INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank – Asian Development Fund (ADF):

- ADF-1 Balance Sheet, 31 December 1996 and 31 December 1995
- ADF-2 Statement of Operations and Accumulated Surplus for the Years Ended 31 December 1996 and 31 December 1995
- ADF-3 Statement of Cash Flows for the Years Ended 31 December 1996 and 31 December 1995
- ADF-4 Summary Statement of Loans, 31 December 1996 and 31 December 1995
- ADF-5 Statement of Resources, 31 December 1996
- ADF-6 Notes to Financial Statements, 31 December 1996 and 31 December 1995

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank – Asian Development Fund at 31 December 1996 and 31 December 1995 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte + Touche LLP

19 February 1997

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

ASSETS	1996		1995	
DUE FROM BANKS (Note B)	\$	2,946	\$	4,546
INVESTMENTS (Notes B and C)				
Government and government-guaranteed obligations	\$	43,629	\$	71,154
Time deposits and other obligations of banks		415,812		346,683
LOANS OUTSTANDING (ADF-4) (Notes B and D)		12,468,097		12,309,768
Less – allowance for possible losses		1,778		1,936
ACCRUED REVENUE		12,466,319		12,307,832
On investments		2,851		8,350
On loans		33,115		32,868
NOTES OF CONTRIBUTORS (Notes B and E)				
Non-negotiable, non-interest-bearing notes		6,452,182		7,627,022
OTHER ASSETS		2,206		1,715
TOTALS		\$19,419,060		\$20,400,170
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL				
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$	19,321	\$	18,846
PAYABLE TO TECHNICAL ASSISTANCE SPECIAL FUND (Note A)		389		1,408
OTHER LIABILITIES		325		169
UNEXPENDED BALANCES AND CAPITAL				
Amounts available for loan commitments (ADF-5)				
Contributed Resources (Note B)	\$	18,203,262	\$	19,039,459
Set-Aside Resources (Note C)		68,329		70,771
Transfers from Technical Assistance Special Fund		3,464		1,342
		18,275,055		19,111,572
Advance payments on contributions (ADF-5)		59,907		213,166
Unrealized investment holding gains (Notes B and C)		93		879
Accumulated translation adjustments (Note B)		53,251		106,359
Accumulated surplus (ADF-2)		1,010,719		947,771
TOTALS		\$19,419,060		\$20,400,170

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND
 STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
 For the Years Ended 31 December 1996 and 31 December 1995
 Expressed in Thousands of United States Dollars (Note B)

	1996	1995
REVENUE		
From loans (Notes B and D)	\$123,954	\$125,399
From investments (Notes B and C)		
Interest	\$20,254	\$34,805
Net gain on sales	378	889
From other sources – net	203	\$ 144,789
	496	\$161,589
EXPENSES		
Administrative expenses (Note F)	81,999	82,863
Provision for losses charged (written back) (Notes B and D)	(158)	463
	81,841	83,326
EXCESS OF REVENUE OVER EXPENSES –		
NET INCOME	62,948	78,263
ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR	947,771	869,508
ACCUMULATED SURPLUS AT END OF THE YEAR	\$1,010,719	\$947,771

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Service charges on loans received	\$ 101,823	\$ 102,727
Interest on investments received	25,759	29,033
Revenue received from other activities	203	496
Administrative expenses paid	(20,449)	(2,073)
Net Cash Provided by Operating Activities	<u>107,336</u>	<u>130,183</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash withdrawn from (invested in)		
time deposits and other obligations of banks	(138,145)	75,090
Sales of investment securities	678,550	550,138
Maturities of investment securities	6,156,318	3,570,313
Purchases of investment securities	(6,809,278)	(4,061,290)
Principal collected on loans	136,126	122,537
Loans disbursed	(1,215,512)	(1,124,610)
Net Cash Used in Investing Activities	<u>(1,191,941)</u>	<u>(867,822)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Demand obligations of contributors encashed	1,081,804	681,054
Contributions received ¹	1,039	3,515
Cash received from (paid to) Ordinary Capital Resources and others – net	(496)	36,975
Net Cash Provided by Financing Activities	<u>1,082,347</u>	<u>721,544</u>
Effect of Exchange Rate Changes on Due from Banks	658	2,300
Net Decrease in Due from Banks	(1,600)	(13,795)
Due from Banks at Beginning of the Year	4,546	18,341
Due from Banks at End of the Year	<u>\$ 2,946</u>	<u>\$ 4,546</u>
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES – NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenue over expenses – net income	\$ 62,948	\$ 78,263
Adjustments to reconcile excess of revenue over expenses – net income to net cash provided by operating activities:		
Accrued revenue on investments and loans	2,797	(5,547)
Accrued administrative expenses	3,356	(3,920)
Non-cash payment of administrative expenses	58,194	84,710
Charges capitalized	(19,530)	(18,978)
Provision for losses charged (written back)	(158)	463
Amortisation of discounts/premiums	106	(3,919)
Other – net	(377)	(889)
Net Cash Provided by Operating Activities	<u>\$ 107,336</u>	<u>\$ 130,183</u>

¹ In addition, non-negotiable, non-interest-bearing demand promissory notes amounting to \$379,825 (\$814,353 – 1995) were received from contributing members.

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

Borrowers/Guarantors ¹	Loans Outstanding ²	Undisbursed Balances of Effective Loans ³	Loans Not Yet Effective ³	Total Loans	Per Cent of Total Loans
Afghanistan	\$ 30,420	\$ —	\$ —	\$ 30,420	0.16
Bangladesh	3,675,713	871,384	254,759	4,801,856	25.60
Bhutan	34,104	14,420	—	48,524	0.26
Cambodia	80,952	121,933	34,578	237,463	1.27
Cook Islands	17,419	6,825	—	24,244	0.13
Indonesia	652,214	201,756	22,450	876,420	4.67
Kazakstan	5,970	32,599	—	38,569	0.21
Kiribati	3,791	—	—	3,791	0.02
Kyrgyz Republic	57,529	67,599	29,397	154,525	0.82
Lao PDR	367,002	211,710	66,365	645,077	3.44
Maldives	30,521	5,165	—	35,686	0.19
Marshall Islands	7,693	23,242	—	30,935	0.16
Micronesia, Fed. States of	457	6,206	10,381	17,044	0.09
Mongolia	136,701	108,355	62,954	308,010	1.64
Myanmar	479,812	46,862	—	526,674	2.81
Nepal	848,894	414,884	37,712	1,301,490	6.94
Pakistan	3,356,538	1,478,481	415,931	5,250,950	27.98
Papua New Guinea	272,993	53,536	—	326,529	1.74
Philippines	760,276	245,325	105,978	1,111,579	5.93
Solomon Islands	37,907	—	—	37,907	0.20
Sri Lanka	1,318,247	447,180	19,692	1,785,119	9.52
Thailand	70,436	—	—	70,436	0.38
Tonga	27,758	11,074	8,377	47,209	0.25
Vanuatu	17,438	1,709	9,922	29,069	0.15
Viet Nam	95,393	541,617	300,598	937,608	5.00
Western Samoa	81,919	1,381	—	83,300	0.44
BALANCES - 31 December 1996	12,468,097	4,913,243	1,379,094	18,760,434	100.00
Allowance for possible losses	(1,778)			(1,778)	
NET BALANCES - 31 December 1996	\$12,466,319	\$4,913,243	\$1,379,094	\$18,758,656	
BALANCES - 31 December 1995	\$ 12,309,768	\$ 5,097,604	\$ 1,158,052	\$ 18,565,424	
Allowance for possible losses	(1,936)			(1,936)	
NET BALANCES - 31 December 1995	\$12,307,832	\$5,097,604	\$1,158,052	\$18,563,488	

¹ Loans other than those made directly to a member or to its central bank have been guaranteed by the member with the exception of loans to the private sector amounting to \$16,347 (\$17,533 - 1995).

² For all Special Funds Loans approved prior to 21 March 1974, the Bank charges interest (including a service fee of 3-4 of 1%) on amounts disbursed and outstanding ranging from 1% per annum to 3% per annum. For loans approved after 21 March 1974, the Bank levies a service charge on amounts disbursed and outstanding at the rate of 1% per annum.

Maturity of Effective Loans

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1997	\$187,354	2006	2,126,050
1998	201,283	2011	2,857,033
1999	236,357	2016	3,501,877
2000	272,969	2021	3,450,296
2001	311,861	2026	2,621,227
		2031	1,250,058
		2036	364,975
		Total	\$17,381,340

Summary of Currencies Receivable on Loans Outstanding

Currency	1996	1995	Currency	1996	1995
Australian dollar	\$406,440	\$339,162	Japanese yen	6,709,641	6,958,333
Austrian schilling	100,390	103,349	Netherlands guilder	329,731	327,229
Belgian franc	84,703	86,342	New Zealand dollar	31,984	26,994
Canadian dollar	757,291	734,414	Norwegian krone	84,313	78,849
Danish krone	80,317	82,928	Pound sterling	377,565	314,614
Deutsche mark	817,627	787,836	Spanish peseta	45,798	43,689
Finnish markka	67,934	64,764	Swedish krona	75,912	73,931
French franc	385,912	384,245	Swiss franc	158,598	173,443
Italian lira	216,403	171,652	United States dollar	1,737,538	1,557,994
			Totals	\$12,468,097	\$12,309,768

3 Loans negotiated before 1 January 1983 were denominated in current United States dollars. Loans negotiated after that date are denominated in Special Drawing Rights (SDR) for the purpose of commitment. The undisbursed portions of such SDR loans are translated into United States dollars at the applicable exchange rates as of the end of a reporting period. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse various amounts totalling \$107,461 (\$96,937 - 1995).

See notes to financial statements (ADF-6).

**ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND
STATEMENT OF RESOURCES**

31 December 1996

Expressed in Thousands of United States Dollars (Note B)

	Effective			Amounts				
	Amounts Committed During 1996	Amounts Committed		Not Yet Available For Loan Commitments	Amounts			
		At Exchange Rates Per Resolutions	At 31 Dec. 1996 Exchange Rates		Available For Loan Commitments	Received	Receivable	
CONTRIBUTED RESOURCES								
Australia	\$ -	\$ 964,302	\$ 882,068	\$ -	\$ 882,068	\$ 882,068	\$ -	
Austria	-	121,216	160,992	8,979	152,013	152,013	-	
Belgium	-	119,116	142,976	-	142,976	142,976	-	
Canada	-	1,154,360	1,027,009	-	1,027,009	1,027,009	-	
Denmark	-	130,199	151,637	-	151,637	151,637	-	
Finland	-	82,734	81,100	-	81,100	81,100	-	
France	-	691,755	775,739	53,622	722,117	722,117	-	
Germany	-	955,427	1,265,253	69,887	1,195,366	1,195,366	-	
Hong Kong	-	4,880	4,880	-	4,880	4,880	-	
Indonesia	-	4,960	4,960	-	4,960	4,960	-	
Italy	134,632	599,302	472,466	67,761	404,705	404,705	-	
Japan	-	5,422,521	9,351,704	-	9,351,704	9,351,704	-	
Korea, Rep. of	-	22,900	22,900	-	22,900	22,900	-	
Nauru	-	1,933	1,933	500	1,433	1,433	-	
Netherlands	-	347,887	456,768	-	456,768	456,768	-	
New Zealand	-	47,923	46,875	-	46,875	46,875	-	
Norway	-	114,158	108,669	-	108,669	108,669	-	
Spain	-	90,013	88,359	6,285	82,074	82,074	-	
Sweden	-	210,254	179,846	-	179,846	179,846	-	
Switzerland	-	179,200	239,187	13,209	225,978	225,978	-	
Taipei, China	-	16,500	16,500	-	16,500	16,500	-	
Turkey	-	84,266	84,266	11,655	72,611	72,611	-	
United Kingdom	-	622,877	581,162	-	581,162	581,162	-	
United States	-	2,524,928	2,524,928	237,017	2,287,911	2,287,911	-	
Totals	134,632	14,513,611	18,672,177	468,915	18,203,262	18,203,262 ¹	-	
SET-ASIDE RESOURCES								
(Note G)	-	-	68,329	-	68,329	-	-	
TRANSFERS FROM								
TECHNICAL ASSISTANCE	-	-	3,464	-	3,464	-	-	
SPECIAL FUND ²	-	-	-	-	-	-	-	
TOTALS	\$ 134,632	\$ 14,513,611	\$ 18,743,970	\$ 468,915	\$ 18,275,055	\$ 18,203,262	\$ -	

¹ Excludes \$59.91 equivalent representing advance payments received but not yet available for loan commitments as of 31 December 1996.

² Includes translation adjustments amounting to \$9 as of 31 December 1996.

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

CONTINUED

NOTE A – NATURE OF OPERATIONS

The Asian Development Fund (the Fund) was established on 28 June 1974 to carry out more effectively the special operations of the Bank by providing resources on concessional terms which are made available almost exclusively to the poorest borrowing countries.

The resources of the Fund have been subsequently augmented by five replenishments, the most recent of which was in August 1992 in a total amount equivalent to US\$4,200,000,000 to cover the operational requirements for the four-year period ended 31 December 1995. An aggregate amount equivalent to \$140,000,000 has been allocated to the Technical Assistance Special Fund.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

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

Translation of Currencies

Assets, liabilities, amounts available for loan commitments and advance payments on contributions are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Revenue and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments relating to set-aside resources (see Note G) are recorded as notional amounts receivable from or payable to Ordinary Capital Resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments". Exchange

gains or losses on currency transactions among functional currencies are included in revenue.

Investments

All investment securities held by the Bank are considered by management to be available for sale and are reported at estimated fair value, with unrealized gains and losses excluded from revenue and reported in "UNEXPENDED BALANCES AND CAPITAL". Estimated fair value generally represents market value. Cost or amortised cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). Realized gains and losses are included in revenue from investments and are measured by the difference between average cost or amortised cost and the net proceeds of sales.

Loans

Loans of the Fund are extended to eligible developing member countries, bear only a service charge and require repayment over periods ranging from 35 to 40 years. The Fund requires borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed. It is the policy of the Fund to place in non-accrual status all loans made to eligible developing member countries if the principal or service charges with respect to any such loan are overdue by six months. When loans are placed in non-accrual status, the related unpaid service charges are reversed and are deducted from revenue. Service charges on non-accruing loans are included in revenue only to the extent that payments have actually been received by the Fund. The Bank follows a policy of not taking part in debt rescheduling agreements.

The Bank determines that a loan is impaired when principal and interest is in arrears for one year for public sector loans made to or guaranteed by a member country and six months for private sector loans. If the present value of expected future cash flows discounted at the loan's effective interest rate is less than the carrying value of the loan,

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

a specific valuation allowance is established with a corresponding charge to provision for losses. In addition, the Bank establishes a general loan loss allowance for private sector loan portfolio based on a rate approved by the Board of Directors. These allowances are approved by the Board of Directors.

Management's periodic evaluation of the adequacy of the general loan loss reserve factors and overall allowance for possible losses is based on the Bank's past loan loss experience, known and inherent risks in existing loans and commitments to extend credit and adverse situations that may affect a borrower's ability to repay.

Contributed Resources

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

Contributions are generally paid or to be paid in the currency of the contributor either in cash or notes.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Fund considers that its cash and cash equivalents are limited to "DUE FROM BANKS". Certain amounts in the 1995 statement of cash flows have been reclassified to conform with the 1996 presentation.

NOTE C - INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1996 and 31 December 1995 were as follows:

Currency	1996	1995
Australian dollar	\$ 67,829,000	\$ 47,437,000
Canadian dollar	23,904,000	18,866,000
Deutsche mark	31,983,000	48,464,000
Italian lira	27,783,000	12,993,000
French franc	38,170,000	1,090,000
Japanese yen	63,449,000	104,114,000
Netherlands guilder	13,395,000	8,137,000
Pound sterling	57,128,000	65,401,000
Spanish peseta	15,613,000	5,995,000
United States dollar	73,310,000	89,997,000
Others	46,877,000	15,343,000
Totals	\$459,441,000	\$417,837,000

The amortised cost and estimated fair value of the investments by contractual maturity at 31 December 1996 were as follows:

	Amortised Cost	Estimated Fair Value
Due in one year or less	\$452,787,000	\$452,787,000
Due after one year through five years	6,561,000	6,654,000
Totals	\$459,348,000	\$459,441,000

CONTINUED

Additional information relating to investments in government and government-guaranteed obligations, is as follows:

	1996	1995
As of 31 December:		
Amorised cost	\$ 43,536,000	\$ 70,275,000
Estimated fair value	43,629,000	71,154,000
Gross unrealized gains	93,000	889,000
Gross unrealized losses	-	10,000
 For the years ended 31 December:		
Change in net unrealized gains (losses)	(786,000)	3,748,000
Proceeds from sales	678,550,000	550,138,000
Gross gains	570,000	935,000
Gross losses	192,000	46,000

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 4.23% (5.71% – 1995). If unrealized gains and losses were included, the annualized rate of return would have been 4.06% (6.32% – 1995).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

NOTE D – LOANS AND LOAN LOSS PROVISION

Loans

Loans are fair valued using an entry value method. Under this method, fair value is determined based on the terms at which a similar loan would currently be made by the Bank to a similar borrower. Such terms generally include a service charge of 1 percent and a final maturity of about 40

years. For such loans, fair value approximates the carrying amount. The estimated fair value of loans is not affected by credit risks because the amount of any such adjustment is not considered to have a material effect based on the Bank's experience with its borrowers.

Undisbursed loan commitments and an analysis of loans by countries as of 31 December 1996 and 31 December 1995 are shown in ADF-4.

The principal amount outstanding of public sector loans placed in non-accrual status as of 31 December 1996 was \$56,226,000 (\$33,800,000 – 1995) of which \$7,237,000 (\$6,173,000 – 1995) was overdue. Overdue charges on these loans totalled \$1,995,000 (\$1,458,000 – 1995). Placing these loans in a non-accrual status resulted in a reduction of \$744,000 (\$396,000 – 1995) in revenue from loans for the year ended 31 December 1996. The loans in non-accrual status as of 31 December 1996 were four loans made to Afghanistan and nine loans to Solomon Islands. (Four loans to Afghanistan and one loan to Solomon Islands were placed in non-accrual status as of 31 December 1995.)

Private sector loans outstanding as of 31 December 1996 were \$14,539,000 (\$15,597,000 – 1995), net of accumulated provision for loan losses as of 31 December 1996 of \$1,778,000 (\$1,936,000 – 1995), and there were no undisbursed loan commitments (nil – 1995).

Loan Loss Provision

The Bank makes specific provision for possible losses on loans to the private sector when principal or service charges are in arrears for six months or more, based on an evaluation by Management of the collectibility of loans outstanding. Impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. On the remainder of the private sector portfolio, the Bank makes a general loan loss provision at a rate approved by the Board of Directors. The Bank's policy on provisioning for the Fund's loans made to or guaranteed by a member ("public sector loans") is cur-

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

rently under review. No provisions have been established for such public sector loans. To date, the Bank has not charged off any such loans.

As of 31 December 1996, loan loss provisions amounting to \$1,778,000 (\$1,936,000 – 1995) have been made against private sector loans.

Information appertaining to loans which are subject to specific loan loss provisions as at 31 December 1996 and 31 December 1995 were as follows:

	1996	1995
Total loans without specific loss provisions	\$12,462,184,000	\$12,303,098,000
Total loans subject to specific loss provisions	<u>5,913,000</u>	<u>6,670,000</u>
Total loans	<u>\$12,468,097,000</u>	<u>\$12,309,768,000</u>
Average amount of loans subject to specific loss provisions	\$ 6,298,000	\$ 7,383,000
Related service charges recognised on such loans	\$ 63,000	\$ 73,000
Cash received on related service charges on such loans	\$ 33,000	\$ 69,000

The changes in the allowance for loan losses during 1996 and 1995 were as follows:

	1996	1995
Balance – 1 January	\$1,936,000	\$1,473,000
Provision (Reduction) during the year	<u>(158,000)</u>	<u>463,000</u>
Balance – 31 December	<u>\$1,778,000</u>	<u>\$1,936,000</u>
Made up of:		
Specific loan loss provision	\$ 946,000	\$1,067,000
General loan loss provision	<u>832,000</u>	<u>869,000</u>
Totals	<u>\$1,778,000</u>	<u>\$1,936,000</u>

NOTE E – NOTES OF CONTRIBUTORS

Notes of contributors are non-negotiable, non-interest-bearing and, subject to certain restrictions imposed by applicable Board of Governors' resolutions, encashable by the Bank at par upon demand.

The Bank currently expects that the notes outstanding at 31 December 1996 will be encashed in varying amounts over the fifteen-year period ending 31 December 2011.

Notes of contributors are fair valued using an entry value method whereby fair value is determined based on the terms at which notes are currently being accepted from contributors. On this basis, fair value of outstanding notes of contributors approximates carrying amount.

NOTE F – ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include an administration charge amounting to \$81,991,000 (\$82,855,000 – 1995). The charge

represents an apportionment of all administrative expenses of the Bank (other than those appertaining directly to ordinary operations and special operations) based on the number of loans and equity investments approved for the year.

NOTE G – SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(i) of the Articles of Agreement Establishing the Asian Development Bank (the Charter), the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973, to be used as a part of the Special Funds of the Bank. The capital so set aside was allocated and transferred from the Ordinary Capital Resources to the Fund as Set-Aside Resources.

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

the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1996, the value of the SDR in terms of the current United States dollar was \$1.43520 (\$1.48649 – 1995). On this basis, Set-Aside Resources amounted to \$68,329,000 (\$70,771,000 – 1995). If the capital stock of the Bank as of 31 December 1996 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

NOTE H – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's balance sheet carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B, D and E for discussions with respect to investments, loans and notes of contributors, respectively.

Deloitte & Touche LLP



San Francisco, California

INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

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

TASF-1 Statement of Financial Position, 31 December 1996 and 31 December 1995

TASF-2 Statement of Activities and Changes in Net Assets for the Years Ended
31 December 1996 and 31 December 1995

TASF-3 Statement of Cash Flows for the Years Ended
31 December 1996 and 31 December 1995

TASF-4 Statement of Resources, 31 December 1996

TASF-5 Summary Statement of Services to Member Countries
for the Year Ended 31 December 1996

TASF-6 Notes to Financial Statements, 31 December 1996 and
31 December 1995

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank - Technical Assistance Special Fund at 31 December 1996 and 31 December 1995 and the results of its activities and changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

19 February 1997

**ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND
STATEMENT OF FINANCIAL POSITION**

31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

ASSETS	1996		1995	
DUE FROM BANKS (Note B)	\$	621	\$	1,495
INVESTMENTS (Notes B and C)				
Government and government-guaranteed obligations	\$ 25,230		\$ 17,259	
Time deposits and other obligations of banks	<u>185,637</u>	210,867	<u>247,103</u>	264,362
ACCRUED REVENUE		805		2,394
RECEIVABLE FROM ORDINARY CAPITAL RESOURCES (Note D)		-		118
RECEIVABLE FROM ASIAN DEVELOPMENT FUND (Note D)		389		1,408
OTHER ASSETS		10,806		12,625
TOTALS		\$223,488		\$282,402
LIABILITIES AND UNCOMMITTED BALANCES				
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$	53	\$	787
ACCOUNTS PAYABLE AND OTHER LIABILITIES		172		57
UNDISBURSED COMMITMENTS (Notes B and E)		105,138		101,431
UNCOMMITTED BALANCES (TASF-2 and TASF-4), represented by:				
Unrestricted net assets	\$118,125		\$177,401	
Temporarily restricted net assets	-		335	
Permanently restricted net assets	<u>-</u>	118,125	<u>2,391</u>	180,127
TOTALS		\$223,488		\$282,402

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended 31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

	1996	1995
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS (TASF-4) (Notes B and D)	\$ 4,651	\$ 81,000
REVENUE		
From investments (Notes B and C)		
Interest	\$8,124	\$7,242
Unrealized investment gains	616	694
Net gain (loss) on sales	<u>11</u>	<u>(3)</u>
	8,751	7,933
From other sources – net (Note E)	<u>409</u>	<u>9,160</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>387</u>	<u>–</u>
Totals	<u>14,198</u>	<u>89,198</u>
EXPENSES		
Services to member countries (TASF-5) (Note B)	55,144	47,904
Administrative expenses	<u>3</u>	<u>2</u>
Totals	<u>55,147</u>	<u>47,906</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF (LESS THAN) EXPENSES	(40,949)	41,292
EXCHANGE GAINS (LOSSES) – net (Note B)	<u>(18,327)</u>	<u>10,420</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(59,276)</u>	<u>51,712</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
CONTRIBUTIONS (TASF-4) (Notes B and D)	63	72
NET ASSETS RELEASED FROM RESTRICTIONS	<u>(387)</u>	<u>–</u>
EXCHANGE GAINS (LOSSES) – net (Note B)	<u>(11)</u>	<u>16</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(335)</u>	<u>88</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
EXCHANGE GAINS (LOSSES) – net (Note B)	(175)	188
TRANSFERS TO ASIAN DEVELOPMENT FUND (Note B)	<u>(2,216)</u>	<u>–</u>
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	<u>(2,391)</u>	<u>188</u>
INCREASE (DECREASE) IN NET ASSETS	(62,002)	51,988
NET ASSETS AT BEGINNING OF THE YEAR	180,127	128,139
NET ASSETS AT END OF THE YEAR	\$118,125	\$180,127

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 5,852	\$ 188,383
Interest on investments received	9,746	4,955
Cash received from other activities	296	245
Services to member countries paid	(49,789)	(41,344)
Administrative expenses paid	(3)	(2)
Net Cash Provided by (Used in) Operating Activities	<u>(33,898)</u>	<u>152,237</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash withdrawn from (invested in) time deposits and other obligations of banks	43,437	(131,129)
Sales of investment securities	3,104	22,703
Maturities of investment securities	394	39,381
Purchases of investment securities	(11,219)	(85,575)
Net Cash Provided by (Used in) Investing Activities	<u>35,716</u>	<u>(154,620)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid to Ordinary Capital Resources and others – net	(463)	(1,161)
Resources transferred to Asian Development Fund	<u>(2,216)</u>	–
Net Cash Used in Financing Activities	<u>(2,679)</u>	<u>(1,161)</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(13)</u>	<u>143</u>
Net Decrease in Due from Banks	(874)	(3,401)
Due from Banks at Beginning of the Year	<u>1,495</u>	<u>4,896</u>
Due from Banks at End of the Year	<u>\$ 621</u>	<u>\$ 1,495</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ (62,002)	\$ 51,988
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Contributions receivable	1,138	107,311
Transfers to Asian Development Fund	2,216	–
Undisbursed commitments	3,707	8,043
Translation adjustments	18,400	(10,644)
Unrealized investment gains	(616)	(694)
Advances for services to member countries	1,648	(1,483)
Amortisation of discounts/premiums	65	(229)
Other – net	<u>1,546</u>	<u>(2,055)</u>
Net Cash Provided by (Used in) Operating Activities .	<u>\$ (33,898)</u>	<u>\$ 152,237</u>

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF RESOURCES

31 December 1996

Expressed in Thousands of United States Dollars (Note B)

	Contributions Received During 1996	Cumulative Contributions Received	Contributions Utilized During 1996	Cumulative Contributions Utilized	Contributions Unutilized
DIRECT VOLUNTARY CONTRIBUTIONS					
Australia	\$ -	\$ 2,484	\$ -	\$ 2,484	\$ -
Austria	-	159	9	159	-
Bangladesh	-	47	-	47	-
Belgium	-	1,394	69	1,394	-
Canada	-	3,346	-	3,346	-
China, People's Rep. of	-	600	-	600	-
Denmark	-	1,963	-	1,963	-
Finland	-	237	-	237	-
France	-	1,697	-	1,697	-
Germany	-	3,315	-	3,315	-
Hong Kong	-	100	-	100	-
India	-	2,403	111	2,403	-
Indonesia	-	250	-	250	-
Italy	-	774	-	774	-
Japan	-	47,710	-	47,710	-
Korea, Rep. of	-	1,900	-	1,900	-
Malaysia	-	909	-	909	-
Netherlands	-	1,337	-	1,337	-
New Zealand	-	1,096	-	1,096	-
Norway	-	3,279	-	3,279	-
Pakistan	63	1,189	198	1,189	-
Singapore	-	100	-	100	-
Spain	-	190	-	190	-
Sri Lanka	-	6	-	6	-
Sweden	-	861	-	861	-
Switzerland	-	1,035	-	1,035	-
Taipei, China	-	200	-	200	-
United Kingdom	-	5,617	-	5,617	-
United States	-	1,500	-	1,500	-
Totals	63	85,698	387	85,698	-
REGULARIZED TASF REPLENISHMENTS AND ALLOCATION FROM ORDINARY CAPITAL RESOURCES NET INCOME (Note D)	4,651	499,039	67,271	412,649	86,390
TRANSFERS TO ASIAN DEVELOPMENT FUND	-	(3,472)	-	(3,472)	-
OTHER RESOURCES ¹	-	47,431	3	17,005	30,426
UNREALIZED INVESTMENT HOLDING GAINS	-	1,309	-	-	1,309
TOTALS	\$4,714	\$630,005	\$67,661²	\$511,880	\$118,125

¹ Other resources represent income and replenishments accruing to TASF since 1 April 1980.² Includes exchange loss amounting to \$12,514.

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

SUMMARY STATEMENT OF SERVICES TO MEMBER COUNTRIES

For the Year Ended 31 December 1996

Expressed in Thousands of United States Dollars (Note B)

Recipients	Project Preparation	Project Implementation/ Advisory	Totals
Bangladesh	\$1,264	\$ 3,007	\$ 4,271
Bhutan	(26)	(151)	(177)
Cambodia	(300)	3,811	3,511
China, People's Rep. of	350	2,446	2,796
Cook Islands	–	892	892
Fiji	(600)	1,150	550
India	195	2,255	2,450
Indonesia	1,026	3,599	4,625
Kazakhstan	100	700	800
Kiribati	73	–	73
Kyrgyz Republic	–	2,595	2,595
Lao PDR	203	263	466
Malaysia	–	489	489
Maldives	–	400	400
Marshall Islands	200	48	248
Micronesia, Fed. States of	–	1,140	1,140
Mongolia	100	2,975	3,075
Nepal	(22)	395	373
Pakistan	634	273	907
Papua New Guinea	285	780	1,065
Philippines	25	933	958
Solomon Islands	–	–	–
Sri Lanka	247	120	367
Thailand	–	2,468	2,468
Tonga	–	1,359	1,359
Tuvalu	100	600	700
Uzbekistan	200	100	300
Vanuatu	–	635	635
Viet Nam	–	3,769	3,769
Western Samoa	100	1,192	1,292
 Totals	 <u>\$4,154</u>	 <u>\$38,243</u>	 42,397
Regional Activities			12,747
 TOTAL	 \$55,144		

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

NOTE A – NATURE OF OPERATIONS

The Technical Assistance Special Fund (TASF) was established to provide technical assistance on a grant basis to the Bank's developing member countries and for regional technical assistance. TASF resources consist of direct voluntary contributions by members, allocations from the net income of Ordinary Capital Resources (OCR) and Asian Development Fund (ADF) contributions, and revenue from investments and other sources.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the TASF are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets. In accordance with the regulations of TASF, \$2,216,000 of permanently restricted net assets were transferred to ADF during the year ended 31 December 1996. As such, there were no permanently restricted net assets at 31 December 1996.

TASF reports the contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Investments

All investment securities held by TASF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortised cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Contributions

Contributions from member countries are included in the financial statements from the date contribution agreements become effective. Contributions from donors which are restricted by them to technical assistance projects/programs with specified procurement sources are classified as temporarily restricted contributions. Those without any stipulations as to specific use are accounted for as unrestricted contributions.

Services to Member Countries

Services to member countries are recognized in the financial statements of TASF when the technical assistance projects/programs are approved and effective. Upon completion of the technical assistance projects/programs, any undisbursed amounts are written back as a reduction in the services to member countries for the year and the corresponding undisbursed commitments are reduced.

Reporting Currency

The financial statements of TASF are expressed in thousands of current United States dollars. As a matter of convenience, the United States dollar, the reporting currency, is used to measure exchange gains and losses.

Translation of Currencies

Assets, liabilities and uncommitted balances in currencies other than United States dollars are translated at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are translated initially at applicable exchange rates as of the respective dates when the contributions become effective. As to cumulative contributions received, the utilized portions are translated at the applicable exchange rates as of the respective dates of use whereas the unutilized portions are translated at the applicable exchange rates as of the end of a reporting period. Revenue and expense amounts in currencies other than United

CONTINUED

States dollars are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments are accounted for as exchange gains or losses and are charged or credited to operations.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the TASF considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

NOTE C – INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1996 and 31 December 1995 were as follows:

Currency	1996	1995
Australian dollar	\$ 6,213,000	\$ 5,423,000
Canadian dollar	89,423,000	83,519,000
Deutsche mark	7,243,000	7,626,000
French franc	4,131,000	4,495,000
Italian lira	4,834,000	85,000
Japanese yen	25,523,000	65,118,000
Netherlands guilder	3,222,000	3,605,000
Swedish krona	1,281,000	1,828,000
Swiss franc	60,602,000	81,695,000
United States dollar	2,923,000	5,578,000
Others	5,472,000	5,390,000
Totals	\$210,867,000	\$264,362,000

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 3.63% (4.05% – 1995).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

NOTE D – FUNDING

Since 1967, contributions have been made by 31 member countries. In February 1992, the Board of Governors, in authorizing a \$4,200,000,000 replenishment of the ADF, provided for an allocation to the TASF in an aggregate amount equivalent to \$140,000,000 to be used for technical assistance to poorer developing members and for regional technical assistance. This replenishment became effective in August 1992.

The Board of Governors allocated \$81,000,000 to TASF from the 1994 net income of the OCR in 1995 and nil in 1996.

Some of the contributions received were restricted to use upon procurement sources, while some were given on condition that the technical assistance be made on reimbursable basis.

The total contributions received for the years ended 31 December 1996 and 31 December 1995 were as follows:

	1996	1995
Unrestricted contributions	\$4,651,000	\$81,000,000
Temporarily restricted contributions	63,000	72,000
Total contributions	\$4,714,000	\$81,072,000

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

NOTE E - UNDISBURSED COMMITMENTS

Undisbursed commitments represent effective ongoing grant-financed technical assistance projects/programs which are not yet disbursed as of the end of the year. The fair value of such commitments approximates the amounts undisbursed because the Bank expects that grants will be made for all projects and programs covered by the commitments. When technical assistance provided as a project preparatory grant leads to a Bank loan, the amount of the grant exceeding \$250,000 will be refinanced under the loan administered by the Asian Development Fund. Refinanced amounts of \$317,000 (\$87,000 - 1995) were charged to such loans and credited to revenue from other sources of the TASF during the year ended 31 December 1996.

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B and E for discussions with respect to investments and undisbursed commitments, respectively.

Deloitte & Touche LLP



San Francisco, California

INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank - Japan Special Fund (JSF):

- JSF-1 Statement of Financial Position, 31 December 1996 and 31 December 1995
- JSF-2 Statement of Activities and Changes in Net Assets for the Years Ended
31 December 1996 and 31 December 1995
- JSF-3 Statement of Cash Flows for the Years Ended
31 December 1996 and 31 December 1995
- JSF-4 Notes to Financial Statements, 31 December 1996 and
31 December 1995

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank - Japan Special Fund at 31 December 1996 and 31 December 1995 and the results of its activities and changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte + Touche LLP

19 February 1997

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND

STATEMENT OF FINANCIAL POSITION

31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

ASSETS	1996		1995	
DUE FROM BANKS (Note B)	\$ 428		\$ 180	
INVESTMENTS (Notes B and C)				
Government and government-guaranteed obligations	\$ 27,603		\$ 97	
Time deposits	<u>388,543</u>	416,146	<u>449,961</u>	450,003
EQUITY INVESTMENTS (Notes B and D), net		702		726
ACCRUED REVENUE		916		263
OTHER ASSETS		2,429		<u>3,691</u>
TOTALS		\$420,621		\$454,920
LIABILITIES AND UNCOMMITTED BALANCES				
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ 476		\$ 218	
ACCOUNTS PAYABLE AND OTHER LIABILITIES		106		42
UNDISBURSED COMMITMENTS (Notes B and E)		105,137		95,416
UNCOMMITTED BALANCES (JSF-2), represented by:				
Unrestricted net assets	\$253,737		\$286,899	
Temporarily restricted net assets	<u>61,165</u>	314,902	<u>72,345</u>	359,244
TOTALS		\$420,621		\$454,920

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK – JAPAN SPECIAL FUND
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Years Ended 31 December 1996 and 31 December 1995
 Expressed in Thousands of United States Dollars (Note B)

	1996	1995
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS (Notes B and F)	\$ 61,947	\$ 79,646
REVENUE		
From investments (Notes B and C)		
Interest	\$2,350	\$6,357
Unrealized investment gains (losses)	<u>88</u>	<u>(4)</u>
	2,438	6,353
From other sources – net	<u>7</u>	<u>1</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>18,116</u>	<u>8,946</u>
Totals	<u>82,508</u>	<u>94,946</u>
EXPENSES		
Services to member countries (Note B)	76,037	74,925
Administrative expenses	1,253	1,076
Provision for losses charged (written back) (Notes B and D)	<u>1</u>	<u>(767)</u>
Totals	<u>77,291</u>	<u>75,234</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	5,217	19,712
EXCHANGE LOSSES (Note B)	<u>(11,694)</u>	<u>(138)</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE TRANSLATION ADJUSTMENTS	<u>(6,477)</u>	19,574
TRANSLATION ADJUSTMENTS	<u>(26,685)</u>	<u>(7,490)</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS AFTER TRANSLATION ADJUSTMENTS	<u>(33,162)</u>	<u>12,084</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
CONTRIBUTIONS (Notes B and F)	17,925	25,322
NET ASSETS RELEASED FROM RESTRICTIONS	<u>(18,116)</u>	<u>(8,946)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS BEFORE TRANSLATION ADJUSTMENTS	<u>(191)</u>	16,376
TRANSLATION ADJUSTMENTS	<u>(10,989)</u>	<u>(1,450)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS AFTER TRANSLATION ADJUSTMENTS	<u>(11,180)</u>	14,926
INCREASE (DECREASE) IN NET ASSETS	<u>(44,342)</u>	27,010
NET ASSETS AT BEGINNING OF THE YEAR	359,244	332,234
NET ASSETS AT END OF THE YEAR	\$314,902	\$359,244

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1996 and 31 December 1995

Expressed in Thousands of United States Dollars (Note B)

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 79,872	\$ 104,968
Interest on investments received	2,502	4,764
Services to member countries paid	(65,129)	(55,596)
Administrative expenses paid	<u>(1,178)</u>	<u>(1,072)</u>
Net Cash Provided by Operating Activities	<u>16,067</u>	<u>53,064</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash withdrawn from (invested in) time deposits	15,435	(21,243)
Sales of investment securities	82,144	105,892
Maturities of investment securities	—	528,146
Purchases of investment securities	<u>(113,500)</u>	<u>(665,771)</u>
Net Cash Used in Investing Activities	<u>(15,921)</u>	<u>(52,976)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from (paid to) Ordinary Capital Resources and others – net	<u>120</u>	<u>(103)</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(18)</u>	<u>13</u>
Net Increase (Decrease) in Due From Banks	248	(2)
Due from Banks at Beginning of the Year	<u>180</u>	<u>182</u>
Due from Banks at End of the Year	<u>\$ 428</u>	<u>\$ 180</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ (44,342)	\$ 27,010
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Unrealized investment (gains) losses	(88)	4
Translation adjustments	37,674	8,940
Provision for losses charged (written back)	1	(767)
Undisbursed commitments	9,721	13,795
Amortisation of discounts/premiums	907	(1,926)
Other – net	<u>12,194</u>	<u>6,008</u>
Net Cash Provided by Operating Activities	<u>\$ 16,067</u>	<u>\$ 53,064</u>

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK – JAPAN SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

CONTINUED

NOTE A – NATURE OF OPERATIONS

The Japan Special Fund (JSF) was established in March 1988 when Japan and the Bank entered into a financial arrangement whereby Japan agreed to make an initial contribution and the Bank became the administrator. The purpose of JSF is to help developing member countries of the Bank restructure their economies and broaden the scope of opportunities for new investments, thereby assisting the recycling of funds to developing member countries of the Bank. While the JSF resources are used mainly to finance technical assistance operations, these resources may also be used for equity investment operations in the Bank's developing member countries. The Bank may invest the proceeds of JSF pending disbursement and use the revenue from such investments to pay for direct and identifiable costs incurred in the administration of JSF.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the JSF are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets. There were no permanently restricted net assets at 31 December 1996 and 31 December 1995.

JSF reports the contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Investments

All investment securities held by JSF are reported at estimated fair value, with realized and unrealized gains and

losses included in revenue. Estimated fair value generally represents market value. Cost or amortised cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Contributions

Contributions by Japan are included in the financial statements from the date indicated by the government of Japan that funds are expected to be made available. Contributions which are restricted by the donor for specific technical assistance projects/programs are classified as temporarily restricted contributions. Those without any stipulation as to specific use are accounted for as unrestricted contributions and reported as such.

Services to Member Countries

Services to member countries are recognized in the financial statements of JSF when the technical assistance projects/programs are approved and effective. Upon completion of the technical assistance projects/programs, any undisbursed amounts are written back as a reduction in the services to member countries for the year and the corresponding undisbursed commitments are reduced accordingly.

Functional Currency and Reporting Currency

The functional currency of JSF is the Japanese yen while the reporting currency is the United States dollar. The financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are translated at the applicable exchange rates as of the dates the contributions are received. Revenue and expense amounts in Japanese yen are translated

ASIAN DEVELOPMENT BANK – JAPAN SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1996 and 31 December 1995

for each semi-monthly period at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Exchange gains or losses on currency transactions between the Japanese yen and other currencies are charged or credited to operations.

Equity Investments

Equity investments with readily determinable fair values are reported at fair value. The Bank makes provisions for possible loss of value quarterly based on management's evaluation of potential losses on investments without readily determinable fair values.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the JSF considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

NOTE C – INVESTMENTS

The investment portfolio was composed wholly of investments denominated in Japanese yen. As of 31 December 1996, the estimated fair value of the investments was \$416,146,000 (\$450,058,000 – 1995), and was due in one year or less.

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 0.60% (1.50% – 1995).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

NOTE D – EQUITY INVESTMENTS

The Bank used JSF resources to make an equity investment in India in 1990 totalling \$702,000 at 31 December 1996 (\$726,000 net of allowance for possible losses of \$391,000 – 1995). The investment is reported at its estimated fair value and the unrealized gain is included in income for the year.

NOTE E – UNDISBURSED COMMITMENTS

Undisbursed commitments are denominated in United States dollars and represent effective technical assistance for projects and programs which have not been disbursed. The fair value of such commitments approximates the amounts outstanding because JSF expects that disbursements will substantially be made for all the projects/programs covered by the commitments.

NOTE F – CONTRIBUTIONS AND TEMPORARILY RESTRICTED NET ASSETS

All contributions for the years ended 31 December 1996 and 31 December 1995 were received during the respective years. Some of the contributions received were with the restriction that they were to be utilized for specific technical assistance projects/programs. Such contributions were classified as temporarily restricted support.

Temporarily restricted net assets are available for the following purposes as of 31 December 1996 and 31 December 1995:

	1996	1995
Environment-related Activities	\$37,596,000	\$41,913,000
Private Sector Promotion	14,963,000	19,081,000
Women in Development	8,367,000	10,586,000
Training/Symposium	<u>239,000</u>	<u>765,000</u>
	<u><u>\$61,165,000</u></u>	<u><u>\$72,345,000</u></u>

Net assets released from such restrictions relate to commitments for services to member countries satisfying the conditions specified by the donor.

NOTE G – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B and E for discussions with respect to investments, equity investments and undisbursed commitments, respectively.

Statistical Annex

Economic Data of DMCs	252
1. Estimates of Real GDP Growth Rate, 1986–1996 and Per Capita GNP, 1995	252
2. Domestic Saving, Capital Formation, and Resource Gap as Percentage of GDP, 1994–1996	253
3. Changes in Consumer Prices, 1994–1996	254
4. Per Capita Commercial Energy Consumption, 1992–1994	255
5. Foreign Trade, 1994–1996	256
6. International Reserves and Ratio of Reserves to Imports, 1994–1996	257
7. Total Net Flows of Financial Resources to DMCs, 1993–1995	258
8. Total External Debt and Debt-Service Ratio, 1993–1995	259
Bank Operational Data	260
9. 1996 Loan Approvals and Total Project Costs, by Country	260
10. Loan Approvals, by Sector: Three-Year Moving Averages, 1968–1970–1992–1996	263
11. Sectoral Distribution of Loans, 1996	264
12. 1996 Loan Approvals, by Sector	265
13. Loan Approvals, by Country and Source of Funds, 1996	267
14. Distribution of Lending Among Developing Member Countries, 1968–1996	268
15. Projects Involving Cofinancing, 1996	270
16. 1996 Private Sector Approvals and Total Project Costs, by Country	271
17. 1996 Private Sector Approvals and Total Project Costs, by Sector	271
18. Private Sector Loan and Equity Investment Approvals, by Year, 1987–1996	272
19. Cumulative Private Sector Approvals, by Country, 1983–1996	272
20. Contracts Awarded and Disbursements Under Effective Loans, 1968–1996	273
21. Number of Loans and Projects Approved and Under Administration, PCRs Circulated, Projects Completed, Loans Closed, and PPARs Circulated	274
22. Amounts of Loans Approved, Contracts Awarded, and Disbursements	276
23. Distribution of Contracts Awarded, by Country of Origin – Ordinary Capital Resources	278
24. Distribution of Contracts Awarded, by Country of Origin – Asian Development Fund	279
25. Distribution of Contracts Awarded, by Country of Origin – Ordinary Capital Resources and Asian Development Fund Combined	280
26. Contracts Awarded, by Country of Origin, 1996 – Ordinary Capital Resources	281
27. Contracts Awarded, by Country of Origin, 1996 – Asian Development Fund	282
28. Contracts Awarded, by Country of Origin, 1996 – Ordinary Capital Resources and Asian Development Fund Combined	283
29. Cumulative Contracts Awarded, by Country of Origin – Technical Assistance Operations	284
30. Contracts Awarded, by Country of Origin, 1994–1996 – Technical Assistance Operations	285
31. Grant-Financed Technical Assistance Approvals, 1996	286
32. 1996 Loans Resulting from Earlier Bank Technical Assistance	292
33. Regional Technical Assistance Activities, 1996	294
34. Grant-Financed Technical Assistance Approvals, by Country and Regional Activities, 1995, 1996, 1967–1996	296
35. Grant-Financed Technical Assistance Approvals, by Sector, 1995, 1996, 1967–1996	298
36. Net Transfer of Resources to DMCs (OCR), 1987–1996	299
37. Net Transfer of Resources to DMCs (ADF), 1987–1996	300
38. Net Transfer of Resources to DMCs (OCR and ADF), 1987–1996	301
Financial Resources	302
39. Status of Asian Development Fund Resources	302
40. Technical Assistance Special Fund	303
41. Japan Special Fund	304

ECONOMIC DATA OF DMCs

Table 1
ESTIMATES OF REAL GDP GROWTH RATE, 1986–1996
AND PER CAPITA GNP, 1995

Country	Annual Average (1986–1993)	GDP Growth Rate (%)			Per Capita GNP ^a (\$) 1995
		1994	1995	1996 ^b	
NIEs	8.3	7.6	7.5	6.3	
Hong Kong	6.9	5.4	4.7	4.7	22,990
Korea, Rep. of	8.8	8.6	9.0	7.0	9,700
Singapore	8.2	10.5	8.8	7.0	26,730
Taipei, China	8.3	6.5	6.0	5.7	12,780
PRC and MONGOLIA	9.6	11.8	10.2	9.7	
China, People's Rep. of	9.6	11.8	10.2	9.7	620
Mongolia ^c	0.4	2.3	6.3	2.6	310
SOUTHEAST ASIA	7.4	7.8	8.2	7.4	
Cambodia ^c	5.5 ^d	4.0	7.6	6.0	270
Indonesia	7.3	7.5	8.2	7.8	980
Lao PDR	4.9	8.1	7.0	7.2	350
Malaysia ^e	7.7	9.1	10.1	8.8	3,890
Myanmar ^{e,f}	0.6	6.8	7.7	6.0	...
Philippines	3.2	4.4	4.8	5.5	1,050
Thailand	9.6	8.9	8.7	6.7	2,740
Viet Nam	5.3	8.8	9.5	9.5	240
SOUTH ASIA	5.3	6.6	6.5	6.5	...
Afghanistan ^c	(6.2)
Bangladesh ^f	4.1	4.2	4.4	4.7	240
Bhutan	6.8	6.4	7.5	6.4	420
India ^{e,f}	5.5	7.2	7.1	6.8	340
Maldives	9.0	6.6	7.2	6.5	990
Nepal ^f	4.7	8.2	3.4	6.0	200
Pakistan ^f	5.5	3.9	4.4	5.9	460
Sri Lanka	4.1	5.6	5.5	3.8	700
CENTRAL ASIAN REPUBLICS ^c
Kazakhstan	(13.4) ^d	(25.4)	(8.9)	0.7	1,330
Kyrgyz Republic	(12.4) ^d	(20.1)	(6.2)	3.5	700
Uzbekistan	(4.6) ^d	(4.2)	(1.2)	...	970
PACIFIC DMCs	4.6	2.9	(0.9)	2.7	
Cook Islands	5.4	1.5	(5.7)	(5.4)	...
Fiji ^e	3.2	3.9	1.4	4.4	2,440
Kiribati ^e	1.0	1.7	2.6	...	920
Marshall Islands ^f	1.4	2.8	3.7	1.0	...
Micronesia, Fed. States of ^f	2.7	(1.9)	0.8	0.8	2,010
Nauru
Papua New Guinea	5.8	3.1	(2.9)	2.2	1,160
Solomon Islands	3.8	5.2	6.0	4.0	910
Tonga ^{e,f}	1.6	5.6	2.3	1.6	1,630
Tuvalu	3.7 ^d	6.2	2.0	2.5	...
Vanuatu	2.1	2.6	3.2	3.0	1,200
Western Samoa	(0.7)	(7.8)	9.6	7.0	1,120
WEIGHTED AVERAGE ⁱ	7.9	8.5	8.2	7.4	

... Data not available.

a World Bank Atlas methodology, 1992–1994 base period; figure for Hong Kong refers to GDP.

b Preliminary estimates.

c Country figure will be excluded from respective group and total weighted average.

d Refers to 1988–1993 for Cambodia; 1991–1993 for Kazakhstan, Kyrgyz Republic, Uzbekistan, Marshall Islands, and Tuvalu; and 1989–1993 for Western Samoa.

e Refers to GDP growth at factor cost.

f Refers to fiscal year.

g Estimated to be low-income (\$765 or less).

h Estimated to be lower-middle-income (\$766 to \$3,035).

i Respective year GDP (in US dollars) is used as weights for 1994 and 1995. However, GDP in 1995 is used as weights to derive the averages for the other years.

Sources: World Bank, 20 February 1997 official communication to ADB; country sources; and ADB data file.

Table 2
DOMESTIC SAVING, CAPITAL FORMATION, AND RESOURCE GAP
AS PERCENTAGE OF GDP, 1994–1996

Country	Gross Domestic Saving as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resource Gap as Percentage of GDP		
	1994	1995	1996 ^a	1994	1995	1996 ^a	1994	1995	1996 ^a
NIEs									
Hong Kong	33.1	31.0	33.7	31.9	34.5	32.6	(1.2)	3.5	(1.1)
Korea, Rep. of	35.7	36.7	36.1	36.1	37.1	36.2	0.4	0.4	0.0
Singapore	48.9	50.8	50.6	32.7	32.6	31.5	(16.2)	(18.2)	(19.1)
Taipei, China	25.8	25.6	25.4	23.9	23.7	21.4	(1.9)	(2.0)	(4.0)
PRC and MONGOLIA									
China, People's Rep. of	41.6	40.0	40.3	39.9	40.5	38.9	(1.7)	0.5	(1.4)
Mongolia	21.1	21.0	13.7	24.8	26.4	22.4	3.7	5.4	8.7
SOUTHEAST ASIA									
Cambodia	4.9	6.6	6.3	19.1	20.6	19.6	14.1	14.0	13.3
Indonesia	34.4	34.3	37.0	32.5	33.5	36.1	(2.0)	(0.8)	(1.0)
Lao PDR
Malaysia	38.8	39.5	41.7	40.4	43.2	43.0	1.6	3.7	1.3
Myanmar	11.7	11.3	10.9	12.4	11.9	11.5	0.6	0.6	0.6
Philippines	14.8	14.6	15.7	24.1	22.2	24.9	9.2	7.7	9.1
Thailand	35.2	36.2	35.9	41.1	43.3	42.8	5.9	7.1	6.9
Viet Nam	17.1	16.3	15.9	25.5	27.1	29.5	8.4	10.8	13.6
SOUTH ASIA									
Afghanistan
Bangladesh	7.4	7.7	7.7	15.4	16.6	17.0	8.0	8.9	9.3
Bhutan	33.2	36.8	...	48.2	45.7	...	15.0	8.9	...
India	24.9	25.6	...	26.0	27.4	...	1.1	1.8	...
Maldives
Nepal	14.7	12.4	11.0	22.4	23.5	24.3	7.7	11.1	13.3
Pakistan	16.7	15.7	11.9	19.4	18.7	19.5	2.7	3.0	7.6
Sri Lanka	14.4	15.7	15.5	26.3	25.3	23.3	11.9	9.6	7.8
CENTRAL ASIAN REPUBLICS									
Kazakhstan
Kyrgyz Republic	2.7	5.5	...	9.0	18.3	...	6.3	12.9	...
Uzbekistan	14.5	25.4	...	18.3	29.6	...	3.8	4.2	...
PACIFIC DMCs									
Cook Islands
Fiji	11.2	11.0	12.7	12.2	13.0	12.1	1.0	2.1	(0.7)
Kiribati
Marshall Islands
Micronesia, Fed. States of
Nauru
Papua New Guinea
Solomon Islands
Tonga
Tuvalu
Vanuatu
Western Samoa

... Data not available.

a Preliminary estimates.

Sources: Country sources and ADB data file.

Table 3
CHANGES IN CONSUMER PRICES, 1994-1996^a
(%)

Country	1994	1995	1996 ^b
NIEs	5.6	4.7	4.3
Hong Kong	8.1	8.7	6.0
Korea, Rep. of	6.2	4.5	5.0
Singapore	3.1	1.7	1.4
Taipei, China	4.1	3.7	3.1
PRC and MONGOLIA	21.7	14.8	6.1
China, People's Rep. of	21.7	14.8	6.1
Mongolia ^c	87.6	56.8	57.5
SOUTHEAST ASIA	7.0	7.3	6.6
Cambodia ^c	(0.5)	7.8	10.0
Indonesia	8.5	9.4	7.9
Lao PDR	6.7	19.4	14.0
Malaysia	3.7	3.4	3.5
Myanmar ^{c,d}	24.1	25.2	22.5
Philippines	9.0	8.1	8.4
Thailand	5.1	5.8	5.9
Viet Nam	14.4	12.7	6.0
SOUTH ASIA	8.1	11.7	9.0
Afghanistan ^c
Bangladesh ^d	1.8	5.2	4.0
Bhutan	7.0	8.2	9.0
India	8.1	12.2	8.9
Maldives	16.5	5.4	3.5
Nepal	8.9	7.6	8.1
Pakistan	11.3	13.0	10.8
Sri Lanka	8.4	7.7	15.9
CENTRAL ASIAN REPUBLICS ^c			
Kazakhstan	1,878.3	175.8	39.0
Kyrgyz Republic	278.1	42.9	30.3
Uzbekistan	1,522.7	516.0	30.0
PACIFIC DMCs	3.0	11.7	9.9
Cook Islands ^d	2.6	0.9	...
Fiji	0.6	2.2	3.0
Kiribati ^d	5.3	3.6	...
Marshall Islands ^d	5.6	7.3	...
Micronesia, Fed. States of	4.0	4.0	...
Nauru	7.5	4.0	10.1
Papua New Guinea ^d	2.9	17.3	13.0
Solomon Islands ^d	13.3	9.8	12.5
Tonga	1.1	0.3	2.8
Tuvalu	1.4	5.0	3.4
Vanuatu ^d	2.5	2.3	2.5
Western Samoa	18.4	1.1	7.1
WEIGHTED AVERAGE ^c	10.2	9.1	6.1

... Data not available.

a Unless otherwise indicated, data refer to changes in average consumer prices of all cities.

b Preliminary estimates.

c Country figures will be excluded from respective groups and total weighted averages.

d Data refer to capital city.

e Respective year GDP (in US dollars) is used as weights for 1994 and 1995. However, GDP in 1995 is used as weights to derive the averages for 1996.

Sources: Country sources and ADB data file.

Table 4
PER CAPITA COMMERCIAL ENERGY CONSUMPTION, 1992–1994
(standard kilogram of oil equivalent)

Country	1992	1993	1994
NIEs	2,664	2,818	2,998
Hong Kong	1,960	2,187	2,256
Korea, Rep. of	2,552	2,689	2,922
Singapore	5,963	6,371	6,772
Taipei, China	2,647	2,780	2,847
PRC and MONGOLIA	663	686	710
China, People's Rep. of	662	685	709
Mongolia	1,176	1,084	1,050
SOUTHEAST ASIA	322	357	385
Cambodia	17	17	17
Indonesia	321	338	343
Lao PDR	26	25	26
Malaysia	1,388	1,692	1,973
Myanmar	47	48	53
Philippines	259	286	292
Thailand	615	685	778
Viet Nam	84	106	111
SOUTH ASIA	251	264	285
Afghanistan	33	30	27
Bangladesh	58	63	68
Bhutan	35	35	40
India	286	302	329
Maldives	130	168	150
Nepal	31	32	35
Pakistan	256	261	268
Sri Lanka	137	140	149
CENTRAL ASIAN REPUBLICS			
Kazakhstan	5,345	4,597	4,150
Kyrgyz Republic	1,002	793	533
Uzbekistan	1,961	2,078	2,055
PACIFIC DMCs	244	242	243
Cook Islands	368	368	368
Fiji	466	480	482
Kiribati	93	92	91
Marshall Islands	621
Micronesia, Fed. States of	498
Nauru
Papua New Guinea	213	208	200
Solomon Islands	155	147	139
Tonga	309	347	357
Tuvalu	193
Vanuatu	127	124	121
Western Samoa	273	269	254
AVERAGE FOR DMCs	492	515	542
AVERAGE FOR OECD COUNTRIES	4,513	4,540	4,582

... Data not available.

Sources: ADB, Energy Division, 17 March 1997.

United Nations, 1994 Energy Statistics Yearbook.

Organisation for Economic Co-operation and Development/International Energy Agency, Energy Statistics and Balances of Non-OECD Countries.

Table 5
FOREIGN TRADE, 1994–1996
(\$ million)

Country	Exports (f.o.b.)			Imports (c.i.f.)			Balance of Trade		
	1994	1995	1996 ^a	1994	1995	1996 ^a	1994	1995	1996 ^a
NIEs	436,688	528,362	557,181	452,058	555,830	586,249	(15,370)	(27,467)	(39,068)
Hong Kong	151,391	173,754	180,747	161,833	192,756	198,547	(10,441)	(19,002)	(17,800)
Korea, Rep. of	96,013	125,058	129,833	102,348	135,119	150,212	(6,335)	(10,061)	(23,379)
Singapore	96,454	118,186	126,104	102,391	124,394	131,858	(5,937)	(6,209)	(5,754)
Taipei, China	92,830	111,364	120,496	85,486	103,560	105,632	7,344	7,804	14,865
PRC and MONGOLIA	121,362	149,243	151,424	115,872	132,493	139,252	5,490	16,750	11,172
China, People's Rep. of	121,006	148,770	151,002	115,614	132,078	138,814	5,392	16,692	12,188
Mongolia	356	473	423	258	415	438	98	58	(15)
SOUTHEAST ASIA	163,596	200,270	212,965	177,077	228,144	243,747	(13,481)	(27,875)	(30,782)
Cambodia ^b	490	856	615	726	1,188	1,011	(236)	(332)	(396)
Indonesia	40,053	45,418	50,183	31,989	40,654	42,699	8,064	4,764	7,484
Lao PDR	300	347	314	654	587	676	(354)	(240)	(362)
Malaysia	58,652	73,666	76,587	59,414	77,602	78,655	(762)	(3,936)	(2,068)
Myanmar	905	872	950	1,395	1,478	1,567	(490)	(606)	(616)
Philippines	13,483	17,447	20,500	22,638	28,341	35,300	(9,155)	(10,894)	(14,800)
Thailand	45,659	56,444	57,009	54,435	70,784	73,686	(8,776)	(14,340)	(16,678)
Viet Nam	4,054	5,220	6,807	5,826	7,510	10,154	(1,772)	(2,290)	(3,347)
SOUTH ASIA	39,356	47,534	52,813	46,748	59,038	64,441	(7,393)	(11,504)	(11,628)
Afghanistan
Bangladesh	2,511	3,458	3,805	4,169	5,823	6,732	(1,658)	(2,365)	(2,928)
Bhutan	67	69	75	98	110	101	(31)	(41)	(26)
India	26,351	31,800	35,934	28,280	36,700	39,673	(1,929)	(4,900)	(3,739)
Maldives ^b	75	85	92	222	268	295	(146)	(183)	(224)
Nepal	391	340	350	1,044	1,227	1,354	(653)	(887)	(1,003)
Pakistan	6,749	7,972	8,290	8,453	10,142	11,137	(1,703)	(2,170)	(2,647)
Sri Lanka	3,211	3,810	4,267	4,483	4,767	5,149	(1,272)	(957)	(882)
CENTRAL ASIAN REPUBLICS	6,511	9,679	6,426	6,693	8,103	5,133	(182)	1,577	1,293
Kazakhstan	3,231	5,499	5,911	3,561	3,922	4,241	(331)	1,577	1,670
Kyrgyz Republic	340	409	514	404	561	892	(64)	(152)	(378)
Uzbekistan	2,940	3,771	...	2,727	3,619	...	213	152	...
PACIFIC DMCs	3,453	3,688	3,322	3,087	3,126	3,327	366	563	(5)
Cook Islands	4	5	...	48	49	...	(44)	(44)	...
Fiji	485	516	643	821	879	945	(336)	(363)	(302)
Kiribati ^b	5	4	...	30	37	...	(25)	(33)	...
Marshall Islands	19	21	...	69	73	...	(51)	(51)	...
Micronesia, Fed. States of ^b	66	70	69	160	165	163	(94)	(95)	(95)
Nauru	31	27	...	60	51	...	(29)	(24)	...
Papua New Guinea	2,651	2,827	2,381	1,524	1,459	1,783	1,127	1,368	599
Solomon Islands	142	168	176	140	154	147	3	14	28
Tonga	21	14	12	63	68	73	(43)	(53)	(61)
Tuvalu	0	0	0	7	9	10	(7)	(9)	(10)
Vanuatu	25	28	30	85	91	98	(60)	(63)	(66)
Western Samoa	4	9	11	80	92	107	(77)	(83)	(96)
TOTAL	770,965	938,777	984,130	801,535	986,734	1,042,148	(30,570)	(47,957)	(58,018)

Note: f.o.b. refers to free on board; c.i.f. refers to cost, insurance, and freight.

^a Magnitude is less than half of the unit employed.

... Data not available.

^a Preliminary estimates.

^b Import figures are based on f.o.b.

Sources: Country sources and ADB data file.
International Monetary Fund, International Financial Statistics tape, February 1997.

Table 6
INTERNATIONAL RESERVES AND RATIO OF RESERVES
TO IMPORTS, 1994-1996

Country	International Reserves ^a (\$ million)			Ratio to Imports ^b (months)		
	1994	1995	1996 ^c	1994	1995	1996 ^c
NIEs	182,123	197,318	199,786	7.5	6.5	6.2
Hong Kong
Korea, Rep. of	25,673	32,712	33,156	3.0	2.9	2.6
Singapore	58,177	68,695	74,964	6.8	6.6	6.8
Taipei, China	98,273	95,911	91,666	13.8	11.1	10.4
PRC and MONGOLIA	53,652	76,189	105,132	5.6	6.9	9.1
China, People's Rep. of	53,560	76,037	104,968	5.6	6.9	9.1
Mongolia	92	152	164	4.3	4.4	4.5
SOUTHEAST ASIA	76,759	84,263	94,070	5.4	4.5	4.8
Cambodia ^e	119	192	266	2.0	1.9	3.2
Indonesia	13,200	14,787	16,554	5.0	4.4	4.7
Lao PDR	61	93	172	1.1	1.9	3.1
Malaysia	25,545	23,898	26,895	5.2	3.7	4.1
Myanmar	435	573	205	3.7	4.7	1.6
Philippines	7,121	7,775	11,333	3.8	3.3	3.9
Thailand	30,279	36,945	38,645	6.7	6.3	6.3
Viet Nam
SOUTH ASIA	32,841	29,272	29,516	8.3	5.8	5.4
Afghanistan ^d	9	7
Bangladesh	3,166	2,367	2,002	9.1	4.9	3.6
Bhutan ^e	115	124	153
India	23,053	21,591	22,509	9.6	6.8	6.6
Maldives	31	48	76	1.7	2.1	3.1
Nepal	700	593	628	8.0	5.8	5.6
Pakistan	3,721	2,454	1,966	5.3	2.9	2.1
Sri Lanka ^e	2,046	2,088	2,182	5.5	5.3	5.1
CENTRAL ASIAN REPUBLICS	2,643	3,462	1,699	4.7	5.5	4.8
Kazakstan	1,216	1,660	1,699	4.1	5.1	4.8
Kyrgyz Republic ^f	98	2.9
Uzbekistan ^f	1,330	1,802	...	5.9	6.0	...
PACIFIC DMCs	528	763	1,025	2.3	3.3	4.0
Cook Islands
Fiji	273	349	446	4.0	4.8	5.7
Kiribati
Marshall Islands
Micronesia, Fed. States of
Nauru
Papua New Guinea	107	264	462	0.8	2.2	3.1
Solomon Islands ^c	17	16	35	1.5	1.2	2.9
Tonga ^e	36	29	26	6.7	5.1	4.2
Tuvalu
Vanuatu ^e	44	50	...	6.1	6.6	...
Western Samoa ^e	51	55	57	7.6	7.2	6.3
TOTAL	348,547	391,266	431,228	6.6	6.0	6.2

... Data not available.

a Consisting of gold, Special Drawing Rights (SDRs), reserve position with International Monetary Fund (IMF), and foreign exchange holdings; year-end figures, unless otherwise specified.

b Imports, c.i.f. from trade statistics were used for computing the ratio.

c Preliminary estimates.

d Refers to reserve position in the IMF and SDRs only.

e Refers to total reserves minus gold.

f Refers to gross official reserves of the country.

Sources: Country sources; and IMF, International Financial Statistics tape, February 1997.

Table 7
TOTAL NET FLOWS OF FINANCIAL RESOURCES TO DMCs,^a 1993–1995
(\$ million)

Country	Concessional Flows (ODA) ^b			Nonconcessional Flows ^c			Total Flows		
	1993	1994	1995	1993	1994	1995	1993	1994	1995
NIEs	21	(64)	93	8,373	17,981	15,280	8,393	17,917	15,373
Hong Kong	30	27	18	3,754	6,943	2,816	3,785	6,970	2,834
Korea, Rep. of	(41)	(114)	58	2,225	4,518	7,072	2,185	4,404	7,130
Singapore	24	17	17	3,500	5,651	5,066	3,524	5,668	5,082
Taipei, China	7	6	0	(1,107)	869	326	(1,099)	875	326
PRC and MONGOLIA	3,397	3,423	3,742	5,748	9,774	8,668	9,146	13,197	12,411
China, People's Rep. of	3,271	3,238	3,534	5,728	9,791	8,725	9,000	13,029	12,260
Mongolia	126	184	208	20	(17)	(57)	146	168	151
SOUTHEAST ASIA	5,093	4,962	5,116	10,537	16,486	19,775	15,630	21,447	24,891
Cambodia	317	339	567	3	15	17	320	353	584
Indonesia	2,018	1,642	1,390	1,976	3,973	6,055	3,994	5,615	7,445
Lao PDR	207	218	313	0	1	1	207	219	314
Malaysia	94	68	115	4,744	3,650	3,805	4,838	3,718	3,920
Myanmar	102	162	152	10	9	35	111	171	186
Philippines	1,487	1,058	886	1,808	1,906	2,425	3,295	2,963	3,311
Thailand	611	578	865	1,905	6,696	6,921	2,516	7,274	7,786
Viet Nam	258	897	829	91	237	516	349	1,134	1,345
SOUTH ASIA	5,193	7,068	5,180	1,965	2,609	591	7,158	9,676	5,771
Afghanistan	227	230	215	(4)	(58)	0	223	172	215
Bangladesh	1,383	1,758	1,279	111	(137)	(471)	1,495	1,621	808
Bhutan	66	77	74	8	(2)	6	74	74	80
India	1,459	2,325	1,744	891	1,546	47	2,350	3,871	1,791
Maldives	29	30	56	8	11	(14)	37	42	43
Nepal	364	448	436	(15)	1	(15)	350	449	420
Pakistan	1,005	1,606	821	825	1,159	988	1,830	2,764	1,809
Sri Lanka	659	595	556	140	89	50	800	683	605
CENTRAL ASIAN REPUBLICS	115	248	422	399	664	862	514	912	1,284
Kazakhstan	14	48	58	374	587	407	388	635	464
Kyrgyz Republic	94	172	283	25	2	47	119	174	330
Uzbekistan	8	28	81	0	76	409	8	103	490
PACIFIC DMCs	675	732	746	(35)	(472)	(63)	640	260	683
Cook Islands	13	14	13	(130)	(255)	27	(117)	(240)	40
Fiji	62	40	43	(28)	(18)	(2)	34	23	41
Kiribati	16	15	16	(1)	(27)	0	16	(12)	16
Marshall Islands	32	49	39	2	4	5	34	53	44
Micronesia, Fed. States of	64	104	77	0	1	1	65	105	78
Nauru	0	2	3	19	11	1	19	14	3
Papua New Guinea	309	326	373	65	(159)	(57)	374	167	316
Solomon Islands	55	47	47	4	(1)	(2)	59	46	44
Tonga	31	35	39	0	0	(30)	31	35	9
Tuvalu	4	7	8	0	0	0	4	8	8
Vanuatu	35	42	46	34	(29)	(8)	69	13	38
Western Samoa	53	48	43	(1)	0	4	52	48	47
TOTAL	14,494	16,368	15,298	26,988	47,041	45,113	41,482	63,409	60,412

^a Magnitude is less than half of the unit employed.

^b Net flows imply total flows minus repayments of principal for the year.

^c Concessional flows refer to official development assistance.

^c Including bilateral and multilateral nonconcessional flows and private flows.

Source: Organisation for Economic Co-operation and Development, *Geographical Distribution of Financial Flows to Aid Recipients, 1991–1995*.

Table 8
TOTAL EXTERNAL DEBT AND DEBT-SERVICE RATIO, 1993–1995
(\$ million)

Country	Debt Outstanding ^a			Service Payments ^b			Debt-service Ratio ^b (%)		
	1993	1994	1995	1993	1994	1995	1993	1994	1995
NIEs	—	—	—	—	—	—	—	—	—
Hong Kong	—	—	—	—	—	—	—	—	—
Korea, Rep. of	—	—	—	—	—	—	—	—	—
Singapore	—	—	—	—	—	—	—	—	—
Taipei, China	—	—	—	—	—	—	—	—	—
PRC and MONGOLIA	86,302	100,904	118,602	10,188	11,174	15,113	11.1	8.9	9.9
China, People's Rep. of	85,928	100,457	118,090	10,168	11,135	15,066	11.1	8.9	9.9
Mongolia	374	447	512	20	39	47	5.1	9.3	9.1
SOUTHEAST ASIA	228,347	250,291	274,877	31,083	33,515	36,480	18.3	16.5	14.4
Cambodia	1,829	1,915	2,031	34	2	6	9.6	0.3	0.6
Indonesia	89,148	96,543	107,831	14,095	14,272	16,419	33.6	30.7	30.9
Lao PDR	1,985	2,080	2,165	28	20	26	8.5	5.1	5.7
Malaysia	26,148	29,537	34,351	4,594	6,127	6,532	8.6	9.3	7.8
Myanmar ^c	5,757	6,555	5,771	111	163	250	11.8	14.5	16.7
Philippines	35,928	39,996	39,445	4,908	4,637	5,328	25.6	18.9	16.4
Thailand	42,697	48,095	56,788	6,813	7,901	7,533	13.7	13.5	10.2
Viet Nam	24,855	25,570	26,495	500	393	386	13.2	7.3	5.8
SOUTH ASIA	142,160	155,488	151,158	11,796	14,830	17,520	22.9	24.6	24.6
Afghanistan	—	—	—	—	—	—	—	—	—
Bangladesh	14,619	16,223	16,370	567	603	729	14.4	14.1	13.3
Bhutan	85	87	87	7	7	9	7.8	7.5	7.3
India ^c	93,968	101,501	93,766	8,361	10,257	13,123	25.9	25.6	28.2
Maldives	112	124	155	8	9	11	3.8	7.3	7.1
Nepal	2,004	2,320	2,398	71	82	94	9.1	7.7	7.8
Pakistan	24,518	27,342	30,152	2,387	3,480	3,145	23.9	35.3	26.9
Sri Lanka	6,854	7,891	8,230	395	392	409	9.5	8.3	7.0
CENTRAL ASIAN REPUBLICS	3,049	4,314	5,951	31	209	526	0.4	2.6	4.3
Kazakhstan	1,724	2,670	3,712	10	65	243	0.2	1.7	4.0
Kyrgyz Republic	294	450	610	1	16	60
Uzbekistan	1,031	1,194	1,629	20	128	223	0.7	3.6	4.8
PACIFIC DMCs	3,994	3,402	3,121	943	1,003	711	21.4	22.4	15.0
Cook Islands	—	—	—	—	—	—	—	—	—
Fiji	330	286	253	78	91	67	7.8	8.7	5.9
Kiribati	—	—	—	—	—	—	—	—	—
Marshall Islands	—	—	—	—	—	—	—	—	—
Micronesia, Fed. States of	—	—	—	—	—	—	—	—	—
Nauru	—	—	—	—	—	—	—	—	—
Papua New Guinea	3,232	2,696	2,431	846	885	626	28.7	30.4	20.8
Solomon Islands	151	155	157	10	16	8	4.4	6.2	2.8
Tonga	44	64	70	2	3	3	3.0	4.5	5.5
Tuvalu	—	—	—	—	—	—	—	—	—
Vanuatu	42	47	48	2	2	2	1.4	1.6	1.5
Western Samoa	194	154	162	5	6	5	6.9	7.3	4.2
TOTAL	463,852	514,399	553,709	54,042	60,731	70,350	16.7	15.2	14.3

— Not reporting.

... Data not available.

a Debt outstanding is as of end of year which covers long- and short-term debt of public and private entities in the country as well as the use of International Monetary Fund (IMF) credit.

b Service payments include yearly payments on principal and interest on long-term debt, IMF repurchases and charges, and interest payments on short-term debt. Debt-service ratio is the percentage of service payments to exports of goods and services (including workers' remittances).

c The long-term debt data are on fiscal-year basis.

Source: World Bank, 3 March 1997 official communication to ADB.

BANK OPERATIONAL DATA

Table 9
1996 LOAN APPROVALS AND TOTAL PROJECT COSTS, BY COUNTRY
(\$ million)

Country/Project	OCR	ADF	Total	Total Project Cost ^a	Date Approved
BANGLADESH					
Jamuna Bridge Access Roads	-	72.00	72.00	196.30	5 Nov 96
Forestry Sector	-	50.00	50.00	92.00	21 Nov 96
Ninth Power	-	134.40	134.40	313.70	18 Dec 96
Subtotal	-	256.40	256.40	602.00	
CAMBODIA					
Agriculture Sector Program	-	30.00	30.00	30.00 ^b	20 Jun 96
Basic Education Textbook	-	20.00	20.00	29.30	20 Jun 96
Basic Health Services	-	20.00	20.00	25.00	20 Jun 96
Phnom Penh Water Supply and Drainage	-	20.00	20.00	35.80	26 Sep 96
Siem Reap Airport	-	15.00	15.00	17.60	12 Dec 96
Subtotal	-	105.00	105.00	137.70	
CHINA, PEOPLE'S REPUBLIC OF					
Fangcheng Port	52.00	-	52.00	135.00	18 Jan 96
Second Industrial Energy Efficiency and Environment Improvement	178.00	-	178.00	417.00	9 May 96
Daxian-Wanxian Railway	100.00	-	100.00	360.00	4 Jun 96
Anhui Fuyang Engineering Technical Assistance	2.00	-	2.00	2.50	24 Sep 96
Chongqing Expressway	150.00	-	150.00	347.50	27 Sep 96
Everbright Bank of China	60.00	-	60.00	80.00 ^b	5 Nov 96
Jiangxi Expressway	150.00	-	150.00	366.30	19 Nov 96
Shenyang-Jinzhou Expressway	200.00	-	200.00	585.00	19 Nov 96
Anhui Environmental Improvement Project for Industrial Pollution Abatement	112.00	-	112.00	266.00	26 Nov 96
Anhui Environmental Improvement Project for Municipal Wastewater Treatment	28.00	-	28.00	70.00	26 Nov 96
North China Marine Culture and Coastal Resources Management	70.00	-	70.00	185.10	3 Dec 96
Subtotal	1,102.00	-	1,102.00	2,814.40	
COOK ISLANDS					
Economic Restructuring Program	-	5.00	5.00	5.00 ^b	26 Sep 96
Subtotal	-	5.00	5.00	5.00	
INDIA					
Renewable Energy Development	100.00	-	100.00	133.00	26 Sep 96
Private Sector Infrastructure Facility:					
Industrial Credit and Investment Corporation of India Ltd.	150.00	-	150.00	150.00 ^b	7 Nov 96
Industrial Finance Corporation of India Ltd.	100.00	-	100.00	100.00 ^b	7 Nov 96
SCICL Ltd.	50.00	-	50.00	50.00 ^b	7 Nov 96
Rural Telecommunications	113.00	-	113.00	169.00	28 Nov 96
Balaghar Power Co. Ltd. ^c	25.00	-	25.00	631.60	5 Dec 96
Gujarat Public Sector Resource Management Program	250.00	-	250.00	250.00 ^b	18 Dec 96
Subtotal	788.00	-	788.00	1,483.60	
INDONESIA					
North Java Flood Control Sector	45.00	45.00	90.00	153.00	18 Jan 96
North Java Road Improvement	150.00	-	150.00	330.70	23 Jan 96
Engineering Education Development	102.00	-	102.00	176.00	6 Feb 96
Industrial Technology and Human Resource Development	80.00	-	80.00	104.00	28 Mar 96
Basic Education	85.00	-	85.00	151.90	6 Jun 96

a Total project cost includes Bank, government, and cofinanciers' contributions.

b Total project/program cost not available at time of approval; amount shown represents Bank's loan to the project/program.

c Private sector loan without government guarantee.

CONTINUED

Country/Project	OCR	ADF	Total	Total Project Cost ^a	Date Approved
BAPEDAL Regional Network	45.00	—	45.00	77.00	7 Jun 96
Integrated Pest Management for Smallholder Estate Crops	44.00	—	44.00	79.60	26 Sep 96
Family Health and Nutrition	45.00	—	45.00	75.00	27 Sep 96
Segara Anakan Conservation and Development	22.80	22.80	45.60	76.89	17 Oct 96
South Java Flood Control Sector	103.00	—	103.00	184.00	7 Nov 96
P.T. Banjarmasin Agrojaya Mandiri ^b	32.50	—	32.50	195.00	28 Nov 96
Regional Development Account	50.00	—	50.00	90.00	5 Dec 96
Metro Botabek Urban Development (Sector)	80.00	—	80.00	228.00	19 Dec 96
Subtotal	884.30	67.80	952.10	1,921.09	
KAZAKSTAN					
Educational Rehabilitation and Management Improvement	—	20.00	20.00	29.41	11 Jan 96
Road Rehabilitatioo	50.00	—	50.00	77.00	27 Aug 96
Subtotal	50.00	20.00	70.00	106.41	
KYRGYZ REPUBLIC					
Power and District Heating Rehabilitation	—	30.00	30.00	98.40	6 Jun 96
Road Rehabilitation	—	50.00	50.00	86.00	13 Jun 96
Subtotal	—	80.00	80.00	184.40	
LAO PDR					
Nam Leuk Hydropower	—	52.00	52.00	112.60	10 Sep 96
Second Financial Sector Program	—	25.00	25.00	25.00 ^c	12 Sep 96
Community-Managed Irrigation Sector	—	14.70	14.70	24.10	21 Nov 96
Subtotal	—	91.70	91.70	161.70	
MALAYSIA					
Klang River Basin Environmental Improvement and Flood Mitigation	26.30	—	26.30	101.80	5 Dec 96
Subtotal	26.30	—	26.30	101.80	
MICRONESIA, FED. STATES OF					
Water Supply and Sanitation	—	10.60	10.60	13.30	19 Sep 96
Subtotal	—	10.60	10.60	13.30	
MONGOLIA					
Energy Conservation	—	10.00	10.00	13.19	26 Nov 96
Financial Sector Program Loan	—	35.00	35.00	35.00 ^c	19 Dec 96
Upgrading Skills and Systems of Commercial Banks	—	3.00	3.00	3.00 ^c	19 Dec 96
Education Sector Development Program	—	6.50	6.50	6.50 ^c	19 Dec 96
Education Sector Development Project	—	9.00	9.00	11.31	19 Dec 96
Subtotal	—	63.50	63.50	69.00	
NEPAL					
Himal Power Limited ^b (Senior Loan)	31.00	—	31.00	142.62	23 Jan 96
Himal Power Limited ^b (Subordinated Loan)	5.50	—	5.50	—	23 Jan 96
Second Irrigation Sector	—	25.00	25.00	33.30	16 May 96
Rural Infrastructure Development	—	12.20	12.20	16.90	27 Jun 96
Second Tourism Development	—	17.20	17.20	22.90	2 Jul 96
Kali Gandaki "A" Hydroelectric Power	—	160.00	160.00	452.80	23 Jul 96
Third Livestock Development	—	18.30	18.30	27.90	19 Sep 96
Fourth Rural Water Supply and Sanitation Sector	—	20.00	20.00	26.60	24 Sep 96
Subtotal	36.50	252.70	289.20	723.02	

^a Total project cost includes Bank, government, and cofinanciers' contributions.^b Private sector loan without government guarantee.^c Total project/program cost not available at time of approval; amount shown represents Bank's loan to the project/program.

CONTINUED

Country/Project	OCR	ADF	Total	Total Project Cost ^a	Date Approved
PAKISTAN					
Ghazi Barotha Hydropower	300.00	—	300.00	2,200.00	16 Jan 96
Fauji Kabirwala Power Co. Ltd. ^b	32.00	—	32.00	170.00	23 Apr 96
Second Girls Primary School Sector	—	45.00	45.00	78.80	15 Aug 96
Bahawalpur Rural Development	—	38.00	38.00	64.80	26 Sep 96
Social Action Program (Sector) Project II	—	200.00	200.00	7,000.00	28 Nov 96
Subtotal	332.00	283.00	615.00	9,513.60	
PHILIPPINES					
Cordillera Highland Agricultural Resource Management	9.50	9.50	19.00	41.40	11 Jan 96
Rural Microenterprise Finance	—	20.00	20.00	64.80	23 Apr 96
Rural Water Supply and Sanitation Sector	18.50	18.50	37.00	57.40	4 Jun 96
Bukidnon Integrated Area Development	—	20.00	20.00	37.29	23 Jul 96
Leyte-Mindanao Interconnection Engineering	5.35	—	5.35	6.04	30 Sep 96
Small Towns Water Supply Sector	50.00	—	50.00	83.00	30 Sep 96
Sixth Road	167.00	—	167.00	652.80	30 Sep 96
Subtotal	250.35	68.00	318.35	942.73	
SRI LANKA					
Emergency Rehabilitation of Petroleum Facilities	—	24.00	24.00	41.14	16 May 96
North Central Province Rural Development	—	20.03	20.03	31.00	24 Sep 96
Subtotal	—	44.03	44.03	72.14	
THAILAND					
Small Farmer Credit	50.00	—	50.00	110.00	16 Jan 96
Rural Electrification	100.00	—	100.00	429.30	23 Jan 96
Skills Development	80.00	—	80.00	153.00	28 Nov 96
Third Rural Telecommunications	100.00	—	100.00	660.00	26 Nov 96
Subtotal	330.00	—	330.00	1,352.30	
TONGA					
Tonga Power Development II	—	4.90	4.90	7.10	3 Dec 96
Subtotal	—	4.90	4.90	7.10	
UZBEKISTAN					
Rural Enterprise Development	50.00	—	50.00	87.00	17 Dec 96
Subtotal	50.00	—	50.00	87.00	
VANUATU					
Urban Infrastructure	—	10.00	10.00	12.80	27 Jun 96
Subtotal	—	10.00	10.00	12.80	
VIET NAM					
Rural Credit	—	50.00	50.00	75.80	12 Sep 96
Population and Family Health	—	43.00	43.00	126.20	19 Sep 96
Financial Sector Program	—	90.00	90.00	90.00 ^c	19 Nov 96
Second Road Improvement	—	120.00	120.00	237.00	21 Nov 96
Nghi Son Cement Corporation Limited ^b	30.00	—	30.00	373.00	12 Dec 96
Subtotal	30.00	303.00	333.00	902.00	
TOTAL	3,879.45	1,665.63	5,545.08	21,213.09	

a Total project cost includes Bank, government, borrowers', and cofinanciers' contributions.

b Private sector loan without government guarantee.

c Total project/program cost not available at time of approval; amount shown represents Bank's loan to the project/program.

Table 10
LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968–1970 – 1992–1996

	Total Lending ^a (\$ million)	Agriculture and Natural Resources	Energy	Financial	Industry and Nonfuel Minerals	Transport and Communications	Social Infrastructure	Multi-sector/Others
(% of Total Lending)								
Average during								
1968–1970	128.44	19.48	11.98	23.36	15.06	24.03	6.10	0.00
1969–1971	199.25	20.48	25.38	19.57	8.69	21.68	4.20	0.00
1970–1972	271.92	15.69	33.06	13.97	5.04	21.48	10.75	0.00
1971–1973	330.53	15.78	32.18	15.49	0.42	23.88	12.25	0.00
1972–1974	428.42	18.76	26.71	15.06	4.02	21.32	14.12	0.00
1973–1975	543.16	27.87	23.03	16.73	4.25	17.68	10.44	0.00
1974–1976	661.30	29.27	21.35	17.44	5.48	16.61	9.85	0.00
1975–1977	774.22	30.51	22.02	15.46	4.19	16.97	10.85	0.00
1976–1978	940.36	27.42	21.53	14.37	7.25	15.98	13.45	0.00
1977–1979	1,098.92	29.86	24.03	11.81	5.62	12.10	16.55	0.04
1978–1980	1,282.01	30.95	24.88	10.96	3.93	12.39	16.84	0.06
1979–1981	1,454.96	32.56	27.21	10.72	0.90	9.41	19.11	0.09
1980–1982	1,598.97	34.00	27.71	10.00	0.74	11.53	15.97	0.06
1981–1983	1,751.46	33.68	26.60	10.61	2.36	7.52	18.26	0.96
1982–1984	1,937.03	34.18	28.98	7.01	1.91	12.12	14.36	1.43
1983–1985	1,978.52	32.42	24.63	6.50	1.87	12.75	20.30	1.53
1984–1986	2,013.77	35.46	25.26	4.65	0.34	14.40	17.48	2.40
1985–1987	2,081.84	30.63	17.47	11.24	3.06	20.54	15.24	1.81
1986–1988	2,512.17	26.90	18.76	12.84	7.46	21.27	11.32	1.45
1987–1989	3,053.71	22.37	16.41	17.16	6.69	21.94	14.60	0.82
1988–1990	3,564.93	25.83	20.78	12.67	4.50	19.37	15.15	1.71
1989–1991	4,115.48	25.30	26.04	10.83	3.58	17.93	14.86	1.45
1990–1992	4,561.39	21.63	28.15	9.53	3.79	20.82	12.95	3.13
1991–1993	4,973.89	13.87	30.33	9.09	5.45	23.70	14.30	3.25
1992–1994	4,616.65	10.98	27.80	7.63	4.44	29.49	14.16	5.49
1993–1995	4,797.68	12.06	30.58	6.59	3.48	26.63	17.54	3.13
1994–1996	4,909.48	15.18	26.89	5.91	2.71	26.26	17.19	8.18
Cumulative (1968–1996)	62,172.41	22.07	25.47	9.62	3.80	20.47	15.27	3.29

a Total column may not tally due to rounding.

Table 11
SECTORAL DISTRIBUTION OF LOANS,^a 1996
(amounts in \$ million)

Sector	OCR		ADF		Total		
	No.	Amount	No.	Amount	No. of Projects ^b	Amount	%
Transport and Communications	10	1,232.00	4	257.00	14	1,489.00	26.9
Energy	10	778.85	7	415.30	16	1,194.15	21.5
Agriculture and Natural Resources	10	426.80	14	375.53	20	802.33	14.5
Social Infrastructure	7	488.50	12	242.60	18	731.10	13.2
Multisector	3	300.00	1	200.00	2	500.00	9.0
Others	4	371.30	2	22.20	6	393.50	7.1
Industry and Nonfuel Minerals	3	222.00	0	0.00	3	222.00	4.0
Financial	1	60.00	4	153.00	4	213.00	3.8
TOTAL	48	3,879.45	44	1,665.63	83	5,545.08	100.0

^a Includes private sector loans.

^b A project which is financed from both sources is counted as one project.

Table 12
1996 LOAN APPROVALS, BY SECTOR

Country	Project	Amount (\$ million)		
		OCR	ADF	Total
AGRICULTURE AND NATURAL RESOURCES				
BAN	Forestry Sector	—	50.00	50.00
CAM	Agriculture Sector Program	—	30.00	30.00
PRC	North China Marine Culture and Coastal Resources Management	70.00	—	70.00
IND	Integrated Pest Management for Smallholder Estate Crops	44.00	—	44.00
IND	Segara Anakan Conservation and Development	22.80	22.80	45.60
IND	North Java Flood Control Sector	45.00	45.00	90.00
IND	South Java Flood Control Sector	103.00	—	103.00
IND	P.T. Banjarnasin Agrojaya Mandiri ^a	32.50	—	32.50
LAO	Community-Managed Irrigation Sector	—	14.70	14.70
NEP	Second Irrigation Sector	—	25.00	25.00
NEP	Rural Infrastructure Development	—	12.20	12.20
NEP	Third Livestock Development	—	18.30	18.30
PAK	Bahawalpur Rural Development	—	38.00	38.00
PHI	Cordillera Highland Agricultural Resource Management	9.50	9.50	19.00
PHI	Rural Microenterprise Finance	—	20.00	20.00
PHI	Bukidnon Integrated Area Development	—	20.00	20.00
SRI	North Central Province Rural Development	—	20.03	20.03
THA	Small Farmer Credit	50.00	—	50.00
UZB	Rural Enterprise Development	50.00	—	50.00
VIE	Rural Credit	—	50.00	50.00
	Subtotal	426.80	375.53	802.33
ENERGY				
BAN	Ninth Power	—	134.40	134.40
PRC	Second Industrial Energy Efficiency and Environment Improvement	178.00	—	178.00
PRC	Anhui Fuyang Engineering Technical Assistance	2.00	—	2.00
IND	Renewable Energy Development	100.00	—	100.00
IND	Balagarh Power Co. Ltd. ^a	25.00	—	25.00
KGZ	Power and District Heating Rehabilitation	—	30.00	30.00
LAO	Nam Leuk Hydropower	—	52.00	52.00
MON	Energy Conservation	—	10.00	10.00
NEP	Himal Power Limited (Senior Loan) ^a	31.00	—	31.00
	— Himal Power Limited (Subordinated Loan) ^a	5.50	—	5.50
NEP	Kali Gandaki "A" Hydroelectric Power	—	160.00	160.00
PAK	Ghazi Barotha Hydropower	300.00	—	300.00
PAK	Fauji Kabirwala Power Co. Ltd. ^a	32.00	—	32.00
PHI	Leyte-Mindanao Interconnection Engineering	5.35	—	5.35
SRI	Emergency Rehabilitation of Petroleum Facilities	—	24.00	24.00
THA	Rural Electrification	100.00	—	100.00
TON	Tonga Power Development II	—	4.90	4.90
	Subtotal	778.85	415.30	1,194.15
FINANCIAL				
PRC	Everbright Bank of China	60.00	—	60.00
LAO	Second Financial Sector Program	—	25.00	25.00
MON	Financial Sector Program Loan	—	35.00	35.00
MON	Upgrading Skills and Systems of Commercial Banks	—	3.00	3.00
VIE	Financial Sector Program	—	90.00	90.00
	Subtotal	60.00	153.00	213.00
INDUSTRY AND NONFUEL MINERALS				
PRC	Anhui Environmental Improvement Project for Industrial Pollution Abatement	112.00	—	112.00
IND	Industrial Technology and Human Resource Development	80.00	—	80.00
VIE	Nghi Son Cement Corporation Limited ^a	30.00	—	30.00
	Subtotal	222.00	—	222.00

a Private sector loan without government guarantee.

Key: BAN (Bangladesh), CAM (Cambodia), PRC (People's Republic of China), COO (Cook Islands), IND (India), INO (Indonesia), KAZ (Kazakhstan), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MAL (Malaysia), FSM (Federated States of Micronesia), MON (Mongolia), NEP (Nepal), PAK (Pakistan), PHI (Philippines), SRI (Sri Lanka), THA (Thailand), TON (Tonga), UZB (Uzbekistan), VAN (Vanuatu), and VIE (Viet Nam).

CONTINUED

Country	Project	Amount (\$ million)		
		OCR	ADF	Total
SOCIAL INFRASTRUCTURE				
CAM	Basic Education Textbook	-	20.00	20.00
CAM	Basic Health Services	-	20.00	20.00
CAM	Phnom Penh Water Supply and Drainage	-	20.00	20.00
PRC	Anhui Environmental Improvement Project for Municipal Wastewater Treatment	28.00	-	28.00
IND	Engineering Education Development	102.00	-	102.00
IND	Basic Education	85.00	-	85.00
IND	Family Health and Nutrition	45.00	-	45.00
IND	Metro BOTABEK Urban Development (Sector)	80.00	-	80.00
KAZ	Educational Rehabilitation and Management Improvement	-	20.00	20.00
FSM	Water Supply and Sanitation	-	10.60	10.60
MON	Education Sector Development Program	-	6.50	6.50
MON	Education Sector Development Project	-	9.00	9.00
NEP	Fourth Rural Water Supply and Sanitation Sector	-	20.00	20.00
PAK	Second Girls Primary School Sector	-	45.00	45.00
PHL	Rural Water Supply and Sanitation Sector	18.50	18.50	37.00
PHL	Small Towns Water Supply Sector	50.00	-	50.00
THA	Skills Development	80.00	-	80.00
VAN	Urban Infrastructure	-	10.00	10.00
VIE	Population and Family Health	-	43.00	43.00
	Subtotal	488.50	242.60	731.10
TRANSPORT AND COMMUNICATIONS				
BAN	Jamuna Bridge Access Roads	-	72.00	72.00
CAM	Siem Reap Airport	-	15.00	15.00
PRC	Daxian-Wanxian Railway	100.00	-	100.00
PRC	Chongqing Expressway	150.00	-	150.00
PRC	Jiangxi Expressway	150.00	-	150.00
PRC	Fangcheng Port	52.00	-	52.00
PRC	Shenyang-Jinzhou Expressway	200.00	-	200.00
IND	Rural Telecommunications	113.00	-	113.00
IND	North Java Road Improvement	150.00	-	150.00
KAZ	Road Rehabilitation	50.00	-	50.00
KGZ	Road Rehabilitation	-	50.00	50.00
PHL	Sixth Road	167.00	-	167.00
THA	Third Rural Telecommunications	100.00	-	100.00
VIE	Second Road Improvement	-	120.00	120.00
	Subtotal	1,232.00	257.00	1,489.00
OTHERS				
COO	Economic Restructuring Program	-	5.00	5.00
IND	Gujarat Public Sector Resource Management Program	250.00	-	250.00
IND	BAPEDAL Regional Network	45.00	-	45.00
IND	Regional Development Account	50.00	-	50.00
MAL	Klang River Basin Environmental Improvement and Flood Mitigation	26.30	-	26.30
NEP	Second Tourism Development	-	17.20	17.20
	Subtotal	371.30	22.20	393.50
MULTISECTOR				
IND	Private Sector Infrastructure Facility			
	- Industrial Credit and Investment Corporation of India Ltd.	150.00	-	150.00
	- Industrial Finance Corporation of India Ltd.	100.00	-	100.00
	- SCICI Limited	50.00	-	50.00
PAK	Social Action Program (Sector) Project II	-	200.00	200.00
	Subtotal	300.00	200.00	500.00
TOTAL		3,879.45	1,665.63	5,545.08

Key: BAN (Bangladesh), CAM (Cambodia), PRC (People's Republic of China), COO (Cook Islands), IND (India), INO (Indonesia), KAZ (Kazakhstan), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MAL (Malaysia), FSM (Federated States of Micronesia), MGN (Mongolia), NEP (Nepal), PAK (Pakistan), PHL (Philippines), SRI (Sri Lanka), THA (Thailand), TON (Tonga), UZB (Uzbekistan), VAN (Vanuatu), and VIE (Viet Nam).

Table 13
LOAN APPROVALS, BY COUNTRY AND SOURCE OF FUNDS,^a 1996
(amounts in \$ million)

Country	O C R	A D F	Total	%
Bangladesh	—	256.40	256.40	4.63
Cambodia	0.00	105.00	105.00	1.90
China, People's Rep. of	1,102.00	—	1,102.00	19.87
Cook Islands	—	5.00	5.00	0.09
India	788.00	—	788.00	14.21
Indonesia	884.30	67.80	952.10	17.17
Kazakstan	50.00	20.00	70.00	1.26
Kyrgyz Republic	—	80.00	80.00	1.44
Lao PDR	—	91.70	91.70	1.65
Malaysia	26.30	—	26.30	0.47
Micronesia, Fed. States of	—	10.60	10.60	0.19
Mongolia	—	63.50	63.50	1.15
Nepal	36.50	252.70	289.20	5.22
Pakistan	332.00	283.00	615.00	11.09
Philippines	250.35	68.00	318.35	5.74
Sri Lanka	—	44.03	44.03	0.79
Thailand	330.00	—	330.00	5.95
Tonga	—	4.90	4.90	0.09
Uzbekistan	50.00	—	50.00	0.90
Vanuatu	—	10.00	10.00	0.18
Viet Nam	30.00	303.00	333.00	6.01
TOTAL	3,879.45	1,665.63	5,545.08	100.00

a Includes loans to private sector without government guarantee.

Table 14
DISTRIBUTION OF LENDING AMONG DEVELOPING MEMBER COUNTRIES, 1968-1996
Percentage of Value of Loans Approved in Period

Country	1968-1972		1973-1977		1978-1982	
	OCR	ADF	OCR	ADF	OCR	ADF
Afghanistan	-	2.6	-	7.1	-	0.9
Bangladesh	-	-	0.5	27.3	-	32.8
Bhutan	-	-	-	-	-	-
Cambodia	-	0.8	-	-	-	-
China, People's Rep. of	-	-	-	-	-	-
Cook Islands	-	-	-	-	-	0.1
Fiji	0.6	-	0.1	-	0.8	-
Hong Kong	2.9	-	1.7	-	0.8	-
India	-	-	-	-	-	-
Indonesia	-	34.6	17.2	4.5	28.4	2.1
Kazakstan	-	-	-	-	-	-
Kitibati	-	-	-	0.2	-	-
Korea, Rep. of	26.2	1.8	20.9	-	18.4	-
Kyrgyz Republic	-	-	-	-	-	-
Lao PDR	-	2.2	-	0.8	-	1.1
Malaysia	10.6	1.6	10.9	-	9.6	-
Maldives	-	-	-	-	-	0.1
Marshall Islands	-	-	-	-	-	-
Micronesia, Fed. States of	-	-	-	-	-	-
Mongolia	-	-	-	-	-	-
Myanmar	-	-	0.3	13.6	-	11.4
Nepal	0.3	17.7	-	9.1	-	7.3
Pakistan	8.9	9.0	12.8	19.2	5.1	27.1
Papua New Guinea	-	7.1	0.8	2.2	0.8	1.9
Philippines	13.5	1.7	21.2	1.2	19.1	2.7
Singapore	12.1	1.5	1.4	-	1.1	-
Solomon Islands	-	-	-	1.0	-	0.2
Sri Lanka	1.7	11.1	0.1	8.4	-	8.6
Taipei, China	13.3	-	-	-	-	-
Thailand	9.9	-	11.9	0.8	15.9	2.7
Tonga	-	-	-	0.2	-	0.2
Uzbekistan	-	-	-	-	-	-
Vanuatu	-	-	-	-	-	0.1
Viet Nam	-	5.6	0.2	3.0	-	-
Western Samoa	-	2.7	-	1.4	-	0.7
Regional	-	-	-	-	-	-
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Loan Approvals (\$ million)	753.9	201.5	2,326.9	964.9	4,856.2	2,351.1

- = nil.

0.0 is equivalent to value less than 0.05.

1983–1987		1988–1992		1993–1996		Country
OCR	ADF	OCR	ADF	OCR	ADF	
—	—	—	—	—	—	Afghanistan
—	31.7	—	25.4	0.1	19.6	Bangladesh
—	0.8	—	0.2	—	0.2	Bhutan
—	—	—	1.1	—	3.2	Cambodia
2.0	—	12.3	—	31.5	—	China, People's Rep. of
—	0.1	—	0.1	—	0.2	Cook Islands
0.2	—	0.4	—	—	—	Fiji
—	—	—	—	—	—	Hong Kong
9.5	—	24.9	—	17.0	—	India
33.7	3.7	31.0	5.7	26.6	4.1	Indonesia
—	—	—	—	1.3	0.7	Kazakhstan
—	0.0	—	0.0	—	—	Kiribati
9.2	—	0.9	—	—	—	Korea, Rep. of
—	—	—	—	—	2.9	Kyrgyz Republic
—	1.9	—	3.5	—	5.6	Lao PDR
8.3	—	3.1	—	1.0	—	Malaysia
—	0.2	—	0.2	—	0.2	Maldives
—	—	—	0.1	—	0.4	Marshall Islands
—	—	—	—	—	0.3	Micronesia, Fed. States of
—	—	—	0.5	—	5.0	Mongolia
—	3.5	—	—	—	—	Myanmar
—	9.5	—	7.3	0.3	6.1	Nepal
15.9	34.3	10.1	29.0	4.6	22.9	Pakistan
1.3	1.6	0.6	2.4	—	0.5	Papua New Guinea
12.1	1.4	10.9	11.7	7.9	3.7	Philippines
—	—	—	—	—	—	Singapore
—	0.6	—	0.1	—	0.0	Solomon Islands
—	9.8	—	11.7	—	7.1	Sri Lanka
—	—	—	—	—	—	Taipei, China
7.8	—	5.5	—	9.1	—	Thailand
—	0.2	—	0.3	—	0.3	Tonga
—	—	—	—	0.4	—	Uzbekistan
—	0.3	—	0.1	—	0.2	Vanuatu
—	—	—	—	0.2	16.8	Viet Nam
—	0.4	—	0.6	—	0.0	Western Samoa
—	—	0.3	—	—	—	Regional
100.0	100.0	100.0	100.0	100.0	100.0	TOTAL
6,755.7	3,617.3	13,978.5	6,428.3	14,343.4	5,594.7	Loan Approvals (\$ million)

Table 15
PROJECTS INVOLVING COFINANCING, 1996
(\$ million)

Project	Country	Bank Loan		Amount of Cofinancing	Source of Cofinancing
		OCR	ADF		
Ninth Power Jamuna Bridge Access Roads	Bangladesh	—	134.40	63.30	International Development Association (IDA)
	Bangladesh	—	72.00	60.00	Overseas Economic Cooperation Fund (OECF)
				10.00	Japan International Cooperation Agency (JICA)
				2.00	Nordic Development Fund (NDF)
Forestry Sector Phnom Penh Water Supply and Drainage	Bangladesh	—	50.00	2.60	Germany
	Cambodia	—	20.00	3.30	Norwegian Agency for International Cooperation (NORAD)
				4.00	OPEC Fund for International Development
Basic Education Textbook	Cambodia	—	20.00	3.20	United Nations Children's Fund
Henan Power ^a	PRC	200.00	—	100.00	Commercial banks
Gujarat Public Sector Resource Management Program	India	250.00	—		Export-Import Bank of Japan (JEXIM)
Industrial Technology and Human Resources Development	Indonesia	80.00	—	47.00	International Bank for Reconstruction and Development (IBRD)
BAPEDAL Regional Network	Indonesia	45.00	—	30.00	OECF
Engineering Education Development	Indonesia	102.00	—	20.00	Overseas Development Administration (ODA), UK
P.T. Banjarmasin Agrojaya Mandiri	Indonesia	32.50	—	20.00	Complementary Financing Scheme (CFS)
				40.00	Domestic
				25.00	Export Credit Agency
Power and District Heating Rehabilitation	Kyrgyz Republic	—	30.00	8.60	Danish International Development Agency
				20.00	IDA
				6.80	NDF
				4.50	Switzerland
Road Rehabilitation	Kyrgyz Republic	—	50.00	21.00	OECF
Nam Leuk Hydropower	Lao PDR	—	52.00	38.50	OECF
Community-Managed Irrigation Sector	Lao PDR	—	14.70	4.00	OPEC Fund
Kali Gandaki "A" Hydroelectric Power	Nepal	—	160.00	160.00	OECF
Himal Power Limited	Nepal	36.50	—	32.10	International Finance Corporation
				3.00	NDF
				29.80	ECA (Eksportfinans)
				8.30	NORAD ^b
Fauji Kabirwala Power Co. Ltd.	Pakistan	32.00	—	35.00	Export Development Corporation
				60.50	CFS
Social Action Program (Sector) Project II	Pakistan	—	200.00	50.00	European Community
				250.00	IDA
				35.00	Netherlands
				30.00	ODA, UK
Ghazi Barotha Hydropower	Pakistan	300.00	—	60.00	European Investment Bank
				147.00	Kreditanstalt für Wiederaufbau (KfW)
				350.00	IBRD
				40.00	Islamic Development Bank (IsDB)
				350.00	OECF
Bahawalpur Rural Development	Pakistan	—	38.00	7.00	IsDB
Second Girls Primary School Sector	Pakistan	—	45.00	16.00	OPEC Fund
Cordillera Highland Agricultural Resource Management	Philippines	9.50	9.50	9.20	International Fund for Agricultural Development (IFAD)
Rural Microenterprise Finance	Philippines	—	20.00	14.70	IFAD
Sixth Road	Philippines	167.00	—	160.00	JEXIM
				33.20	Kuwait Fund for Arab Economic Development
				10.00	OPEC Fund
				0.20	ODA, UK
Plantation Reform ^a	Sri Lanka	—	60.00	40.00	OECF
Urban Infrastructure	Vanuatu	—	10.00	0.40	Australian Agency for International Development
Population and Family Health	Viet Nam	—	43.00	20.00	KfW
		—	—	46.00	IDA
Second Road Improvement	Viet Nam	—	120.00	64.00	OECF
TOTAL		1,254.50	1,148.60	2,695.20	

a Approved in 1995.

b NORAD cofinancing includes loan of \$4.8 million and grant of \$3.5 million.

Table 16
1996 PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS, BY COUNTRY
 (\$ million)

Country	Loan	Equity Investment	Total Bank Funds	Complementary Loan	Total Bank Approvals	Total Project Cost
China, People's Rep. of Everbright Bank of China	—	20.000	20.000	—	20.000	297.000
India						
Balagarh Power Co. Ltd.	25.000	15.000	40.000	100.000	140.000	631.600
Indonesia						
P.T. Banjarmasin Agrojaya Mandiri	32.500	8.125	40.625	45.000	85.625	195.000
Nepal						
Himal Power Ltd.						
Senior Loan	31.000	—	31.000	—	31.000	142.600
Subordinated Loan	5.500	—	5.500	—	5.500	
Pakistan						
Fauji Kabirwala Power Co. Ltd.	32.000	5.300	37.300	65.000	102.300	170.000
Philippines						
Mutual Fund Co. of the Philippines, Inc.	—	3.850	3.850	—	3.850	46.150
Viet Nam						
Vietnam Leasing Co. Ltd.	—	2.000	2.000	—	2.000	10.000
Nghi Son Cement Corp. Ltd.	30.000	—	30.000	26.500	56.500	373.000
Regional						
Asian Private Investment Co. and APIC Management Co.	—	25.000	25.000	—	25.000	500.000
Asian Infrastructure Mezzanine Capital Fund and AMF Capital Management Ltd.	—	1.000	1.000	—	1.000	10.000
—	—	25.000	25.000	—	25.000	500.000
—	—	2.000	2.000	—	2.000	10.000
TOTAL	156.000	107.275	263.275	236.500	499.775	2,885.350

Table 17
1996 PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS, BY SECTOR
 (\$ million)

Sector	Loan	Equity Investment	Total Bank Funds	Complementary Loan	Total Bank Approvals	Total Project Cost
Infrastructure	93.500	20.300	113.800	165.000	278.800	944.200
Investment Funds	—	56.850	56.850	—	56.850	1,066.150
Financial Institutions	—	22.000	22.000	—	22.000	307.000
Agriculture, Manufacturing and Other Industries	62.500	8.125	70.625	71.500	142.125	568.000
TOTAL	156.000	107.275	263.275	236.500	499.775	2,885.350

Table 18
PRIVATE SECTOR LOAN AND EQUITY INVESTMENT APPROVALS, BY YEAR,^a 1987–1996
(amounts in \$ million)

Year	No. of Projects	Loan	Equity Investment ^b	Total Bank Funds	Complementary Loan	Total Bank Approvals
1987	7	20.50	27.61	48.11	5.00	53.11
1988	12	58.00	35.67	93.67	—	93.67
1989	16	95.70	67.59	163.29	51.10	214.39
1990	17	78.85	35.94	114.79	24.00	138.79
1991	10	156.80	20.52	177.32	—	177.32
1992	4	50.00	5.42	55.42	81.50	136.92
1993	9	182.10	20.70	202.80	19.30	222.10
1994	9	—	48.60	48.60	—	48.60
1995	9	86.50	110.38	196.88	5.83	202.71
1996	10	156.00	107.28	263.28	236.50	499.78

a Net of cancellations.

b Includes equity investments, lines of equity, and equity underwritings.

Table 19
CUMULATIVE PRIVATE SECTOR APPROVALS, BY COUNTRY,^a 1983–1996
(amounts in \$ million)

Country	No. of Projects	Loan	Equity Investment ^b	Total Bank Funds	Complementary Loan	Total Bank Approvals
Bangladesh	4	29.00	6.86	35.86	—	35.86
China, People's Rep. of	5	50.00	37.30	87.30	—	87.30
Fiji	1	—	0.25	0.25	—	0.25
India	16	160.70	94.54	255.24	105.00	360.24
Indonesia	12	114.50	31.78	146.28	108.50	254.78
Korea, Rep. of	3	—	8.96	8.96	—	8.96
Malaysia	1	—	2.00	2.00	—	2.00
Nepal	4	49.55	3.26	52.81	5.83	58.64
Pakistan	21	241.80	28.63	270.43	129.90	400.33
Philippines	19	147.90	34.00	181.90	47.50	229.40
Sri Lanka	6	1.00	5.82	6.82	—	6.82
Thailand	7	31.46	26.82	58.28	—	58.28
Viet Nam	2	30.00	2.00	32.00	26.50	58.50
Regional	13	35.00	210.54	245.54	—	245.54
TOTAL^b	128	890.91	492.75	1,383.66	423.23	1,806.89

a Net of cancellations.

b Includes equity investments, lines of equity, and equity underwritings.

Table 20

CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS,^a 1968-1996

(as of 31 December 1996)

(amounts in \$ million)

Year	Cumulative Effective Loans ^b		Cumulative Contracts Awarded ^c		Cumulative Disbursements ^b	
	No.	Amount ^d	Amount	Percentage of Cumulative Effective Loans	Amount ^e	Percentage of Cumulative Effective Loans
1968	4	20	5	23	2	9
1969	13	67	14	20	9	14
1970	28	137	54	40	26	19
1971	67	404	115	28	75	19
1972	93	696	272	39	136	20
1973	130	998	453	45	283	28
1974	187	1,612	836	52	470	29
1975	221	2,052	1,150	56	832	41
1976	264	2,846	1,506	53	1,159	41
1977	294	3,461	1,862	54	1,515	44
1978	340	4,289	2,433	57	1,977	46
1979	391	5,274	2,942	56	2,463	47
1980	451	6,592	3,820	58	3,042	46
1981	510	7,953	4,504	57	3,710	47
1982	570	9,672	5,571	58	4,505	47
1983	621	11,100	6,296	57	5,442	49
1984	675	13,027	7,300	56	6,442	49
1985	727	14,793	8,279	56	7,452	50
1986	771	16,135	9,443	59	8,476	53
1987	815	17,807	10,883	61	9,708	55
1988	887	20,589	12,812	62	11,357	55
1989	958	23,727	14,859	63	13,592	57
1990	1,016	27,630	17,667	64	16,344	59
1991	1,078	31,360	20,507	65	19,447	62
1992	1,149	35,909	23,176	65	22,214	62
1993	1,221	40,099	26,756	67	25,156	63
1994	1,282	44,030	30,569	69	28,844	66
1995	1,345	47,901	34,058	71	32,431	68
1996	1,413	52,484	37,538	72	36,227	69

^a After the signing of the loan agreement, certain requirements must be complied with for the loan to become effective.^b Includes private sector loans without government guarantee.^c Excludes private sector loans without government guarantee.^d Net of cancellations and amount transferred to subsequent loans.^e Includes interest and other charges financed during construction.

Table 21

NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION,
 PCRs CIRCULATED, PROJECTS COMPLETED, LOANS CLOSED, AND PPARs CIRCULATED
 (as of 31 December 1996)

Country	Cumulative No. of Loans Approved ^a	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved ^b	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Loans	Cumulative No. of Cofinanced Projects	No. of Projects Under Administration ^{b,c}
Afghanistan	9	8	8	—	1	2	—
Bangladesh	123	118	115	3	5	51	40
Bhutan	11	11	11	—	—	5	3
Cambodia	10	8	10	—	—	3	9
China, People's Rep. of	59	45	59	—	—	11	47
Cook Islands	10	10	10	—	—	1	4
Fiji	12	12	12	—	—	5	1
Hong Kong	5	5	5	—	—	—	—
India	46	40	43	1	—	14	33
Indonesia	221	213	204	14	2	50	74
Kazakhstan	5	4	4	—	—	—	4
Kiribati	5	5	5	—	—	1	—
Korea, Rep. of	79	79	79	—	—	8	—
Kyrgyz Republic	4	3	4	—	—	2	4
Lao PDR	39	37	36	—	3	20	19
Malaysia	75	73	73	1	1	9	10
Maldives	6	6	6	—	—	2	2
Marshall Islands	6	6	6	—	—	—	4
Micronesia, Fed. States of	2	1	2	—	—	—	2
Mongolia	15	10	13	—	—	4	10
Myanmar	32	32	28	2	2	12	1
Nepal	89	87	78	1	9	35	32
Pakistan	173	168	147	21	5	68	67
Papua New Guinea	42	42	33	9	—	6	7
Philippines	155	141	135	15	4	47	47
Singapore	14	14	14	—	—	2	—
Solomon Islands	13	13	13	—	—	5	—
Sri Lanka	78	77	72	1	5	20	24
Taipei, China	12	12	12	—	—	—	—
Thailand	74	72	71	2	1	34	18
Tonga	14	12	14	—	—	3	5
Uzbekistan	1	—	1	—	—	—	1
Vanuatu	7	6	6	—	1	3	3
Viet Nam	25	18	23	2	—	3	14
Western Samoa	25	24	21	—	4	9	1
Regional	1	1	1	—	—	—	1
TOTAL	1,497	1,413	1,374	72	43	435	487

a Includes Special Implementation Assistance Loans, Special Assistance, and private sector loans; excludes loans withdrawn by borrowers before loan signing.

b Blended loans are counted as one project; supplementary loans and special implementation assistance loans are not counted as separate projects.

c Includes projects/loans which have been approved but still awaiting effectiveness, inactive loans, and fully disbursed private sector loans without government guarantee but still under administration; excludes projects/loans exclusively financed from other sources.

d Projects which were physically completed in 1996.

No. of Loans Under Administration ^c	Cumulative No. of PCRs Circulated/ Prepared	No. of Projects Completed in 1996 ^d	No. of Loans Closed in 1996	No. of PCRs Circulated in 1996	No. of PPARs Circulated in 1996	Country
-	-	-	-	-	-	Afghanistan
40	71	10	4	6	3	Bangladesh
3	6	-	1	3	-	Bhutan
9	-	-	-	-	-	Cambodia
48	10	3	2	3	-	China, People's Rep. of
4	5	-	-	1	-	Cook Islands
1	8	2	1	-	1	Fiji
-	5	-	-	-	-	Hong Kong
37	6	4	2	1	1	India
80	108	12	5	4	4	Indonesia
4	-	-	1	-	-	Kazakhstan
-	4	-	1	1	-	Kiribati
-	57	1	1	1	-	Korea, Rep. of
4	-	1	-	-	-	Kyrgyz Republic
19	12	4	1	1	-	Lao PDR
10	44	2	2	1	3	Malaysia
2	4	2	-	-	-	Maldives
5	1	2	-	-	-	Marshall Islands
2	-	-	-	-	-	Micronesia, Fed. States of
12	1	-	1	-	1	Mongolia
1	26	-	-	-	1	Myanmar
32	43	7	6	5	-	Nepal
72	71	9	6	6	4	Pakistan
9	24	4	2	5	-	Papua New Guinea
54	76	7	5	4	3	Philippines
-	7	-	-	-	-	Singapore
-	13	-	-	-	-	Solomon Islands
24	40	3	2	2	1	Sri Lanka
-	1	-	-	-	-	Taipei, China
18	40	2	1	-	2	Thailand
5	10	2	2	1	-	Tonga
1	-	-	-	-	-	Uzbekistan
3	3	1	-	-	1	Vanuatu
14	5	-	-	-	-	Viet Nam
1	18	-	-	-	-	Western Samoa
1	-	-	-	-	-	Regional
515	719	78	46	45	25	TOTAL

Table 22
 AMOUNTS OF LOANS APPROVED, CONTRACTS AWARDED, AND DISBURSEMENTS
 (as of 31 December 1996)
 (amounts in \$ million)

Country	Cumulative Loan Amounts Approved ^a	Cumulative Net Effective Loans ^{b,c}	Contracts Awarded in 1996 ^{c,d}	Cumulative Contracts Awarded ^{c,f}
Afghanistan	95.10	27.90	0.00	34.21
Bangladesh	4,942.11	4,361.67	227.64	3,387.79
Bhutan	51.46	48.11	5.74	38.60
Cambodia	247.70	207.95	23.15	93.40
China, People's Rep. of	6,378.70	4,915.46	760.60	3,193.24
Cook Islands	23.70	23.33	3.83	14.80
Fiji	121.10	113.47	0.56	108.94
Hong Kong	101.50	94.50	0.00	94.50
India	6,533.30	5,453.21	576.77	3,590.79
Indonesia	13,096.70	11,500.12	635.72	7,317.47
Kazakhstan	230.00	178.60	35.04	98.57
Kiribati	4.90	3.77	0.00	3.75
Korea, Rep. of	2,323.33	1,852.46	0.00	1,864.68
Kyrgyz Republic	160.00	127.82	72.60	100.84
Lao PDR	646.40	576.55	127.86	472.61
Malaysia	1,947.54	1,421.10	103.45	1,217.63
Maldives	33.88	36.08	1.69	33.48
Marshall Islands	31.05	31.40	9.52	15.39
Micronesia, Fed. States of	17.10	6.66	0.87	0.87
Mongolia	314.80	251.11	43.42	204.74
Myanmar	530.80	458.70	0.00	418.77
Nepal	1,500.40	1,300.44	67.22	884.47
Pakistan	8,970.40	8,194.54	506.04	5,942.91
Papua New Guinea	545.72	519.54	5.57	427.19
Philippines	6,089.25	4,915.03	342.86	3,781.40
Singapore	181.08	144.44	0.00	130.22
Solomon Islands	43.31	37.61	0.00	37.10
Sri Lanka	1,822.35	1,724.32	112.39	1,290.69
Taipei, China	100.39	91.14	0.00	90.28
Thailand	3,804.25	3,039.18	276.79	2,311.83
Tonga	47.79	39.92	2.55	32.29
Uzbekistan	50.00	0.00	0.00	0.00
Vanuatu	29.25	18.75	0.64	16.24
Viet Nam	1,012.10	647.03	37.46	202.75
Western Samoa	89.92	86.86	0.44	85.37
Regional	35.00	35.00	0.00	0.00
TOTAL	62,172.38	52,483.74	3,980.39	37,537.86

a Includes special assistance loans and private sector loans but excludes loans withdrawn before loan signing. The US dollar equivalent is in accordance with the exchange rate prevailing within the Bank at the time of loan signing.

b Net refers to cancellation and refund of unused loan amounts.

c The US dollar equivalent is in accordance with the exchange rate prevailing within the Bank on 31 December 1996. The cumulative contracts awarded exceed the net effective loan amounts due to the following reasons:

- (i) for countries without active loans, the base contract amount of loans that closed prior to computerization does not reflect the adjustment with regard to procurement data, i.e. Afghanistan; and
- (ii) for countries with active loans, the contract amount inputted is basically the percentage of Bank-financed portion and each contract amount was adjusted upon completion of disbursement.

d Excluding private sector loans without government guarantee.

% of Cumulative Contracts Awarded to Cumulative Net Effective Loans	Disbursements in 1996	Cumulative Disbursements	% of Cumulative Disbursements to Cumulative Net Effective Loans	Country
122.6 ^{c (i)}	0.00	27.90	100.0	Afghanistan
77.7	301.35	3,490.84	80.0	Bangladesh
80.2	2.80	33.70	70.0	Bhutan
44.9	32.06	86.02	41.4	Cambodia
65.0	707.19	2,640.29	53.7	China, People's Rep. of
63.4	3.97	16.50	70.7	Cook Islands
96.0 ^{c (ii)}	2.08	110.16	97.1	Fiji
100.0	0.00	94.50	100.0	Hong Kong
65.8	605.59	3,182.71	58.4	India
63.6	722.33	7,541.68	65.6	Indonesia
55.2	32.32	96.00	53.8	Kazakstan
99.7	(0.06)	3.77	100.0	Kiribati
100.7 ^{c (ii)}	0.66	1,852.45	100.0	Korea, Rep. of
78.9	26.22	60.22	47.1	Kyrgyz Republic
82.0	85.29	364.84	63.3	Lao PDR
85.7	43.70	1,126.19	79.2	Malaysia
92.8	6.05	30.91	85.7	Maldives
49.0	3.00	8.16	26.0	Marshall Islands
13.0	0.11	0.45	6.8	Micronesia, Fed. States of
81.5	34.10	142.75	56.8	Mongolia
91.3	0.00	411.83	89.8	Myanmar
68.0	78.39	847.89	65.2	Nepal
72.5	525.19	5,875.16	71.7	Pakistan
82.2	11.94	424.45	81.7	Papua New Guinea
76.9	266.52	3,803.47	77.4	Philippines
90.2	0.00	144.44	100.0	Singapore
98.6	0.00	37.61	100.0	Solomon Islands
74.9	148.92	1,277.14	74.1	Sri Lanka
99.1	0.00	91.14	100.0	Taipei, China
76.1	123.30	2,132.36	70.2	Thailand
80.9	2.93	28.85	72.3	Tonga
0.0	0.00	0.00	-	Uzbekistan
86.6	0.46	17.05	90.9	Vanuatu
31.3	28.74	105.41	16.3	Viet Nam
98.3	1.58	85.47	98.4	Western Samoa
0.0	0.00	35.00	100.0	Regional
71.5	3,796.70	36,227.29	69.0	TOTAL

Table 23
DISTRIBUTION OF CONTRACTS AWARDED, BY COUNTRY OF ORIGIN^a
ORDINARY CAPITAL RESOURCES

Country	1967-1976		1977-1986		1987-1996	
	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1.15	3.91	1.43	2.46	1.90	4.09
Austria	2.38	0.84	0.57	0.30	0.28	0.31
Bangladesh	0.00	0.00	0.00	0.03	0.00	0.00
Belgium	0.22	0.53	0.49	0.04	0.48	0.00
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00
Canada	2.19	2.29	0.91	6.79	0.81	4.48
China, People's Rep. of	0.00	0.00	0.00	0.00	9.39	0.00
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	0.13	1.94	0.29	2.91	0.15	1.89
Fiji	0.09	0.00	0.24	0.00	0.16	0.03
Finland	0.05	0.00	0.04	0.31	0.47	0.32
France	3.78	6.05	2.02	2.98	2.27	4.39
Germany	7.57	10.36	4.79	4.34	5.66	6.21
Hong Kong	0.60	0.00	1.65	0.47	1.17	0.08
India	1.45	3.35	0.67	0.34	9.97	1.29
Indonesia	0.00	0.00	8.54	9.58	17.36	29.08
Italy	3.36	11.06	1.35	4.08	3.82	2.27
Japan	42.33	7.33	22.82	12.58	11.63	7.31
Kazakhstan	0.00	0.00	0.00	0.00	0.00	0.00
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	9.67	1.31	16.74	4.06	6.40	0.79
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.01	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	3.32	0.17	4.86	0.88	3.42	1.20
Maldives	0.00	0.00	0.00	0.00	0.01	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	0.00	0.00	0.00	0.00	0.01	0.00
Nepal	0.00	0.00	0.00	0.00	0.00	0.00
Netherlands	2.17	2.20	0.90	2.60	0.61	5.60
New Zealand	0.17	1.42	0.42	1.46	0.09	0.17
Norway	0.15	0.00	0.03	0.25	0.06	0.00
Pakistan	0.01	0.00	0.57	0.04	3.02	0.37
Papua New Guinea	0.00	0.00	0.25	0.07	0.27	0.19
Philippines	1.14	0.94	8.43	1.59	3.36	4.14
Singapore	0.56	0.00	1.53	0.32	1.56	0.12
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.00	0.00	0.00	0.00	0.19	0.00
Sri Lanka	0.00	0.00	0.00	0.03	0.01	0.02
Sweden	0.57	0.13	0.54	0.04	0.81	0.15
Switzerland	1.91	1.07	1.51	5.86	1.69	6.19
Taipei, China	1.77	0.09	1.70	3.20	0.75	1.01
Thailand	2.28	0.00	6.94	0.09	3.48	1.64
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.00	0.00	0.00	0.00	0.19	0.00
United Kingdom	4.03	3.61	2.76	11.08	1.53	6.90
United States	6.94	41.40	7.01	21.26	6.55	9.76
Uzbekistan	0.00	0.00	0.00	0.00	0.02	0.00
Vanuatu	0.00	0.00	0.00	0.00	0.40	0.00
Viet Nam	0.00	0.00	0.00	0.00	0.04	0.00
Western Samoa	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL VALUE (\$ million)	1,151.814	65.585	5,006.384	327.457	17,780.479	825.743

a Based on US\$ value equivalent of contract.

Table 24
DISTRIBUTION OF CONTRACTS AWARDED, BY COUNTRY OF ORIGIN^a
ASIAN DEVELOPMENT FUND

Country	1967-1976		1977-1986		1987-1996	
	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %
Afghanistan	0.00	0.00	0.37	0.00	0.00	0.00
Australia	4.89	6.10	0.83	3.75	1.18	5.64
Austria	0.12	0.00	0.34	0.00	0.16	0.00
Bangladesh	0.20	0.00	5.80	0.94	14.03	3.73
Belgium	0.18	0.00	0.58	0.05	0.36	0.00
Bhutan	0.00	0.00	0.00	0.00	0.18	0.01
Cambodia	0.00	0.00	0.00	0.00	0.31	0.00
Canada	0.61	18.30	0.51	7.39	0.40	3.11
China, People's Rep. of	0.00	0.00	0.00	0.00	5.68	0.00
Cook Islands	0.00	0.00	0.04	0.00	0.05	0.01
Denmark	0.02	0.93	0.79	0.00	0.33	1.68
Fiji	0.12	0.00	0.05	0.00	0.02	0.02
Finland	0.01	0.00	0.07	1.34	0.18	0.20
France	0.13	0.00	1.37	2.57	1.43	4.01
Germany	14.61	22.63	5.08	1.68	3.69	5.35
Hong Kong	0.27	0.00	0.74	0.00	0.83	0.00
India	4.42	1.63	6.30	9.30	2.27	1.84
Indonesia	0.00	0.00	1.14	1.85	3.49	4.70
Italy	5.68	5.49	2.75	0.82	1.68	2.94
Japan	38.73	21.17	25.35	15.18	5.47	3.56
Kazakstan	0.00	0.00	0.00	0.00	0.32	0.00
Kiribati	0.00	0.00	0.00	0.00	0.01	0.00
Korea, Rep. of	5.66	1.84	5.31	2.01	6.79	1.70
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.44	0.00
Lao PDR	0.00	0.00	0.05	0.00	0.79	0.08
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	0.57	2.56	0.36	0.54	1.02	0.00
Maldives	0.00	0.00	0.02	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.06	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.14	0.00
Myanmar	0.00	0.00	0.78	0.00	0.13	0.00
Nepal	0.82	0.00	2.28	0.50	3.27	1.16
Netherlands	1.68	5.57	1.22	2.22	1.61	5.22
New Zealand	0.56	2.46	0.81	2.00	0.46	3.48
Norway	0.05	0.00	0.02	0.57	0.36	0.28
Pakistan	0.00	0.00	4.76	0.47	15.57	9.91
Papua New Guinea	2.60	0.00	1.52	0.19	1.16	0.39
Philippines	0.14	1.10	2.74	2.83	4.85	5.04
Singapore	4.83	0.00	1.85	0.11	4.02	0.16
Solomon Islands	0.00	0.00	0.28	0.09	0.10	0.00
Spain	0.00	0.00	0.00	0.00	0.06	0.00
Sri Lanka	0.00	0.12	3.11	0.26	4.38	1.39
Sweden	0.01	0.14	1.64	0.04	0.57	2.19
Switzerland	0.33	0.00	2.64	6.18	0.93	2.58
Taipei, China	0.74	0.11	0.20	0.04	0.76	0.00
Thailand	1.66	0.20	2.35	0.05	0.94	0.01
Tonga	0.00	0.00	0.15	0.00	0.07	0.06
Turkey	0.00	0.00	0.00	0.00	0.30	0.00
United Kingdom	6.96	2.83	6.44	21.11	2.02	17.81
United States	3.30	6.82	8.98	15.96	6.28	11.68
Uzbekistan	0.00	0.00	0.00	0.00	0.05	0.00
Vanuatu	0.00	0.00	0.01	0.00	0.04	0.00
Viet Nam	0.00	0.00	0.08	0.00	0.68	0.00
Western Samoa	0.09	0.00	0.28	0.07	0.06	0.07
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL VALUE (\$ million)	260.832	27.689	2,447.946	155.369	9,288.558	568.073

^a Based on US\$ value equivalent of contract.

Table 25

DISTRIBUTION OF CONTRACTS AWARDED, BY COUNTRY OF ORIGIN^a
 ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED

Country	1967-1976		1977-1986		1987-1996	
	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %
Afghanistan	0.00	0.00	0.12	0.00	0.00	0.00
Australia	1.84	4.56	1.23	2.87	1.65	4.72
Austria	1.96	0.59	0.49	0.21	0.24	0.16
Bangladesh	0.04	0.00	1.91	0.32	4.82	1.52
Belgium	0.21	0.38	0.52	0.04	0.44	0.00
Bhutan	0.00	0.00	0.00	0.00	0.06	0.00
Cambodia	0.00	0.00	0.00	0.00	0.11	0.00
Canada	1.90	7.04	0.78	6.98	0.67	3.92
China, People's Rep. of	0.00	0.00	0.00	0.00	8.12	0.00
Cook Islands	0.00	0.00	0.01	0.00	0.02	0.00
Denmark	0.11	1.64	0.45	1.97	0.21	1.81
Fiji	0.10	0.00	0.18	0.00	0.11	0.02
Finland	0.04	0.00	0.05	0.64	0.37	0.27
France	3.11	4.25	1.80	2.85	1.98	4.24
Germany	8.87	14.00	4.89	3.49	4.98	5.86
Hong Kong	0.54	0.00	1.31	0.32	1.06	0.05
India	2.00	2.84	2.52	3.22	7.33	1.51
Indonesia	0.00	0.00	5.93	7.09	12.60	19.15
Italy	3.79	9.41	1.81	3.03	3.09	2.54
Japan	41.67	11.44	23.65	13.41	9.51	5.78
Kazakhstan	0.00	0.00	0.00	0.00	0.11	0.00
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	8.93	1.46	13.32	3.40	6.53	1.16
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.16	0.00
Lao PDR	0.00	0.00	0.02	0.00	0.27	0.03
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	2.81	0.88	3.29	0.77	2.60	0.71
Maldives	0.00	0.00	0.01	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.02	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.05	0.00
Myanmar	0.00	0.00	0.26	0.00	0.05	0.00
Nepal	0.15	0.00	0.75	0.16	1.12	0.47
Netherlands	2.08	3.20	1.01	2.48	0.95	5.45
New Zealand	0.24	1.73	0.55	1.63	0.22	1.52
Norway	0.13	0.00	0.03	0.35	0.17	0.10
Pakistan	0.01	0.00	1.95	0.18	7.32	4.26
Papua New Guinea	0.48	0.00	0.66	0.11	0.58	0.27
Philippines	0.95	0.99	6.54	1.99	3.87	4.51
Singapore	1.34	0.00	1.65	0.25	2.40	0.14
Solomon Islands	0.00	0.00	0.09	0.03	0.04	0.00
Spain	0.00	0.00	0.00	0.00	0.14	0.00
Sri Lanka	0.00	0.04	1.02	0.11	1.51	0.58
Sweden	0.46	0.13	0.90	0.04	0.73	0.98
Switzerland	1.62	0.75	1.88	5.96	1.43	4.72
Taipei, China	1.58	0.10	1.21	2.18	0.75	0.60
Thailand	2.17	0.06	5.41	0.08	2.61	0.97
Tonga	0.00	0.00	0.05	0.00	0.03	0.02
Turkey	0.00	0.00	0.00	0.00	0.23	0.00
United Kingdom	4.57	3.38	3.97	14.31	1.70	11.35
United States	6.27	31.13	7.66	19.55	6.46	10.54
Uzbekistan	0.00	0.00	0.00	0.00	0.03	0.00
Vanuatu	0.00	0.00	0.00	0.00	0.27	0.00
Viet Nam	0.00	0.00	0.03	0.00	0.26	0.00
Western Samoa	0.02	0.00	0.09	0.02	0.02	0.03
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL VALUE (\$ million)	1,412.646	93.274	7,454.330	482.826	27,069.037	1,393.464

^a Based on US\$ value equivalent of contract.

Table 26
 CONTRACTS AWARDED, BY COUNTRY OF ORIGIN, 1996
 ORDINARY CAPITAL RESOURCES
 (amounts in \$ million)

Country	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Australia	13.738	0.50	5.788	6.16	19.526	0.69
Austria	8.861	0.33	0.000	0.00	8.861	0.31
Bangladesh	0.102	0.00	0.000	0.00	0.102	0.00
Belgium	5.608	0.21	0.000	0.00	5.608	0.20
Canada	5.396	0.20	5.173	5.50	10.569	0.37
China, People's Rep. of	434.084	15.93	0.000	0.00	434.084	15.40
Denmark	3.050	0.11	5.173	5.50	8.223	0.29
Fiji	0.555	0.02	0.000	0.00	0.555	0.02
Finland	8.375	0.31	1.644	1.75	10.019	0.36
France	108.045	3.96	0.181	0.19	108.226	3.84
Germany	141.239	5.18	1.876	2.00	143.115	5.08
Hong Kong	14.301	0.52	0.000	0.00	14.301	0.51
India	416.963	15.30	2.085	2.22	419.048	14.86
Indonesia	424.768	15.59	39.827	42.36	464.595	16.48
Italy	153.444	5.63	0.321	0.34	153.765	5.45
Japan	246.886	9.06	2.831	3.01	249.717	8.86
Korea, Rep. of	71.383	2.62	0.038	0.04	71.421	2.53
Kyrgyz Republic	0.439	0.02	0.000	0.00	0.439	0.02
Malaysia	108.556	3.98	0.000	0.00	108.556	3.85
Maldives	1.289	0.05	0.000	0.00	1.289	0.05
Myanmar	0.915	0.03	0.000	0.00	0.915	0.03
Netherlands	20.165	0.74	1.197	1.27	21.362	0.76
New Zealand	0.922	0.03	0.000	0.00	0.922	0.03
Norway	6.524	0.24	0.000	0.00	6.524	0.23
Pakistan	74.362	2.73	0.000	0.00	74.362	2.64
Papua New Guinea	0.199	0.01	0.000	0.00	0.199	0.01
Philippines	30.567	1.12	0.538	0.57	31.105	1.10
Singapore	21.819	0.80	0.510	0.54	22.329	0.79
Spain	3.652	0.13	0.000	0.00	3.652	0.13
Sri Lanka	0.542	0.02	0.000	0.00	0.542	0.02
Sweden	11.496	0.42	0.000	0.00	11.496	0.41
Switzerland	3.929	0.14	0.000	0.00	3.929	0.14
Taipei, China	5.287	0.19	0.000	0.00	5.287	0.19
Thailand	166.157	6.10	2.566	2.73	168.723	5.98
Turkey	5.080	0.19	0.000	0.00	5.080	0.18
United Kingdom	40.376	1.48	12.967	13.79	53.343	1.89
United States	160.777	5.90	11.309	12.03	172.086	6.10
Uzbekistan	0.521	0.02	0.000	0.00	0.521	0.02
Viet Nam	4.961	0.18	0.000	0.00	4.961	0.18
TOTAL	2,725.333	100.00	94.024	100.00	2,819.357	100.00

Table 27
 CONTRACTS AWARDED, BY COUNTRY OF ORIGIN, 1996
 ASIAN DEVELOPMENT FUND
 (amounts in \$ million)

Country	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Australia	4.722	0.44	12.151	13.80	16.873	1.45
Austria	0.447	0.04	0.000	0.00	0.447	0.04
Bangladesh	136.267	12.70	2.390	2.71	138.657	11.94
Belgium	1.402	0.13	0.000	0.00	1.402	0.12
Bhutan	2.366	0.22	0.000	0.00	2.366	0.20
Cambodia	2.692	0.25	0.000	0.00	2.692	0.23
Canada	2.348	0.22	6.628	7.53	8.976	0.77
China, People's Rep. of	56.500	5.27	0.000	0.00	56.500	4.87
Cook Islands	1.720	0.16	0.035	0.04	1.755	0.15
Denmark	1.509	0.14	3.800	4.32	5.309	0.46
Fiji	1.186	0.11	0.000	0.00	1.186	0.10
Finland	0.853	0.08	0.000	0.00	0.853	0.07
France	26.221	2.44	8.161	9.27	34.382	2.96
Germany	12.262	1.14	0.738	0.84	13.000	1.12
Hong Kong	13.166	1.23	0.009	0.01	13.175	1.13
India	10.706	1.00	1.752	1.99	12.458	1.07
Indonesia	28.407	2.65	2.814	3.20	31.221	2.69
Italy	65.010	6.06	0.000	0.00	65.010	5.60
Japan	23.989	2.24	2.613	2.97	26.602	2.29
Kazakstan	8.843	0.82	0.001	0.00	8.844	0.76
Kiribati	0.000	0.00	0.000	0.00	0.000	0.00
Korea, Rep. of	41.504	3.87	0.000	0.00	41.504	3.57
Kyrgyz Republic	41.083	3.83	0.000	0.00	41.083	3.54
Lao PDR	13.678	1.27	0.113	0.13	13.791	1.19
Malaysia	0.609	0.06	0.000	0.00	0.609	0.05
Marshall Islands	4.592	0.43	0.012	0.01	4.604	0.40
Micronesia	0.016	0.00	0.000	0.00	0.016	0.00
Mongolia	0.631	0.06	0.000	0.00	0.631	0.05
Nepal	53.401	4.98	0.520	0.59	53.921	4.64
Netherlands	3.169	0.30	8.260	9.38	11.429	0.98
New Zealand	4.343	0.40	0.561	0.64	4.904	0.42
Norway	0.000	0.00	0.000	0.00	0.000	0.00
Pakistan	256.335	23.89	10.568	12.00	266.903	22.99
Papua New Guinea	3.876	0.36	0.190	0.22	4.066	0.35
Philippines	62.759	5.85	6.778	7.70	69.537	5.99
Singapore	21.197	1.98	0.199	0.23	21.396	1.84
Spain	0.416	0.04	0.000	0.00	0.416	0.04
Sri Lanka	70.231	6.55	0.674	0.77	70.905	6.11
Sweden	0.275	0.03	1.695	1.93	1.970	0.17
Switzerland	2.542	0.24	0.295	0.34	2.837	0.24
Taipei, China	1.746	0.16	0.000	0.00	1.746	0.15
Thailand	2.184	0.20	0.000	0.00	2.184	0.19
Tonga	0.255	0.02	0.000	0.00	0.255	0.02
Turkey	5.411	0.50	0.000	0.00	5.411	0.47
United Kingdom	5.639	0.53	12.534	14.24	18.173	1.57
United States	35.997	3.35	4.553	5.17	40.550	3.49
Uzbekistan	4.528	0.42	0.000	0.00	4.528	0.39
Vanuatu	0.049	0.00	0.000	0.00	0.049	0.00
Viet Nam	35.472	3.31	0.000	0.00	35.472	3.06
Western Samoa	0.435	0.04	0.000	0.00	0.435	0.04
TOTAL	1,072.989	100.00	88.044	100.00	1,161.033	100.00

Table 28

CONTRACTS AWARDED, BY COUNTRY OF ORIGIN, 1996
 ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED
 (amounts in \$ million)

Country	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Australia	18,460	0.49	17,939	9.85	36,399	0.91
Austria	9,308	0.25	0,000	0.00	9,308	0.23
Bangladesh	136,369	3.59	2,390	1.31	138,759	3.49
Belgium	7,010	0.18	0,000	0.00	7,010	0.18
Bhutan	2,366	0.06	0,000	0.00	2,366	0.06
Cambodia	2,692	0.07	0,000	0.00	2,692	0.07
Canada	7,744	0.20	11,801	6.48	19,545	0.49
China, People's Rep. of	490,584	12.92	0,000	0.00	490,584	12.33
Cook Islands	1,720	0.05	0,035	0.02	1,755	0.04
Denmark	4,559	0.12	8,973	4.93	13,532	0.34
Fiji	1,741	0.05	0,000	0.00	1,741	0.04
Finland	9,228	0.24	1,644	0.90	10,872	0.27
France	134,266	3.53	8,342	4.58	142,608	3.58
Germany	153,501	4.04	2,614	1.44	156,115	3.92
Hong Kong	27,467	0.72	0,009	0.00	27,476	0.69
India	427,669	11.26	3,837	2.11	431,506	10.84
Indonesia	453,175	11.93	42,641	23.42	495,816	12.46
Italy	218,454	5.75	0,321	0.18	218,775	5.50
Japan	270,875	7.13	5,444	2.99	276,319	6.94
Kazakstan	8,843	0.23	0,001	0.00	8,844	0.22
Kiribati	0,000	0.00	0,000	0.00	0,000	0.00
Korea, Rep. of	112,887	2.97	0,038	0.02	112,925	2.84
Kyrgyz Republic	41,522	1.09	0,000	0.00	41,522	1.04
Lao PDR	13,678	0.36	0,113	0.06	13,791	0.35
Malaysia	109,165	2.87	0,000	0.00	109,165	2.74
Maldives	1,289	0.03	0,000	0.00	1,289	0.03
Marshall Islands	4,592	0.12	0,012	0.01	4,604	0.12
Micronesia	0,016	0.00	0,000	0.00	0,016	0.00
Mongolia	0,631	0.02	0,000	0.00	0,631	0.02
Myanmar	0,915	0.02	0,000	0.00	0,915	0.02
Nepal	53,401	1.41	0,520	0.29	53,921	1.35
Netherlands	23,334	0.61	9,457	5.19	32,791	0.82
New Zealand	5,265	0.14	0,561	0.31	5,826	0.15
Norway	6,524	0.17	0,000	0.00	6,524	0.16
Pakistan	330,697	8.71	10,568	5.80	341,265	8.57
Papua New Guinea	4,075	0.11	0,190	0.10	4,265	0.11
Philippines	93,326	2.46	7,316	4.02	100,642	2.53
Singapore	43,016	1.13	0,709	0.39	43,725	1.10
Spain	4,068	0.11	0,000	0.00	4,068	0.10
Sti Lanka	70,773	1.86	0,674	0.37	71,447	1.79
Sweden	11,771	0.31	1,695	0.93	13,466	0.34
Switzerland	6,471	0.17	0,295	0.16	6,766	0.17
Taipei,China	7,033	0.19	0,000	0.00	7,033	0.18
Thailand	168,341	4.43	2,566	1.41	170,907	4.29
Tonga	0,255	0.01	0,000	0.00	0,255	0.01
Turkey	10,491	0.28	0,000	0.00	10,491	0.26
United Kingdom	46,015	1.21	25,501	14.01	71,516	1.80
United States	196,774	5.18	15,862	8.71	212,636	5.34
Uzbekistan	5,049	0.13	0,000	0.00	5,049	0.13
Vanuatu	0,049	0.00	0,000	0.00	0,049	0.00
Viet Nam	40,433	1.06	0,000	0.00	40,433	1.02
Western Samoa	0,435	0.01	0,000	0.00	0,435	0.01
TOTAL	3,798,322	100.00	182,068	100.00	3,980,390	100.00

Table 29

CUMULATIVE CONTRACTS AWARDED, BY COUNTRY OF ORIGIN
 TECHNICAL ASSISTANCE OPERATIONS
 (as of 31 December 1996)
 (amounts in \$ million)

Country	Bank's Own Resources	% Distribution	Administered Trust Funds	% Distribution	Japan Special Fund	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan	0.000	0.00	0.000	0.00	0.023	0.01	0.023	0.00
Australia	51.580	10.51	15.441	9.50	35.816	11.40	102.837	10.63
Austria	0.148	0.03	0.000	0.00	0.000	0.00	0.148	0.02
Bangladesh	3.614	0.74	0.775	0.48	2.050	0.65	6.439	0.67
Belgium	2.097	0.43	0.310	0.19	0.378	0.12	2.785	0.29
Bhutan	0.003	0.00	0.017	0.01	0.000	0.00	0.020	0.00
Cambodia	0.171	0.03	0.000	0.00	0.000	0.00	0.171	0.02
Canada	33.210	6.77	15.365	9.45	28.164	8.96	76.739	7.93
China, People's Rep. of	1.422	0.29	0.021	0.01	0.588	0.19	2.031	0.21
Cook Islands	0.003	0.00	0.000	0.00	0.000	0.00	0.003	0.00
Denmark	8.120	1.65	1.810	1.11	8.443	2.69	18.373	1.90
Fiji	0.319	0.06	0.000	0.00	0.000	0.00	0.319	0.03
Finland	2.823	0.58	4.593	2.82	2.591	0.82	10.007	1.03
France	12.991	2.65	9.647	5.93	9.984	3.18	32.622	3.37
Germany	8.217	1.67	3.246	2.00	10.952	3.49	22.415	2.32
Hong Kong	6.674	1.36	0.758	0.47	7.008	2.23	14.440	1.49
India	16.784	3.42	4.041	2.49	5.537	1.76	26.362	2.72
Indonesia	7.685	1.57	1.267	0.78	4.107	1.31	13.059	1.35
Italy	3.102	0.63	0.643	0.40	0.601	0.19	4.346	0.45
Japan	14.734	3.00	5.662	3.48	7.676	2.44	28.072	2.90
Kazakhstan	0.094	0.02	0.000	0.00	0.000	0.00	0.094	0.01
Korea, Rep. of	3.717	0.76	0.985	0.61	2.567	0.82	7.269	0.75
Kyrgyz Republic	0.029	0.01	0.000	0.00	0.000	0.00	0.029	0.00
Lao PDR	0.171	0.03	0.000	0.00	0.410	0.13	0.581	0.06
Malaysia	4.522	0.92	0.095	0.06	2.268	0.72	6.885	0.71
Maldives	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Mongolia	0.110	0.02	0.000	0.00	0.035	0.01	0.145	0.01
Myanmar	0.285	0.06	0.436	0.27	0.000	0.00	0.721	0.07
Nepal	3.061	0.62	0.836	0.51	0.883	0.28	4.780	0.49
Netherlands	13.492	2.75	4.349	2.67	12.689	4.04	30.530	3.16
New Zealand	27.128	5.53	2.388	1.47	21.484	6.84	51.000	5.27
Norway	1.496	0.30	2.428	1.49	1.547	0.49	5.471	0.57
Pakistan	4.726	0.96	0.105	0.06	1.298	0.41	6.129	0.63
Papua New Guinea	0.352	0.07	0.000	0.00	0.000	0.00	0.352	0.04
Philippines	27.689	5.64	7.588	4.67	7.872	2.51	43.149	4.46
Singapore	6.392	1.30	0.000	0.00	2.752	0.88	9.144	0.95
Solomon Islands	0.015	0.00	0.000	0.00	0.000	0.00	0.015	0.00
Spain	0.507	0.10	1.289	0.79	0.715	0.23	2.511	0.26
Sri Lanka	4.165	0.85	1.064	0.65	0.841	0.27	6.070	0.63
Sweden	3.484	0.71	1.853	1.14	4.257	1.35	9.594	0.99
Switzerland	4.808	0.98	4.646	2.86	5.598	1.78	15.052	1.56
Taipei, China	1.005	0.20	0.068	0.04	1.993	0.63	3.066	0.32
Thailand	4.320	0.88	1.413	0.87	4.409	1.40	10.142	1.05
Tonga	0.180	0.04	0.000	0.00	0.000	0.00	0.180	0.02
Turkey	0.103	0.02	0.082	0.05	0.000	0.00	0.185	0.02
United Kingdom	83.931	17.10	30.245	18.60	52.529	16.72	166.705	17.23
United States	97.566	19.88	35.079	21.57	62.595	19.92	195.240	20.18
Uzbekistan	0.005	0.00	0.000	0.00	0.000	0.00	0.005	0.00
Vanuatu	0.192	0.04	0.000	0.00	0.000	0.00	0.192	0.02
Viet Nam	0.164	0.03	0.000	0.00	0.107	0.03	0.271	0.03
Western Samoa	0.490	0.10	0.000	0.00	0.535	0.17	1.025	0.11
International Organizations	22.886	4.66	4.067	2.50	2.874	0.91	29.827	3.08
TOTAL	490.782	100.00	162.612	100.00	314.176	100.00	967.570	100.00

Table 30
 CONTRACTS AWARDED, BY COUNTRY OF ORIGIN, 1994–1996
 TECHNICAL ASSISTANCE OPERATIONS
 (amounts in \$ million)

Country	1994		1995		1996	
	Value	%	Value	%	Value	%
Afghanistan	0.000	0.00	0.000	0.00	0.000	0.00
Australia	9.933	10.00	15.609	12.91	14.895	11.47
Austria	0.000	0.00	0.000	0.00	0.028	0.02
Bangladesh	0.802	0.81	1.616	1.34	0.708	0.55
Belgium	0.047	0.05	0.000	0.00	0.485	0.37
Bhutan	0.000	0.00	0.000	0.00	0.002	0.00
Cambodia	0.005	0.01	0.010	0.01	0.156	0.12
Canada	14.688	14.79	9.003	7.44	15.710	12.10
China, People's Rep. of	0.343	0.35	0.736	0.61	0.417	0.32
Cook Islands	0.000	0.00	0.000	0.00	0.001	0.00
Denmark	0.846	0.85	3.201	2.65	2.824	2.18
Fiji	0.000	0.00	0.068	0.06	0.054	0.04
Finland	1.896	1.91	0.429	0.35	0.410	0.32
France	3.697	3.72	3.862	3.19	4.261	3.28
Germany	1.872	1.88	2.523	2.09	1.989	1.53
Hong Kong	1.829	1.84	5.263	4.35	1.257	0.97
India	1.120	1.13	2.340	1.93	1.419	1.09
Indonesia	2.010	2.02	2.407	1.99	0.996	0.77
Italy	0.640	0.64	0.111	0.09	0.121	0.09
Japan	0.329	0.33	2.422	2.00	1.519	1.17
Kazakstan	0.000	0.00	0.072	0.06	0.022	0.02
Korea, Rep. of	0.629	0.63	0.091	0.08	0.000	0.00
Kyrgyz Republic	0.000	0.00	0.019	0.02	0.010	0.01
Lao PDR	0.017	0.02	0.062	0.05	0.157	0.12
Malaysia	1.437	1.45	0.390	0.32	0.220	0.17
Maldives	0.000	0.00	0.004	0.00	0.000	0.00
Mongolia	0.000	0.00	0.013	0.01	0.123	0.09
Myanmar	0.087	0.09	0.122	0.10	0.024	0.02
Nepal	0.657	0.66	0.360	0.30	0.099	0.08
Netherlands	4.069	4.10	2.724	2.25	4.718	3.63
New Zealand	8.572	8.63	3.495	2.89	7.896	6.08
Norway	0.000	0.00	0.094	0.08	0.700	0.54
Pakistan	0.633	0.64	0.843	0.70	1.463	1.13
Papua New Guinea	0.000	0.00	0.000	0.00	0.000	0.00
Philippines	2.529	2.55	2.149	1.78	8.251	6.36
Singapore	0.008	0.01	1.582	1.31	1.322	1.02
Solomon Islands	0.000	0.00	0.000	0.00	0.003	0.00
Spain	0.345	0.35	0.065	0.05	0.812	0.63
Sri Lanka	0.388	0.39	1.526	1.26	0.211	0.16
Sweden	1.167	1.17	1.247	1.03	1.693	1.30
Switzerland	0.981	0.99	0.000	0.00	1.891	1.46
Taipei, China	0.000	0.00	0.021	0.02	0.005	0.00
Thailand	1.101	1.11	1.121	0.93	1.583	1.22
Tonga	0.000	0.00	0.000	0.00	0.000	0.00
Turkey	0.080	0.08	0.000	0.00	0.000	0.00
United Kingdom	11.270	11.35	22.339	18.47	26.073	20.08
United States	25.048	25.21	31.116	25.73	24.406	18.80
Uzbekistan	0.000	0.00	0.000	0.00	0.005	0.00
Vanuatu	0.000	0.00	0.008	0.01	0.021	0.02
Viet Nam	0.030	0.03	0.182	0.15	0.005	0.00
Western Samoa	0.233	0.23	0.090	0.07	0.268	0.21
International Organizations	0.000	0.00	1.613	1.33	0.583	0.45
TOTAL	99.338	100.00	120.948	100.00	129.816	100.00

Table 31
GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, 1996
(amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
BANGLADESH		
Third Rural Infrastructure Development	500.00 ^a	—
Fourth Railways (Supplementary)	500.00	—
Third Road Improvement	250.00 ^a	—
Biodiversity Conservation in the Sunderbans Forests	500.00 ^a	—
Institutional Development of the Directorate of Nonformal Education	—	3,768.50 ^b
Organizational Reform of Bangladesh Railway, Phase II	—	1,000.00
Northwest Region Development and Investment Study	—	1,100.00
Beneficiary Participation and Project Management	—	6,800.00 ^c
Health Care Financing-National Health Accounts	—	350.00
Independent Review Panel for the Environmental and Resettlement Aspects of the Jamuna Bridge	—	60.00
Modernization of Land Administration (Phase II)	—	600.00
Improving National Accounts	—	600.00
Valuation of Assets of the Dhaka Electric Supply Company	—	175.00
Jamuna Rail Link	—	100.00
BHUTAN		
Urban Infrastructure Improvement	400.00 ^a	—
Strengthening Environmental Impact Assessment Capabilities and Preparation of Environmental Guidelines	—	350.00 ^d
Restructuring of the Unit Trust of Bhutan to a Commercial Bank	—	590.00 ^e
Further Strengthening of Ministry of Finance	—	100.00
CAMBODIA		
Community Irrigation Rehabilitation	100.00	—
Stung Chinit Water Resource Development	800.00 ^a	—
Power Rehabilitation II	450.00 ^d	—
Integrated Urban Development	800.00 ^a	—
Transport Network Improvement	600.00 ^a	—
Textbook Publishing Planning and Management	—	600.00 ^a
Developing Capacity in Audit and Inspectorate Function	—	600.00
Managing Basic Health Services	—	500.00 ^a
Strengthening Capacity in the Trade and Industry Sectors	—	600.00 ^a
Agricultural Policy Reform Support	—	1,500.00 ^a
Training Seminar in Bank Policies and Procedures	—	96.00
Rural Credit Review	—	100.00
Capacity Building in External Aid Management	—	595.00
Institutional Support to the Water Supply Subsector	—	500.00
Institutional Strengthening of the State Secretariat of Civil Aviation	—	550.00 ^a
Institutional Strengthening and Expanding Environmental Impact Assessment Capacity	—	1,000.00 ^e
CHINA, PEOPLE'S REPUBLIC OF		
Everbright Bank of China	100.00	—
Northeast Power Transmission	590.00 ^a	—
Hebei Roads Development	600.00 ^a	—
Xiamen Port	600.00 ^a	—
Market-Based Energy Conservation and Environmental Improvement	597.00 ^a	—
All China Federation of Supply and Marketing Cooperatives	—	580.00 ^a
Conference on Regional Economic Development Along the New Asian-European Continental Land Bridge	—	100.00
Review of Highway Design Standards	—	420.00
Capacity Building of the Hexian Pulp Mill	—	600.00 ^d
Institutional Strengthening of Local Railways in Sichuan	—	400.00 ^a
Study of Foreign and Joint Venture Banks	—	450.00

^a To be financed from Japan Special Fund (JSF).

^b To be financed by the Government of Switzerland with the Bank acting as Executing Agency.

^c To be financed by the Government of Netherlands with the Bank acting as Executing Agency.

^d To be financed by the Government of France with the Bank acting as Executing Agency.

^e Of this amount, \$400,000 is to be financed by the Government of Denmark and \$600,000 by the Government of Norway with the Bank acting as Executing Agency.

CONTINUED

Country/Project	Project Preparatory	Advisory and Operational
CHINA, PEOPLE'S REPUBLIC OF		
Facilitating the Build-Operate-Transfer (BOT) Modality in the Highway Sector	—	1,100.00 ^b
Capacity Building of the Everbright Bank of China	—	600.00
Study on Coalbed Methane Production in the PRC	—	100.00
Institutional Strengthening of the State Development Bank of China	—	500.00
Strengthening Enterprise Reform in Anhui Province	—	600.00
Institutional Strengthening for Marine Culture Lending	—	250.00
Formulation of an Integrated Environmental Management Plan for the Chao Lake Basin	—	800.00 ^a
Coastal Resource Conservation and Environmental Management	—	810.00 ^a
Study on PRC Legal Information System	—	100.00
Water Quality Management Planning for Suzhou Creek	—	600.00 ^a
Industrial Pollution Investigation and Assessment in Town and Village Enterprises	—	600.00 ^a
BOT Changsha Power	—	597.00
Capacity Building for Natural Resources Legislation	—	800.00 ^a
A Study of Extrabudgetary Expenditures and Revenues	—	600.00
COOK ISLANDS		
Management of the Cook Islands Development Bank and Business Ventures Development	—	740.00
Institutional Support to the Development Investment Board	—	251.00
FJJI		
Corporatization of the Water and Sewerage Section of the Ministry of Public Works, Infrastructure and Transport	—	600.00
Capital Market Development Authority	—	600.00
Management of the Strategy for Agricultural Growth	—	600.00 ^a
INDIA		
LPG Pipeline Project Study	100.00	—
Housing Finance Facility	100.00	—
Capacity Building of Public Sector Restructuring Program	—	100.00
Technical Assistance to Facilitate Mergers and Acquisitions as a Route for Industrial Restructuring (Supplementary)	—	40.00
Restructuring Program for State-Owned Enterprises in Gujarat	—	600.00 ^a
Capacity Enhancement of Gujarat Industrial Investment Corporation	—	500.00 ^a
Institutional Support for Telecommunications Development	—	575.00 ^a
Institutional Strengthening of Indian Renewable Energy Development Agency, Ltd.	—	600.00 ^a
Gujarat's Reform of Public Finances	—	600.00
Preparation of Natural Gas Development Master Plan	—	600.00 ^a
Institutional Strengthening of the Gujarat Infrastructure Development Board	—	850.00
Railway Sector Improvement	—	800.00
Preparation of a Power System Master Plan for the State of Gujarat	—	600.00 ^a
Development of a Framework for Electricity Tariffs in Gujarat	—	300.00
Review of Electricity Legislation and Regulations in Gujarat	—	235.00
Financial Management Support to Kheda and Rajkot Distribution Profit Centers of the Gujarat Electricity Board	—	580.00 ^a
Solicitation of Private Sector Implementation of the Chhara Combined Cycle Power	—	375.00
INDONESIA		
Cost Accounting System for the Ministry of Public Works	327.50	—
Coastal Community Development and Fisheries Resources Conservation	480.00 ^b	—
Coral Reef Rehabilitation and Management	600.00 ^a	—
South Sulawesi Gas Transmission and Distribution	569.00 ^a	—
Integrated River Basin Development Project in Maluku and in East Nusa Tenggara	860.00 ^a	—
Northern Sumatra Irrigated Agriculture Improvement	600.00 ^a	—
Rural Income Generation	493.00 ^a	—

a To be financed from JSE.

b To be financed by the Government of Denmark with the Bank acting as Executing Agency.

CONTINUED

Country/Project	Project Preparatory	Advisory and Operational
INDONESIA		
Second Junior Secondary Education	100.00	—
Metropolitan Bandung Urban Development	600.00 ^a	—
Rationalizing and Strengthening In-Service Teacher Training	538.00 ^b	—
Horticulture and Agribusiness Development	600.00 ^a	—
Private Sector Participation in the Transport Sector	—	900.00 ^c
Coal Sector Policy Study	—	600.00
Assessment of the Effectiveness of Bank Assistance in Capacity Building	—	100.00
Education Finance Study	—	500.00
Secondary Mortgage Facility	—	96.00
Assessment of the Effectiveness of Bank Assistance to the Industrial Crops and Agro-Industry Sector in Indonesia (1969–1995)	—	100.00
Masterplan for Establishing BAPEDALDA	—	900.00 ^a
Electricity Tariff Rationalization Study	—	353.00
Agriculture Sector Strategy Review	—	600.00
Institutional Strengthening of the Forestry and Soil Conservation Services in the Segara Anakan Basin	—	250.00
Assessment of Options for Sustainable Irrigation Development	—	1,120.00
Capacity Building in Resettlement Management	—	325.00
Institutional Strengthening of Regional Development Account	—	600.00 ^a
Trade and Industry Planning and Strategy Formulation for Repelita VII	—	860.00
KAZAKSTAN		
Feasibility Study of Selected Priority Road Sections	250.00	—
Water Resources Management and Land Improvement	100.00	—
Farm Restructuring and Development	1,200.00 ^a	—
Strengthening Social Services Delivery and Finance	—	600.00
Seminars on Bank Policies and Procedures (Supplementary)	—	15.00
Institutional Strengthening of the Road Sector	—	750.00 ^a
Seminars on Bank Operational Policies and Procedures in 1997 and 1998	—	85.00
KIRIBATI		
Environmental Improvement	—	72.50
Strengthening Institutional Capacity for Financial and Economic Management	—	600.00
KYRGYZ REPUBLIC		
Social Services Delivery and Finance	1,100.00 ^a	—
Revaluation and Tariff Study for Kyrgyz National Energy Holding Co.	—	310.00
Institutional Strengthening of the Road Sector	—	800.00
Preparation and Implementation of Guidelines on Best Practice in Corporate Governance	—	100.00
LAO PDR		
Women's Education	380.00 ^a	—
Financial Management Training	250.00	—
Small Towns Water Supply and Sanitation	500.00 ^a	—
Corporate and Financial Development of Électricité du Lao	—	340.00 ^a
Power System Planning in the Ministry of Industry and Handicraft	—	600.00 ^a
Establishing an Aid Coordination and Monitoring System	—	447.00
Restructuring and Consolidation of the State-Owned Commercial Banks	—	954.00 ^b
Development of an Interbank Market	—	130.00 ^a
Study for Establishing the Lao National Grid Company	—	600.00 ^a
Nam Ngum Watershed Management	—	1,200.00 ^c
MALAYSIA		
Upgrading the Labor Market Information System	—	560.00

a To be financed from JSF.

b To be financed by the Government of France with the Bank acting as Executing Agency.

c Of this amount, \$800,000 is to be financed from JSF and \$400,000 by the Government of Denmark with the Bank acting as Executing Agency.

CONTINUED

Country/Project	Project Preparatory	Advisory and Operational
MARSHALL ISLANDS		
Civil Service Reform Implementation	—	100.00
Improved Financial Management	—	600.00 ^a
MICRONESIA, FEDERATED STATES OF		
Improved Budget Management	—	480.00
National Fisheries Policy	—	100.00
Capacity Building for Management and Operation of Water Supply and Sanitation Systems	—	587.00
MONGOLIA		
Provincial Towns Basic Urban Services	600.00 ^a	—
Ulaanbaatar Heat Rehabilitation	450.00 ^a	—
Health Sector Resources Development	100.00	—
Development of Procedures for the Reconstruction and Liquidation of Insolvent Banks	—	100.00
Institutional Support for Local Government and Decentralization (Phase I)	—	100.00
Institutional Strengthening of Agricultural Banking Services (Supplementary)	—	205.00 ^a
Central Electricity System Accounting and Financial Management Systems Improvement	—	550.00
Study of Extensive Livestock Production Systems	—	600.00 ^a
Development of Bank Restructuring Strategies	—	100.00
Strengthening the Taxation System	—	343.00
Restructuring and Staff Rationalization	—	70.00
Strengthening the National Poverty Alleviation Program	—	422.00 ^a
Implementation of Bank Restructuring Strategies	—	100.00
Institutional Strengthening in the Education Sector	—	950.00 ^a
Strengthening the Supervisory and Restructuring Capacity of the Bank of Mongolia	—	1,000.00
Restructuring and Capacity Building in the Ministry of Justice	—	56.00
NAURU		
National Reform Program	—	100.00 ^b
NEPAL		
Community Groundwater Irrigation Sector	600.00 ^a	—
Capacity Building in the Department of Irrigation	—	600.00 ^a
Institutional Strengthening for Rural Infrastructure Development	—	500.00 ^a
Institutional Strengthening of National Electricity Authority's Environment Division	—	534.00 ^a
Power System Masterplan	—	600.00 ^a
Implementation and Monitoring of the Agriculture Perspective Plan	—	850.00 ^a
Tourism Sector Development	—	600.00 ^a
PAKISTAN		
Power Efficiency	850.00 ^c	—
Nonformal Education for Rural Women	600.00 ^a	—
Second Flood Protection Sector	800.00 ^a	—
Women's Health	500.00 ^a	—
Dera Ghazi (D.G.) Khan Rural Development	600.00 ^a	—
Malakand Rural Development	700.00 ^a	—
Forestry Sector	—	14,145.00 ^d
Public-Private Partnership in Health Study	—	450.00 ^a
Natural Gas Import Study	—	600.00 ^e
Urban Institutional Strengthening	—	100.00
Pakistan 2010 – Long-Term Perspective Study	—	1,140.00
PAPUA NEW GUINEA		
Fisheries Management (Supplementary)	140.00	—
Health Sector Program Loan	145.00	—

^a To be financed from JSF.^b To be financed by the Government of Australia with the Bank acting as Executing Agency.^c Of this amount, \$600,000 is to be financed by the Government of France with the Bank acting as Executing Agency.^d To be financed by the Government of Netherlands with the Bank acting as Executing Agency.^e To be financed by the Government of France with the Bank acting as Executing Agency.

CONTINUED

Country/Project	Project Preparatory	Advisory and Operational
PAPUA NEW GUINEA		
National Health Plan Development (Supplementary)	—	125.00 ^a
Planning, Management, and Marketing of Industrial Estates	—	600.00
Labor, Employment, and Skills Development Policy Agenda	—	494.00 ^a
Fisheries Management and Industry Support	—	597.00
PHILIPPINES		
Second Airports	600.00 ^a	—
Infrastructure Improvement of Subic Bay Area Municipalities	800.00 ^a	—
Second Technical and Vocational Education	480.00 ^a	—
Local Government Unit/Private Sector Infrastructure Facility (LGUIF) and LGU Guarantee Corporation (LGUGC)	80.00	—
Leyte-Mindanao Interconnection Engineering	575.00 ^a	—
Grains Sector Development Program	848.00 ^a	—
Strengthening Rural Microenterprise Finance	—	600.00 ^a
Capacity Building of the Philippine Coordinating Council for Brunei Darussalam-Indonesia-Malaysia-Philippines East Asia Growth Area	—	400.00
Evaluation of Environmental Standards for Selected Industry Subsectors	—	400.00 ^a
Privatization of Department of Public Works and Highways Equipment and Workshops	—	825.00 ^a
Institutional Capacity Building for Policy Formulation, Planning, Monitoring, and Evaluation for the Agriculture Sector	—	976.00 ^a
SRI LANKA		
Perennial Crops and Seed Project	600.00 ^a	—
Rural Water Supply and Sanitation Sector	600.00 ^a	—
Upper Watershed Management	600.00 ^a	—
Power Distribution Restructuring and Regulation	—	450.00 ^a
Resource Rationalization Action Plan under the Department of Technical Education and Training	—	100.00
Public Administration Reform	—	275.00
Improvement of Contract Approval and Implementation Procedures (Supplementary)	—	20.00
THAILAND		
Nonformal Secondary Education	400.00 ^a	—
Northeast Region Water Supply and Sanitation	600.00 ^a	—
Khon Kaen Water Supply and Sanitation	550.00 ^a	—
Coordination and Private Sector Participation in Skills Development	—	467.00
Institutional Strengthening of Bank for Agriculture and Agricultural Cooperatives	—	500.00
Strengthening of Evaluation and Monitoring Capacity in Postgraduate Education and Research	—	100.00
Database of Thai Consultants	—	85.00
Institutional Strengthening of the Development Evaluation Division of the National Economic and Social Development Board	—	470.00
TONGA		
Improved Budget System and Economic Management	—	600.00
Institutional Development of the Tonga Electric Power Board and for Rural Electrification	—	300.00 ^a
TUVALU		
Study on Domestic Civil Aviation	100.00	—
Strengthening Economic and Financial Management	—	600.00
UZBEKISTAN		
Rural Enterprise Development	100.00	—
Road Rehabilitation	600.00 ^a	—
Basic Education Rehabilitation and Management Improvement	100.00	—
Seminars on Bank Operational Policies and Procedures	—	100.00
Institutional Strengthening of National Bank of Uzbekistan	—	830.00

^a To be financed from JSP.

CONTINUED

Country/Project	Project Preparatory	Advisory and Operational
VANUATU		
Assessment of the Effectiveness of Bank Assistance in Capacity Building	—	60,00
Urban Growth Management Strategy for Port Vila	—	600,00
Sanitation Master Plan for Port Vila	—	360,00 ^a
Budget Management and Expenditure Control	—	100,00
VIET NAM		
Phuoc Hoa Multipurpose Water Resources	600,00 ^a	—
Red River Waterways	980,00 ^b	—
Rural Infrastructure Sector	600,00 ^a	—
Third Road Improvement	1,300,00 ^a	—
Technical Education	800,00 ^a	—
Enterprise Reform	600,00 ^a	—
Agricultural Policy and Program Support	—	100,00
Strengthening Aid Coordination and Project Management	—	100,00
Supporting the Public Administration Reform Program	—	600,00
Pilot Project to Modernize the Operation of a State-Owned Commercial Bank	—	850,00 ^a
Lower Secondary Curriculum and Teacher Training Systems Development	—	1,000,00 ^a
Institutional Strengthening of the National Office for Procurement Evaluation (Phase III)	—	420,00
Hazardous Waste Management	—	600,00 ^a
Training of Government Officials	—	600,00 ^a
Capacity Building at the Ministry of Planning and Investment (Supplementary)	—	904,35 ^c
WESTERN SAMOA		
Assistance to the Housing Sector	100,00	—
Strengthening Capacity for Macroeconomic Analysis, Planning, and Policy Formulation in the Treasury Department (Phase II)	—	600,00
TOTAL	35,832.50	101,945.35

^a To be financed from JSF.^b Of this amount, \$600,000 is to be financed from JSF and \$380,000 by the Government of Denmark with the Bank acting as Executing Agency.^c To be financed by the Government of Netherlands with the Bank acting as Executing Agency.

Table 32
1996 LOANS RESULTING FROM EARLIER BANK TECHNICAL ASSISTANCE
(amounts in \$ million)

Country/Project	Amount of Bank Financing			Year of Technical Assistance Approval	Amount of Technical Assistance
	OCR	ADF	Total		
BANGLADESH					
Forestry Sector	–	50.0	50.0	1995	0.450
CAMBODIA					
Agriculture Sector Program	–	30.0	30.0	1993	0.515
Basic Health Services	–	20.0	20.0	1994	0.300
Phnom Penh Water Supply and Drainage	–	20.0	20.0	{ 1993	0.100
Siam Reap Airport	–	15.0	15.0	1995	0.600
				1994	0.500
CHINA, PEOPLE'S REPUBLIC OF					
Fangcheng Port	52.0	–	52.0	1993	0.400
Second Industrial Energy Efficiency and Environment Improvement	178.0	–	178.0	1994	0.393
Daxian-Wanxian Railway	100.0	–	100.0	1994	0.250
Anhui Fuyang Engineering Technical Assistance	2.0	–	2.0	1995	0.500
Chongqing Expressway	150.0	–	150.0	1994	0.350
Jiangxi Expressway	150.0	–	150.0	1995	0.250
Shenyang-Jinzhou Expressway	200.0	–	200.0	1995	0.400
				{ 1993	0.583
North China Marine Culture and Coastal Resources Management	70.0	–	70.0	1995	0.099
Anhui Environmental Improvement for Municipal Wastewater Treatment	28.0	–	28.0	1994	0.283
Anhui Environmental Improvement for Industrial Pollution Abatement	112.0	–	112.0	1994	0.450
Everbright Bank of China	60.0	–	60.0	1996	0.100
INDIA					
Renewable Energy Development	100.0	–	100.0	1993	0.354
Rural Telecommunications	113.0	–	113.0	1993	0.100
INDONESIA					
North Java Flood Control Sector	45.0	45.0	90.0	1991	4.368 ^a
Engineering Education Development	102.0	–	102.0	1994	0.800
North Java Road Improvement	150.0	–	150.0	1994	0.100
Industrial Technology and Human Resources Development	80.0	–	80.0	1993	0.099
Basic Education	85.0	–	85.0	1994	0.600
BAPEDAL Regional Network	45.0	–	45.0	1992	0.600
Integrated Pest Management for Smallholder Estate Crops	44.0	–	44.0	1994	0.570
Family Health and Nutrition	45.0	–	45.0	1995	0.600
				{ 1991	1.700
Segara Anakan Conservation and Development	22.8	22.8	45.6	1994	0.100
South Java Flood Control Sector	103.0	–	103.0	1994	0.900
Regional Development Account	50.0	–	50.0	1995	0.100
KAZAKSTAN					
Educational Rehabilitation and Management Improvement	–	20.0	20.0	{ 1994	0.100
Road Rehabilitation	50.0	–	50.0	1995	0.895
				1995	0.600
KYRGYZ REPUBLIC					
Road Rehabilitation	–	50.0	50.0	1994	0.600
LAO PDR					
Nam Leuk Hydropower	–	52.0	52.0	1991	1.300
Community-Managed Irrigation Sector	–	14.7	14.7	1995	0.530

a Prepared under Loan No. 1126-INO: Central Java Groundwater Irrigation Development Project.

CONTINUED

Country/Project	Amount of Bank Financing			Year of Technical Assistance Approval	Amount of Technical Assistance
	OCR	ADF	Total		
MALAYSIA					
Klang River Basin Environmental Improvement and Flood Mitigation	26.3	-	26.3	1993	0.800
MICRONESIA, FED. STATES OF					
Water Supply and Sanitation	-	10.6	10.6	1994	0.250
MONGOLIA					
Energy Conservation	-	10.0	10.0	1995	0.100
Education Sector Development Program	-	6.5	6.5	{ 1994	0.400
Education Sector Development Project	-	9.0	9.0		
NEPAL					
Second Irrigation Sector	-	25.0	25.0	1994	0.500
Rural Infrastructure Development	-	12.2	12.2	1993	0.212
Second Tourism Development	-	17.2	17.2	1994	0.460
Third Livestock Development	-	18.3	18.3	1994	0.562
Fourth Rural Water Supply and Sanitation Sector	-	20.0	20.0	1995	0.171
PAKISTAN					
Second Girls Primary School Sector	-	45.0	45.0	{ 1994	0.250
Bahawalpur Rural Development	-	38.0	38.0		
PHILIPPINES					
Cordillera Highland Agricultural Resource Management	9.5	9.5	19.0	1993	0.550
Rural Microenterprise Finance	-	20.0	20.0	1991	0.640
Bukidnon Integrated Area Development	-	20.0	20.0	1992	0.100
Sixth Road	167.0	-	167.0	{ 1986	1.050
Small Towns Water Supply Sector	50.0	-	50.0		
SRI LANKA					
North Central Province Rural Development	-	20.0	20.0	1994	0.600
THAILAND					
Small Farmer Credit	50.0	-	50.0	1995	0.100
Skills Development	80.0	-	80.0	1994	0.484
TONGA					
Tonga Power Development II	-	4.9	4.9	1994	0.100
UZBEKISTAN					
Rural Enterprise Development	50.0	-	50.0	1996	0.100
VANUATU					
Urban Infrastructure	-	10.0	10.0	1993	0.536
VIET NAM					
Rural Credit	-	50.0	50.0	1995	0.586
Population and Family Health	-	43.0	43.0	1995	0.415
Second Road Improvement	-	120.0	120.0	1993	2.100
Financial Sector Program	-	90.0	90.0	1994	0.325
TOTAL	2,569.6	938.7	3,508.3		33.730

Table 33
REGIONAL TECHNICAL ASSISTANCE ACTIVITIES, 1996

Project	Amount (\$ thousand)
Asian Rice Biotechnology Network from Products to Impact	850.00
Study of Regional Health Policy Priorities	600.00
Capacity Building in Environmental Economics	598.00
Low-Income Women Entrepreneurs in Asia	600.00 ^a
Reducing Child Malnutrition in Eight Asian Countries	750.00
Pacific Financial Technical Assistance Centre	1,135.65
Seminar on Financial Sector in Transition	100.00
Loan Disbursement Seminars in 1996	100.00
Study of Public Finance Issues for the Transition Economies in Asia (Supplementary)	30.00
A Study of Nongovernmental Organizations in Asian Developing Member Countries	600.00
1996 Seminars on Project Implementation and Administration and Training of Trainers Program	600.00
Preparation of Interactive Training Modules on Procurement Procedures and Use of Consultants	250.00
Joint ADB-Organization for Economic Co-operation and Development (OECD) Conference on Investing in Asia	100.00
Annual Meeting Seminar on Globalization and Regional Integration	100.00
Establishment of a Vegetable Research Network for Cambodia, Lao PDR, and Viet Nam	600.00
Cooperation in Employment Promotion and Training in the Greater Mekong Subregion	600.00 ^a
Pacific Airlines Rationalization	600.00 ^a
South Pacific Project Facility	300.00
Subregional Environmental Training and Institutional Strengthening in the Greater Mekong Subregion	1,665.00 ^b
Capacity Building for Development Management	600.00
Mitigation of Nonphysical Barriers to Cross-Border Movement of Goods and People	180.00 ^a
Joint ADB/World Trade Organization (WTO) Second Training Workshop on Anti-Dumping and Countervailing Measures Emerging from the Uruguay Round Agreement for Selected DMCs	60.00
Regional Long-Term Audit Training Program for Members of the Asian Organization of Supreme Audit Institutions	1,000.00
Capacity Building in Project Accounting for Cambodia, Lao PDR, and Viet Nam	480.00
Financial Flows and Policy Issues in DMCs	400.00
Thailand-Cambodia-Viet Nam Southern Coastal Road Corridor	100.00
Facilitating Capacity Building and Participation Activities	300.00
Promoting Subregional Cooperation Among Cambodia, People's Republic of China, Lao PDR, Myanmar, Thailand, and Viet Nam (Phase III)	3,000.00 ^a
Second Water Utilities Data Book for the Asian and Pacific Region	400.00
Environmental Cooperation in Northeast Asia	495.00 ^a
Ninth Workshop on Asian Economic Outlook	160.00
Se Kong-Se San and Nam Theun River Basins Hydropower Development Study	2,500.00 ^c
1996 ADB/Asian Productivity Organization (APO) Joint Program	27.10
Strengthening Banking Capabilities in Transition Economies in Asia	885.00 ^a
Sociolegal Status of Women in Selected Developing Member Countries	450.00 ^a
Feasibility Study for Creation of an Electronic Development Law Resource Center	100.00
Acid Rain and Emission Reduction for Asia, Phase II	600.00 ^d
Support for Implementing the Agenda for Action on Social Development in Asia and the Pacific	307.00
Sixth ADB Tax Conference	150.00 ^a
Sixth Seminar on International Finance	106.00 ^a
ADB-Colombo Plan Training Program	210.00
Micronesian Regional Cooperation (Supplementary)	20.00

a To be financed from Japan Special Fund.

b Of this amount, \$800,000 is to be financed from JSF; \$100,000 by the Government of Finland; and \$765,000 by the Government of Norway, with the Bank acting as Executing Agency.

c Of this amount, \$2 million is to be financed by the Government of France with the Bank acting as Executing Agency.

d Of this amount, \$450,000 is to be financed from JSF and \$150,000 by the Government of Denmark with the Bank acting as Executing Agency.

CONTINUED

Project	Amount (\$ thousand)
Regional Economic Cooperation in Central Asia	1,150.00 ^a
New Initiatives on Infrastructure Financing and Regional Capital Market Development	600.00
Training in Economic Analysis of Projects for DMCs	300.00
Greater Mekong Subregion – East-West Transport Corridor	3,000.00 ^a
Agriculture and Natural Resources Research at Consultative Group on International Agricultural Research (CGIAR) Centers	5,200.00
Coastal and Marine Environmental Management in the South China Sea, Phase II	2,700.00 ^b
Technical Assistance to Cambodia and Lao PDR to Prepare for Membership in the Association of Southeast Asian Nations	345.00
Special Evaluation Study on Port Projects	260.00
Second Asian Development Bank-International Monetary Fund Institute Course on Macroeconomic and Structural Policies	200.00
Regional Forum on Privatization in Asia	100.00
Global Summit on Women: Women's Economic Power	90.00
A Study of a Least-cost Greenhouse Gas Abatement Strategy for Asia (Supplementary)	492.00
TOTAL	37,145.75

^a To be financed from Japan Special Fund.^b To be financed by the Government of Sweden with the Bank acting as Executing Agency.

Table 34

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, BY COUNTRY AND REGIONAL ACTIVITIES,^a

1995, 1996, 1967-1996

(amounts in \$ thousand)

Country	No.	1 9 9 5				%	1 9 9 6	
		Bank Financing	JSF Financing	Other Sources	Total		No.	Bank Financing
Afghanistan	-	-	-	-	-	-	-	-
Bangladesh	11	601.00	2,985.00	1,928.86	5,514.86	3.81	14	4,485.00
Bhutan	2	546.50	-	-	546.50	0.38	4	100.00
Cambodia	11	5,460.00	4,030.00	300.00	9,790.00	6.76	16	1,991.00
China, People's Rep. of	45	4,902.50	12,469.40	1,037.00	18,408.90	12.72	25	4,417.00
Cook Islands	3	1,442.00	-	-	1,442.00	1.00	2	991.00
Fiji	4	1,150.00	450.00	100.00	1,700.00	1.17	3	1,200.00
India	14	1,475.36	3,400.00	585.00	5,460.36	3.77	17	3,500.00
Indonesia	20	3,035.00	7,570.00	450.00	11,055.00	7.64	25	5,331.50
Kazakstan	9	2,714.00	3,251.00	-	5,965.00	4.12	7	1,050.00
Kiribati	2	-	577.00	100.00	677.00	0.47	2	672.50
Korea, Rep. of	-	-	-	-	-	-	-	-
Kyrgyz Republic	7	2,185.00	3,816.00	-	6,001.00	4.15	4	410.00
Lao PDR	13	1,331.00	4,048.00	600.00	5,979.00	4.13	10	697.00
Malaysia	6	1,296.00	600.00	-	1,896.00	1.31	1	560.00
Maldives	3	400.00	685.00	-	1,085.00	0.75	-	-
Marshall Islands	4	1,301.00	1,405.00	999.00	3,705.00	2.56	2	100.00
Micronesia, Fed. States of	5	1,551.00	1,715.00	999.00	4,265.00	2.95	3	1,167.00
Mongolia	11	2,790.00	3,187.00	-	5,977.00	4.13	16	2,519.00
Myanmar	-	-	-	-	-	-	-	-
Nauru	-	-	-	-	-	-	1	-
Nepal	6	765.00	2,004.00	-	2,769.00	1.91	7	-
Pakistan	8	940.00	1,915.00	-	2,855.00	1.97	11	1,490.00
Papua New Guinea	2	780.00	-	-	780.00	0.54	6	1,482.00
Philippines	17	2,732.00	2,325.00	1,000.00	6,057.00	4.19	11	480.00
Singapore	-	-	-	-	-	-	-	-
Solomon Islands	-	-	-	-	-	-	-	-
Sri Lanka	9	300.00	3,581.00	-	3,881.00	2.68	7	395.00
Taipei, China	-	-	-	-	-	-	-	-
Thailand	12	1,913.00	2,200.00	600.00	4,713.00	3.26	8	1,622.00
Tonga	2	850.00	600.00	-	1,450.00	1.00	2	600.00
Tuvalu	2	100.00	310.00	-	410.00	0.28	2	700.00
Uzbekistan	-	-	-	-	-	-	5	1,130.00
Vanuatu	-	-	-	-	-	-	4	760.00
Viet Nam	15	3,335.65	7,204.00	500.00	11,039.65	7.63	15	1,220.00
Western Samoa	4	750.00	552.00	-	1,302.00	0.90	2	700.00
Subtotal	247	44,646.01	70,879.40	9,198.86	124,724.26	86.18	232	39,770.00
Regional	50	11,621.88	8,217.00	158.00	19,996.88	13.82	54	18,964.75
TOTAL	297	56,267.88	79,096.40	9,356.86	144,721.14	100.00	286	58,734.75

^a Excluding technical assistance financed under loans, which are included in the Bank's loan data.^b Cumulative data adjusted to exclude technical assistance projects withdrawn by governments.

1 9 9 6				1 9 6 7 – 1 9 9 6 ^b			Country
JSF Financing	Other Sources	Total	%	No.	Amount	%	
—	—	—	—	16	2,565.70	0.20	Afghanistan
1,250.00	10,568.50	16,303.50	9.32	217	122,772.33	9.49	Bangladesh
1,340.00	—	1,440.00	0.82	52	17,821.15	1.38	Bhutan
5,950.00	1,450.00	9,391.00	5.37	48	38,896.60	3.01	Cambodia
8,677.00	—	13,094.00	7.49	237	103,628.95	8.01	China, People's Rep. of
—	—	991.00	0.57	19	5,865.00	0.45	Cook Islands
600.00	—	1,800.00	1.03	49	13,490.30	1.04	Fiji
4,055.00	—	7,555.00	4.32	89	39,258.86	3.03	India
7,260.00	480.00	13,071.50	7.47	325	119,924.27	9.27	Indonesia
1,950.00	—	3,000.00	1.71	19	9,804.00	0.76	Kazakstan
—	—	672.50	0.38	22	5,524.00	0.43	Kiribati
—	—	—	—	33	5,010.15	0.39	Korea, Rep. of
1,900.00	—	2,310.00	1.32	16	10,667.00	0.82	Kyrgyz Republic
3,350.00	1,354.00	5,401.00	3.09	134	60,706.78	4.69	Lao PDR
—	—	560.00	0.32	88	23,904.30	1.85	Malaysia
—	—	—	—	25	7,198.00	0.56	Maldives
600.00	—	700.00	0.40	24	10,156.00	0.79	Marshall Islands
—	—	1,167.00	0.67	19	9,874.00	0.76	Micronesia, Fed. States of
3,227.00	—	5,746.00	3.28	62	30,703.35	2.37	Mongolia
—	—	—	—	38	10,716.00	0.83	Myanmar
—	100.00	100.00	0.06	1	100.00	0.01	Nauru
4,284.00	—	4,284.00	2.45	178	74,778.70	5.78	Nepal
3,650.00	15,345.00	20,485.00	11.71	178	80,089.85	6.19	Pakistan
619.00	—	2,101.00	1.20	86	24,923.10	1.93	Papua New Guinea
6,104.00	—	6,584.00	3.76	227	89,386.05	6.91	Philippines
—	—	—	—	2	577.42	0.04	Singapore
—	—	—	—	39	8,060.24	0.62	Solomon Islands
2,250.00	—	2,645.00	1.51	141	42,496.60	3.28	Sri Lanka
—	—	—	—	1	100.00	0.01	Taipei, China
1,550.00	—	3,172.00	1.81	108	32,908.60	2.54	Thailand
300.00	—	900.00	0.51	41	10,525.50	0.81	Tonga
—	—	700.00	0.40	8	1,936.00	0.15	Tuvalu
600.00	—	1,730.00	0.99	5	1,730.00	0.13	Uzbekistan
360.00	—	1,120.00	0.64	30	6,659.76	0.51	Vanuatu
7,550.00	1,284.35	10,054.35	5.75	67	40,619.80	3.14	Viet Nam
—	—	700.00	0.40	54	12,066.50	0.93	Western Samoa
67,426.00	30,581.85	137,777.85	78.76	2,698	1,075,444.85	83.13	Subtotal
12,466.00	5,715.00	37,145.75	21.24	710	218,262.55	16.87	Regional
79,892.00	36,296.85	174,923.60	100.00	3,408	1,293,707.40	100.00	TOTAL

Table 35

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, BY SECTOR,^a 1995, 1996, 1967–1996
(amounts in \$ thousand)

Sector	1995			1996			1967–1996 ^b		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Natural Resources	48	25,533.76	20.47	47	46,329.00	33.62	870	382,166.48	35.53
Energy	34	13,566.00	10.88	29	13,583.00	9.86	315	120,392.35	11.19
Industry and Nonfuel Minerals	5	3,135.00	2.51	7	3,897.00	2.83	113	35,183.70	3.27
Financial	16	5,631.36	4.52	21	9,521.00	6.91	209	59,408.80	5.52
Transport and Communications	31	14,512.00	11.64	24	14,660.00	10.64	355	143,305.95	13.32
Social Infrastructure	61	30,281.00	24.28	46	24,492.50	17.76	491	186,570.47	17.35
Multisector	3	4,220.00	3.38	1	1,100.00	0.80	22	15,744.00	1.46
Others	49	27,845.15	22.33	56	24,195.35	17.56	323	132,673.10	12.34
TOTAL	247	124,724.26	100.00	232	137,777.85	100.00	2,698	1,075,444.85	100.00

^a Excluding loan-financed technical assistance activities (which are included in loan data) and regional activities.

^b Cumulative data adjusted to exclude technical assistance grants withdrawn by governments.

Table 36
NET TRANSFER OF RESOURCES TO DMCs (OCR), 1987–1996
(\$ million)

Country	1987–1991					
	Average	1992	1993	1994	1995	1996
Afghanistan	—	—	—	—	—	—
Bangladesh	0.21	1.05	(0.32)	(0.36)	(0.30)	(0.32)
Bhutan	—	—	—	—	—	—
Cambodia	—	—	—	—	—	—
China, People's Rep. of	51.72	142.41	363.37	390.38	399.69	547.49
Cook Islands	—	—	—	—	—	—
Fiji	(1.89)	(3.99)	(7.99)	(9.49)	(3.71)	(4.44)
Hong Kong	(6.59)	—	—	—	—	—
India	152.93	293.16	84.53	339.05	207.02	279.97
Indonesia	261.30	113.21	58.09	(442.00)	(97.68)	(1,213.76)
Kazakstan	—	—	—	—	62.58	20.90
Kiribati	—	—	—	—	—	—
Korea, Rep. of	(166.58)	22.63	(62.49)	(73.54)	(83.67)	(141.51)
Kyrgyz Republic	—	—	—	—	—	—
Lao PDR	—	—	—	—	—	—
Malaysia	(31.65)	(35.18)	(247.93)	(40.06)	(59.08)	(59.08)
Maldives	—	—	—	—	—	—
Marshall Islands	—	—	—	—	—	—
Micronesia, Fed. States of	—	—	—	—	—	—
Mongolia	—	—	—	—	—	—
Myanmar	(0.76)	(0.77)	(0.78)	(1.04)	(1.18)	(1.06)
Nepal	0.25	2.34	(0.01)	(0.04)	(0.07)	6.42
Pakistan	77.24	69.60	76.35	2.88	(187.85)	(185.43)
Papua New Guinea	9.46	(7.59)	(13.69)	(15.79)	(23.63)	(15.25)
Philippines	(39.05)	(56.65)	(86.44)	(60.35)	(280.48)	(160.83)
Singapore	(14.19)	(14.89)	(2.85)	—	—	—
Solomon Islands	—	—	—	—	—	—
Sri Lanka	0.11	0.97	1.25	0.71	—	(0.15)
Taipei, China	(5.62)	—	—	—	—	—
Thailand	(118.05)	(89.43)	9.54	18.44	(60.02)	(18.55)
Tonga	—	—	—	—	—	—
Vanuatu	—	—	—	—	—	—
Viet Nam	(0.24)	—	(0.43)	—	—	—
Western Samoa	—	—	—	—	—	—
Regional	10.93	—	5.79	15.24	21.63	2.48
TOTAL	179.11	430.87	175.99	124.03	(106.75)	(943.12)

Note: Net Transfer of Resources defined as disbursements less repayments and interest/charges received. Includes private sector loans and net equity investments.

Table 37
NET TRANSFER OF RESOURCES TO DMCs (ADF), 1987–1996
(\$ million)

Country	1987–1991		1993	1994	1995	1996
	Average	1992				
Afghanistan	(1.45)	—	—	—	—	—
Bangladesh	239.34	287.56	183.27	322.42	208.30	227.07
Bhutan	3.48	2.14	1.33	2.01	2.90	2.09
Cambodia	—	(1.38)	5.35	11.86	35.61	31.71
China, People's Rep. of	—	—	—	—	—	—
Cook Islands	0.46	4.63	1.28	0.98	0.23	3.78
Fiji	—	—	—	—	—	—
Hong Kong	—	—	—	—	—	—
India	—	—	—	—	—	—
Indonesia	51.04	35.61	45.03	28.59	32.59	15.50
Kazakstan	—	—	—	—	—	6.00
Kiribati	0.44	0.33	(0.05)	0.15	0.19	(0.14)
Korea, Rep. of	(0.33)	—	—	—	—	—
Kyrgyz Republic	—	—	—	—	33.94	25.80
Lao PDR	20.37	13.43	36.03	19.61	53.33	80.50
Malaysia	(0.27)	(0.27)	(0.26)	(0.66)	(0.39)	—
Maldives	2.15	3.96	2.25	1.12	4.28	5.68
Marshall Islands	2.00	0.25	0.89	1.22	2.76	2.96
Micronesia, Fed. States of	—	—	—	—	0.34	0.11
Mongolia	—	15.90	10.95	20.99	49.11	33.00
Myanmar	16.73	(5.32)	(8.67)	(15.58)	(16.07)	(15.64)
Nepal	51.14	34.16	54.25	51.75	37.75	49.37
Pakistan	193.73	152.61	210.94	389.37	287.44	318.67
Papua New Guinea	21.57	8.33	19.74	20.31	8.96	0.36
Philippines	62.63	74.66	89.53	43.12	41.70	38.10
Singapore	(0.46)	—	—	—	—	—
Solomon Islands	2.55	0.68	2.36	(0.17)	(0.38)	(0.35)
Sri Lanka	81.88	118.35	109.90	73.86	66.52	126.88
Taipei, China	—	—	—	—	—	—
Thailand	1.29	(2.00)	(1.97)	(2.23)	(2.37)	(2.14)
Tonga	0.76	1.22	1.50	4.79	5.12	2.40
Vanuatu	2.43	0.37	0.62	0.86	0.80	0.15
Viet Nam	(0.03)	—	—	(0.11)	45.30	25.81
Western Samoa	5.22	2.41	2.87	2.53	2.60	(0.97)
Regional	—	—	—	—	—	—
TOTAL	756.68	747.64	755.06	976.80	900.56	976.67

Note: Net Transfer of Resources defined as disbursements less repayments and interest/charges received. Includes private sector loans and net equity investments.

Table 38
NET TRANSFER OF RESOURCES TO DMCs (OCR and ADF), 1987–1996
(\$ million)

Country	1987–1991 Average	1992	1993	1994	1995	1996
Afghanistan	(1.45)	—	—	—	—	—
Bangladesh	239.13	288.60	182.95	322.06	208.00	226.75
Bhutan	3.48	2.14	1.33	2.01	2.90	2.09
Cambodia	—	(1.38)	5.35	11.86	35.61	31.71
China, People's Rep. of	51.72	142.41	363.37	390.38	399.69	547.49
Cook Islands	0.46	4.63	1.28	0.98	0.23	3.78
Fiji	(1.89)	(3.99)	(7.99)	(9.49)	(3.71)	(4.44)
Hong Kong	(6.59)	—	—	—	—	—
India	152.93	293.16	84.53	339.05	207.02	279.97
Indonesia	312.34	148.82	103.12	(413.41)	(65.08)	(1,198.26)
Kazakhstan	—	—	—	—	62.58	26.90
Kiribati	0.44	0.33	(0.05)	0.15	0.19	(0.14)
Korea, Rep. of	(166.91)	22.63	(62.49)	(73.54)	(83.67)	(141.51)
Kyrgyz Republic	—	—	—	—	33.94	25.80
Lao PDR	20.37	13.43	36.03	19.61	53.33	80.50
Malaysia	(31.93)	(35.44)	(248.19)	(40.72)	(59.48)	(59.08)
Maldives	2.15	3.96	2.25	1.12	4.28	5.68
Marshall Islands	—	0.25	0.89	1.22	2.76	2.96
Micronesia, Fed. States of	—	—	—	—	0.34	0.11
Mongolia	2.00	15.90	10.95	20.99	49.11	33.00
Myanmar	15.97	(6.09)	(9.44)	(16.62)	(17.25)	(16.70)
Nepal	51.39	36.50	54.23	51.71	37.68	55.79
Pakistan	270.97	216.22	287.29	392.25	99.59	133.24
Papua New Guinea	31.03	0.74	6.05	4.51	(14.67)	(14.89)
Philippines	23.58	18.01	3.08	(17.23)	(238.79)	(122.73)
Singapore	(14.65)	(14.89)	(2.85)	—	—	—
Solomon Islands	2.55	0.68	2.36	(0.17)	(0.38)	(0.35)
Sri Lanka	81.99	119.32	111.15	74.57	66.52	126.73
Taipei, China	(5.62)	—	—	—	—	—
Thailand	(116.75)	(91.42)	7.56	16.21	(62.39)	(20.69)
Tonga	0.76	1.22	1.50	4.79	5.12	2.40
Vanuatu	2.43	0.37	0.62	0.86	0.80	0.15
Viet Nam	(0.27)	—	(0.43)	(0.11)	45.30	25.81
Western Samoa	5.22	2.41	2.87	2.53	2.60	(0.97)
Regional	10.93	—	5.79	15.24	21.63	2.48
TOTAL	935.79	1,178.51	931.04	1,100.83	793.81	33.55

Note: Net Transfer of Resources defined as disbursements less repayments and interest/charges received. Includes private sector loans and net equity investments.

FINANCIAL RESOURCES

Table 39
STATUS OF ASIAN DEVELOPMENT FUND RESOURCES^a
(amounts in \$ million; as of 31 December 1996)

	Valued as of 31/12/95 US\$ Equiv.	Change in 1996			Valued as of 31/12/96	
		Addition US\$ Equiv.	Exchange Rate Adjustments ^c US\$ Equiv.	Net Change US\$ Equiv.	US\$ Equiv.	SDR Equiv. ^d
Contributed Resources^b						
Australia	824.62	—	57.45	57.45	882.07	614.60
Austria	159.50	5.42	(12.91)	(7.49)	152.01	105.92
Belgium	142.89	12.21	(12.12)	0.09	142.98	99.62
Canada	927.41	102.04	(2.44)	99.60	1,027.01	715.59
Denmark	162.64	—	(11.00)	(11.00)	151.64	105.66
Finland	86.58	—	(5.48)	(5.48)	81.10	56.51
France	741.47	31.90	(51.25)	(19.35)	722.12	503.15
Germany	1,254.37	40.23	(99.23)	(59.00)	1,195.37	832.89
Hong Kong	4.88	—	—	—	4.88	3.40
Indonesia	4.96	—	—	—	4.96	3.46
Italy	326.29	66.70 ^e	11.71	78.41	404.70	281.98
Japan	10,549.43	—	(1,197.73)	(1,197.73)	9,351.70	6,515.96
Korea, Rep. of	22.90	—	—	—	22.90	15.95
Nauru	1.15	0.28	—	0.28	1.43	1.00
Netherlands	497.68	—	(40.91)	(40.91)	456.77	318.26
New Zealand	43.30	—	3.57	3.57	46.87	32.66
Norway	110.87	—	(2.20)	(2.20)	108.67	75.72
Spain	84.76	3.81	(6.50)	(2.69)	82.07	57.18
Sweden	185.59	—	(5.74)	(5.74)	179.85	125.31
Switzerland	256.89	8.59	(39.50)	(30.91)	225.98	157.45
Taipei, China	16.50	—	—	—	16.50	11.50
Turkey	65.96	6.65	—	6.65	72.61	50.59
United Kingdom	480.91	51.30	48.95	100.25	581.16	404.93
United States	2,087.91	200.00	—	200.00	2,287.91	1,594.14
Total Contributed Resources	19,039.46	529.13^f	(1,365.33)	(836.20)	18,203.26	12,683.43
Additional Resources						
Set-Aside Resources	70.77	—	(2.44)	(2.44)	68.33	47.61
Transfers from Technical Assistance Special Fund	1.34	2.22	(0.10)	2.12	3.46	2.41
Unrealized Investment Holding Gains (Losses)	0.88	(0.79)	—	(1.00)	0.09	0.06
Accumulated Translation Adjustments ^g	106.36	(53.11)	—	(53.11)	53.25	37.10
Accumulated Surplus	947.77	62.95	—	62.95	1,010.72	704.24
Total Additional Resources	1,127.12	11.27	(2.54)	8.73	1,135.85	791.42
Total Resources	20,166.58	540.40	(1,367.87)	(827.47)	19,339.11	13,474.85
Less: Loans Outstanding	12,307.83 ^h	1,098.16	(939.67)	158.49	12,466.32 ⁱ	8,686.12
Total Undisbursed Resources	7,858.75	(557.76)	(428.20)	(985.96)	6,872.79	4,788.73
ADF Lending Limitation ^j	7,655.16				6,692.43	4,663.06
Less: Amounts Committed but Undisbursed	6,255.65	253.90	(217.21)	36.69	6,292.34	4,384.29
ADF Lending Headroom ^k	1,399.51				400.09	278.77
Advance Commitment Authority	—				—	—
Total Commitment Authority	1,399.51				400.09	278.77

Note: Figures may not add due to rounding.

a Excludes \$59.91 million representing amounts of ADF contributions paid but not yet available for loan commitments as of 31 December 1996.

b Amounts are adjusted for exchange rate changes and do not necessarily correspond to the initial ADF contributions of individual countries.

c Relates to balances as of 31 December 1995 and additions during 1996.

d Valued at the rate of \$1.4352 per Special Drawing Rights as of 31 December 1996.

e In July, the Bank received a qualified Instrument of Contribution to the Fifth ADF Replenishment (ADF VI) from Italy. This represents amount made available for operational commitments pursuant to the provisions of Resolution No. 214.

f Represents amounts made available for loan commitments toward the third and fourth tranches of other contributions to the Fifth ADF Replenishment (ADF VI) as a consequence of the release of \$100 million by the United States on 20 March 1996. Another \$100 million was released by the United States on 29 December 1996.

g Accumulated Translation Adjustments are the cumulative changes, up to the end of the reporting period, in the US dollar value of net assets created by accumulated surplus.

h Net of \$1.94 million allowance for possible losses as of 31 December 1995.

i Net of \$1.78 million allowance for possible losses as of 31 December 1996.

j Equal to a proportion, referred to as the gearing ratio, of total undisbursed resources. The gearing ratio is the ratio, determined on the basis of a US dollar appreciation of 10% of the total value of the basket of contributed resources to the total value of the basket of committed but undisbursed loans.

k Equal to the difference between the lending limitation and the amount of committed but undisbursed loans.

Table 40
TECHNICAL ASSISTANCE SPECIAL FUND
(US dollar equivalent; as of 31 December 1996)^a

Contributor	Total Contributions	Amount Utilized
Direct Voluntary Contributions		
Australia	2,484,371	2,484,371
Austria	159,170	159,170
Bangladesh	47,352	47,352
Belgium	1,394,195	1,394,195
Canada	3,345,751	3,345,751
China, People's Rep. of	600,000	600,000
Denmark	1,962,529	1,962,529
Finland	237,201	237,201
France	1,697,451	1,697,451
Germany	3,314,813	3,314,813
Hong Kong	100,000	100,000
India	2,402,998	2,402,998
Indonesia	250,000	250,000
Italy	774,147	774,147
Japan	47,710,427	47,710,427
Korea, Rep. of	1,900,000	1,900,000
Malaysia	909,129	909,129
Netherlands	1,337,478	1,337,478
New Zealand	1,095,632	1,095,632
Norway	3,278,953	3,278,953
Pakistan	1,188,230	1,188,230
Singapore	100,000	100,000
Spain	189,580	189,580
Sri Lanka	6,309	6,309
Sweden	861,358	861,358
Switzerland	1,035,043	1,035,043
Taipei, China	200,000	200,000
United Kingdom	5,616,741	5,616,741
United States	1,500,000	1,500,000
Subtotal	85,698,858	85,698,858
Regularized Replenishment Contributions ^b	238,039,356	238,039,356
Transfer to Asian Development Fund	(3,471,565)	(3,471,565)
Allocation from OCR Net Income	261,000,000	174,610,187
Other Resources ^c	48,740,250	17,005,187
TOTAL	630,006,899	511,882,023

^a The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by the Bank on the respective dates of utilization, and the amount unutilized, translated at the exchange rates used by the Bank on 31 December 1996.

^b Represent the TASF portion of contributions to the Replenishment of the Asian Development Fund and the Technical Assistance Special Fund authorized by Governors' Resolution Nos. 182 and 214.

^c Represent incomes, repayments, and reimbursements accruing to TASF since 1980.

Table 41
JAPAN SPECIAL FUND
Statement of Operations and Changes in Net Assets
(\$ million)

	1988–1990	1991	1992	1993	1994	1995	1996	Total
Contributions committed	158.1	32.9	69.4	88.6	100.1	104.9	79.9	633.9
Revenue	11.4	9.9	7.9	7.8	7.3	6.4	2.5	53.2
Total	169.5	42.8	77.3	96.4	107.4	111.3	82.4	687.1
Expenses	27.2	22.8	27.5	89.8	56.9	75.3	77.3	376.8
Exchange gain (loss)	–	(0.5)	(0.1)	(0.1)	0.2	(0.1)	(11.7)	(12.3)
Translation adjustments	(2.2)	11.1	1.2	17.7	35.7	(8.9)	(37.7)	16.9
Increase in Net Assets	140.1	30.6	50.9	24.2	86.4	27.0	(44.3)	314.9

Appendices

1.	Resolutions of the Board of Governors Adopted in 1996	306
2.	Board of Governors	307
3.	Board of Directors and Voting Groups	309
4.	Summary of Budget for 1997	310
5.	Committees of the Board of Directors	311
6.	Management, Senior Staff, and Regional/Resident Representatives	312
7.	Former ADB Presidents and Vice-Presidents	315

RESOLUTIONS OF THE BOARD OF GOVERNORS ADOPTED IN 1996

Resolution No.	Subject	Date Adopted
241	Place and Date of Thirty-First Annual Meeting	1 May 1996
242	Financial Statements and Independent Auditors' Reports	2 May 1996
243	Allocation of Net Income	2 May 1996
244	Election of President	2 May 1996

APPENDIX 2

BOARD OF GOVERNORS
(as of 31 December 1996)

HIROSHI MITSUZUKA (Japan) (Chairman)
ANWAR IBRAHIM (Malaysia) (Vice-Chairman)
MATS KARLSSON (Sweden) (Vice-Chairman)

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
AFGHANISTAN	Abdul Hadi Arghandiwal ¹	Syed Ikramuddin ²
AUSTRALIA	Peter Costello ³	Andrew Thomson ⁴
AUSTRIA	Viktor Klima ⁵	Hans Dietmar Schweisgut
BANGLADESH	Shah A.M.S. Kibria ⁶	Mashitur Rahman ⁷
BELGIUM	Ph. Maystadt	Gino Alzetta ⁸
BHUTAN	Yeshey Zimba	Sonam Wangchuk
CAMBODIA	Keat Chhon	Chanthol Sun
CANADA	Lloyd Axworthy ⁹	Thomas Bernes
CHINA, PEOPLE'S REPUBLIC OF	Dai Xianglong	Yin Jieyan ¹⁰
COOK ISLANDS	G. A. Henry	Lloyd Powell ¹¹
DENMARK	Ellen Margrethe Loj ¹²	Peter Bruckner
Fiji	Berenado Vunibobo	Jone Y. Kubuabola
FINLAND	Pekka Haavisto ¹³	Kirsti Lintonen ¹⁴
FRANCE	Jean Arthuis	Jean Lemierre
GERMANY	Klaus-Jürgen Hedrich	Klaus Regling
HONG KONG	Donald Tsang	Joseph Yam
INDIA	P. Chidambaram ¹⁵	M. S. Ahluwalia
INDONESIA	Mar'ie Muhammad	J. Soedradjad Djiwandono
ITALY	Antonio Fazio	Mario Draghi
JAPAN	Hiroshi Mitsuzuka ¹⁶	Yasuo Matsushita
KAZAKSTAN	U. Shukeev ¹⁷	S. Mynbayev ¹⁸
KIRIBATI	Beniamina Tinga	Kaburoro Ruaia ¹⁹
KOREA, REPUBLIC OF	Seung-Soo Han ²⁰	Lee Kyung Shik
KYRGYZ REPUBLIC	Kemelbek Nanaev	Askar Sarygulov
LAO PEOPLE'S DEMOCRATIC REPUBLIC	Xaysomphone Phomvihane	Phiane Philakone ²¹
MALAYSIA	Anwar Ibrahim	Clifford F. Herbert

- 1 Succeeded Abdul Wahab Haider in July. Abdul Wahab Haider succeeded Ahmed Rashid in April.
 2 Succeeded Abdul Qadeer Fitrat in April.
 3 Succeeded Ralph Willis in March.
 4 Succeeded Gordon Bilney in July.
 5 Succeeded Andreas Staribacher in January.
 6 Succeeded Wahiduddin Mahmud in June. Wahiduddin Mahmud succeeded Mohammad Saifur Rahman in April.
 7 Succeeded M.L. Majid in August.
 8 Succeeded J. P. Arnoldi in October.
 9 Succeeded Andre Ouellet in April.
 10 Succeeded Chen Yuan in March.
 11 Succeeded Alastair Rutherford in March.

- 12 Succeeded Ole Loensmann Poulsen in April.
 13 Succeeded Miuri Eggert in August.
 14 Succeeded Kirsti Eskelinen in August.
 15 Succeeded Manmohan Singh in June.
 16 Succeeded Wataru Kubo in November. Wataru Kubo succeeded Masayoshi Takemura in January.
 17 Succeeded Alexander S. Pavlov in December.
 18 Succeeded Kairat M. Sangukulov in December.
 19 Succeeded Baraniko Bauro in April. Baraniko Bauro succeeded Bureti Williams in February.
 20 Succeeded Woeng Bae Rha in August.
 21 Succeeded Pany Yathoton in September.

CONTINUED

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
MALDIVES	Ismail Shafeeu	Adam Maniku
MARSHALL ISLANDS	Ruben R. Zackhras	Amon Tibon
MICRONESIA, FEDERATED STATES OF	John Ehsa ²²	Lorin Robert
MONGOLIA	Jigjid Unenbat ²³	S. Ochirpurey
MYANMAR	Win Tin	Soc Lin ²⁴
NAURU	Ruby Dediya ²⁵	(to be advised)
NEPAL	Ram Sharan Mahat	R. B. Bhattacharai
NETHERLANDS	Gerrit Zaalm	J. P. Pronk
NEW ZEALAND	William F. Birch	Murray Horn
NORWAY	(to be advised) ²⁶	Knut Vollebaek
PAKISTAN	Shahid Javed Burki ²⁷	Javed Burki ²⁸
PAPUA NEW GUINEA	Chris Haivera	Rupa Mulina ²⁹
PHILIPPINES	Roberto F. de Ocampo	Gabriel Singson
SINGAPORE	Richard Hu Tsu Tau	Ngiam Tong Dow
SOLOMON ISLANDS	Edmund Andresen ³⁰	Gordon Darcy Lilo ³¹
SPAIN	Rodrigo de Rato Y Figaredo ³²	Jose Manuel Fernandez Norniella ³³
SRI LANKA	Chandrika Bandaranaike Kumaratunga	B. C. Perera ³⁴
SWEDEN	Mats Karlsson	Lennart Bage ³⁵
SWITZERLAND	Nicolas Imboden	Rudolph Dannecker
TAIPEI, CHINA	Yuan-Dong Sheu	Mu-tsai Chen
THAILAND	Annuay Viravan ³⁶	Chatu Mongol Sonakul ³⁷
TONGA	Kinikinilau Tutoatasi Fakafanua	(to be advised)
TURKEY	Mehmet Kaytaz ³⁸	Cuneyt Sel ³⁹
TUVALU	Koloa Talake	Panapasi Nelesone ⁴⁰
UNITED KINGDOM	Lynda Chalker	N. B. Hudson
UNITED STATES	Robert Rubin	Joan E. Spero
UZBEKISTAN	Bakhtier Sultanovich Khamidov	Rustam Sadikovich Azimov
VANUATU	Barak T. Sope ⁴¹	George Borugu ⁴²
VIET NAM, SOCIALIST REPUBLIC OF	Cao Sy Kiem	Le Van Chau
WESTERN SAMOA	Tuilaepa S. Malielegaoi	Epa Tuioti

²² Succeeded Aloysius J. Tuuth in June.²³ Succeeded Demchigjavyn Molouzhaants in October.²⁴ Succeeded Annt Kyaw in November.²⁵ Succeeded Reuben Kun in November. Reuben Kun succeeded Vinson Detenamo in February.²⁶ Resigned in November.²⁷ Succeeded V. A. Jafarey in December.²⁸ Succeeded Javed Talat in December. Javed Talat succeeded Aftab Ahmad Khan in March.²⁹ Succeeded Gerea Aopi in March.³⁰ Succeeded Christopher C. Abe in November.³¹ Succeeded Snyder Rini in November. Snyder Rini succeeded Manasseh Sogavare in April.³² Succeeded Javier Gomez-Navarro in May.³³ Succeeded Apolonio Ruiz Ligero in May.³⁴ Succeeded D. Y. Liyanage in January.³⁵ Succeeded Malin Karre in August.³⁶ Succeeded Chaiyawat Wibulswasdi in November. Chaiyawat Wibulswasdi succeeded Bodhi Chunنانanda in October. Bodhi Chunنانanda succeeded Surakiart Sathirathai in May.³⁷ Succeeded Aran Thammano in January.³⁸ Succeeded Nevzat Saygilioglu in May. Nevzat Saygilioglu succeeded Ayfer Yilmaz in March.³⁹ Succeeded M. Bülent Özgün in March.⁴⁰ Succeeded Tine Leuelu in March.⁴¹ Succeeded Willie Jimmy in March.⁴² Succeeded Antoine Pikiourne in March.

APPENDIX 3

BOARD OF DIRECTORS AND VOTING GROUPS
 (as of 31 December 1996)

DIRECTOR	ALTERNATE DIRECTOR	MEMBERS REPRESENTED ¹
Makoto Hosomi ²	Tetsuji Nagatomo ³	Japan
Vicente R. Jayme	A.B. Soomro	Kazakhstan; Maldives; Marshall Islands; Mongolia; Pakistan; Philippines
Yong-Keun Lee	Ruey-song Huang ⁴	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu; Viet Nam
Li Ruogu	Liu Liange ⁵	People's Republic of China
John Millett ⁶	Hans-Jürgen Stryk ⁷	Austria; Germany; Turkey; United Kingdom
Syed Muhamad Abdul Kadir	Thein Aung Lwin	Malaysia; Myanmar; Nepal; Singapore; Thailand
Julian H. Payne	Jens Haarlov ⁸	Cauada; Denmark; Finland; Netherlands; Norway; Sweden
Francesco Pittore ⁹	Thomas Eggenberger ¹⁰	Belgium; France; Italy; Spain; Switzerland
Soegito Sastromidjojo	John Austin ¹¹	Cook Islands; Fiji; Indonesia; Kyrgyz Republic; New Zealand; Tonga; Western Samoa
Eric Thorn ¹²	John Russell	Australia; Cambodia; Hong Kong; Kiribati; Federated States of Micronesia; Nauru; Solomon Islands; Tuvalu
K. Venkatesan	Muhammad Fairuz Razzaque ¹³	Afghanistan; Bangladesh; Bhutan; India; Lao People's Democratic Republic
Linda Tsao Yang	N. Cinnamon Dornsite	United States

¹ In alphabetical order within each group.

² Succeeded Shigeo Kashiwagi on 12 July.

³ Succeeded Soichi Yoshimura on 10 June.

⁴ Succeeded Lloyd Fernando on 1 July.

⁵ Succeeded Zhou Yuequn on 8 April.

⁶ Succeeded Hans-Jürgen Stryk on 1 July.

⁷ Succeeded John Millett on 1 July.

⁸ Succeeded Pieter C. Verheugd on 1 September.

⁹ Succeeded Hermann Escher on 1 October. Hermann Escher succeeded Daniel Besson on 15 May.

¹⁰ Succeeded Teresa Calvete on 25 October. Teresa Calvete succeeded Hermano Escher on 15 May.

¹¹ Succeeded Colin Pratt on 1 July.

¹² Succeeded Peter McCawley on 17 February.

¹³ Succeeded Kamaluddin Siddiqui on 15 December.

SUMMARY OF BUDGET FOR 1997

Internal Administrative Expenses
(amounts in \$ thousand)

	1996			
	Budget	After Transfers ^a	Actual ^b	1997 Budget
I. BOARD OF GOVERNORS	468	468	348	757
II. BOARD OF DIRECTORS	8,138	8,138	7,638	8,427
Salaries	3,997	3,997	3,997	4,189
Benefits	2,085	2,063	2,063	2,285
Relocation	396	490	490	512
Business Travel	450	347	347	401
Staff Services	710	741	741	790
Inspection Panel	500	500	0	250
III. OPERATIONAL EXPENSES	149,814	149,814	146,557	157,363
Salaries	72,843	73,058	73,058	78,224
Benefits	50,021	49,374	49,133	51,600
Staff Development	1,967	1,967	1,768	2,300
Relocation	2,905	3,337	3,337	2,711
Consultants	8,993	8,993	7,682	9,055
Business Travel	12,835	12,835	11,359	13,166
Representation	250	250	220	307
IV. ADMINISTRATIVE EXPENSES	29,581	29,581	29,097	30,975
Communications	3,093	3,261	3,261	3,286
Office Occupancy	6,727	6,214	6,214	7,196
Library	641	652	652	669
Office Supplies	1,998	1,826	1,826	2,256
Office Equipment	2,920	3,711	3,711	3,240
Contractual Services	4,356	4,092	4,092	4,662
Insurance	675	680	680	704
Depreciation	9,028	9,028	8,558	8,811
Miscellaneous	143	117	103	151
V. GENERAL CONTINGENCY	1,880	1,880		1,975
TOTAL	189,881	189,881	183,640	199,497

^a Transfers were made between budget items within each budget category without exceeding the amount of each category.

^b Excludes: (1) \$1,429,000 as provision for severance pay; (2) \$858,000 as provision for accumulated compensated absences; (3) \$9,000 as bank charges pertaining directly to ADF and JSF; (4) an adjustment of \$411,000 on account of pension costs computed in compliance with U.S. Financial Accounting Standards (FAS) 87; (5) an adjustment of \$6,356,000 as provision for post retirement benefit in compliance with FAS 106; (6) an adjustment for \$206,000 as provision for accrued resettlement/repatriation allowances in compliance with FAS 112 which are included in the total internal administrative expenses of \$192,086,000 as shown in the financial statements. After deducting \$39,000 directly charged to the Scholarship Program, the total internal administrative expenses have been distributed as follows: OCR - \$108,793,000 (Ref. OCR-2), ADF - \$81,999,000 (Ref. ADF-2), TASF - \$3,000 (Ref. TASF-2), and JSF - \$1,252,000 (Ref. JSF-2).

APPENDIX 5COMMITTEES OF THE BOARD OF DIRECTORS
(as of 31 December 1996)

AUDIT COMMITTEE	BUDGET REVIEW COMMITTEE	INSPECTION COMMITTEE
Julian H. Payne (Chairman)	Li Ruogu (Chairman)	K. Venkatesan (Chairman)
Vicente R. Jayme	Makoto Hosomi	Makoto Hosomi
Syed Muhamad Abdul Kadir	Yong-Keun Lee	Soegito Sastromidjojo
John Millett	Francesco Pittore	Hans-Jürgen Stryk
Soegito Sastromidjojo	K. Venkatesan	Linda Tsao Yang
Eric Thorn	Linda Tsao Yang	Thein Aung Lwin

MANAGEMENT, SENIOR STAFF, AND REGIONAL/RESIDENT REPRESENTATIVES
 (as of 31 December 1996)

OFFICE OF THE PRESIDENT

President	Mitsuo Sato
-----------------	-------------

OFFICES OF THE VICE-PRESIDENTS

Vice-President (Region West)	Bong-Suh Lee
Vice-President (Region East)	Peter H. Sullivan
Vice-President (Finance and Administration)	Pierre Uhel

OFFICE OF THE SECRETARY

Secretary	D. C. Amerasinghe
Deputy Secretary	A. Timothy Peterson

OFFICE OF THE GENERAL COUNSEL

General Counsel	Barry Metzger
Deputy General Counsel	Eisuke Suzuki
Assistant General Counsel	Bruce A. Purdue
Assistant General Counsel	Richard Eyre
Assistant General Counsel	Jeremy H. Hovland

OFFICE OF THE GENERAL AUDITOR

General Auditor	Louis Wong
Assistant General Auditor	M. Kaleemuddin Haquani

POST-EVALUATION OFFICE

Chief	Basudev Dahal
Manager (Evaluation Division West)	Atsurake Hashida
Manager (Evaluation Division East)	Phiphit Supaphiphat

STRATEGY AND POLICY OFFICE

Chief	Shoji Nishimoto
Assistant Chief	Jan P. M. van Heeswijk

OFFICE OF ENVIRONMENT AND SOCIAL DEVELOPMENT

Chief	Kazi F. Jalal
Manager (Environment Division)	B. N. Lohani
Manager (Social Development Division)	Anita Kelles-Viitanen

PROGRAMS DEPARTMENT (WEST)

Director	Noritada Morita
Deputy Director	Nihal Amerasinghe
Programs Manager (Division West 1 – Afghanistan; Maldives; Pakistan; Sri Lanka)	Frank J. Polman
Programs Manager (Division West 2 – Bangladesh; Bhutan; India; Nepal)	Yoshihiro Iwasaki
Programs Manager (Division West 3 – Cambodia; Lao People's Democratic Republic; Myanmar; Thailand; Viet Nam)	Rajat M. Nag
Resident Representative, Bangladesh Resident Mission	Bhanuphol Horayangura
Resident Representative, Cambodia Resident Mission	Someth Suos
Resident Representative, India Resident Mission	Shigeko M. Asher
Resident Representative, Nepal Resident Mission	Marshuk Ali Shah
Resident Representative, Pakistan Resident Mission	Chua Suay Bah
Resident Representative, Viet Nam Resident Mission	Jean-Pierre Verbiest

AGRICULTURE AND SOCIAL SECTORS DEPARTMENT (WEST)

Director	Eustace A. Nonis
Deputy Director	Robert C. May
Manager (Agriculture and Rural Development Division)	M. F. W. Zijsselt

CONTINUED

Manager (Education, Health and Population Division)	Edward M. Haugh, Jr. ¹
Manager (Forestry and Natural Resources Division)	Tsuneaki Yoshida
Manager (Water Supply, Urban Development and Housing Division)	Preben Nielsen
INFRASTRUCTURE, ENERGY AND FINANCIAL SECTORS DEPARTMENT (WEST)	
Director	John D. Taylor ²
Deputy Director	Akira Seki
Manager (Energy Division)	James Rockett
Manager (Financial Sector and Industry Division)	J. Antonio M. Quila
Manager (Transport and Communications Division)	Günter Hecker
PROGRAMS DEPARTMENT (EAST)	
Director	Eiichi Watanabe
Deputy Director	R. Swaminathan
Programs Manager (Division East 1 – Hong Kong; Mongolia; China, People's Republic of; Taipei, China)	Bruce Murray
Programs Manager (Division East 2 – Indonesia; Malaysia; Singapore)	K. H. Moinuddin
Programs Manager (Division East 3 – Central Asian Republics; Korea, Republic of; Philippines)	Werner M. Schelzig
Resident Representative, Indonesia Resident Mission	Theodore C. Patterson
AGRICULTURE AND SOCIAL SECTORS DEPARTMENT (EAST)	
Director	Yang Weimin
Deputy Director	Hans-Jürgen Springer
Manager (Agriculture and Rural Development Division)	Robustiano L. Espiritu, Jr.
Manager (Education, Health and Population Division)	William M. Fraser
Manager (Forestry and Natural Resources Division)	Muhammad A. Mannan
Manager (Water Supply, Urban Development and Housing Division)	Asad Ali Shah
INFRASTRUCTURE, ENERGY AND FINANCIAL SECTORS DEPARTMENT (EAST)	
Director	Paul M. Dickie ¹
Deputy Director	Vladimir Bohun
Manager (Energy Division)	P. N. Fernando
Manager (Financial Sector and Industry Division)	Charles F. Coe
Manager (Transport and Communications Division)	Devinder Singh
OFFICE OF PACIFIC OPERATIONS	
Chief	G. H. P. B. van der Linden
Manager (Pacific Operations Division)	Peter C. Darjes
Regional Representative, South Pacific Regional Mission	M. E. Tusneem
PRIVATE SECTOR GROUP	
Head	John D. Taylor ³
Manager	Keon-Woo Lee
ECONOMICS AND DEVELOPMENT RESOURCE CENTER	
Director and Chief Economist	Vishvanath V. Desai
Resident Scholar	Christine P. W. Wong
Assistant Chief Economist (Economic Analysis and Research Division)	Vacant
Assistant Chief Economist (Project Economic Evaluation Division)	Jungsoo Lee
Assistant Chief Economist (Statistics and Data Systems Division)	Isidoro P. David
OFFICE OF COFINANCING OPERATIONS	
Chief	Richard O. Wada
Assistant Chief	Woo Chull Chung

¹ In acting capacity.² Concurrently Head, Private Sector Group.³ Concurrently Director, Infrastructure, Energy and Financial Sectors Department (West).

CONTINUED

CENTRAL OPERATIONS SERVICES OFFICE

Chief	Nalin P. Samarasinghe
Manager (Consulting Services Division)	Jin Koo Lee
Manager (Project Coordination and Procurement Division)	Willem B. den Toom

BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT

Director	Mamoru Umemoto
Deputy Director (Budget and Compensation)	Suresh A. Seshan
Deputy Director (Personnel)	Claude Bernier
Manager (Budget and Management Services Division)	A. A. Sidarto
Manager (Compensation and Benefits Division)	Sandra A. Lawrence
Manager (Human Resources Division)	Vacaut
Manager (Training and Development Division)	Cedric D. Saldanha

OFFICE OF ADMINISTRATIVE SERVICES

Chief	Guo Xianzhi
Manager (Facilities Management Division)	K. S. Subramanian
Manager (General Services Division)	S. Zeyaul Hoda
Manager (Support Services Division)	Turhan K. Mangun

CONTROLLER'S DEPARTMENT

Controller	Magdi L. Morcos
Assistant Controller (Accounting Division)	Than Win
Assistant Controller (Disbursement Division [West])	Ping-Yung Chiu
Assistant Controller (Disbursement Division [East])	George C. J. Chou

TREASURER'S DEPARTMENT

Treasurer	Takeo Otsubo
Deputy Treasurer	Erkki Jappinen
Assistant Treasurer (Financial Policy Division)	Ifzal Ali
Assistant Treasurer (Funding Division)	Peter Balon
Assistant Treasurer (Investments Division)	Jelle C. Mann
Assistant Treasurer (Treasury Services Division)	David R. Parker

INFORMATION OFFICE

Chief Information Officer	Robert H. Salamon
Assistant Chief Information Officer	Karti Sandilya

OFFICE OF COMPUTER SERVICES

Chief	John W. Thorp
-------------	---------------

NORTH AMERICAN REPRESENTATIVE OFFICE

Director	Arun B. Adarkar
----------------	-----------------

EUROPEAN REPRESENTATIVE OFFICE

Regional Representative	Maurice D. Bauche
-------------------------------	-------------------

JAPANESE REPRESENTATIVE OFFICE

Resident Representative	Rip Min
-------------------------------	---------

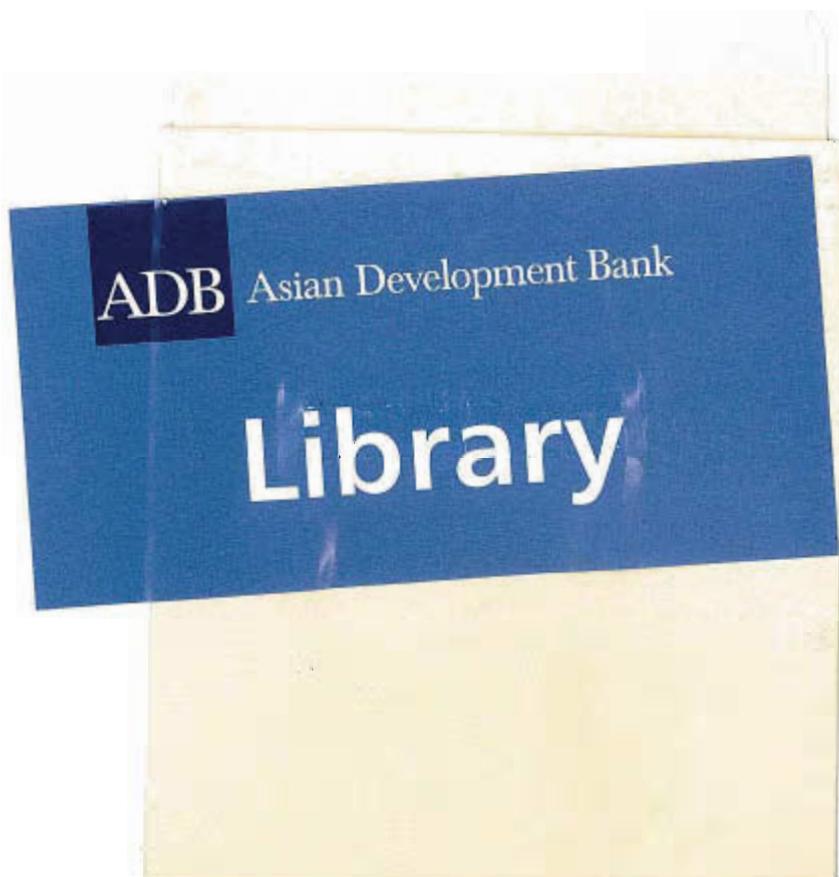
FORMER ADB PRESIDENTS AND VICE-PRESIDENTS

PRESIDENTS

Mr. Takeshi Watanabe	—	24 November 1966 – 24 November 1972
Mr. Shiro Inoue	—	25 November 1972 – 23 November 1976
Mr. Taroichi Yoshida	—	24 November 1976 – 23 November 1981
Mr. Masao Fujioka	—	24 November 1981 – 23 November 1989
Mr. Kiminasa Tarumizu	—	24 November 1989 – 24 November 1993

VICE-PRESIDENTS

Mr. C. S. Krishna Moorthi	—	19 December 1966 – 31 March 1978
Mr. A. T. Bambawale	—	1 April 1978 – 28 October 1985
Mr. M. Narasimham	—	1 November 1985 – 31 July 1988
Mr. S. Stanley Katz	—	1 April 1978 – 28 September 1990
Mr. In Yong Chung	—	1 August 1988 – 31 July 1993
Mr. William R. Thomson	—	17 September 1990 – 30 June 1994
Mr. Günther G. Schulz	—	1 April 1983 – 30 June 1995



Major ADB Publications

STUDIES AND REPORTS

Agriculture and Natural Resources

- Biodiversity Conservation in the Asia and Pacific Region: Constraints and Opportunities (1994)
- Biotechnology: Opportunities for Enhancing Agricultural Production (Agriculture Dept. Staff Paper No. 8) (1995)
- Handbook for Incorporation of Integrated Pest Management in Agriculture Projects (1994)¹
- Mangrove Forests: A Valuable but Threatened Indo-Pacific Resource (Agriculture Dept. Staff Paper No. 5) (1992)
- Regional Seminar on Policies and Strategies for Livestock Development (1993)
- Regional Workshop on Sustainable Agricultural Development in Asia and the Pacific Region (1992)
- Sector Paper on Livestock (Agriculture Dept. Staff Paper No. 4) (1991)
- Sustainable Agricultural Development (Concepts, Issues and Strategies) (Agriculture Dept. Staff Paper No. 1) (1991)
- Tree Crop Sector Development in Indonesia (Agriculture Dept. Staff Paper No. 6) (1992)

Economy and Finance

- Asian Development Bank Economic Staff Paper Series
- Asian Development Bank Economics and Development Resource Center Report Series
- Asian Development Bank Occasional Paper Series
- Asian Development Bank Statistical Report Series
- Asian Development Outlook (annually)²
- Economic Policies for Sustainable Development – Indonesia (1992)
- Economic Policies for Sustainable Development – Nepal (1992)
- External Shocks and Policy Adjustments: Lessons from the Gulf Crisis (1994)¹
- Financial Sector Development in Asia (1995)²
- Financial Sector Development in Asia: Country Studies (1995)¹
- Fiscal Management and Economic Reform in the People's Republic of China (1995)²
- From Centrally Planned to Market Economies: The Asian Approach Vol. 1: An Overview (1995)²
- Vol. 2: People's Republic of China and Mongolia (1996)²
- Vol. 3: Lao PDR, Myanmar and Viet Nam (1996)²
- Informal Finance: Some Findings from Asia (1992)²
- Key Indicators of Developing Asian and Pacific Countries (annually)²
- Lao PDR and the Greater Mekong Subregion: Securing Benefits from Economic Cooperation (1996)
- Mongolia: A Centrally Planned Economy in Transition (1992)²
- Private Sector Development in the Lao PDR: Potential and Constraints (1996)
- Reforming the Financial Sector in the Lao PDR (1996)

Energy

- Electric Utilities Data Book for the Asian and Pacific Region, Fourth Edition (1993) – out of print; new edition being prepared¹
- Energy End Use: An Environmentally Sound Development Pathway (1993)¹
- Energy Indicators of Developing Member Countries of ADB¹

Solar Photovoltaic Power Generation Using PV Technology (1996)¹

Environment

- Breakthroughs in Forestry Development: Experience of the Asian Development Bank (1995)¹
- Coastal and Marine Environmental Management (1996)¹
- Economic Evaluation of Environmental Impacts (1996)¹
- Environment and Development: A Pacific Island Perspective (1992)¹
- Environmental Evaluation of Coastal Zone Projects: Methods and Approaches (ADB Environment Paper No. 8) (1991)
- Environmental Loan Covenants: Helping Ensure the Environmental Soundness of Projects Supported by the Asian Development Bank (ADB Environment Paper No. 10) (1992)
- Environmental Loan Covenants: Principles, Checklists and Samples (ADB Environment Paper No. 12) (1993)
- Environmental Risk Assessment: Dealing with Uncertainty in Environmental Impact Assessment (ADB Environment Paper No. 7) (1991)
- Financing Environmentally Sound Development (1994)¹
- Remote Sensing and Geographic Information System for Natural Resource Management (ADB Environment Paper No. 9) (1991)¹
- Towards Effective Water Policy in the Asian and Pacific Region, Vol. 1 (1996)¹

Industry and Nonfuel Minerals

- Industrial Pollution Prevention (1994)¹
- Technology Transfer and Development: Implications for Developing Asia (1995)¹

Pacific Studies Series

- Cook Islands: Economic Performance, Issues and Strategies (1995)¹
- Fiji Agriculture Sector Review: A Strategy for Growth and Diversification (1996)¹
- Human Resource Development: Small Pacific Island Countries (1995)¹
- Sociocultural Issues and Economic Development in the Pacific Islands (1996)
- Strategy for the Pacific: Policies and Programs for Sustainable Growth (1996)¹
- Tonga: Economic Performance and Selected Development Issues (1996)¹

Regional Cooperation

- Economic Cooperation in the Greater Mekong Subregion: Facing the Challenges (1996)¹
- Economic Cooperation in the Greater Mekong Subregion: Proceedings of the Second Conference on Subregional Economic Cooperation Among Cambodia, People's Republic of China, Lao PDR, Myanmar, Thailand and Viet Nam (1993)¹
- Growth Triangles in Asia – A New Approach to Regional Economic Cooperation (1994)²
- Guidelines for Integrated Regional Economic-cum-Environmental Development Planning (Volumes I and II) (ADB Environment Paper No. 3) (1988)
- Inception Meetings of the Subregional Transport Forum and the Subregional Electric Power Forum: Proceedings, April 1995¹
- Indonesia-Malaysia-Thailand Growth Triangle: Theory to Practice (1996)¹

Copies of these publications may be obtained through the Publications Unit, Information Office, Asian Development Bank, P.O. Box 789, 0980 Manila, Philippines. Orders may also be sent by fax to (632) 636-2648 or (632) 636-2640 or E-mail at adbpub@mail.asiandevbank.org. All are free of charge (sent via surface mail), except those listed with footnotes.

¹ Priced publications.

² Also available directly from Oxford University Press (OUP) offices, associated companies, and agents worldwide.

Subregional Economic Cooperation: Initial Possibilities for Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam and Yunnan Province of the People's Republic of China (1993)¹

Subregional Economic Cooperation: Proceedings of the Fourth Conference, December 1994¹

Social Sector

The Asian Development Bank and Non-Governmental Organizations: Working Together (1995)²

Critical Issues in Asian Development: Theories, Experiences, Policies (1995)²

Current Issues in Economic Development: An Asian Perspective (1996)²

Escaping the Poverty Trap: Lessons from Asia (1994)

Gender Indicators of Developing Asian and Pacific Countries (1993)¹

Human Development: Cambodia Study Series, Cross-Cutting Concerns (1996)¹

Human Development: Future Strategic Directions in Lao PDR (1996)

Human Development Perspectives (1996)

Institutional Strengthening of the Social Sectors in Lao PDR (1996)

Rural Poverty in Asia: Priority Issues and Policy Options (1993)³

Rural Poverty in Developing Asia

Vol. 1: Bangladesh, India and Sri Lanka (1994)¹

Vol. 2: Indonesia, Republic of Korea, Philippines and Thailand (1996)¹

Towards Beijing ... Beyond Beijing (1996)

Women in Development: Country Briefing Paper for Cambodia (1996)

Women in Development: Country Briefing Paper for Kiribati (1995)

Women in Development: Country Briefing Paper for Lao PDR (1996)

Women in Development: Country Briefing Paper for Viet Nam (1995)

Women in Development: Issues, Challenges and Strategies in Asia and the Pacific (1994)

Education

Cambodia: Education Sector Strategy Study (1996)¹

Distance Education for Continuing Education (1994)

Education and Development in Asia and the Pacific (Second Edition, 1991)

Feasibility of Distance Education in the Philippines (1991)

Revitalizing Teacher Education: A Multi-Mode Approach for Quality and Equitable Access for Female Teachers (1991)

Teacher Education: The Quest for Quality (1992)

Using Both Hands (Women and Education in Cambodia) (1995)¹

Health and Population

Guidelines for the Health Impact Assessment of Development Projects (ADB Environment Paper No. 11) (1992)

Health, Population and Development in Asia and the Pacific (1991)

Population Pressure and Natural Resources Management (ADB Environment Paper No. 6) (1991)

Urbanization

Megacity Management in the Asian and Pacific Region (1996)

Urban Poverty in Asia: A Survey of Critical Issues (1994)²

Water Supply

Managing Water Resources to Meet Megacity Needs (1995)¹

Water Utilities Data Book, Asian and Pacific Region (1993)¹

Others

A Generation of Growth (1992)

Disaster Management: A Disaster Manager's Handbook (1992)¹

Disaster Mitigation in Asia and the Pacific (1991)¹

External Shocks and Policy Adjustments: Lessons from the Gulf Crisis (1994)¹

Postevaluation and Feedback: Realities and Challenges in the Asian and Pacific Region (1995)

Project Quality: An Agenda for Action (1994)¹

Small Countries, Big Lessons: Governance and the Rise of East Asia (1996)²

DOCUMENTS AND OTHER PUBLICATIONS

ADB Annual Report

ADB Business Opportunities (monthly, by subscription)³

ADB Employment Opportunities

ADB at a Glance³

ADB Inspection Policy: A Guidebook (1996)

ADB Partners in Development: Bangladesh (1994); Indonesia (1995); Nepal (1995); The Pacific (1995); Pakistan (1994)

ADB Publications Catalog³

ADB Rendy Reference³

ADB Research Bulletin (bi-annually)

ADB Review (English and Japanese)

ADB Thematic Paper Series

Agreement Establishing the Asian Development Bank

Asian Development Bank: Technical Assistance Activities³

Asian Development Bank: Towards the 21st Century

Asian Development Bank Young Professionals Program

Asian Development Outlook Publication Summary (annually)³

Asian Development Review (bi-annually, by subscription)¹

Basic Facts, DMCs of ADB

Basic Information (English³ and Japanese)

Benefit Monitoring and Evaluation (1992)

Cofinancing and Guarantees: The Bank's Strategy and Modalities³

ELC Handbook: Checklists, Commentary, Drafting Guide and Samples for Use in Drafting Environmental Loan Covenants (1993)

Financial Profile (1996)

Guide on Prequalification of Civil Works Contractors (1987) (Reprinted May 1992)¹

Guidelines for Consultant Services

Guidelines for Disbursement of Technical Assistance Grants (1992)

Guidelines for Incorporation of Social Dimensions in Bank Operations (1993)

¹ Priced publications.

² Also available directly from Oxford University Press (OUP) offices, associated companies, and agents worldwide.

³ Also available on ADB's Internet Home Page which can be accessed through the World Wide Web at <http://www.asiadevbank.org>.

- Guidelines for Procurement Under Asian Development Bank Loans (1989)
 Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers (1979)³
 Handbook for Financial Sector Lending (1996)
 Handbook for Incorporation of Social Dimensions in Projects (1994)
 Handbook for Users of Consulting Services (Fourth Edition, 1993)⁴
 Handbook on Bid Evaluation (Revised January 1994)¹
 Handbook on Management of Project Implementation (1986) (Revised 1988)¹
 Handbook on Policies, Practices and Procedures Relating to Procurement Under Asian Development Bank Loans (Revised February 1990)¹
 Handbook on Problems in Procurement for Projects Financed by the Asian Development Bank (1987)¹
 Law and Development: An Asian Bibliography
 Law and Development at the Asian Development Bank
 Law and Development Bulletin
 Law and Development: Seminar Proceedings
 Loan Contract Awards and Loan Disbursements Profiles⁴
- Loan Disbursements Handbook (1996)
 Loan and Technical Assistance Statistics Yearbook⁴
 Loan, Technical Assistance and Private Sector Operations Approvals (monthly)
 Mainstreaming Participatory Development Processes (1996)
 Policy on Confidentiality and Disclosure of Information: A Guidebook (1996)
 Private Sector Development³
 Projects Profiles for Commercial Cofinancing (quarterly)
 Report of the Task Force on Improving Project Quality (January 1994)
 Sample Bidding Documents – Civil Works (Small Contracts) (1994)¹
 Sample Bidding Documents – Procurement of Civil Works (Second Edition, December 1993)¹
 Sample Bidding Documents – Procurement of Goods (Revised November 1992)¹
 Sample Bidding Documents – Supply, Delivery and Installation of Goods (Revised November 1992)¹
 Summary of Proceedings of the Annual Meeting of the Board of Governors
 The Bank's Medium-Term Strategic Framework

VIDEO PRODUCTIONS⁵

Corporate Productions

- Banking On The Future
 Business Opportunities with the ADB
 Consulting Opportunities with the ADB
 Environmental Planning and Management in the ADB Project Cycle
 Our Changing World: The ADB at Thirty
 The Challenge of Development: A Career at the ADB

Documentaries

- A Stake in the Forest
 A Voice of Her Own
 Cambodia's Children: Investing in Their Future
 Cash in Hand
 Cities Under Siege
 Pacific Profiles: ADB Projects in the Pacific
 River of Change: Peace Dividends Along the Mekong
 Urban Poverty in Bangladesh - Improving Slum Life
 Viet Nam Water Paradox

1 Priced publications.

2 Also available directly from Oxford University Press (OUP) offices, associated companies, and agents worldwide.

3 Also available on ADB's Internet Home Page which can be accessed through the World Wide Web at <http://www.asiandevbank.org>.

4 For member government institutions only. These publications may be obtained from the Central Operations Services Office.

5 All videos are in English. Please specify PAL VHS or NTSC VHS. For each videotape, a \$10 shipping and handling fee will be charged.

Index

- Absorptive capacity, 175
Administration, 185
Administrative services, 188–189
Budget, 189
Compensation and benefits, 186
Human resource management and development, 185–186
Information technology program, 187–188
Project and program administration, 167–170
Reorganization of Controller's Department's
disbursement activities, 189
Representative offices and resident missions, 186–187
Agriculture and natural resource sector, 108–109
Loans and Technical Assistance Grants, 1996, table, 109
Asian Development Bank
29th Annual Meeting, 7
30th Annual Meeting, 189
ADB: Thirty Years On, 10–13
Asian Development Bank Institute (ADBI), 7, 18, 103
Economic research, 128–129
Former ADB Presidents and Vice-Presidents. *See* Appendix 7, 315
Information technology program, 187–188
Law and development, 127–128
Major ADB Publications, 316–318
Management, Senior Staff, and
Regional/Resident Representatives. *See* Appendix 6, 312
Member countries. *See* inside back cover
President, 13, 17
Asian Development Bank Institute (ADBI), 7, 18, 103
Asian Development Fund (ADF), 7, 15, 17, 105, 163–165
Asian Megacities, 23–51
Asian megacities 1995 and 2025, map, 25
Economic development and megacity growth, 26–27
Efficient use of energy, 38
Emergence of megacities, 24–26
Environmental protection, 41–42
Evolution in the next thirty years, 29–30
Financing, 46–49
Future form and structure of megacities, 31–35
Impacts of the global economy, 27–28
Improving economic efficiency, 37–38
Improving governance, 35–36
Improving rural-urban linkages, 38–39
Improving transportation, 42–45
Land administration, 45–46
Market-based approaches to service provision, 36–37
Megacity management, 35
Population of Asian Megacities, 1995, 2010, 2025, chart, 30
Population of Existing and Future Asian Megacities, 1995–2025, table, 26
Providing water supply and sanitation, 39
Public-private partnerships, 37
Quality of life in megacities, 28–29
Quality of Life Indicators in Selected Present and Future Asian
Megacities, table, 29
Quality of Life Risks in Asia's Megacities, chart, 28
Reducing poverty, 38
Stages and Levels of Megacity Development, table, 32–33
Stages of Transport Development, 41–46, chart, 41
Stages of Water Supply and Sanitation Development in Asian
Megacities, chart, 41
The Bank's evolving role, 49–51
Urban and Megacity Population Growth in Asia, 1965–2025, chart, 24
Audit Committee, 182

Bangladesh
Country highlights, 131–132
Economic developments, 55–56, 70–73, 84
Bank operational data, 105–129
1996 Net Transfer of ADB
Resources to DMCs, chart, 127
1996 Technical Assistance by Sector:
Grant- and Loan-Financed, table, 108
1996 Total Cost of Projects and Sources of Financing,
chart, 111
Agriculture and natural resource sector, 108–109
Loans and Technical Assistance Grants, 1996, table, 109
Bank Operations, table, 105
Bank's role in resource transfer, 125–127
Classification of country groups, 111
Cofinancing and guarantee operations, 123–125
Economic research, 128–129
Energy sector, 109
Loans and Technical Assistance Grants, 1996, table, 109
Environment activities, 116–119
Equity investments, 105–106
Financial sector, 110–111
Grant-Financed Technical Assistance
from Other Sources, 1996, table, 125
Industry and nonfuel minerals sector, 111–112
Law and development, 127–128
Lending and Investment Modalities, 1995 and 1996, table, 105
Loan disbursements, 126, 169
New Operations Approved, 1996, chart, 107
Operations, 105–129
Private sector activities, 122–123
Private sector investment portfolio, 169–170
Private Sector Loans and Equity Investments, chart, 122
Resource Transfer to DMCs, table, 126
Sectoral Distribution of Loan Approvals
from OCR and ADF, 1996, chart, 113
Sectoral Distribution of Loan Approvals, 1993–1995 (average)
and 1996 – By Value, chart, 113
Social development activities, 119–121
Social infrastructure sector, 112–114
Loans and Technical Assistance Grants, 1996, table, 112
Sources of 1996 Loans, table, 110
Technical assistance, 106
Top Ten Borrowers, 1996, chart, 109
Top Ten Recipients of Technical Assistance Grants, 1996, chart, 108
Transport and communications sector, 114–116
Loans and Technical Assistance Grants, 1996, table, 115
Bank priorities. *See* Operational Priorities and Policies, 87–103
Benefit monitoring and evaluation, 19, 177
Bhutan
Country highlights, 132–133
Economic developments, 55, 70–73, 84

- Board Committees, 18–20
 Board of Directors, The, 17–21, 309, 311
 Board of Governors, 17, 306, 307
 Borrowings, 9, 159–161
 Budget, 17, 19, 20, 189, 310
- Cambodia
 Country highlights, 133–134
 Economic developments, 55–56, 63–65, 67, 69, 82–83
- Capacity building, 7, 13, 102
 Special studies for capacity building, 178–179
- Capital, 7, 15, 157
- Capital market, 15, 87, 159, 161
- Central Asian republics, 84–85
 Changes in Consumer Prices, chart, 75
 Current Account Balance, chart, 76
 GDP Growth Rates, chart, 75
 Kazakhstan, 55–56, 75–76, 84–85
 Kyrgyz Republic, 55–56, 75–76, 85
 Uzbekistan, 55–56, 75–76, 85
- China, People's Republic of
 Changes in Consumer Prices, chart, 61
 Country highlights, 134–135
 Current Account Balance, chart, 62
 Economic developments, 53, 55–56, 60, 82
 GDP Growth Rates, chart, 61
- Cofinancing, 9, 15, 123–126
 Projects Involving Cofinancing. *See* Table 15 of Statistical Annex, 270
- Complementary Financing Scheme (CFS), 125
- Contract awards, 9, 168–169
 Contract Awards and Disbursements, chart, 169
- Contracts Awarded. *See* Tables 20–30 of Statistical Annex, 273–285
- Cook Islands
 Country highlights, 135
 Economic developments, 77–81, 85
- Country classification, 111
- Country Highlights, 131–155
- Credit lines, 8
- Crosscutting issues, 108
- Debt
 Total External Debt and Debt-Service Ratio, 1993–1995. *See* Table 8 of Statistical Annex, 259
- Developing member countries
 Classification of country groups, 111
 Economic Developments in DMCs, 53–85
- Disbursements, 9. *See also* Loan disbursements, 159, 169
- Economic. *See* Tables 1–8 of Statistical Annex, 252–259
 Consumer prices, 58, 79
 Developing economies, 55
 Domestic policies, 62
 External trade, 76
 Global economy, 53
 Gross domestic product growth, 53
 Industrial economies, 53
 Inflation, chart, 53
- Economic Development in DMCs, 53–85
 Central Asian republics, 75–76, 84–85
 China, People's Rep. of and Mongolia, 60–62, 82
- Economic data of DMCs. *See* Tables 1–8 of Statistical Annex, 252–259
 Economic Indicators of ADB DMCs and Rest of Developing World, table, 54
 Growth in Export Volumes, chart, 56
 Growth in Import Volumes, chart, 56
 Index of Commodity Prices, chart, 55
 Industrial economies, 53–55
 Inflation, chart, 53
 Major Interest Rates, chart, 56
 Newly industrializing economies, 81–82
 Outlook for 1997, 81–85
 Overview, 55–56
 Pacific DMCs, 79–81, 85
 South Asia, 69–75, 84
 Southeast Asia, 62–69, 82–83
 World Economic Growth Rates, chart, 53
- Economic research, 128–129
- Education. *See* Social Infrastructure
 Education projects approved in 1996, 112–114
- Energy sector, 109
 Loans and Technical Assistance Grants, 1996, table, 109
 Per Capita Commercial Energy Consumption, 1992–1994. *See* Table 4 of Statistical Annex, 255
- Environment
 Environment activities, 116–119
 Environmental policies and priorities, 101–102
 Environmental protection, 13
- Equity, 8, 15, 105–106
- Export credit agencies. *See* Cofinancing
- Fiji
 Country highlights, 136
 Economic developments, 77–80, 85
- Finance
 Borrowings, 159–161
 Financial intermediaries, 122–124, 159
 Financial management, 157
 Financial policies, 129
 Financial ratios, 157
 Financial sector, 110–111
 Financial Statements, 191–249
 Former ADB Presidents and Vice-Presidents. *See* Appendix 7, 315
- Funds
 Authorized capital, 157
 Borrowings, 159
 Special Funds, 163
- General capital increase
 Fourth General Capital Increase (GCI IV), 157
- Governance, 19, 89
- Government and government-guaranteed loans, 105
- Grant assistance, 125
- Growth
 Estimates of Real GDP Growth Rate, 1986–1996
 and Per Capita GNP, 1995. *See* Table 1 of Statistical Annex, 252
 Gross Domestic Product Growth Rates, charts, 57, 61, 63, 71, 75, 78
- Guarantee operations, 123–125
- Health and population. *See* Social Infrastructure, 96, 112–114
- Hong Kong

- Economic developments, 56–59, 81
- Human development, 87, 91–92, 96, 99, 119, 129
- Human resource management, 185
- Human resource strategy, 7, 185
 - Staff development programs, 185
 - Women professional staff, 186
- Income
- Gross income, 158
 - Income and Expenses – Ordinary Capital Resources, table, 158
 - Investment portfolio, 161
 - Net income, 157, 158
- India
- Country highlights, 136–137
 - Economic developments, 55–56, 70–75, 84
- Indonesia
- Country highlights, 137–138
 - Economic developments, 55–56, 63–69, 82–85
 - Metropolitan JABOTABEK, 26
- Industry and nonfuel minerals sector, 111–112
- Inflation, 71–72
- Informal sector, 27
- Information, dissemination of, 128
- Information disclosure policy, 13, 102
- Information technology, 185, 187
- Inspection function, 13, 20
- Institutional development, 18
- Institutional representation, 18
- Interest rates
- Major Interest Rates, chart, 56
- Internal audit, 182–183
- International Monetary Fund (IMF), 89
- Investments
- ADF investments, 165
 - Investment authority, 161
 - Investment costs of postevaluated projects, 174
 - Investment portfolio, 161
 - Investments in women, 94
 - Liquid asset investments, 161
 - OCR investments, 161
 - Rate of return, 158, 161
- Involuntary resettlement, 94, 120
- Japan
- Economic development, 53–55
 - Japanese Representative Office, 7, 18, 186
- Japan Special Fund (JSF). *See* Table 41 of Statistical Annex, 304
- Review of activities, 166
- Kazakhstan
- Country highlights, 139
 - Economic developments, 55–56, 75–76, 84
- Kiribati
- Country highlights, 139–140
 - Economic developments, 77–81
- Korea, Republic of
- Country highlights, 140
 - Economic developments, 55–60, 81
- Kyrgyz Republic
- Country highlights, 140–141
 - Economic developments, 55, 75–76, 85
- Lao People's Democratic Republic
- Country highlights, 141–142
 - Economic developments, 55, 63–69, 83
- Law and development, 127–128
- Lending, 17, 105
- 1996 Loans by Category, chart, 9
 - Approvals, 8, 105
 - Bank's annual lending portfolio, 102
 - Credit lines, 8
 - Disbursements, 126, 159
 - Quick-disbursing program loans, 11
 - Engineering loans, 8
 - Government and government-guaranteed loans, 8, 105
 - Lending and Investment Modalities, 1995 and 1996, table, 105
 - Lending modality, 8
 - Lending Rates, 158, table, 159
 - Loan Approvals, 159, chart, 8
 - See also* Tables 9–14 of Statistical Annex, 260–268
 - Three-Year Moving Averages, 1968–1970 – 1994–1996, chart, 8
 - Loan disbursements, 126, chart, 9
 - Loan disbursements and repayments, 159, 169
 - Loans by Sector, 1996, table, 7
 - Market-based loan window, 159, 160
 - Multiproject loans, 11
 - Private sector lending, 159
 - Program lending, 88
 - Program lending policy, 18, 89
 - Project loans, 89
 - Public sector, 106
 - Public sector lending and the environment, 117–119
 - Rates, 158
 - Sector loans, 89
 - Status of OCR loans, 159
- Lending by country. *See* Country Highlights, 131–155
- Lending by sector, 15
- Agriculture and natural resources, 108–109
 - Energy, 109
 - Financial, 110–111
 - Industry and nonfuel minerals, 111–112
 - Loans by Sector, 1996, table, 7
 - Multisector and others, 101, 107
 - Performance Classification by Sector, 1996, table, 174
 - Sectoral Distribution of Loan Approvals, 1993–1995 (average) and 1996 – by Value, chart, 113
 - Sectoral Distribution of Loan Approvals from OCR and ADF, 1996, chart, 113
 - Social infrastructure, 112–114
 - Transport and communications, 114–116
- Liquid asset investments, 161
- Loan disbursements, 126, 169
- Loan Disbursements, 1995 and 1996, table, 171
 - Private sector, 169–170
- Loan products, 158–159
- Loan window, 158, 160
- Malaysia
- Country highlights, 142–143
 - Economic developments, 55–56, 62–69, 83
- Maldives
- Country highlights, 143
 - Economic developments, 55–56, 70–74, 84

- Marshall Islands
 Country highlights, 143–144
 Economic developments, 77–80, 85
- Medium-Term Strategic Framework, 87, 173
- Megacities. *See* Asian Megacities, 23–51
- Member countries. *See* inside back cover
- Micronesia, Federated States of
 Country highlights, 144
 Economic developments, 77–80, 85
- Migration, 23, 28. *See also* Asian Megacities, 23–51
- Mongolia
 Country highlights, 144–145
 Economic developments, 53, 55–56, 60–62, 82–85
- Multicurrency loans, 158, 159
- Myanmar
 Country highlights, 145
 Economic developments, 63–69, 82–85
- Nauru
 Country highlights, 145–146
 Economic developments, 77–81
- Nepal
 Country highlights, 146
 Economic developments, 55–56, 70–75, 84–85
- Net income, 9, 157, 161
 Financial ratios, 157
 Income and expenses, 158
- Net transfer of resources, 9, 125
 1996 Net Transfer of ADB Resources to DMCs, chart, 127
- New Zealand, 79
- Newly industrializing economies, 56–60, 81–82
 Changes in Consumer Prices, chart, 58
 Current Account Balance, chart, 59
 GDP Growth Rates, chart, 57
 Hong Kong, 56, 58–59
 Korea, Republic of, 57–60
 Singapore, 57–60
 Taipei, China, 57–60
- Nongovernmental organizations (NGOs), 13, 95, 109
 Cooperation with NGOs, 95
- Office of Pacific Operations, 19
- Operational Highlights, 15
- Operational priorities and policies, 87–103
 Environment, 101–102
 Policy initiatives and policy support, 88–91
 Social dimensions, 91
 Social infrastructure, 96–101
 Strategic framework and operational agenda, 87–88
 Support for capacity building and governance, 102–103
- Operational strategy of ADB DMCs. *See* Country Highlights, 131–135
- Operations, 105–129
 Cofinancing and guarantee operations, 123–125
 Economic research, 128
 Environment activities, 116–119
 General operations, 17
 Law and development, 127–128
 Private sector activities, 122–123
 Project approvals, 105–106
 Review of operations, 106–116
 Technical assistance, 106–108
- Ordinary Capital Resources (OCR), 8, 17, 105, 157–161
- Organisation for Economic Co-operation and Development (OECD), 56, 58, 81
- Overseas Economic Cooperation Fund (OECF), 121, 124
- Pacific developing member countries, 7, 56, 77–81, 85
 Changes in Consumer Prices, chart, 79
 Cook Islands, 78–79
 Current Account Balance, chart, 80
 Fiji, 78–80
 GDP Growth Rates, chart, 78
 Kiribati, 78–80
 Marshall Islands, 78–80
 Micronesia, Federated States of, 78–80
 Nauru, 78–80
 Papua New Guinea, 78–80
 Solomon Islands, 78–80
 Tonga, 78–80
 Tuvalu, 78–80
 Vanuatu, 78–81
 Western Samoa, 78–81
- Pakistan
 Community model schools, 92
 Country highlights, 147–148
 Economic developments, 55–56, 70–75, 84–85
- Papua New Guinea
 Country highlights, 148
 Economic developments, 77–81, 85
- Participatory approaches to development, 92, 95–96
- Philippines, 64
 Country highlights, 148–149
 Economic developments, 55–56, 63, 66–67, 82–83
 Manila, 7, 24, 26, 29
 Rural microenterprise finance, 90
- Policy
 Bank's policy on program lending, 87
 Cofinancing strategy and guarantee policy, 123
 Human resource development policy, 18
 Internal policy development, 18
 Involuntary resettlement, 94
 Operational policy, 18
 Policy agenda, 89
 Policy dialogue, 87, 89
 Policy initiatives and policy support, 88–91
 Policy papers, 94
 Policy review, 7
 Private sector development, 98
 Program lending, 7, 88–91
 Report of the Task Force on Improving Project Quality, 92
- Policy dialogue of ADB DMCs. *See* Country Highlights, 131–135
- Population, 12. *See* Health and Population
- Portfolio
 Portfolio Distribution by Sector, 1996, table, 169
 Portfolio performance reviews, 168
- Postevaluation, 9, 173–183
 Action Plan, 180
 Annual Performance Evaluation Program, 180–181
 Bank Systems for Managing Project Performance, 177
 Economic and social benefits of projects, 174, 176
 Feedback of postevaluation findings, 180
 Impact evaluation studies, 9, 173, 176–177

- Interagency cooperation, 181–182
 Investment costs of postevaluated projects, 174
 Performance Classification by Investment Cost and Loan Disbursed, table, 173
 Performance of Postevaluated Projects by Sector and Approval Period:
 All Countries, charts, 181
 Group A, B, C Countries, charts, 178–180
 Postevaluation Approach and Project Classification, 175
 Postevaluation reports, 19
 Project performance audit reports, 173–175, 177
 Reevaluation studies, 9, 173
 Regional conference, 181
 Special studies, 9, 173, 178–179
 Strengthening postevaluation capabilities of DMCs, 179–180
 Technical assistance performance audit reports, 173
 Poverty, 12
 Consultative Group to Assist the Poorest (CGAP), 121
 Poverty reduction, 87, 92–93. *See also* Social Dimensions
 Prices
 Changes in Consumer Prices, 1994–1996. *See* Table 3 of Statistical Annex, 254
 Consumer price index, 58, 61, 65, 71–72
 Index of Commodity Prices, chart, 55
 Private Sector
 Build-operate-own/build-operate-transfer (BOO/BOT), 122
 Direct private sector loans, 8
 Equity investments, 105–106, 122, 123
 Participation in water supply development, 48, 102
 Private sector activities, 122–123
 Private sector investment portfolio, 169–170
 Private Sector Loans and Equity Investments, chart, 122
 Private sector projects approved in 1996, 122. *See also* Tables 16–19 of Statistical Annex, 271–272
 Private sector strategy, 122
 Strategy for Bank's assistance for private sector, 20
 Project Implementation of ADB DMCs. *See* Country Highlights, 131–155
 Projects
 Annual Performance Evaluation Program, 180
 Classification of Projects
 by Objective, 1993–1996, table, 88
 Private sector projects approved in 1996, 122
 Project activities, 7
 Project and program administration, 167–170
 Project approvals, 105–106
 Project implementation, 167. *See* County Highlights, 131–155
 Project performance audit reports (PPARs), 9, 173–175
 Project preparation, 15
 Project quality, 128
 Seminars on Project Implementation and Administration, 1996, table, 168
 Total Cost of Projects, chart, 111
 Total cost of projects, 106
 Publications, ADB, 316–318
 Record, The, 14
 Regional Cooperation, 7, 87, 102
 East ASEAN growth area, 128
 Greater Mekong, 19, 127
 Regional activities, 15
 Regional conference, 181
 Regional development, 11
 Regional resource center, 10
 Subregional cooperation, 102
 World Trade Organization, 127
 Reorganization of Controller's Department, 189
 Representative Offices/Resident Missions, 18–19, 186
 Cambodia Resident Mission, 18, 187
 European Representative Office, 7, 18, 187
 Japanese Representative Office, 7, 18, 186
 North American Representative Office, 187
 Viet Nam Resident Mission, 18, 187
 Reserve
 International reserves and ratio of reserves to imports, 1994–1996.
 See Table 6 of Statistical Annex, 258
 Special reserve, 158, 161
 Resource Transfer, 125–127
 Resource Transfer to DMCs, table, 126
 Resources
 1996 Net Transfer of ADB Resources to DMCs, chart, 127
 Bank's role in resource transfer, 125
 Net Transfer of Resources to DMCs. *See* Tables 36–38 of Statistical Annex, 299–301
 Ordinary capital resources, 157–161
 Resource mobilization, 126
 Resource Transfer to DMCs, table, 126
 Special Funds resources, 163
 Total net flows of financial resources to DMCs, 1993–1995,
 See Table 7 of Statistical Annex, 258
 Saving
 Domestic saving, capital formation, and resource gap as percentage of GDP, 1994–1996. *See* Table 2 of Statistical Annex, 253
 Sector loans, 89
 Sectoral activities, 15
 Agriculture and natural resources, 108–109
 Energy, 109
 Financial, 110–111
 Industry and nonfuel minerals, 111–112
 Multisector, 15
 Others, 15
 Social infrastructure, 112–114
 Transport and communications, 114–124
 Seminars on Project Implementation and Administration, 1996, table, 168
 Singapore
 Economic developments, 55–56, 58–60, 81
 Social development activities, 119–121
 Social dimensions, 91–96, 119
 Cooperation with NGOs, 95
 Human development, 96, 119
 Participatory approach to development, 95
 Poverty reduction, 92, 108, 119, 121
 Protection of vulnerable groups, 94
 Women in development, 94, 119, 120
 Social infrastructure, 96, 112–114
 Education, 98, 112
 Health and population, 99, 112
 Lending to the social infrastructure sector, 1996, 112
 Loans and Technical Assistance Grants, 1996, table, 112
 Multisector, 101
 Urban development, 113

- Urban development and housing, 100, 113
 Water supply and sanitation, 99, 113
- Solomon Islands
 Country highlights, 150
 Economic developments, 77–81, 85
- South Asia, 69–85
 Bangladesh, 70–73
 Bhutan, 70–73
 Changes in Consumer Prices, chart, 72
 Current Account Balance, chart, 73
 GDP Growth Rates, chart, 71
 India, 70–72, 74
 Maldives, 70, 72–74
 Nepal, 71–74
 Pakistan, 71–74
 Sri Lanka, 71–73, 75
- Southeast Asia, 62–69
 Cambodia, 64–65, 67, 69
 Changes in Consumer Prices, chart, 65
 Current Account Balance, chart, 66
 GDP Growth Rates, chart, 63
 Indonesia, 63, 65–67
 Lao PDR, 64–65, 67, 69
 Malaysia, 63, 65–66, 68
 Myanmar, 65–67, 69
 Philippines, 64–66, 68
 Thailand, 64–66, 68
 Viet Nam, 65–67, 69
- Special Funds, 163–166
 Asian Development Fund, 163, 302
 Japan Special Fund, 166, 304
 Technical Assistance Special Fund, 165–166, 303
- Special studies, 178–179
- Sri Lanka
 Country highlights, 150–151
 Economic developments, 55–56, 70–73, 75, 84
- Strategic framework and operational agenda, 17, 87
- Strategic objectives
 Classification of Projects by Objective, 1993–1996, table, 88
- Taipei, China
 Economic developments, 57–60, 81–82
- Task Force on Improving Project Quality, 19, 92, 173, 180
- Technical Assistance, 8, 15, 17, 20, 106. See also Tables 31–35 of Statistical Annex, 286–298
 1996 Technical Assistance by Sector:
 Grant- and Loan-Financed, table, 108
 Grant-Financed Technical Assistance from Other Sources, 1996, table, 125
 Technical Assistance Grants, chart, 9
- Technical Assistance Grants by Sector, 1967–1996, chart, 106
 Technical Assistance Grants by Sector, 1996, chart, 106
 Technical Assistance Loans by Sector, 1996, chart, 106
 Technical Assistance Performance Audit Reports, 9, 175–176
 Technical Assistance Special Fund, 15, 106, 163, 165–166
 Top Ten Recipients of Technical Assistance Grants, 1996, chart, 108
- Technical assistance by country. See Country Highlights, 131–135
- Technical assistance completion report, 9
- Thailand
 Country highlights, 151–152
 Economic developments, 55–56, 62–70, 82–83
- Three-Year Rolling Work Program and Budget Framework, 17
- Tonga
 Country highlights, 152
 Economic developments, 77–80, 85
- Trade
 Current Account Balance, charts, 59, 62, 66, 73, 76, 80
 Foreign Trade, 1994–1996. See Table 5 of Statistical Annex, 256
 Growth in Export Volumes, chart, 56
 Growth in Import Volumes, chart, 56
 Ratio of Reserves to Imports. See Table 6 of Statistical Annex, 257
- Transport and communications sector, 114–124
 Loans and Technical Assistance Grants, 1996, table, 115
- Tuvalu
 Country highlights, 152–153
 Economic developments, 77–81
- United Nations, 23, 99, 118, 121, 125
 Urban development, 96, 100, 112, 113
- Uzbekistan
 Country highlights, 153
 Economic developments, 55–56, 75–78, 85
- Vanuatu
 Country highlights, 153–154
 Economic developments, 77–81, 85
- Viet Nam
 Country highlights, 154–155
 Economic developments, 55–56, 63, 66–69, 82–83
- Water, 112
 Private sector participation, 48, 102
 Water supply and sanitation, 113
- Western Samoa
 Country highlights, 155
 Economic developments, 77–80, 85
- Women in development, 94, 119, 120
- World Bank, 89, 121, 186
- World Economic Growth Rates, chart, 53

PHOTO CREDITS: Richie Abrina, pages 22 (bottom left agriculture, bottom right traffic), 38, 42, 44, 86, 90, 165, and 186; Joe Cantrell, pages 166 and 172; Michael DeMetre, page 156; Ricky Francisco, page 52; Ian Gill, pages 20 and 116; Carola Molitor, page 120; Larry Ramos, inside front cover; Rollie del Rosario, pages 6, 16, 22 (top, bottom left street scene, middle, bottom right skyline), 70, 91, 94, 100, 162, and 184; and Takeshi Takahara, pages 11, 34, 96, 104, 114, and 130.



1003025719

Members

(Year of Membership)

Afghanistan	(1966)	Micronesia, Federated States of	(1990)
Australia	(1966)	Mongolia	(1991)
Austria	(1966)	Myanmar	(1973)
Bangladesh	(1973)	Nauru	(1991)
Belgium	(1966)	Nepal	(1966)
Bhutan	(1982)	Netherlands	(1966)
Cambodia	(1966)	New Zealand	(1966)
Canada	(1966)	Norway	(1966)
China, People's Republic of	(1986)	Pakistan	(1966)
Cook Islands	(1976)	Papua New Guinea	(1971)
Denmark	(1966)	Philippines	(1966)
Fiji	(1970)	Singapore	(1966)
Finland	(1966)	Solomon Islands	(1973)
France	(1970)	Spain	(1986)
Germany	(1966)	Sri Lanka	(1966)
Hong Kong	(1969)	Sweden	(1966)
India	(1966)	Switzerland	(1967)
Indonesia	(1966)	Taipei, China	(1966)
Italy	(1966)	Thailand	(1966)
Japan	(1966)	Tonga	(1972)
Kazakhstan	(1994)	Turkey	(1991)
Kiribati	(1974)	Tuvalu	(1993)
Korea, Republic of	(1966)	United Kingdom	(1966)
Kyrgyz Republic	(1994)	United States	(1966)
Lao People's Democratic Republic	(1966)	Uzbekistan	(1995)
Malaysia	(1966)	Vanuatu	(1981)
Maldives	(1978)	Viet Nam	(1966)
Marshall Islands	(1990)	Western Samoa	(1966)

Asian Development Bank

6 ADB Avenue, Mandaluyong City
0401 Metro Manila, Philippines

Postal Address: Asian Development Bank
P. O. Box 789
0980 Manila, Philippines

Telephone: (63-2) 632-4444

Facsimile: (63-2) 636-2444

Telex: 63587 ADB PN (ETPI)
29066 ADB PH (RCA)

Internet Address: adbhq@mail.asiandevbank.org

Treasurer's Department

Direct Telex: 29086 ADBTRES PH
66427 ADBTRES PN
42075 ADBTRES PM

Facsimile: (63-2) 632-4707
(63-2) 632-4131

SWIFT Address: ASDB PH MM

Bangladesh Resident Mission

BSL Office Complex
Second Floor, Sheraton Hotel Annex
1 Minto Road, Ramna
Dhaka 1000, Bangladesh
Tel. No. (880-2) 933-4017 to 22
Telex No. (780) 642736 ADB BJ
Facsimile (880-2) 933-4012
Inmarsat-A Tel. No. (873) 1545176
E-mail: adbbrm@mail.asiandevbank.org

Cambodia Resident Mission

93 Preah Norodom Boulevard
Phnom Penh, Cambodia
Tel. No. (855-23) 725805
(855-23) 725806

Facsimile (855-23) 725807

India Resident Mission

37 Golf Links
New Delhi 110 003, India
P.O. Box 3019, Lodi Road HPO
New Delhi 110 003, India
Tel. No. (91-11) 469-2578/469-2589
Telex No. (8131) 74099 ADB IN
Facsimile (91-11) 463-6175
E-mail: adbinrm@mail.asiandevbank.org

Indonesia Resident Mission

Gedung BRI II, 7th Floor
Jl. Jend Sudirman Kav. 44-46
Jakarta 10210, Indonesia
P.O. Box 99 JKSA
Jakarta Pusat, Indonesia
Tel. No. (62-21) 251-2721
Telex No. (73) 65018 ADB IA
Facsimile (62-21) 251-2749
Inmarsat-A Tel. No. (873) 1545201
(872) 1545201
E-mail: adbirm@mail.asiandevbank.org

Nepal Resident Mission

Srikunj Kamaladi Ward No. 31
Block 2/597, Ka. Na. Pa.
Kathmandu, Nepal
P.O. Box 5017 K.D.P.O.
Kathmandu, Nepal
Tel. No. (977-1) 227779/227784/
220305/229091
Telex No. (891) 2639 ADB NP
Facsimile (977-1) 225063
Inmarsat-A Tel. No. (873) 1545205
E-mail: adbnrm@mail.asiandevbank.org

Pakistan Resident Mission

Overseas Pakistanis Foundation (OPF) Bldg.
Sharah-e-Jamhuriyat
G-5/2, Islamabad, Pakistan
GPO Box 1863
Islamabad, Pakistan
Tel. No. (92-51) 825011 to 17
826101 to 02
826107
Facsimile (92-51) 823324/274718
Inmarsat-A Tel. No. (873) 1545174
E-mail: adbprm@mail.asiandevbank.org

South Pacific Regional Mission

La Casa di Andrea, Kumul Highway
P.O. Box 127
Port Vila, Vanuatu
Tel. No. (678-2) 3300
Telex No. (771) 1082 ADB NH
Facsimile (678-2) 3183
Inmarsat-A Tel. No. (872) 1545207
E-mail: adbsprm@mail.asiandevbank.org

Viet Nam Resident Mission

(Temporary Address)
c/o State Bank of Viet Nam
Room 401, 16 Tong Dan St.
Hanoi, Viet Nam
Tel. No. (84-4) 824-5908
Facsimile (84-4) 824-6171

European Representative Office

Rahmhofstrasse 2-4
60313 Frankfurt am Main
Germany
Tel. No. (49-69) 92021488
Facsimile (49-69) 92021499
E-mail: adbero@mail.asiandevbank.org

Japanese Representative Office

Second Floor, Yamato Seimei Bldg.
1-7 Uchisaiwaicho 1-Chome
Chiyoda-ku, Tokyo 100, Japan
Tel. No. (81-3) 3504-3160
Facsimile (81-3) 3504-3165
E-mail: adbjo@mail.asiandevbank.org

North American Representative Office

1730 Pennsylvania Avenue NW
Suite 975
Washington, DC, 20006, USA
Tel. No. (202) 626-0050
Facsimile (202) 626-0055
E-mail: adbnaro@mail.asiandevbank.org

