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**ASIAN DEVELOPMENT BANK**  
**ANNUAL**  
**REPORT**  
**1971**





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**ASIAN DEVELOPMENT BANK  
MANILA**

24 February 1972

Dear Mr. Chairman:

With respect to Article 39 of the Articles of Agreement of the Asian Development Bank and in accordance with Section 13 of the By-Laws of the Bank, I submit to the Board of Governors, on behalf of the Board of Directors, the enclosed Annual Report on the operations and policies of the Bank in 1971, including a separate report on the activities of the Special Funds of the Bank. The Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,

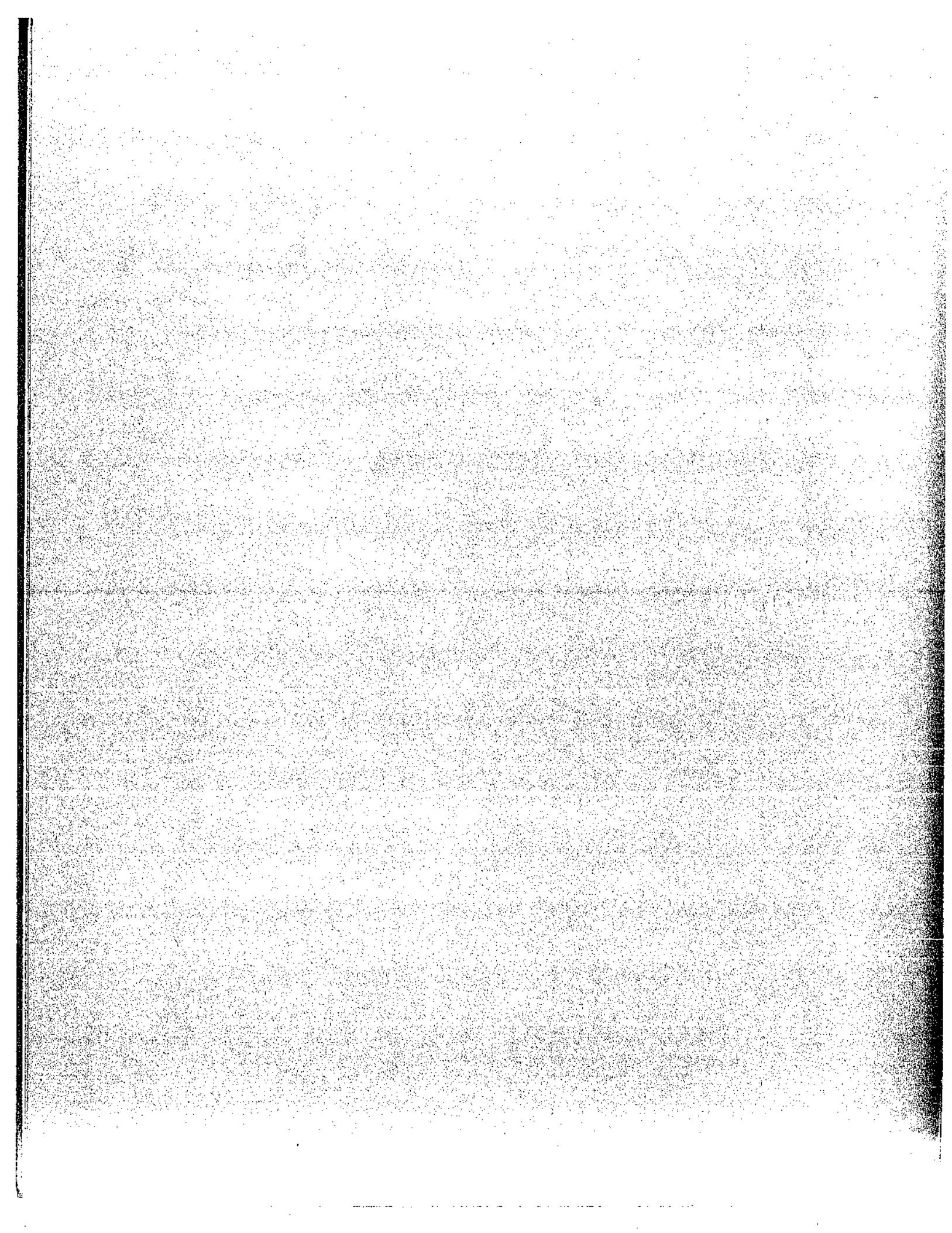
*Takeshi Watanabe*

TAKESHI WATANABE  
President and  
Chairman of the Board of Directors

Chairman  
Board of Governors  
Asian Development Bank

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## **INTERNATIONAL BACKGROUND**

1971 was generally a difficult year for the developing member countries of the Asian Development Bank. Efforts to cope with the ever-present and continuing problem of sustaining an accelerated rate of development, formidable enough in itself, were subject to major strains and setbacks. Concurrently, foreign assistance increased marginally while the external debt service payments due on existing debt became more pressing. Armed conflict, insurgency and political upheaval absorbed scarce resources and impeded development activity in some countries; the Bank's regional members in general were not immune from the effects of the convulsions

in the international monetary system and adjustments will need to be made in the light of new values of the major trading currencies.

The events of 1971 that will undoubtedly have serious repercussions for the developing member countries have cast a shadow of uncertainty over the future of their economies. The consequences of the impending enlargement of the European Economic Community, the effect of generalized trade preferences for the products of developing countries, the efforts of the major powers to disengage from their military involvements in Asia and the uncertainty over foreign assistance programs are all of great significance for the region, but as yet their precise effects are unpredictable.

### **Note**

Where United States dollar equivalents have been given in this Report, the par values, provisional or parity rates existing before 18 December 1971 have been used.

## THE YEAR IN BRIEF

For the Bank itself, the outstanding event of 1971 was the decision by the Board of Governors to increase the authorized capital stock by 150 per cent from \$1,100 million to \$2,750 million. The increase in capital becomes effective upon 100,000 shares being subscribed by 30 September 1972. The final date for payment of the first instalment of subscription is 6 April 1973. The addition in capital will permit lending operations to grow by more than 10 per cent per annum over the next four years without damage to the Bank's liquidity position or over-dependence on borrowing.

The ability to raise funds in the capital markets is, of course, of vital importance to the Bank's future and the foundations for future borrowing on a sustained and more substantial scale were further strengthened during the year. The Bank borrowed \$121.7 million equivalent in 1971 by marketing five public issues aggregating \$101.7 million equivalent in Austria, Belgium, Japan, Switzerland and United States, as well as by private placement of \$20 million bonds with central banks and government agencies in the region.

In other respects, the past year—the Bank's fifth—was essentially one of consolidation. A high rate of lending was maintained; loan approvals reached \$254 million, about 40 per cent of total loan approvals since the first loan was made in January 1968. Electric power in 1971 accounted for 41.5 per cent of the total lending; industry, including indirect lending through industrial development banks—18.2 per cent; transport and communications—17.4 per cent; agriculture, including irrigation and fisheries—10.8 per cent; and water supply—12.1 per cent.

A feature of importance in the context of the difficult debt-servicing problem of many regional developing countries has been the growing share of concessional lending from Special Funds resources in the Bank's operations. Special Operations in 1971 accounted for 12 out of the total 28 loans approved

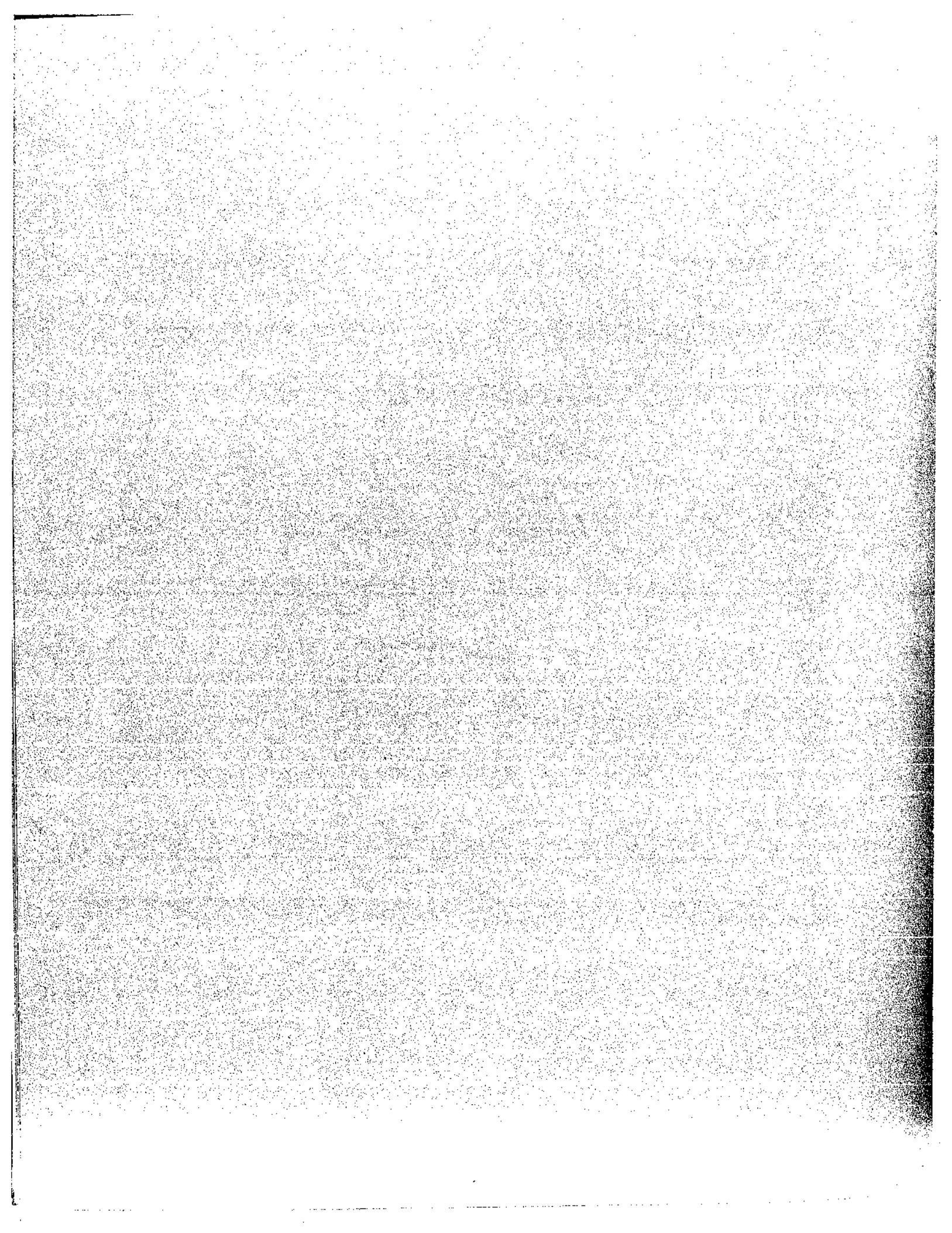
compared with 10 out of a total of 32 loans in 1970. Of the 13 countries which were active borrowers in 1971 eight received concessional loans totalling \$51.5 million.

Apart from its primary task of providing loan funds for development, the Bank continued to provide technical assistance for project preparation and other project-oriented purposes. Fifteen projects were approved during the year at an estimated cost of \$1,536,000.

Two new capital contributions to the Bank's Special Funds resources were received during the year: 66.8 million Deutsche mark (\$18.2 million) from the Federal Republic of Germany payable in four annual instalments, and 10.8 billion yen (\$30 million) from Japan. Both contributions were made to the Multi-Purpose Special Fund, the Bank's main source of funds for concessional lending. The Multi-Purpose Special Fund was further strengthened by the "setting-aside" of an amount of \$9.9 million from the Bank's capital. The Technical Assistance Special Fund received new contributions from seven countries. Two other countries further extended the arrangements under which contributions were made in earlier years.

Important stages were reached during the year in several major undertakings of regional significance: the Regional Transport Survey—covering seven countries but with much wider potential benefit—was completed; a study of "Southeast Asia's Economy in the 1970's" was published in November; a study of the Coconut Industry in the region was commissioned. Arrangements were made whereby the Bank will be in a better position in future to cooperate in the development of the Mekong Basin.

With the admission in April of the Territory of Papua and New Guinea, the membership increased to 36. This broadening of the Bank's international character was reflected in the recruitment of staff: with the addition in 1971 of 32 professional officers and 30 non-professional staff, the number of nationalities represented increased from 31 to 34.



In 1971 the Bank continued to review, as necessary, policy matters relating to its lending operations. In connection with the proposals for an increase in the capital stock of the Bank, various policy issues including interest rate, commitment charge, coverage of commitments by resources and loans in local currency were examined by the Bank.

### **Selection of Projects**

The operations of the Bank consist principally of financing specific projects, with a view to fostering economic growth in and cooperation among the developing member countries. The limited resources available to the Bank in comparison with the needs of its developing members require a careful and judicious selection of projects. A general review of a country's economic development, with emphasis on the national and sectoral development programs and prospects, is therefore a prerequisite to the selection of projects. After confirming that a project is located in a sector which justifies investment, the Bank undertakes economic evaluation of the project. Only those projects with sufficient economic justification will be considered for financing. The Bank would also have to be satisfied with the overall financial arrangements for the projects, and in the case of a revenue-earning project, an appropriate financial return will have to be achieved. Needless to say, the project to be chosen by the Bank should be sound in technical, organizational and managerial aspects. In this connection, it may be mentioned that the Bank provides technical assistance, either on a reimbursable or non-reimbursable basis, to help its developing member countries identify and prepare projects.

No particular economic sector is singled out for special emphasis in the process of project selection; sound investment opportunities may be available in any branch of the economy but the requirements of a country's current development strategy may lead to concentration at times in a particular area. Nevertheless, it is expected that over a period, the range of the Bank's operations in different economic sectors would be substantially diversified.

In its approach to the selection of projects for financing from Special Funds, similar criteria have been used as for projects financed from the ordinary capital resources of the Bank. Generally, projects are selected which have a distinct and justifiable priority in the development plans of the countries concerned, and which could generate substantial economic benefits even if these would not always be translated into corresponding financial or foreign exchange returns.

There is no predetermined country allocation for the Special Funds loans. The general guideline followed by the Bank has been that no developing member country should be denied access to such loans. While in the main, recipients have been the less-developed of the developing member countries, Special Funds loans have also been made for projects related to agricultural development, communications, infrastructure and technical education in other developing member countries.

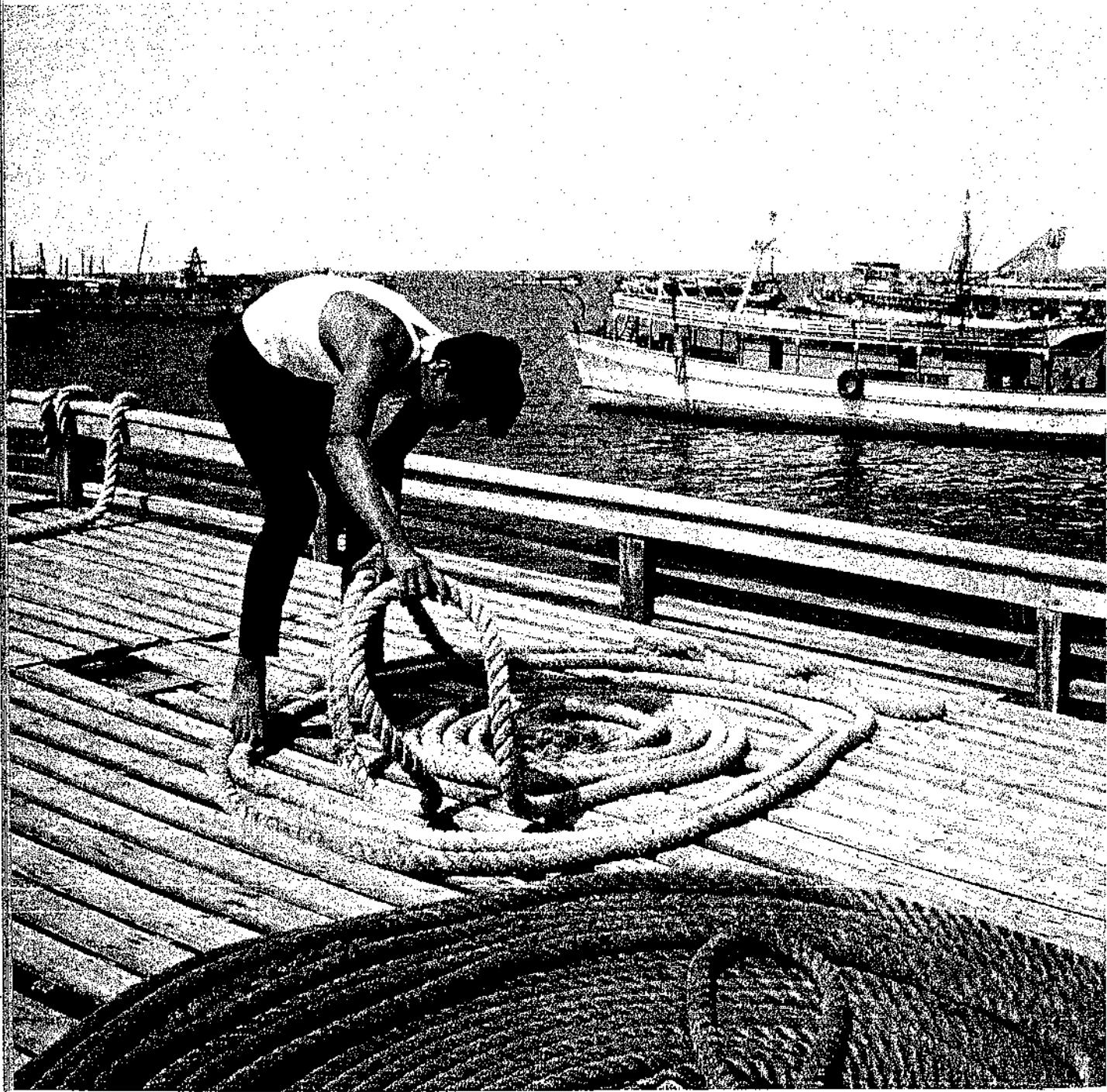
Based on the experience gained in Special Operations, a study was prepared on the criteria for the use of Special Funds resources for consideration by the Board of Directors early in 1972.

### **Interest Rate**

The Bank has endeavored to keep the interest rate on its loans from ordinary capital resources as low as possible in view of its role as a development financing institution and the needs of the developing member countries. It is to be kept in mind, at the same time, that earning capacity is important in order to build up adequate reserves and to achieve the financial soundness without which it would be difficult to raise additional resources in the world capital markets at reasonable cost. Apart from maintaining a reasonable balance between these two objectives, it is also important to keep the Bank's lending rate sufficiently compatible with the rate charged by other international financing institutions operating in the region. Based on these considerations, the Bank's lending rate of 7-1/2 per cent per annum was maintained in 1971.

### **Commitment Charge**

The Bank levies a commitment charge on undisbursed portions of loans from ordinary capital resources. The rate of commitment charge, initially fixed at 3/4 of one per cent per annum, was lowered to 1/2 of one per cent per annum in May 1970, as indicated in the Annual Report for 1970. Towards the end of 1970 and during the year 1971, the Bank's loan operations expanded rapidly which also necessitated sizeable borrowing by the Bank in capital markets. The average cost of these borrowings was significantly higher than the average return to the Bank on investments of borrowed funds pending their use in loan disbursements. The short-term and long-term interest rate structure in the major capital markets in the last months of 1971 also indicated the likelihood of a continuing—and possibly widening—gap between high borrowing costs and lower investment returns. In view of this, it was decided in December 1971 to restore the commitment charge



*Philippines: Improvement and expansion of Navotas Fisheries Port will be assisted by a Bank loan.*

to the original level of 3/4 of one per cent per annum to be applied to loans from ordinary capital resources approved after 1 January 1972. In fixing the rate at this level the Bank also gave due consideration to the need to minimize the burden on its borrowers as well as the desirability of maintaining reasonable comparability with similar charges levied by other international development financing institutions.

#### **Loan Administration**

The rapid growth in the Bank's loan portfolio calls for greater attention to loan administration. As the implementation of the various projects gathers momentum, problems appear in some projects and these are dealt with by frequent consultations with borrowers as well as continuous close supervision and follow-up by the staff. The organizational structure appropriate to handle this task, at this stage, has been established.

In 1971 forty-nine review missions to 14 countries covering 51 projects were mounted. These missions

have enabled the staff to conduct useful discussions with clients in overcoming problems connected with the conditions to be met for loans to become effective, recruitment of consultants, preparation of tender documents, issuance of invitations to bid, evaluation of bids, project organization and management and fulfillment of covenants incorporated in the loan documents. The missions have also enabled the Bank to assess the actual physical progress of project construction and to provide on-the-spot solutions to implementational problems. As a result of these efforts, delays in completing the various legal, administrative or other conditions required before loans become effective have been greatly reduced. In addition, the rate of procurement of goods and services and the rate of loan withdrawals have improved: the total value of contracts awarded in 1971 was \$56,254,370 while disbursements amounted to \$48,726,301. Percentages of disbursements to the end of 1971 for (i) loans approved and (ii) loans that became effective in each of the years 1968 to 1971 are given below.

#### **(i) Percentage of Disbursements to Amount of Loans Approved**

Year	Number of Loans	Amount of Loans Approved (\$ Million)	Of (3) Amount of Disbursements by end of 1971 (\$ Million)	Percentages of Disbursements to Loan Amounts Approved
(1)	(2)	(3)	(4)	(5)
1968	6	41.200	32.584	79.09%
1969	20	98.100	35.943	36.64%
1970	31	245.133	6.295	2.57%
1971	28	254.030	.304	.12%

#### **(ii) Percentage of Disbursements to Amount of Loans Which Became Effective**

Year	Number of Loans	Amount of Loans Which Became Effective (\$ Million)	Of (3) Amount of Disbursements by end of 1971 (\$ Million)	Percentages of Disbursements to Loan Amounts Which Became Effective
(1)	(2)	(3)	(4)	(5)
1968	4	21.000	16.167	77.00%
1969	9	56.390	32.830	58.22%
1970	15	73.983	20.911	28.26%
1971	41	286.190	5.218	.182%

Cumulative disbursements at the end of 1971 were just under 20 per cent and 50 per cent of loans

approved and loans which became effective, respectively, in the years 1968, 1969, and 1970.

## LOANS BY COUNTRY

### APPROVALS IN 1971

Country/Borrower	Project	Amount (\$ Million)	Date Approved	Term (Years) inc. Grace Period	Interest (%)
<b>FROM ORDINARY CAPITAL RESOURCES</b>					
CEYLON Ceylon	Mineral Sands	4.150	11 November	15 (5)	7-1/2
CHINA, REPUBLIC OF Taiwan Power Company	Li-Wu Chi Hydroelectric Power Development	0.500	18 May	10 (2)	7-1/2
China Development Corporation Republic of China	Financing Private Industries Taipei-Yangmei Freeway (Terminus Sections)	7.500	28 September	15 (3)	*
Taiwan Power Company	Power Transmission and Distribution (Second)	13.600	25 November	20 (3)	7-1/2
		22.500	7 December	19 (3-1/2)	7-1/2
KOREA, REPUBLIC OF Republic of Korea Medium Industry Bank	Seoul Water Supply Financing Small and Medium Industries (Second)	8.800	30 March	20 (3)	7-1/2
Korea Electric Company Republic of Korea	Power Transmission and Distribution (Second) Andong Dam Multi-Purpose Development	15.000	12 August	15 (3)	*
		10.600	26 August	20 (3)	7-1/2
		22.000	16 December	27 (7)	7-1/2
MALAYSIA Malaysia Malaysian Industrial Development Finance Berhad	Kuala Lumpur-Karak Highway To meet the medium-and long-term credit requirements of private industries	13.400	2 November	25 (5)	7-1/2
		15.000	16 December	15 (3)	*
PHILIPPINES Republic of the Philippines National Power Corporation	Fisheries Port	4.500	4 March	18 (4)	7-1/2
	Mindanao Power	23.400	2 November	25 (5)	7-1/2
SINGAPORE Port of Singapore Authority Public Utilities Board	Singapore Port Expansion and Warehousing Power Transmission and Distribution	8.100	2 September	22 (5-1/2)	7-1/2
		15.470	7 September	15 (3)	7-1/2

\* At the rate prevailing at the time of crediting the loan account.

Country/Borrower	Project	Amount (\$ Million)	Date Approved	Term (Years) inc. Grace Period	Interest (%)
<b>THAILAND</b>					
Metropolitan Electricity Authority	Metropolitan Electricity Authority Power Distribution	18.000	2 December	20 (3)	7-1/2
<b>FROM SPECIAL FUNDS RESOURCES</b>					
CEYLON Ceylon	Communications Satellite Earth Station	3.600	19 August	20 (4)	3
<b>INDONESIA</b>					
Republic of Indonesia	North Sumatra Rubber and Oil Palm	7.410	25 March	30 (7)	2-1/2
Republic of Indonesia	Bank Rakjat Indonesia Modernization	3.400	11 May	25 (7)	2-1/2
Republic of Indonesia	Pontianak Power	4.600	6 July	25 (7)	2-1/2
Republic of Indonesia	Sempor Dam and Irrigation	9.200	2 December	25 (7)	2-1/2
Republic of Indonesia	West Sumatra Power Supply	7.100	7 December	25 (7)	2-1/2
<b>LAOS</b>					
Kingdom of Laos	Vientiane Power Distribution	3.370	6 May	25 (5)	1-1/2
<b>NEPAL</b>					
Kingdom of Nepal	Kankai Irrigation	4.500	14 December	25 (7)	2-1/2
<b>PHILIPPINES</b>					
Republic of the Philippines	Fisheries Port	1.000	4 March	18 (4)	3
<b>TERRITORY OF PAPUA AND NEW GUINEA</b>					
Administration of the Territory of Papua and New Guinea	For relending to the private sector by the Papua and New Guinea Development Bank	4.500	14 December	15 (3)	3
<b>VIET-NAM, REPUBLIC OF</b>					
Republic of Viet-Nam	Binh Dinh Irrigation	2.500	16 December	30 (7)	2-1/2
<b>WESTERN SAMOA</b>					
Independent State of Western Samoa	Beef Cattle Pilot Farm	0.330	27 May	30 (10)	1-1/2

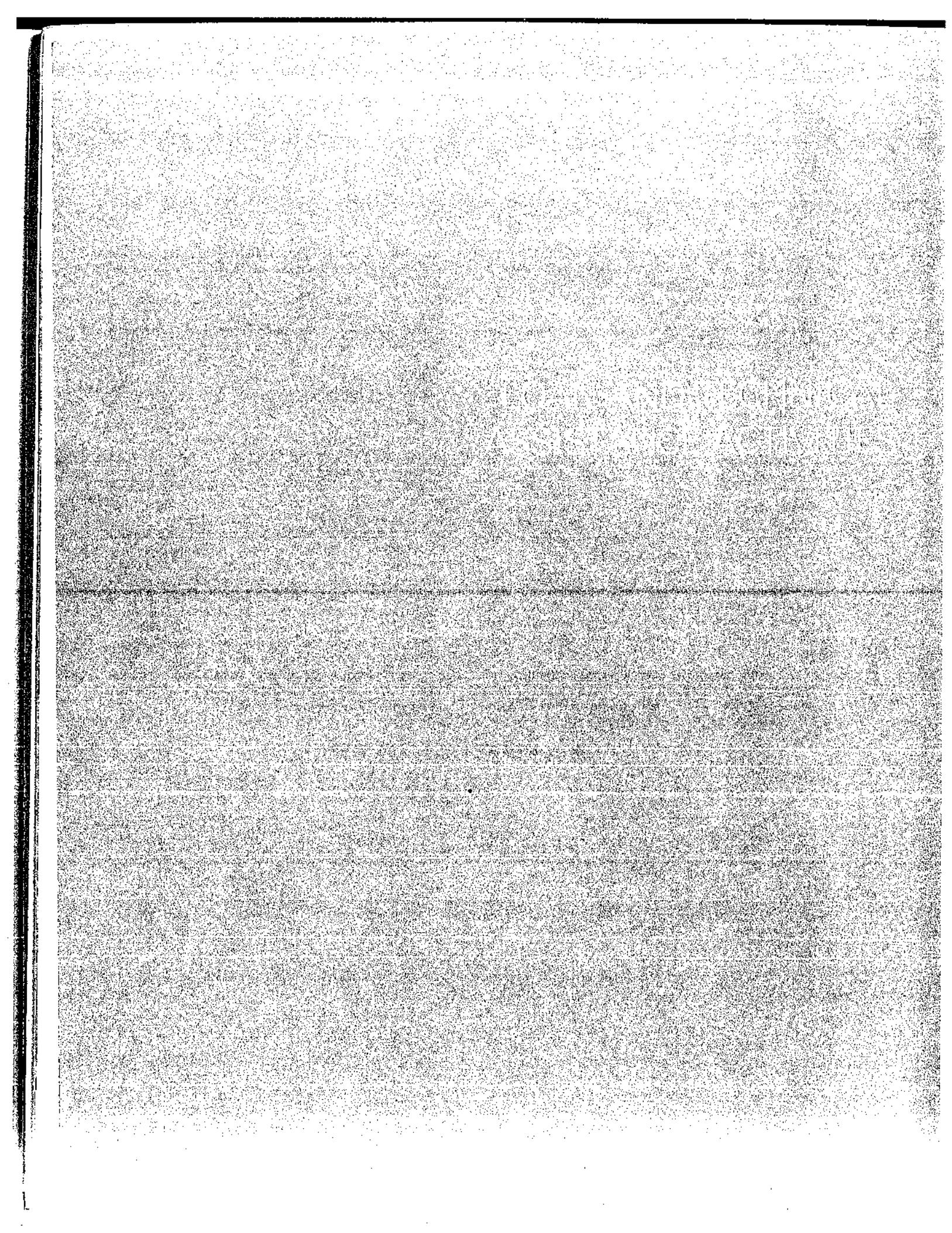
**SERVICES TO MEMBER COUNTRIES (TECHNICAL ASSISTANCE)  
BY COUNTRY**

**APPROVALS IN 1971**

Country	Project	Date Approved	Amount (\$)
<b>PROJECT PREPARATION</b>			
AFGHANISTAN	Balkh River Irrigation Kama Irrigation	4 November 4 November	202,000 127,000
CEYLON	Oleo Chemical	25 January 14 September	( 21,500 ( 3,800
INDONESIA	Electric Power Development in West Irian Market Survey of West Irian Timber	27 May 19 November	85,000 45,000
NEPAL	Chitwan Valley Development	19 October	242,000
PHILIPPINES	Feasibility Study for Improvement of Iligan-Cagayan de Oro-Butuan Road Cotabato Port Development	9 February 25 November 19 October	(214,000 ( 8,000 245,000
WESTERN SAMOA	Feasibility Study of Power Supply	16 March	64,000
			<u>1,257,300</u>
<b>ADVISORY AND OPERATIONAL</b>			
CEYLON	Mineral Sands ILO-Sponsored Comprehensive Employment Strategy Mission	11 November 16 March	50,000 7,000
INDONESIA	North Sumatra Rubber and Oil Palm	25 March	90,000
PHILIPPINES	Fisheries Port	4 March	71,000
SINGAPORE	Improvement of the National Accounts	20 January	34,700
Additional amount for Development Financing Institutions Project in Republic of Viet-Nam (initially approved in July 1968) approved on 9 February			<u>26,000</u>
			<u>278,700</u>
	<b>TOTAL</b>		<b>1,536,000</b>

**REGIONAL ACTIVITIES**

Project	Date Approved	Amount (\$)
Asian Industrial Survey (Contribution)	4 March	200,000
Coconut Industry Study	18 February	50,000
Nong Khai/Vientiane Bridge between Laos and Thailand— Evaluation Study	19 January	95,000
Panel Meeting on Development Bank Training Facilities	10 December	25,000
		<u>370,000</u>



The Bank continued to expand its lending operations in 1971. Twenty-eight loans totalling \$254 million were approved during the year compared with 32 loans of \$245.6 million in 1970. The loans were spread over 13 countries, including the Territory of Papua and New Guinea which received its first loan from the Bank.

Since lending from Special Funds resources began in mid-1969 there has been a continued increase in the volume of Special Operations, reflecting the extent of the need for concessional finance in the developing member countries. In the year under review 12 loans totalling \$51.5 million were committed as against 10 loans of \$33.7 million in 1970. Eight countries—Ceylon, Indonesia, Laos, Nepal, the Philippines, Territory of Papua and New Guinea, Republic of Viet-Nam and Western Samoa—received Special Funds loans. In the case of one project—for a fisheries port in the Philippines—ordinary and Special Funds loans were blended.

As the table below shows, cumulative loan approvals at the end of 1971 stood at 85 loans totalling \$638.5 million, comprising 57 loans for \$531.3 million from ordinary capital resources and 28 loans for \$107.2 million from Special Funds resources.

A wide range of development activities was financed by the Bank in 1971, including for the first time a project for a multi-purpose dam, a com-

munications project and an animal husbandry project. Electric power development absorbed the largest portion of the Bank's lending—41.5 per cent. Industry, including indirect lending through industrial development banks, accounted for 18.2 per cent; transport and communications for 17.4 per cent; water supply for 12.1 per cent; and agriculture for 10.8 per cent. Cumulative approvals as at the end of 1971 showed a more even spread over the various sectors. Loans to industry, both direct and through the intermediary of industrial development banks, had the largest share with 32 per cent; electric power accounted for 23.7 per cent; transport and communications—21.4 per cent; agriculture—14.4 per cent; water supply—8 per cent; and education—less than 1 per cent. Aggregate lending on a sectoral basis, both for 1971 and cumulative to the end of 1971, is shown in the table on page 16.

As the Bank's lending covers only the foreign exchange cost of the various projects, the total development effort assisted by the Bank far exceeds the amount of Bank financing. It is estimated that the total cost of projects directly financed by the Bank in 1971 was \$514 million, the Bank's loans representing about 41 per cent. The provision of local currency funds is generally the responsibility of governments or the executing agencies of the projects. With respect to loans to national developments banks, local currency resources would also be required to supplement the Bank's financing.

### LOAN APPROVALS: 1968-1971

	Loans from Ordinary Capital Resources		Loans from Special Funds Resources		Total Loans	
	Amount (\$)	Number	Amount (\$)	Number	Amount (\$)	Number
1968	41,600,000	7	—	—	41,600,000	7
1969	76,095,000	14	22,005,000	6	98,100,000	20
1970	211,940,000	22	33,693,000	10	245,633,000	32
1971	202,520,000	16	51,510,000	12	254,030,000	28
1968-71	531,255,000 <sup>1</sup>	57 <sup>1</sup>	107,208,000	28	638,463,000 <sup>1</sup>	85 <sup>1</sup>

<sup>1</sup> Totals are net of cancellations and exclude \$0.4 million approved in 1968 and \$0.5 million approved in 1970 incorporated in new loans in 1970 and 1971.

## LOAN APPROVALS BY SECTOR

Sector	1971		CUMULATIVE	
	Amount (\$'000)	% of Total	Amount (\$'000)	% of Total
Agriculture	27,340	10.8	91,893	14.4
Electric Power	105,540	41.5	151,690	23.7
Industry Including Development Banks <sup>1</sup>	46,150	18.2	204,170	32.0
Transport and Communications	44,200	17.4	136,410	21.4
Water Supply	30,800	12.1	51,300	8.0
Education	—	—	3,000	0.5
<b>TOTAL</b>	<b>254,030</b>	<b>100.0</b>	<b>638,463</b>	<b>100.0</b>

<sup>1</sup> Excluding agricultural development banks.

### Technical Assistance

Considerable emphasis has been given by the Bank to its technical assistance activities in order to help developing member countries in project preparation and implementation, sectoral studies, policy formulation and institution building. Excluding regional activities 15 technical assistance projects totalling \$1.5 million were approved during 1971. These covered such economic activities as rural development, irrigation, crop plantation, timber marketing, a fisheries port, chemicals, power supply and road work, bridge and port studies.

About 80 per cent of the technical assistance commitments entered into in 1971 was for project preparation. Such technical assistance normally leads to "bankable" projects and constitutes an important source of projects in the pipeline. It is notable that among the 28 loans approved during the

year, nine originated from earlier technical assistance extended by the Bank. In addition, the Bank has continued to provide technical assistance for the implementation of loan projects as well as advisory services in certain fields of economic activity.

The Bank has provided technical assistance grants either out of its net income or from contributions to the Technical Assistance Special Fund. Technical assistance projects financed on a reimbursable basis are treated as loans. Provision has usually been made that should the technical assistance provided as a grant result in a loan from the Bank, part or all of the grant may be charged against the loan at the option of the Bank. In 1971 the Bank exercised this option in five loans which resulted from previous technical assistance.

Cumulative approvals for technical assistance, subdivided into the main economic sectors, are shown in the following table:

## SERVICES TO MEMBER COUNTRIES (TECHNICAL ASSISTANCE) APPROVALS BY SECTOR: 1971 AND CUMULATIVE 1967-1971<sup>2</sup>

Sector	1971		CUMULATIVE TOTAL 1967-1971	
	Number	Amount (\$)	Number	Amount (\$)
Agriculture	5	706,000	29	4,859,450
Development Financing Institutions	1	26,000	8	560,500
Electric Power	2	149,000	4	414,000
Industry	2	75,300	5	339,300
Transportation	3	538,000	9	1,621,000
Water Supply	—	—	1	150,000
Others	2	41,700	2	41,700
<b>TOTAL</b>	<b>15</b>	<b>1,536,000</b>	<b>58</b>	<b>7,985,950</b>

<sup>2</sup> Excluding regional projects.

### **Regional Activities**

As a regional financing institution one of the important functions of the Bank is to promote regional cooperation and development. Two regional studies were initiated in 1971—a study of the Coconut Industry in the region and an Evaluation Study of Nong Khai/Vientiane Bridge across the Mekong River between Laos and Thailand.

As a follow-up to the Conference of Development Banks held in 1969, a panel of experts is expected to meet in Manila early in 1972 to consider a program of action based on a report on development bank training facilities prepared by the Bank.

An important regional event was the completion during the year of the Regional Transport Survey which had been initiated by the Bank in October 1969 at the request of seven Southeast Asian

countries with the primary objective of providing a basis for coordinated development of transportation in these countries.

The Bank has also made a contribution to the Asian Industrial Survey which is being sponsored by the United Nations Economic Commission for Asia and the Far East.

As of the end of 1971 the Bank had been engaged in several loan and technical assistance activities in the Mekong Basin. Further activities in this area are envisaged under an arrangement with the United Nations Development Programme, the World Bank, and the Committee for Investigations of the Lower Mekong Basin whereby the Bank will act as delegated executing agent for selected agricultural pioneer projects. Regional projects, both current and completed, are listed in the following table:

### **REGIONAL ACTIVITIES COMMITMENTS: 1967-71**

	In Dollars
Asian Agricultural Survey	155,000
Asian Industrial Survey (Contribution)	200,000 <sup>1</sup>
Asian Vegetable Research and Development Center (Contribution)	300,000 <sup>2</sup>
Coconut Industry Study	50,000
Evaluation Study of Nong Khai/Vientiane Bridge between Laos and Thailand	95,000
Law Association for Asia and the Western Pacific Credit and Security Research Project	27,000
Panel Meeting on Development Bank Training Facilities	25,000
Regional Conference of Development Banks in Asia	15,000
Regional Seminar on Agriculture	56,000
Regional Transport Survey	2,903,000 <sup>3</sup>
Study of Southeast Asia's Economy in the 1970's	250,000

1 Sponsored by the United Nations Economic Commission for Asia and the Far East and estimated to cost \$617,000.

2 Participating countries—Japan, Republic of China, Republic of Korea, the Philippines, Thailand, United States, and Republic of Viet-Nam. Estimated cost for first five years—\$7.5 million.

3 Including contributions by the United States of up to \$1 million and \$1,142,530 from the United Nations Development Programme.

**LOANS BY SECTOR**  
**APPROVALS IN 1971**

Sector	Project and Country	Amount (\$ Million)
AGRICULTURE	Bank Rakjat Indonesia Modernization—Indonesia	3.400 <sup>1</sup>
	North Sumatra Rubber and Oil Palm—Indonesia	7.410 <sup>1</sup>
	Sempor Dam and Irrigation—Indonesia	9.200 <sup>1</sup>
	Kankai Irrigation—Nepal	4.500 <sup>1</sup>
	Binh Dinh Irrigation—Republic of Viet-Nam	2.500 <sup>1</sup>
	Beef Cattle Pilot Farm—Western Samoa	0.330 <sup>1</sup>
		27.340
ELECTRIC POWER	Li-Wu Chi Hydroelectric Power Development— Republic of China	0.500
	Power Transmission and Distribution (Second)— Republic of China	22.500
	Pontianak Power—Indonesia	4.600 <sup>1</sup>
	West Sumatra Power Supply—Indonesia	7.100 <sup>1</sup>
	Power Transmission and Distribution (Second)— Republic of Korea	10.600
	Vientiane Power Distribution—Laos	3.370 <sup>1</sup>
	Mindanao Power—Philippines	23.400
	Power Transmission and Distribution—Singapore	15.470
	Metropolitan Electricity Authority Power Distribution— Thailand	18.000
		105.540
INDUSTRY INCLUDING DEVELOPMENT BANKS	Mineral Sands—Ceylon	4.150
	China Development Corporation—Republic of China	7.500
	Medium Industry Bank (Second)—Republic of Korea	15.000
	Malaysian Industrial Development Finance Berhad— Malaysia	15.000
	Papua and New Guinea Development Bank— Territory of Papua and New Guinea	4.500 <sup>1</sup>
		46.150

1 Loan from Special Funds resources.

## LOANS BY SECTOR

APPROVALS IN 1971

CONTINUED

Sector	Project and Country	Amount (\$ Million)
TRANSPORT AND COMMUNICATIONS	Communications Satellite Earth Station—Ceylon	3.600 <sup>1</sup>
	Taipei-Yangmei Freeway (Terminus Sections) — Republic of China	13.600
	Kuala Lumpur-Karak Highway—Malaysia	13.400
	Fisheries Port—Philippines	4.500
	Singapore Port Expansion and Warehousing— Singapore	1.000 <sup>1</sup>
		8.100
		44.200
WATER SUPPLY	Andong Dam Multi-Purpose—Republic of Korea	22.000
	Seoul Water Supply—Republic of Korea	8.800
		30.800
	TOTAL	254.030

<sup>1</sup> Loan from Special Funds resources.

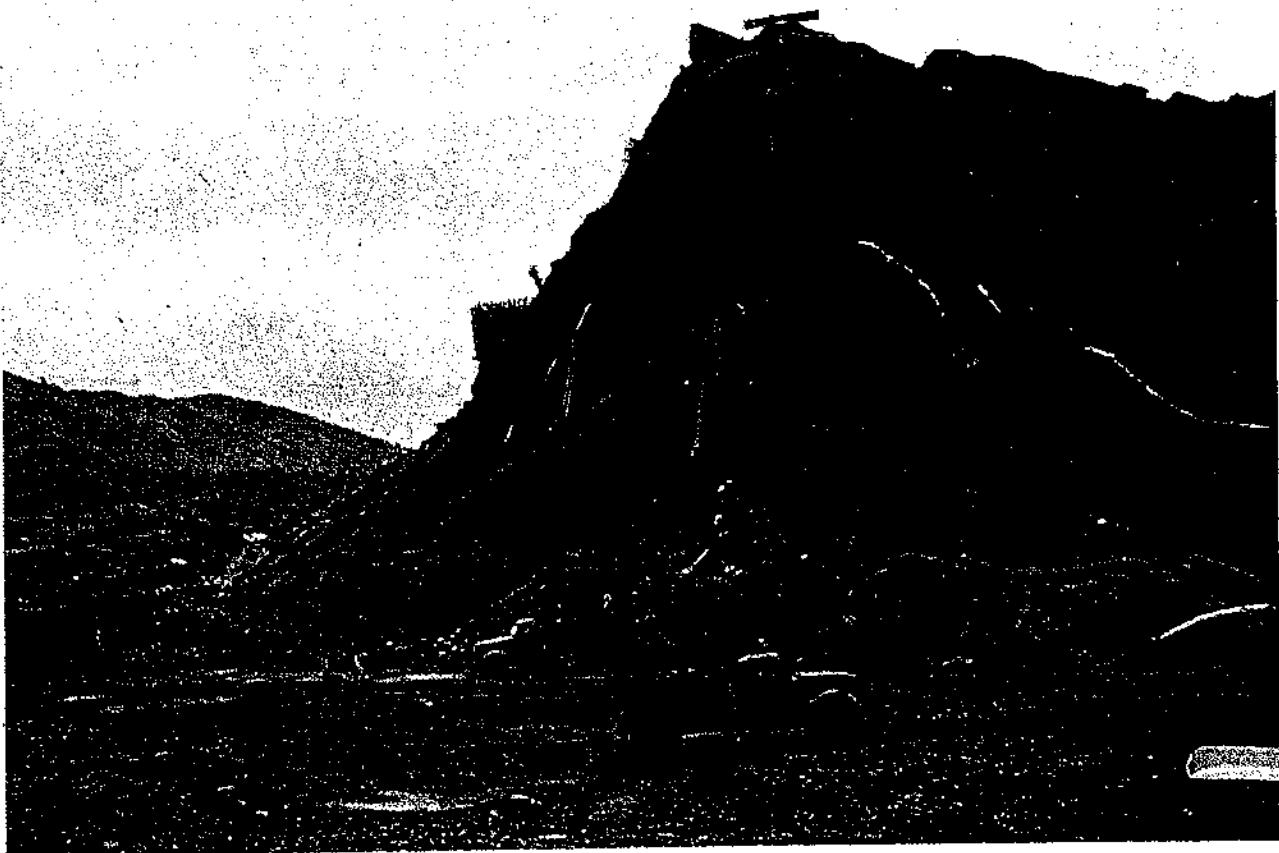
## AGRICULTURE

The agricultural sector (including forestry and fisheries) provides economic sustenance for over 70 per cent of Asia's population and accounts for almost 50 per cent of its gross annual product and an equally high proportion of export earnings.

To equip itself to work effectively in this vast and vital sector, the Bank, as its first operational activity, undertook the Asian Agricultural Survey, a study which provided a basic inventory of resources and problems of agriculture and its various subsectors, including crucial aspects of irrigation, agro-industries and rural institutions. The Bank's operations in this field have, since that time, been guided by the study as well as by subsequent developments, such as the lessened concern about food shortages as a result of advances in new technologies for rice and wheat, and the increased attention to the resulting need for crop diversification. Considerable emphasis has been placed by the Bank on water resources development—not simply the construction of major dams but also effective irrigation, drainage, flood control, crop development and water management so that the real benefit will be felt at the farm level.

Loans to the agricultural sector by the Bank have been coupled with technical assistance in various forms to a greater degree than in other sectors. As at the end of 1970, the Bank had approved for agriculture 20 loans totalling \$64.6 million plus 24 technical assistance operations. The principal areas of attention were water resources, integrated agricultural development, industrial crops, agro-industries, farm mechanization, fisheries and livestock. The technical assistance extended by the Bank to development financing institutions has often aided institutions much involved in providing agricultural credit.

In 1971 six loans totalling \$27.3 million were approved in the agricultural sector, with four countries—Indonesia, Nepal, Republic of Viet-Nam and Western Samoa—as recipients. The loans ranged from \$330,000 for a beef cattle project in Western Samoa to \$9.2 million for a dam project in Indonesia. The other loans were for a rubber and oil palm rehabilitation project, two other water resource development projects and a loan to assist in the modernization of an agricultural development bank. All six loans were given on concessional terms from the Special Funds of the Bank. In addition, the loan of \$22 million to the Republic of Korea for



*Indonesia: Preparations are under way for the construction of the Sempor Dam in Central Java.*

the multi-purpose Andong Dam will supply water for irrigation as well as for power and municipal and industrial use.

Five technical assistance projects involving grants totalling \$706,000, were approved during the year. Four of these will help in the preparation of projects for possible future financing and one is concerned with the implementation of a Bank-financed project. A study of the coconut industry in the region was also approved.

### **Loans**

**INDONESIA:** \$3,400,000 (Special Funds) for the Bank Rakjat Indonesia Modernization Project.

The purpose of the loan is to finance improvements in the overall operational efficiency of the Bank Rakjat Indonesia (BRI), as part of its current modernization plan.

BRI is the oldest rural bank in Indonesia. It is government owned and was established in its present form in 1968 with an authorized capital of 300 million rupiahs. One of its main functions is to assist the Government in carrying out its agricultural development programs. To this extent, BRI extends credits to the agricultural sector generally and also to handicrafts, rural industries and small-scale enterprise.

The Project consists of the procurement of office machines for 126 of BRI's 218 branch offices; improvement of BRI's organizational structure, ac-

counting and information systems and reporting procedures; and engagement of consultants for the project implementation. Assistance in the preparation of an agricultural credit program will also be given as part of the Project. The Project will be implemented in two stages, the first stage covering East Java and the second stage including Central and West Java, Jogjakarta and selected branches in the outer islands.

The total cost of the Project is estimated at \$4.4 million, the local currency component of which will be met by BRI and the Government.

**INDONESIA:** \$7,410,000 (Special Funds) for the North Sumatra Rubber and Oil Palm Project.

The purpose of the loan is to finance the foreign exchange cost of the rehabilitation and development of the government-owned National Estate Enterprise Perusahaan Negara Perkebunan II (PNP II) in North Sumatra.

The Project calls for the development of rubber estates by new planting of 1,663 hectares, replanting of 4,433 hectares, and regeneration of 8,815 hectares of retarded trees. It also provides for the establishment of two crumb rubber processing plants, two concentrated latex plants and rehabilitation and expansion of infrastructure facilities, including transport equipment. In addition, an entirely new oil palm estate too will be established involving the clearing of land and planting with oil palm of some 7,500

hectares of undeveloped areas and provision of related infrastructure facilities. The loan includes appropriations for the procurement of laboratory equipment for the rubber research center at Tandjung Morawa and for the engagement of consultants for project implementation.

The total cost of the Project to 1976 is estimated at \$20.8 million. The local currency cost will be met by PNP II and the Government.

**INDONESIA:** \$9,200,000 (Special Funds) for the Sempor Dam and Irrigation Project.

Following the approval in March 1969 of technical assistance for a feasibility study of the Sempor Irrigation Project, the Bank is financing the foreign exchange cost of the construction of the Sempor Dam and the improvement and expansion of the existing irrigation and drainage systems in the adjacent areas of South Central Java. The area has been cultivated with rice as the major crop, rotated with soybean and other upland crops.

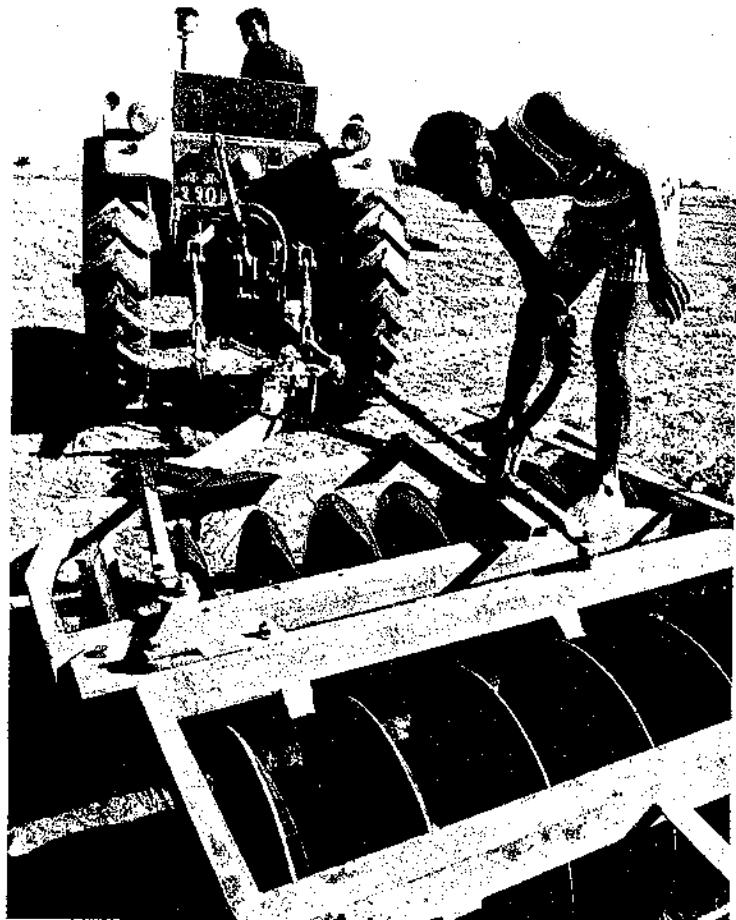
The Project consists of the construction of a 50-meter high dam and auxiliary works and improvement and expansion of irrigation and drainage systems to provide year-round irrigation of 10,690 hectares and seasonal irrigation of 5,550 hectares. Apart from contributing to the Government's efforts to achieve self-sufficiency in rice production, the Project will lead to higher incomes and living standards for nearly 50,000 farm families.

Total cost of the Project is estimated at \$16.4 million. In addition to the foreign exchange cost of \$9.1 million, \$100,000 representing part of the technical assistance grant made in 1969 is included in the loan. The Government of Indonesia will meet the local currency cost.

**NEPAL:** \$4,500,000 (Special Funds) for the Kankai Irrigation Project.

The Kankai Irrigation Project is based on a feasibility study financed by the Bank under technical assistance approved in December 1970. It will provide year-round irrigation to about 5,000 hectares of land, increasing jute and rice production and benefiting directly over 2,000 farm families.

The Project consists of the construction of a diversion weir, an intake structure, irrigation and drainage works and a road system. An agricultural sub-station is to be established in the Project area to provide the necessary agricultural extension services; supply improved seeds; undertake field experimentation; and help train extension workers and farmers in improved techniques of agricultural production.



*Nepal: The Bank has been involved in several loan and technical assistance projects in the field of agricultural development.*



*Nepal: Agricultural credit provided by the Bank will benefit farmers through improved irrigation systems.*

The total cost of the Project, which is expected to be completed by May 1976, is about \$6.9 million. The Bank's loan of \$4.5 million will cover the foreign exchange component and \$80,000 of the previous technical assistance grant. The local currency cost will be borne by the Government.

**REPUBLIC OF VIET-NAM:** \$2,500,000 (Special Funds) for the Binh Dinh Irrigation Project.

The loan is intended to finance the foreign exchange cost of a Project for irrigation rehabilitation and improvement in the coastal plain of Binh Dinh Province in central Viet-Nam and will contribute to the current Government programs for accelerating rice production and diversifying agriculture.

The Project will provide year-round irrigation to about 8,500 hectares of productive land and so

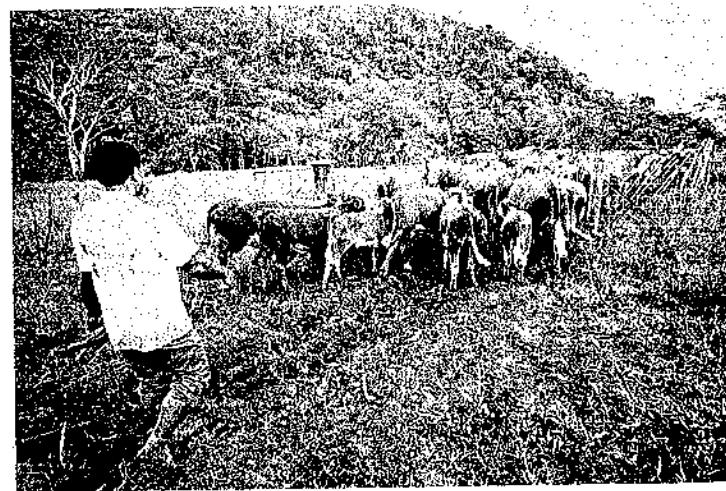
enable the farmers to shift from existing weather-dependent rice double-cropping to irrigated cultivation of two paddy crops a year in combination with other field crops such as soybean, peanuts, maize or vegetables. When completed in 1976 the Project will benefit about 14,000 farmers.

Major Project works consist of the construction of permanent diversion weirs and intakes, installation of pumping stations for higher land; and improvement and extension of irrigation and drainage canals.

The total cost of the Project is estimated at \$6 million and the local currency cost will be borne by the Government.

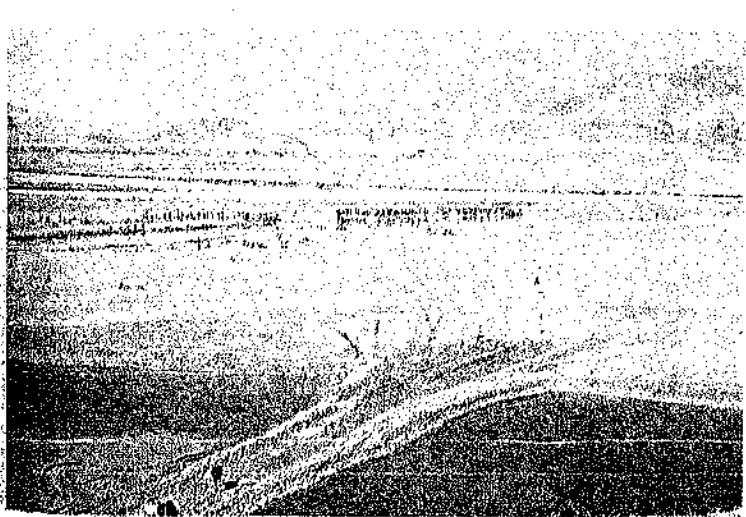
**WESTERN SAMOA:** \$330,000 (Special Funds) for the Beef Cattle Pilot Farm Project.

The purpose of the loan is to finance the foreign exchange cost of developing a 1,000-acre beef cattle pilot farm on the Island of Upolu with the objective in due course of reducing the country's dependence on imported meat. The farm will be used for conducting research into pastures, fertilizers, breeding stock and other husbandry matters related to the beef cattle industry. It will provide demonstration, extension and training facilities to beef cattle farmers and supply scientifically selected breeding



*Western Samoa: A farm worker herds cattle at a beef cattle farm.*

*Republic of Viet-Nam: A Bank mission inspects the dam at the Binh Dinh Irrigation Project area.*



stock to farmers at subsidized prices for upgrading their herds. The loan will be utilized for the importation of breeding cattle, fertilizers and other physical inputs necessary for development of the pilot farm.

The Project will be implemented in collaboration with the United Nations Development Programme and the Food and Agriculture Organization which will provide technical services and agricultural equipment valued at \$105,000.

## Technical Assistance

### AFGHANISTAN: Balkh River Irrigation Project

A technical assistance grant of up to \$202,000 was approved for the Balkh River Irrigation Project in Afghanistan. The Balkh River, located in the north of Afghanistan, provides irrigation water for about 100,000 hectares in Balkh Province and 80,000 hectares in Jozjan Province. These regions are the leading producers of important export products such as cotton, oil seed, karakul pelt, wool and fruit. At present, only one-third of the farm land receives irrigation water in any one year. The present diversion structures are farmer-built and lack any control

structures. This leads to an inequitable distribution of water. In addition, the area suffers from flood damage. These problems have been studied by various agencies and individuals but no comprehensive plan for the development of the irrigation, drainage, road network and integrated agricultural development of the area has been formulated. The proposed technical assistance is directed toward these objectives as well as an assessment of the importance of flood damage to the diversion system itself and to the agricultural lands, and to providing suggestions for remedial measures. The Balkh Canal, serving 4,500 hectares, has been selected as the pilot area for the proposed technical assistance.

### AFGHANISTAN: Kama Irrigation Project

A second technical assistance grant to Afghanistan of up to \$127,000 was approved for the Kama Irrigation Project. This is a quick-yielding and small-scale investment project, located near Jalalabad. It commands 5,500 hectares of arable land and it is proposed to extend this irrigable area depending on the findings of a soil survey. The area is capable of producing at least two crops per year and farmers claim that they could obtain marked increases in yield with adequate water supplies. Under this technical assistance project, a plan will be developed for the irrigation and drainage of the area, a soil survey will be undertaken to determine the extent of new land that is suitable for irrigation development, a program for integrated agricultural development will be proposed and a feasibility study will be undertaken.

### INDONESIA: North Sumatra Rubber and Oil Palm Project

In conjunction with the loan for the rehabilitation and development of the National Estate Enterprise Perusahaan Negara Perkebunan II (PNP II), the Bank approved a technical assistance grant of \$90,000 to cover the cost of the following: (a) visits by an expert agronomist and by an expert engineer each year from 1973 to 1976 to evaluate the progress of the Project and to suggest improvement measures after the technical experts provided for under the loan have completed their assignments; (b) an expert in accounting systems analysis to work with PNP II for six months to review the entire financial, accounting and cost system and formulate an improved system; and (c) suitable training and observation visits to successful plantations for selected management personnel in the areas of rubber cultivation, rubber processing, oil palm cultivation, oil palm processing and laboratory analysis methods.

*Afghanistan: Irrigation will bring new land under the plough in the Kama project site.*



*Laos: Engineering consultants carrying out field surveys relating to the Tha Ngon Agricultural Development Project.*

#### **INDONESIA: Market Survey of West Irian Timber**

A technical assistance grant of up to \$45,000 was approved for a market study of the timber and timber products of West Irian. The Manokwari area of West Irian has been the subject of a systematic investigation of forest resources and is the site of a sawmill and prefabricated housing unit. In recent years, however, the intake of the sawmill has been well below plant capacity due to a lack of skilled personnel to operate the plant, worn-out machinery and equipment and a severe shortage of spare parts. Before preparing plans for the rehabilitation and expansion of the Manokwari complex, however, it was deemed necessary to review the possible market outlets, especially as the two major commercial species, *Instia* and *Pometia*, differ from other tropical timbers popular in international markets. Timber export to Japan and the domestic prefabricated housing market would appear to be the most promising fields for development.

#### **NEPAL: Chitwan Valley Development Project**

A grant of up to \$242,000 was approved for the preparation of a feasibility study of an irrigation system and for the formulation of an integrated agricultural development program in the Chitwan Valley in Nepal. The Chitwan Valley, in the flat Terai region, has good prospects for agricultural development because of its fertile soil and its accessibility to internal and external markets. It is also a new settlement area. The Bank-assisted study will recommend the most suitable irrigation system for the Lohathar area covering 12,000 hectares in the Valley. The integrated agricultural development program, to be planned for both Lohathar and the adjoining 7,000-hectare Upper Khageri area, will cover soil conservation and improvement, irrigation, cropping patterns, animal husbandry, product processing, marketing, agricultural research and extension, and farm organizations and institutions. In the Upper Khageri area, the Bank's technical assistance will help also with plans for setting up a 300-hectare pilot farm involving 100 to 150 farmers.

## ELECTRIC POWER

The largest section of the Bank's lending in 1971—\$105.5 million or over 40 per cent of the total—went to the power sector.

The provision of adequate power generation, transmission and distribution facilities is a vital basis for industrial growth in a developing country, in addition to the significant demand for power for domestic and agricultural uses. It is to be expected, therefore, that international financing organizations such as the Bank will be asked to play a major role in this field.

To the end of 1970 five loans for power supply totalling \$46 million had been extended by the Bank. Two technical assistance operations in the power field—one for project preparation and the other for project implementation—had also been approved.

In 1971 the Republic of China and Indonesia each received two loans for power development. The Philippines received a loan of \$23.4 million—the largest loan for the year—for a transmission and hydropower generation project in Mindanao. Loans were also made for power projects in Republic of Korea, Laos, Singapore and Thailand and there was a substantial power element in the loan for the Andong Dam Multi-Purpose Development Project in the Republic of Korea. Technical assistance grants were extended during the year to Western Samoa and Indonesia for the preparation of power supply projects for possible future financing.

### Loans

**REPUBLIC OF CHINA:** \$500,000 for the Li-Wu Chi Hydroelectric Power Development Project.

The loan is to be used by the Taiwan Power Company (TAIPOWER) to finance the foreign exchange cost of the detailed design and preparation of tender documents for the development of the Li-Wu Chi hydroelectric facilities in Eastern Taiwan.

In order to meet the expected demand of power and to strengthen system planning, TAIPOWER has evolved a Ten-Year Power Development Program covering the period 1971-1980. The Program provides for the construction of large thermal power stations for economic generation of system base load and of hydropower plants for low cost peak load production. Detailed studies carried out for the assessment of the hydropower schemes in Taiwan show that only the 53-kilometer long Li-Wu River and the Mukua River still have untapped major hydropower

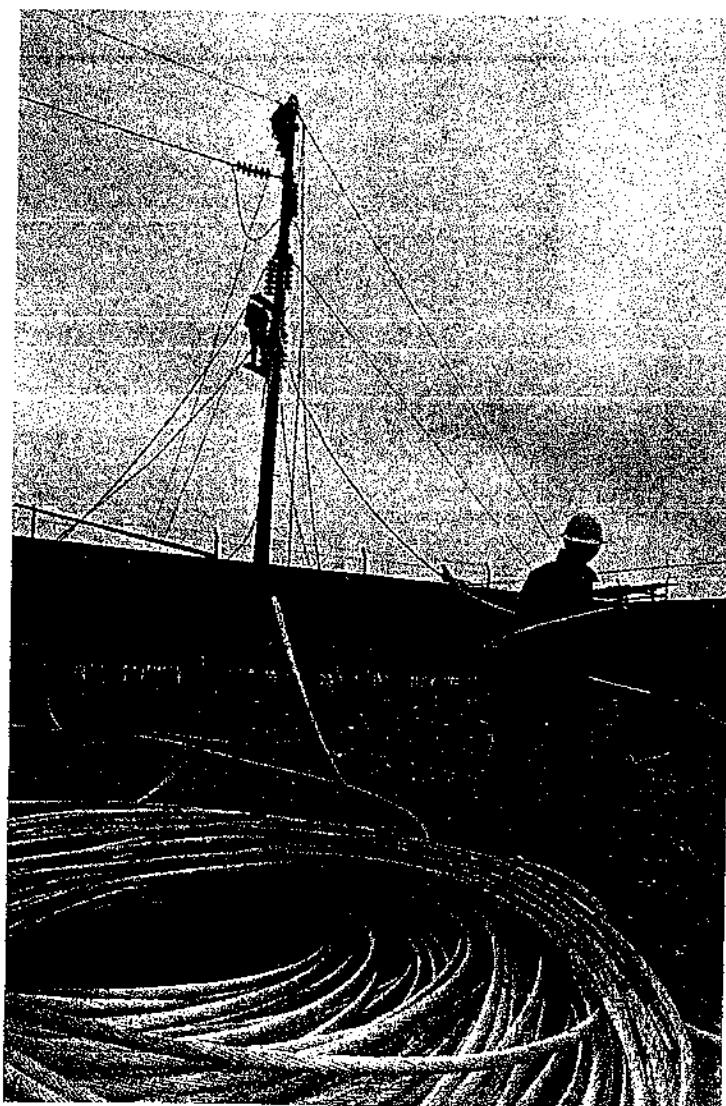
resources capable of economic exploitation. Li-Wu Chi is the more important prospect because of its high peaking potential: a peak power capacity of 240 megawatts in two separate plants with an energy production of 1,036 million kilowatt hours per annum is considered to be economically feasible.

The Project is estimated to cost \$1,020,000 of which the local currency component will be provided by TAIPOWER.

**REPUBLIC OF CHINA:** \$22,500,000 for the Second Power Transmission and Distribution Project.

The purpose of the loan is to finance the foreign exchange cost of the power transmission and dis-

*Republic of China: A Bank loan for the second power transmission and distribution project will enable the Taiwan Power Company to meet system demand at the end of 1974.*



tribution program of the Taiwan Power Company (TAIPOWER) to enable it to meet demand at the end of 1974.

In keeping with a high rate of economic growth in the Republic of China, there has been a rapid expansion of electricity demand which TAIPOWER has found difficult to satisfy. Electricity sales have been increasing at an average annual rate of over 14 per cent. A Ten-Year Power Development Program (1971-1980) has been evolved by TAIPOWER in order to meet this demand. The transmission and distribution section of this Program is divided into annual projects. In 1970, the Bank approved a loan of \$12,880,000 to TAIPOWER for power transmission and distribution to meet system demand at the end of 1973. The present Project will provide the facilities for meeting system demand at the end of 1974.

The Project entails mainly the construction and extension of 345 kilovolt, 161 kilovolt and 69 kilovolt transmission lines, construction and extension of the distribution network and provision of communications and construction equipment. Two double circuit 345 kilovolt transmission lines will connect the new nuclear power station at Chinshan in northern Taiwan with the big load center at Taipei and the 345 kilovolt north-to-south line presently under construction.

The total cost of the Project is estimated at \$66.5 million, the local currency component of which will be provided by TAIPOWER from its own resources.

#### **INDONESIA: \$4,600,000 (Special Funds) for the Pontianak Power Project.**

The loan will meet the foreign exchange cost involved in the rehabilitation and expansion of electric power generation, transmission and distribution facilities in Pontianak.

Pontianak, the provincial capital and the economic center of West Kalimantan province, is also the principal port of West Kalimantan with shipping connections to Singapore. Due to the growth in the export-oriented economy of the province, which is based on rubber, coconut and forest products, there is a serious power shortage in the capital.

The Project to be financed by the loan consists of the construction of a new power station with three diesel generating sets of four megawatts each, rehabilitation and expansion of the power distribution system and procurement of construction and maintenance equipment.

The total cost of the Project is estimated at \$6 million, the local currency component of which will be met by the Government.

#### **INDONESIA: \$7,100,000 (Special Funds) for the West Sumatra Power Project.**

The loan will meet the foreign exchange cost of power generation, transmission and distribution in Padang, the capital of the province of West Sumatra, and in the agriculturally important Bukittinggi area.

A feasibility study for this Project, including a detailed review of the Batang Agam Hydropower Project, was carried out under technical assistance approved by the Bank in 1970. The Project entails the completion of the Batang Agam hydropower plant near Bukittinggi, including the purchase of turbine generator sets with a total capacity of about 6.7 megawatts and additional diesel generating sets for Padang and Bukittinggi, the reconditioning of existing diesel sets and the complete rehabilitation and expansion of the transmission and distribution systems. Auxiliary and workshop equipment, spares and engineering and advisory services are also included.

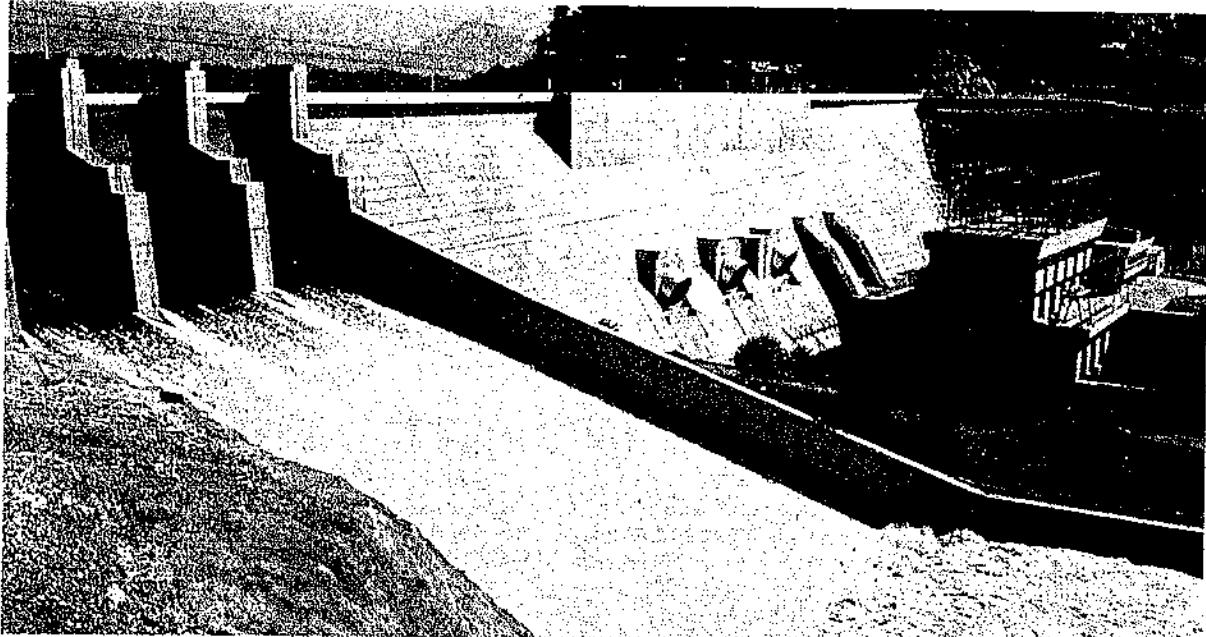
The total cost of the Project is estimated at \$9.9 million. The Bank loan will cover the foreign exchange component of \$7 million and \$100,000 of the expenditure incurred in providing technical assistance. The Government will meet the local currency requirement.

#### **REPUBLIC OF KOREA: \$10,600,000 for the Second Power Transmission and Distribution Project.**

The loan will finance the foreign exchange component of the expansion and improvement of the transmission and distribution facilities of the Korea Electric Company (KECO), a government entity and the sole supplier of electricity in Korea. This is the second Bank loan to KECO; the first loan of \$9.5 million, approved in 1970, was also for transmission and distribution facilities.

*Republic of Korea: Power facilities will be expanded with Bank assistance to the Korea Electric Company.*





*Laos: The proposed renewal and expansion of the power distribution system in Vientiane with Bank assistance will enable fuller utilization of the benefits of the Nam Ngum hydropower project shown above.*

The Project to be financed by the Bank constitutes an integral part of the rural electrification program of KECO. It entails construction of 1,246 kilometers of transmission and sub-transmission lines, 7,350 kilometers of distribution networks and eight sub-stations.

After completion in 1973, about 43 per cent—in contrast to 27 per cent in 1970—of the rural areas will then have electric power, raising living standards and increasing productivity in those areas and contributing to the dispersal of economic activity, which is an objective of the country's Third Five-Year Development Plan (1972-1976).

The total cost of the Project is estimated at \$36.9 million and the local currency cost will be met by KECO, the Rural Electrification Fund and Government sources.

**LAOS:** \$3,370,000 (Special Funds) for the Vientiane Power Distribution Project.

The loan will meet the foreign exchange cost of a scheme for the modernization and expansion of the present power distribution facilities of Vientiane City, the total cost of which is estimated at \$7.4 million. The Project consists of the construction of two major sub-stations, extension of a third sub-station, interconnection of all five major sub-stations by 22 kilovolt transmission lines, street lighting and house connection.

Power demand in Vientiane has grown rapidly—averaging 22 per cent per year since 1962—and rapid growth is expected to continue. The expansion scheme, of which the Project forms an integral part, will meet the power needs of the City of Vientiane for the next 10 years.

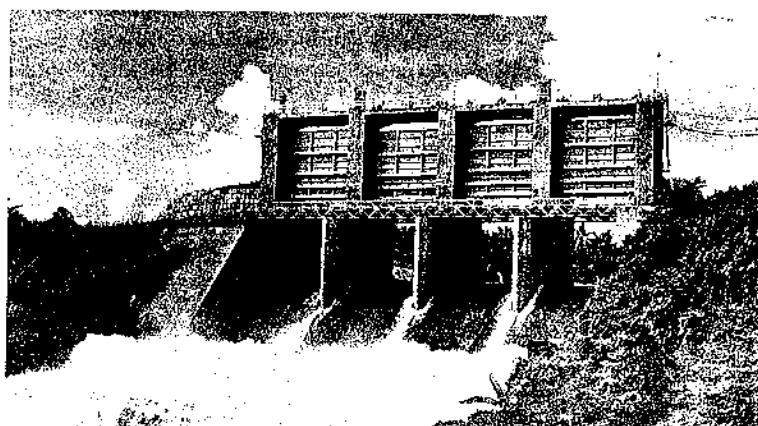
The Project is estimated to cost \$3.7 million, the local currency cost being met by the Government.

**PHILIPPINES:** \$23,400,000 for the Mindanao Power Project.

The Bank loan will finance the foreign exchange cost of the expansion of the transmission and generation systems of the National Power Corporation (NPC) in Mindanao.

The Project consists of the construction of about 850 kilometers of 138 kilovolt transmission lines, about 400 kilometers of 69 kilovolt sub-transmission lines, the necessary sub-stations and a 50-megawatt hydrogeneration unit. The transmission system will distribute low cost power generated at the Maria Cristina power station on the Agus River in north central Mindanao (and at future hydroelectric generation facilities constructed on the Agus River) to seven major load centers throughout Mindanao—Iligan, Davao, Cotabato, General Santos, Cagayan de Oro, Butuan and Aurora. The 50 megawatt hydrogeneration unit will supplement the installed 150 megawatt generating capacity at the Maria Cristina power station.

When the Project is completed in 1975, power will be available in areas where the supply is now inadequate or non-existent, thereby widening the industrial base of Mindanao and stimulating economic



*Philippines: A hydrogeneration unit to be financed by the Bank will supplement the existing capacity of the Maria Cristina power station in Iligan City.*

activity and employment. There will be an annual foreign exchange saving to the economy of about \$7 million, principally through a reduction in petroleum imports.

The total cost of the Project is estimated at \$37.8 million, the local currency component of which will be met by NPC.



*Singapore: Engineers work on the improvement of the power transmission and distribution system.*

**SINGAPORE:** \$15,470,000 for the Power Transmission and Distribution Project.

The loan will finance part of the foreign exchange component of an overall power transmission and distribution program to be undertaken by the Public Utilities Board (PUB). PUB is an autonomous body responsible for the supply of water, electricity and gas in Singapore.

The Project comprises the installation of lines for a 230 kilovolt transmission system, expansion of the 22 kilovolt and 6.6 kilovolt distribution systems (including low voltage distribution network) and supply and installation of the required 22 kilovolt transformers.

The primary objective of the Project is to expand the transmission and distribution capacities to match the prospective expansion of generation facilities after the completion of Phase II of the Jurong Power Station in 1973 and the commissioning of the first generation unit of Senoko Power Station in 1974.

The total cost of the overall scheme is estimated at \$53 million, including a foreign exchange component of \$40.8 million. The foreign exchange cost will be met partly from the loan and partly from suppliers' credits and PUB's own resources. PUB also furnishing the local currency requirements. The Project is expected to be completed by the end of 1973.

**THAILAND:** \$18,000,000 for the Metropolitan Electricity Authority Power Distribution Project.

The loan is to be used to finance the foreign exchange cost of the first phase (1972-1974) of the Third Power Distribution System Improvement and Expansion Program (1972-1976) of the Metropolitan Electricity Authority of Thailand (MEA). MEA, a statutory government corporation, is the sole distributor of electricity to Bangkok-Thonburi Metropolis and the three surrounding districts.

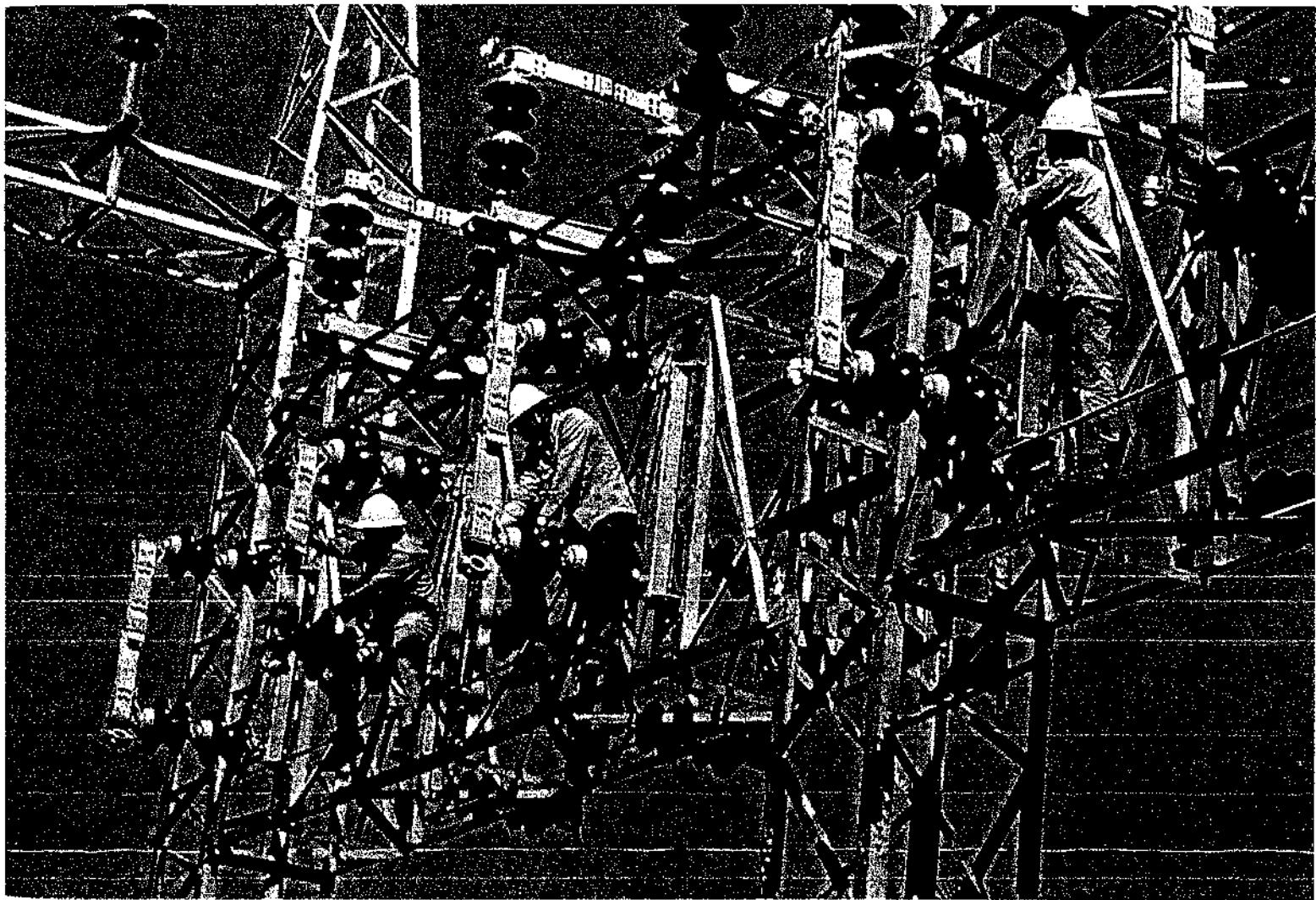
The Project consists of the construction of 10 new sub-stations and the modification and expansion of 12 existing sub-stations; the installation of transmission lines in the form of underground cables and overhead lines; the construction of distribution lines and installation of distribution transformers, power capacitors and metering equipment; and the construction of an operation center and the procurement of maintenance equipment including vehicles, mechanical equipment and tools. The Project is expected to be completed by mid-1975.

MEA purchases power from the Electricity Genera-

ting Authority of Thailand "(EGAT) which is the sole bulk producer of electric energy in Thailand. EGAT received a loan of \$19 million<sup>1</sup> from the Bank for the Power Transmission and Sub-Station Expansion Project in 1970. The loan to MEA will complement

the Bank's investment in EGAT's transmission program.

The total cost of the Project is estimated at \$35 million, the local currency component of which will be met by MEA from its own resources.



*Thailand: Metropolitan Electricity Authority workers check switching equipment at a new Bangkok substation.*

<sup>1</sup> The loan amount was subsequently reduced to \$15.8 million due to cancellation of \$3.2 million.

## INDUSTRY INCLUDING DEVELOPMENT BANKS<sup>1</sup>

The Bank has supported the industrial sectors of its developing member countries through direct lending for industrial projects and through lending to industrial development banks for re-lending to small- and medium-scale industries. By the end of 1971 32 per cent of total loan approvals by the Bank had been channeled to industrial projects.

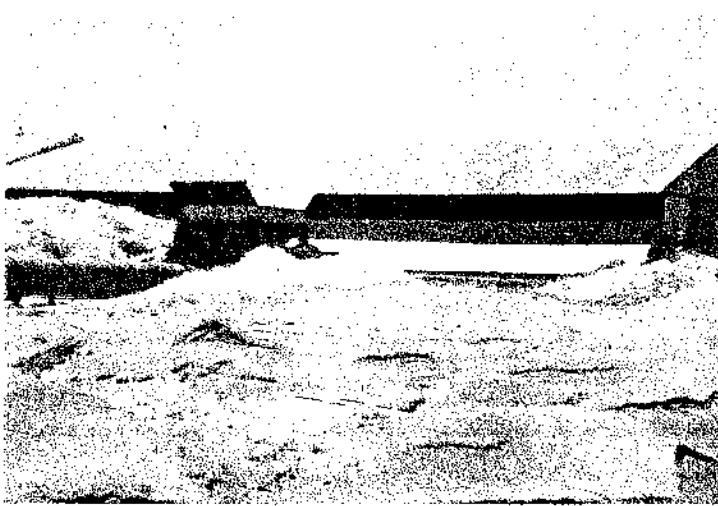
Seven loans totalling \$68 million were extended directly to the industrial sector up to the end of 1970. During 1971 a loan of \$4,150,000 plus technical assistance was extended to Ceylon to develop its mineral sands industry, while Ceylon was also the recipient of a technical assistance grant for the provision of technical and marketing advice regarding an oleo chemical project. A technical assistance grant was also approved to meet part of the cost of the Asian Industrial Survey sponsored by the United Nations Economic Commission for Asia and the Far East (ECAFE) which will lead to concrete proposals for the formulation of coordinated industrial programs and projects in the region.

The Bank's loans to industrial development banks play a vital role in promoting industrial development in those developing member countries where small- and medium-scale enterprises are the foundation of the industrialization program. The Bank lends foreign exchange to the development banks which, in turn, make the funds available to small- and medium-size enterprises in the form of sub-loans. This lending acts as a catalyst in mobilizing funds from other sources for investment and is an effective tool in generating additional employment opportunities in the country concerned. The national development banks also play a pioneering role in familiarizing the business community with modern concepts of development financing. The Bank has also made "project loans" for specific large-scale projects through industrial development banks.

At the end of 1970 the Bank had made nine loans totalling \$90 million to development banks for re-lending in five countries— Republic of Korea, Pakistan, the Philippines, Singapore and Thailand. In 1971 four loans of the credit line type totalling \$42 million were made to development banks for re-lending. The recipient countries were Republic of China, Republic of Korea, Malaysia and Territory of Papua and New Guinea.

Sub-loans from the credit line loans to industrial development banks totalled over 200 by the end of

1971. These sub-loans have assisted a wide range of small- and medium-size industries in the fields of textiles, engineering, chemicals, electrical machinery and appliances, ceramics, paper and printing, etc.



Ceylon: An integrated mineral sands processing complex is planned at Pulmoddai Beach.

### Loans

#### CEYLON: \$4,150,000 for the Mineral Sands Project.

The purpose of the loan is to finance the foreign exchange cost of the establishment of an expanded and integrated mineral sands processing complex for intensifying the exploitation of mineral sands resources at Pulmoddai beach on the northeastern coast of Ceylon.

The Pulmoddai beach mineral sands deposit is one of the richest in the world, containing about 80 per cent ilmenite and rutile, the highest natural concentration of these minerals in any known deposit. It is estimated that there are at least 3,260,000 tons of heavy mineral sands above the low water mark.

The deposit is being worked by the Ceylon Mineral Sands Corporation (CMSC) which is a state-owned corporation established by the Government in 1957. Industrial minerals from the Pulmoddai mineral sands are extracted by CMSC's two mineral dressing plants, one at Pulmoddai and the other at China Bay.

The Project provides for expansion of CMSC's plant at Pulmoddai and transfer of the China Bay

<sup>1</sup> Excluding agricultural development banks.

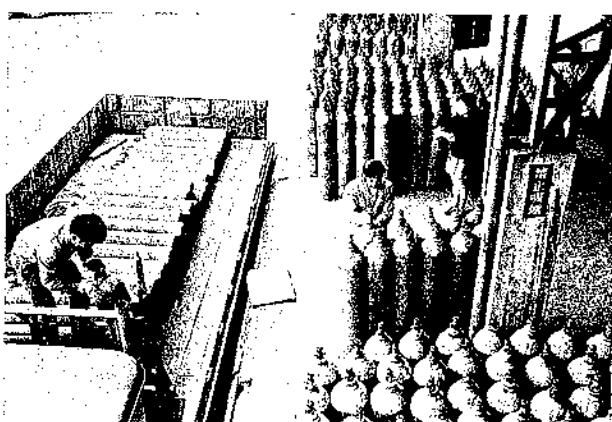
plant to Pulmoddai and the integration of the two plants. As a result, the input capacity will increase from the present 120,000-130,000 tons of raw sands per year to 220,000-230,000 tons, thereby producing an additional yearly output of about 60,000 tons of ilmenite, 11,000 tons of rutile and 9,000 tons of zircon for export. When completed in 1975, the Project will result in net foreign exchange earnings of about \$1.4 million annually.

The total cost of the Project is estimated at \$6,570,000, of which the local currency component will be met by the Government of Ceylon.

**REPUBLIC OF CHINA:** \$7,500,000 for the China Development Corporation Project.

The loan will augment the foreign exchange resources of the China Development Corporation (CDC) to enable it to meet the medium-and long-term credit requirements of private enterprises in the industrial sector.

CDC was established in May 1959 as a private financing institution to assist in the establishment,



*Republic of China: Natural gas control facility of Lien Hwa Industrial Corporation which has received a subloan out of a Bank loan to the China Development Corporation.*

modernization and expansion of privately-owned industries. Its paid-up capital is 300 million New Taiwan dollars of which 65.7 per cent is held by local private investors, 19.6 per cent by three government banks, and 14.7 per cent by two foreign banks. As of 31 March 1971, CDC had approved 480 loans totalling \$97.5 million equivalent including foreign currency loans totalling \$58.3 million and had given guarantees for a total of \$21 million. It had also

undertaken equity investment in 26 enterprises with a total commitment of \$7.7 million equivalent.

The demand for foreign loan funds on a medium-and long-term basis for the importation of capital goods for development projects in the private industrial sector is quite substantial and the proceeds of this loan are expected to be fully committed to sub-borrowers by the middle of 1972.



*Republic of Korea: Female workers on the job at Oriental Precision Co. which has received a subloan from a line of credit given by the Bank to the Korea Development Bank.*

**REPUBLIC OF KOREA:** \$15,000,000 for the Second Medium Industry Bank Project.

This loan, the second extended by the Bank to the Medium Industry Bank (MIB) of Korea, will help in promoting the development of small-and medium-scale industries in the private sector.

MIB was established by the Government in 1961 as the only national institution for supplying the financial requirements of small-and medium-scale industries, both in short-and long-term credit, and for providing specialized technical and management extension services. It has a paid-up capital of 1,860 million won and has received six foreign loans totalling \$52 million from United States, Germany, Japan as well as the Bank. Its commitments averaged \$12 million per annum in recent years.

The Bank's first loan to MIB, which was approved in December 1969, has been utilized rapidly. By 31 March 1971 MIB had approved 81 projects involving sub-loans totalling \$8 million.

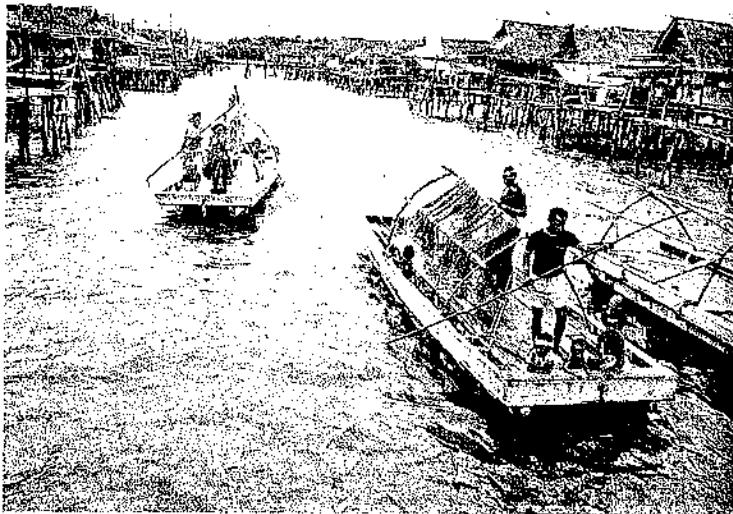
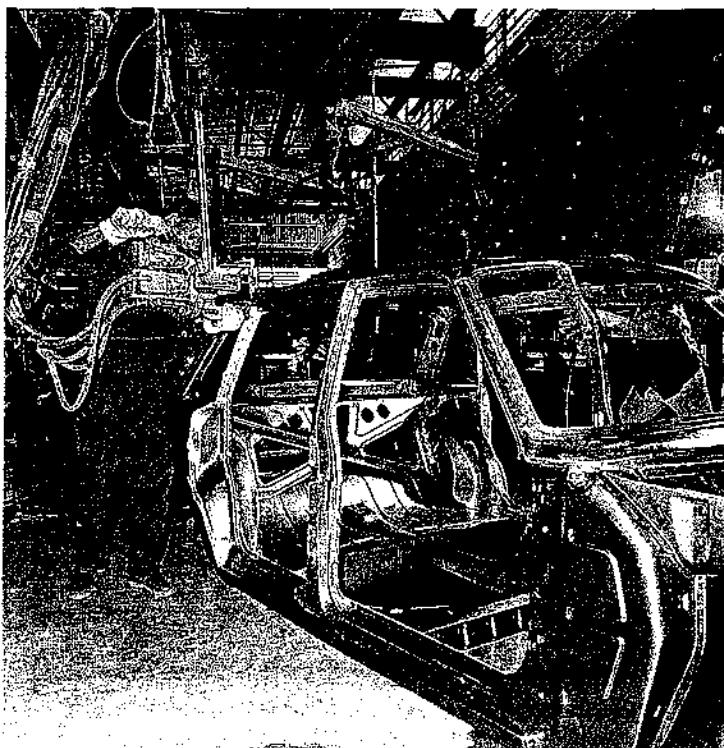
**MALAYSIA:** \$15,000,000 for the Malaysian Industrial Development Finance Berhad Project.

The loan will augment the foreign exchange resources of the Malaysian Industrial Development Finance Berhad (MIDF) for re-lending to private industrial enterprises.

MIDF is the principal institution in Malaysia promoting industrial development by providing medium- and long-term financing. It was established in 1960 on the initiative of the Government. MIDF's current paid-up capital is 34.7 million Malaysian dollars, of which 50.4 per cent is owned by Malaysian shareholders and the balance by foreign financial institutions.

MIDF works closely with the Government in its development programs and has contributed significantly to the rapid expansion of the Malaysian industrial sector. By 31 March 1971 MIDF had made 490 loan commitments totalling 209 million Malaysian dollars for a wide variety of industries. MIDF has also made finance available to industry through underwriting issuing-house services, by organizing consortia of banks and through the promotion of joint ventures with foreign concerns. In the Second Malaysia Plan period (1971-1975), MIDF is expected to make new loan commitments of 592 million Malaysian dollars.

*Malaysia: Polishing of car frames in progress at a motor assembly plant which has received financial assistance from the Malaysian Industrial Development Finance Berhad.*

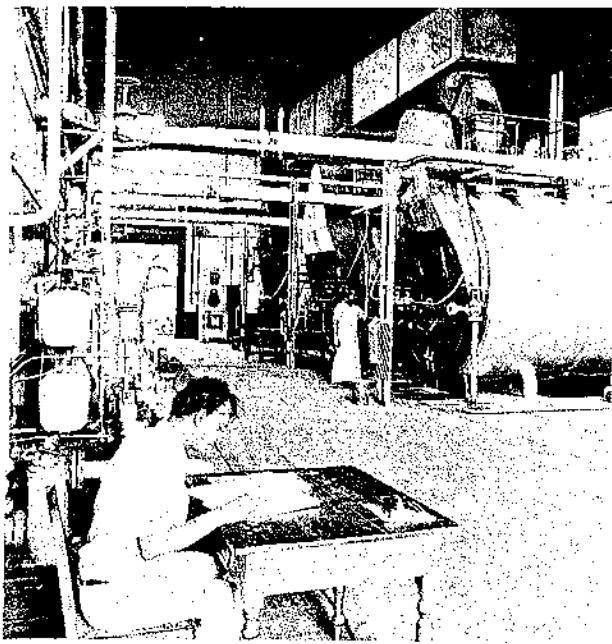


*Territory of Papua and New Guinea: Breaking new ground at a watermelon farm (top) which has received financial assistance from the Papua and New Guinea Development Bank. Fishing industry (above) has also received financial support from PNGDB.*

**TERRITORY OF PAPUA AND NEW GUINEA:** \$4,500,000 (Special Funds) for the Papua and New Guinea Development Bank Project.

The Bank loan will be used by the Papua and New Guinea Development Bank (PNGDB) in financing the foreign exchange cost of development projects in the private sector. To be drawn from Special Funds resources, it is the first loan extended by the Bank to the Territory of Papua and New Guinea.

PNGDB is wholly owned by the Administration and is the only development bank operating in the Territory. It is authorized to undertake lending for fixed periods, guarantees and equity investment. Its total financial resources at the end of June 1971 stood at 22.2 million Australian dollars. Between 1967, when PNGDB commenced operation, and the end of June 1971 a total of 4,682 loans were approved for about 16.5 million Australian dollars.



Ceylon: With Bank technical assistance, a preliminary market-oriented study will be undertaken for the Ceylon Oils and Fats Corporation.

### Technical Assistance

#### CEYLON: Oleo Chemical Project

The Bank approved a technical assistance grant to Ceylon of up to \$25,300 to conduct a market study for the Ceylon Oils and Fats Corporation. The Corporation, a government-owned body, is planning to expand its plant for the manufacture of chemical products using coconut oil as a basic raw material. The plant expansion will be geared mainly to the Government's export program. The consultants provided by the Bank—a marketing expert and a chemical engineer—will study and recommend the type of products which could be successfully marketed, especially abroad.

#### CEYLON: Mineral Sands Project

A technical assistance grant to Ceylon of up to \$50,000 was approved in conjunction with the loan for the Mineral Sands Project to help ensure the successful implementation and management of the Project and maximize its economic benefits. The Bank will provide the Ceylon Mineral Sands Corporation with foreign expertise for about 12 man-months to assist in upgrading managerial and organizational aspects, particularly in cost accounting, budgetary control, marketing research, sales promotion and training facilities.

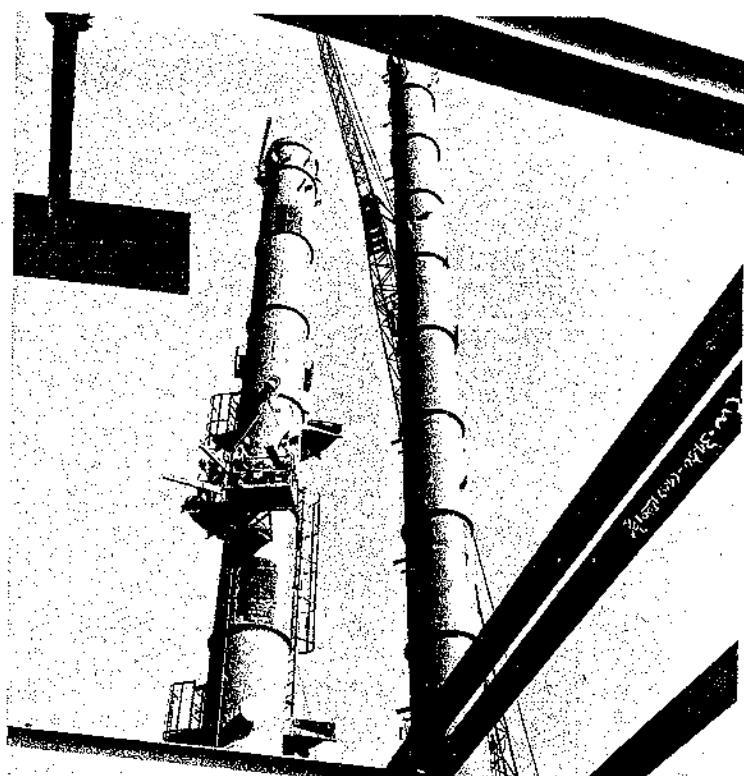
#### INDONESIA: Electric Power Development in West Irian

A technical assistance grant of up to \$85,000 to Indonesia was approved for electric power development in West Irian. The technical assistance will cover the services of a team of experts who will make a study of the long-term power requirements and prepare a power generation, transmission and distribution project for two important towns in the northern coast of West Irian province, Djajapura, the capital, and Biak. Long-term power development in West Irian has been given high priority by the

Indonesian Government as it is considered a prerequisite for development of other sectors in the province.

#### WESTERN SAMOA: Feasibility Study of Power Supply

The Bank approved a technical assistance grant of up to \$64,000 to Western Samoa for the preparation of a feasibility study for the development of the power sector. The technical assistance program calls for a survey of the existing power generation capacity, and transmission and distribution installations in the Apia area; a power demand study for the next 10 years; a long-term program for the development of additional generation plants based on a comparative study of possible alternative schemes; a master plan for power transmission and distribution; and a study for the creation of a new power authority. Execution of the Project will require the services of electrical and civil engineers, an engineering geologist and an economist.



Republic of China: A petrochemical plant, which is under construction with the assistance of a Bank loan, symbolizes the country's rapid industrialization.

## TRANSPORT AND COMMUNICATIONS

The transport and communications sector has received considerable prominence in the Bank's lending and technical assistance activities. Recognizing the importance of careful survey and planning of priority transport needs, the Bank has taken full note of national transport surveys which assess the available infrastructure in the light of the growth and changing structure of the particular economy. In this connection, the Bank completed during the year a major Regional Transport Survey begun in 1969 at the request of seven of its developing member countries (see pages 43-44).

As of the end of 1970 the Bank had made 12 loans totalling \$92.2 million<sup>1</sup> for transport projects in eight countries. They included highway projects in the Republics of China and Korea and in the Philippines; port projects in Ceylon, Republic of China, Malaysia and Singapore; and air transport projects in Nepal, Singapore and Western Samoa. Technical assistance was also given for the preparation of five transport projects.

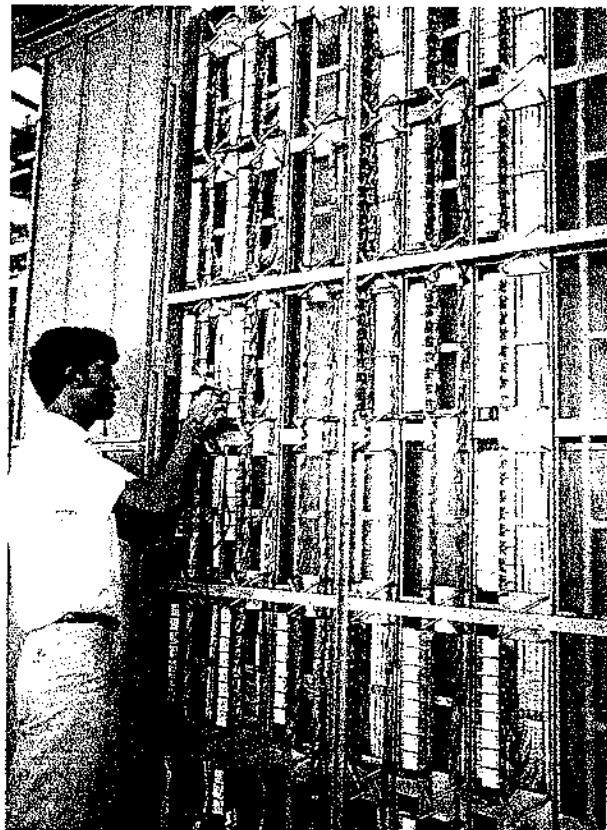
In 1971 six loans totalling \$44.2 million were extended in the transport and communications sector and four technical assistance operations were approved. A loan to Ceylon of \$3.6 million for a satellite earth station was the Bank's first telecommunications loan. Two loans and a technical assistance grant were extended to the Philippines for a modern fisheries port and the Philippines also received technical assistance for a road project and a port project, both in Mindanao. Highway loans were extended to Malaysia and the Republic of China and a loan was approved for port improvement in Singapore. A technical assistance evaluation study of a bridge across the Mekong River between Nong Khai in Thailand and Vientiane in Laos was also carried out.

### Loans

**CEYLON:** \$3,600,000 (Special Funds) for the Communications Satellite Earth Station Project.

The loan is to finance the foreign exchange cost of the establishment of a communications satellite earth station designed to modernize the overseas communications services of Ceylon. The existing overseas telephone and telex services of Ceylon are almost fully used, leaving little spare capacity to meet

<sup>1</sup> Excluding \$400,000 technical assistance loan in 1968 for the North-South Freeway Project, Republic of China, incorporated in a new loan in 1970.



Ceylon: The Bank's first loan in the field of telecommunications, in conjunction with the provision of an international telephone exchange, similar to the one above, will help to modernize the overseas telecommunications services of Ceylon.

additional traffic needs. The establishment of the proposed satellite station is a matter of urgency to avoid serious deterioration in the quality of overseas telecommunications services and to meet growing traffic needs. The new services will provide links with Europe and North America (through the United Kingdom) and with Australasia and other parts of Asia.

The Project includes the construction of an earth station, near Colombo, an international telephone exchange center and a microwave link between the earth station, the proposed international telephone exchange center and the existing telegraph and telex exchanges. The station is expected to be operational by May 1974.

The total cost of the project is estimated at \$4.1 million, of which the local currency component will be met by the Government.

**REPUBLIC OF CHINA:** \$13,600,000 for the Taipei-Yangmei Freeway (Terminus Sections) Project.

A loan of \$18 million in 1970 for the construction of the Sanchung-Chungli section of the Taipei-Yangmei Freeway was followed in 1971 by a loan of \$13.6 million for the two terminus sections of the Freeway. This loan will meet the foreign exchange cost of the construction of a terminus section of 2.7 kilometers in the north from Sanchung to Taipei, a new bridge over the Tamsui River and a terminus section of 11.6 kilometers in the south from Chungli to Yangmei. As in the case of the earlier loan in 1970 for the Taipei-Yangmei Freeway, the project arose out of technical assistance extended by the Bank in 1968.

The Taipei-Yangmei Freeway is intended to meet the traffic requirements of the Taipei-Yangmei corridor which is the hub of economic activity in Taiwan and where existing transport facilities have become saturated. The development of new industrial complexes and increased urbanization, including the proposed development of a new township at Linkou, about 15 kilometers from Taipei, and a new international airport at Taoyuan, about 20 kilometers from Taipei, will further increase the need for more modern transport facilities to serve this area. Construction work on some parts of the Sanchung-Chungli section has already commenced and it is expected that the Taipei-Yangmei Freeway, including the two terminus sections, will be completed in 1974.

The total cost of the Project is estimated at \$45.2

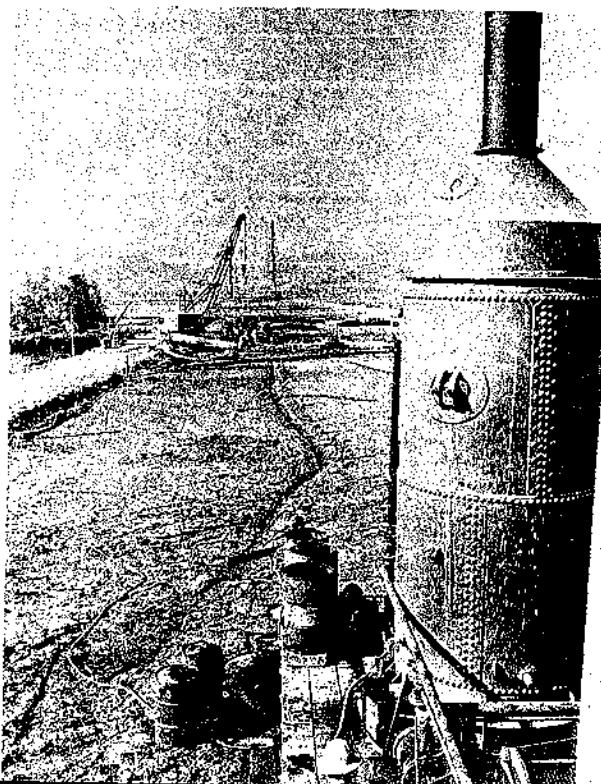
million, the local currency component of which will be provided by the Government.

**MALAYSIA:** \$13,400,000 for the Kuala Lumpur-Karak Highway Project.

The purpose of the loan is to finance the foreign exchange cost of the construction of a section of the Kuala Lumpur-Karak Highway on Federal Route II in West Malaysia along a relocated alignment. Federal Route II is the only direct route linking the east and west coasts of the Malay Peninsula. The construction of the highway section, involving 18.5 miles of road starting at about four miles from Kuala Lumpur City, will assist the accelerated economic development of the mid-eastern part of West Malaysia. The Project also provides for the preparation of detailed engineering designs for substantial realignment and improvements to the rest of the highway, the construction of which is proposed to be taken up by the Government in mid-1973.

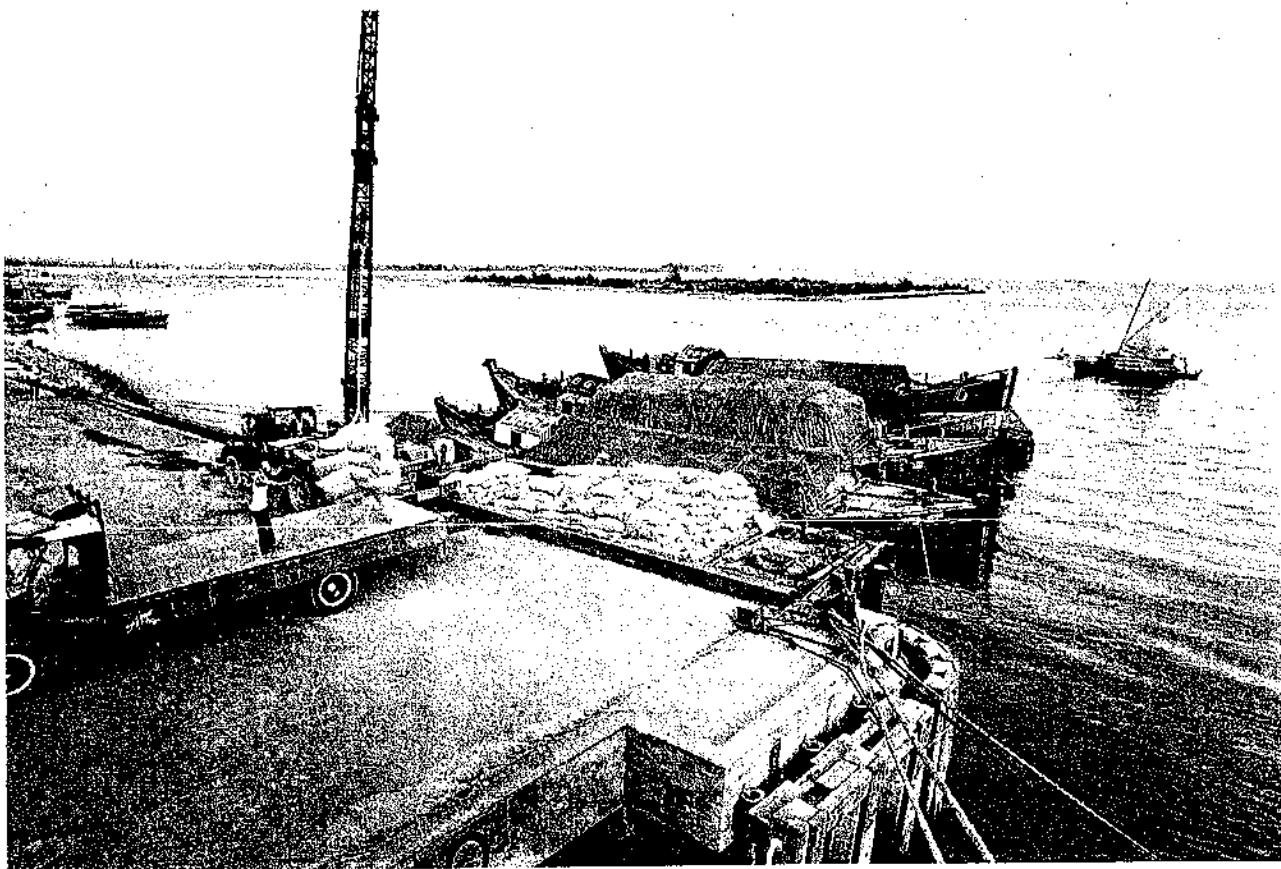
The loan follows technical assistance provided by the Bank in 1969 for a feasibility study to determine the alternative alignments for the Kuala Lumpur-Karak Highway.

The total cost of the Project, which is scheduled for completion in mid-1976, is estimated at \$23.6 million. The Bank's loan will cover the foreign exchange cost of \$13,303,000 and an amount of \$97,000 converted from the previous technical assistance grant. The local currency requirements will be met by the Federal Government.



*Malaysia: The Kuala Lumpur-Karak Highway (above) which will be reconstructed on a new alignment.*

*Republic of China: Construction work in progress on the Taipei-Yangmei Freeway.*



*Singapore: The wharves at Jurong will be expanded with Bank financial assistance.*

**PHILIPPINES:** \$4,500,000 and \$1,000,000 (Special Funds) for the Fisheries Port Project.

This Project will be financed by loans from both the ordinary capital and Special Funds resources of the Bank, plus a technical assistance grant. The loans are to meet the foreign exchange cost of construction of a fisheries port and a fish market in Navotas, immediately north of Manila.

The Project entails the dredging of 2.4 million cubic meters for the approach channel and the anchorage, the reclamation of 67 hectares of foreshore area and the construction of breakwaters, piers, wharves, quay walls and a fish market building. The new facilities to be provided will accelerate the existing trend toward the increased use of larger-size vessels, which will improve the efficiency of fishing operations and result in additional economic benefits.

The Project results from earlier Bank technical assistance, approved in 1968, consisting of site investigation, detailed engineering and preparation of final design and contract documents.

The total cost of the Project is estimated at \$7,960,000. The foreign currency requirement of \$5,415,000 will be financed by the two loans from the Bank. An amount of \$85,000 spent for the previous technical assistance will also be incorporated into the ordinary loan. The local currency cost will be met by the Government.

**SINGAPORE:** \$8,100,000 for the Singapore Port Expansion and Warehousing Project.

The loan to the Port of Singapore Authority (PSA) will assist the development and expansion of port and warehousing facilities about three miles west of Keppel Harbor in Singapore.

The Project includes the reclamation of about 91 acres of foreshore and the construction of 2,930 linear feet of wharves for regional vessels, 1,290 linear feet of wharves for lighters, 576,000 square feet of transit sheds, 1,785,000 square feet of warehouses, as well as roads, surfaced hardstands and necessary utilities. It also includes the construction of an office and auxiliary buildings and acquisition of cargo-handling equipment. The Project, designed to enable smooth and efficient cargo handling activities, conforms to the Master Plan Study for overall development of the Port of Singapore.

After completion in late 1976, the Project will alleviate shortages of warehousing and berthing space resulting from the implementation of the urban renewal plans and the projected growth of trade. By permitting direct cargo handling of regional vessels at the new wharves and by eliminating trucking of entrepot cargo into the city, the Project will also relieve traffic congestion in the port area and city.

The total cost of the Project is estimated at \$24.7 million, the foreign exchange cost being covered by the loan, with PSA meeting the local currency cost from its own resources.

## Technical Assistance

### PHILIPPINES: Feasibility Study for Improvement of Iligan-Cagayan de Oro-Butuan Road

A request from the Government of the Philippines for technical assistance in conducting a feasibility study of the Iligan-Cagayan de Oro-Butuan Road in the island of Mindanao was approved, involving a grant of up to \$222,000. This road, about 310 kilometers in length, is a national primary highway serving the coastal belt of northern Mindanao, which has considerable potential for industrial and agricultural development. The low quality of pavement and sub-standard geometric characteristics of the existing road, coupled with numerous temporary bridges with severe load restrictions, have contributed to the high cost of commodity transport in this area. The feasibility study to be conducted under the Bank's technical assistance will define the nature and extent of improvement needed and also determine its economic justification.

### PHILIPPINES: Fisheries Port

In conjunction with the loans for the construction of the Fisheries Port, Navotas, the Bank approved a technical assistance grant to the Philippine Government of up to \$71,000. This technical assistance will cover a supervisory expert for the operation of the Mariveles quarry to supply rocks for the port construction; a study and recommendations on the management and organizational set-up of the fisheries port and market; and training of local staff for the fish market operation. This assistance is considered essential for the efficient implementation of the fisheries port project and the smooth functioning of the port and market after the completion of the Project.

### PHILIPPINES: Cotabato Port Development

A request from the Government of the Philippines for technical assistance, involving a grant of \$245,000 for the preparation of a port development project in the Cotabato area of Mindanao was approved. The port of Cotabato is the gateway to the Cotabato Province and surrounding areas and a considerable increase in port traffic is anticipated as a result of the development of the rich agricultural and forestry resources of the hinterland. Development of the present port, however, has been hampered by the heavy siltation of the river. A new sea port in a silt-free location and where deep draft inter-island vessels can berth directly at a wharf has long been considered essential. The Bank's technical assistance will cover investigations of alternative sites, a de-

tailed technical survey of the selected site, preparation of a preliminary engineering design and cost estimates and determination of the financial and economic viability of the Project.



Republic of Viet-Nam: Modernization of the fishing industry with Bank assistance will help feed the country's growing population.

Philippines: The present market and landing facilities at Navotas are to be improved with the assistance of a Bank loan.



**LOANS**  
**CUMULATIVE COMMITMENTS AS OF 31 DECEMBER 1971<sup>1</sup>**

(In Million Dollars)

Country	1968		1969		1970		1971		TOTAL	
	Ordinary Capital	Ordinary Capital	Special Funds <sup>2</sup>	Ordinary Capital	Special Funds	Ordinary Capital	Special Funds	Ordinary Capital	Special Funds	
Afghanistan	—	—	—	—	5.150	—	—	—	—	5.150
Ceylon	2.000	0.885	7.705	6.100	—	4.150	3.600	13.135	11.305	
China, Republic of	10.200	13.660	—	30.880	—	44.100	—	98.840	—	
Indonesia	—	—	3.390	—	12.700	—	31.710	—	47.800	
Khmer Republic	—	—	—	—	1.670	—	—	—	1.670	
Korea, Republic of	6.312	22.500	—	44.500	—	56.400	—	129.712	—	
Laos	—	—	—	—	—	—	—	55.900	3.300	
Malaysia	7.200	10.900	—	9.400	3.300	28.400	—	2.000	14.910	
Nepal	—	—	6.010	2.000	4.400	—	4.500	—	46.850	
Pakistan	10.000	—	—	36.850	—	—	—	58.500	3.500	
Philippines	—	5.000	2.500	25.600	—	27.900	1.000	70.680	3.000	
Singapore	—	10.000	—	37.110	3.000	23.570	—	—	—	
Territory of Papua and New Guinea	—	—	—	—	—	—	4.500	—	4.500	
Thailand	5.000	10.000	—	15.800	—	18.000	—	48.800	—	
Viet-Nam, Republic of	—	—	—	—	2.500	—	2.500	—	5.000	
Western Samoa	—	—	2.400	—	—	—	0.330	—	2.730	
<b>TOTAL</b>	<b>40.712</b>	<b>72.945</b>	<b>22.005</b>	<b>.208.240</b>	<b>33.693</b>	<b>202.520</b>	<b>51.510</b>	<b>524.417</b>	<b>107.208</b>	

1 Net figures after deducting cancellations and amounts converted from one loan to another.

2 Lending operations from Special Funds resources commenced in June 1969.

### **WATER SUPPLY**

Improvement of water supply facilities is an urgent need in many Asian cities and large urban areas and the Bank is playing an important role in this field.

By the end of 1970 four loans for water supply totalling \$21 million had been approved. Two projects were in Malaysia—in Penang and Malacca—and a third in Singapore. The fourth project was for a feasibility study of the Andong Dam Multi-Purpose Development Project in the Republic of Korea which was financed by a loan and a technical assistance grant.<sup>3</sup>

In 1971 two further loans followed. The first was for \$8.8 million to expand and improve the water supply system of Seoul, while the second was to finance the \$22 million foreign exchange cost of the project resulting from the Andong Dam feasibility study. The latter project will provide municipal and

3 Incorporated in 1971 into Bank loan referred to in following paragraph.

industrial water supply for the five important urban centers of Pusan, Ulsan, Masan, Jinhae and Taegu in the Republic of Korea, in addition to providing irrigation water and generating additional power supply.

### **Loans**

**REPUBLIC OF KOREA:** \$22,000,000 for the Andong Dam Multi-Purpose Development Project.

The Andong Dam Multi-Purpose Development Project, an integral part of the Nakdong River Basin Development Program, has been given high priority under Korea's Third Five-Year Plan (1972-1976). The Project is based on a feasibility study financed under a combined technical assistance loan and grant approved by the Bank in October 1970 and is designed to meet increasing demands for municipal, industrial and irrigation water in the Nakdong River Basin until 1984. It will also generate 72 megawatts of power and release sufficient water to prevent salt

**SERVICES TO MEMBER COUNTRIES (TECHNICAL ASSISTANCE)**  
**CUMULATIVE APPROVALS AS OF 31 DECEMBER 1971<sup>1</sup>**

(In Dollars)

Country	Project Preparation	Advisory and Operational	Total
Afghanistan	697,000	634,000	1,331,000
Ceylon	25,300	622,000	647,300
China, Republic of	100,000	—	100,000
Fiji	—	90,000	90,000
Indonesia	1,040,000	517,450	1,557,450
Khmer Republic	—	80,000	80,000
Korea, Republic of	150,000	66,500	216,500
Laos	—	496,000	496,000
Malaysia	192,000	80,000	272,000
Nepal	523,000	600,000	1,123,000
Philippines	792,000	314,000	1,106,000
Singapore	—	34,700	34,700
Thailand	180,000	345,000	525,000
Viet-Nam, Republic of	—	293,000	293,000
Western Samoa	114,000	—	114,000
<b>TOTAL</b>	<b>3,813,300</b>	<b>4,172,650</b>	<b>7,985,950</b>

<sup>1</sup> Excludes regional projects.

water intrusion at the mouth of the Nakdong River and reduce flooding along its main stem.

The Project consists of the construction of the 83-meter high Andong Dam, two 45 megawatt hydro-power units, an afterbay weir and a 66 kilometer-long 154 kilovolt transmission line to connect the Andong Power Station with the existing transmission system.

The total cost of the Project is estimated at \$69.5 million. The Bank's loan will cover the foreign exchange cost of \$21.5 million and the refinancing of a \$50,000 loan extended by the Bank in providing technical assistance. The local currency requirements will be provided by the Government. Completion of the Project is scheduled for October 1976.

**REPUBLIC OF KOREA:** \$8,800,000 for the Seoul Water Supply Project.

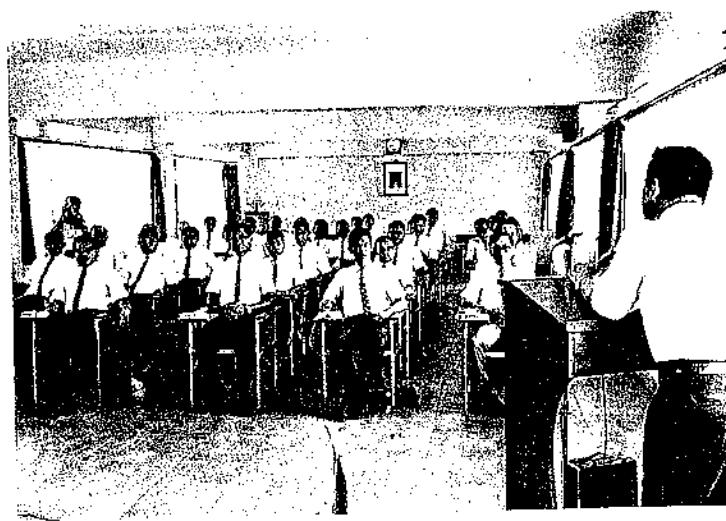
The loan is to finance the foreign exchange cost of expansion and improvement of the water supply and

distribution system of the Special City of Seoul. Rapid urbanization has caused the City's population to grow from 2.4 million in 1960 to 5.5 million in 1970, a compound annual rate of 8.5 per cent. This growth has put a heavy strain on the City's urban facilities—originally designed for a much lower population—especially the water supply.

The Project to be financed under the loan forms the first stage of the long-term Water Supply Development Program of the City. It entails the construction of a new supply works of 600,000 metric tons capacity containing intakes, treatment plant and high-lift pumps and extension and improvement of the distribution system throughout the City. The total cost is estimated at \$27.1 million, with the local currency requirement being met by the Seoul City Government.



Singapore: The Bank's first loan for education was made to finance the expansion of Ngee Ann Technical College.



Indonesia: A training center established by Bank Rakjat Indonesia under its modernization scheme.

## EDUCATION AND OTHERS

Although facilities for training have been built into many loans and technical assistance operations of the Bank, the Bank's first loan for technical education as such was given in 1970 to Ngee Ann Technical College in Singapore. No further loans for vocational education reached fruition during the year, although a number of possible projects were under study. In other areas, technical assistance was extended during the year to Singapore to help improve its national accounts and to Ceylon for a comprehensive employment strategy mission sponsored by the International Labour Organisation.

### Technical Assistance

#### CEYLON: ILO-Sponsored Comprehensive Employment Strategy Mission

The Bank approved the provision of a consultant on rural sociology to join a Comprehensive Employment Strategy Mission to Ceylon, sponsored by the International Labour Organisation (ILO). The study aimed, inter alia, at preparing a long-term strategy for achieving a high level of productive employment in Ceylon and at suggesting how this strategy might

best be implemented by the national authorities. The study will also recommend measures to reduce the magnitude of the unemployment problem in the short term and to review crash programs for employment creation currently being formulated by the Government. In participating in this Project, the Bank joined with the United Nations Development Programme and a number of other United Nations agencies in addition to ILO.

#### SINGAPORE: Improvement of National Accounts

The Bank approved a grant of up to \$34,700 for technical assistance for the improvement of the national accounts of Singapore. An experienced statistician will assist in the development of new series of gross national product (GNP) at current and constant prices for the period 1956 to 1970. Existing gaps in the present GNP series will be identified and new series will be developed to replace these gaps. The Project will also provide on-the-job training for the technical staff of the Department of Statistics of the Ministry of Finance, who will have a continuing responsibility for the estimation of the national accounts of Singapore.

## REGIONAL ACTIVITIES

1. The National Conference of Negro Women, Inc., will hold its annual meeting in Atlanta, Georgia, April 1-4, 1970.

During the year the Bank continued its positive role in promoting regional cooperation in various aspects. The Bank's own Regional Transport Survey, which was inaugurated in 1969 at the request of certain regional member countries, was completed and the report was being prepared for publication. Countries participating in the Survey have set up a Coordinating Committee to consider the action they can take, both individually and collectively, to follow up the findings in the report.

A study of Southeast Asia's Economy in the 1970's which was completed in 1970 became available in book form in November.

The Credit and Security Research Project, which was started by the Law Association for Asia and the Western Pacific in 1969, was substantially completed during the year and the reports resulting from the Project will be available in 1972.

Activities undertaken following the 1969 Regional Conference of Development Banks of Asia were continued during the year and a study of training facilities available to development banks was completed and will be considered at an international meeting to be held early in 1972.

The Bank's contribution of \$300,000 to support the Asian Vegetable Research and Development Center's establishment and operation became effective in September following the signing of the Charter of the Center by seven participating countries.

The Bank initiated a Study of the Coconut Industry in the region and contributed to the Asian Industrial Survey sponsored by the Economic Commission for Asia and the Far East.

#### **Regional Transport Survey**

The Regional Transport Survey of Southeast Asian countries which was inaugurated by the Bank in October 1969 was completed in 1971; the Draft Final Report on the Survey was completed in September 1971 and the Final Report in December 1971. The Survey covers seven countries: Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Republic of Viet-Nam.

The Bank engaged an American consulting firm, which collaborated with five other firms in carrying out the Survey. The total cost of the Survey was \$2,893,885, \$999,001 of which was contributed by the United States Government and \$1,139,530 by the United Nations Development Programme. The balance of \$755,354 was provided from the Bank's own resources including technical assistance contributions of member countries.

The Bank established a Steering Committee of internationally recognized experts in the transportation and economic development fields to assist in the supervision of the Survey. The Committee participated in the formulation of the terms of reference of the Survey and in reviewing its progress from time to time. The progress of the Survey was also reviewed periodically by the seven participating Governments individually as well as collectively through a Coordinating Committee of Senior Transport Officials of Southeast Asian countries.

The overall objective of the Survey was to provide a basis for coordinated development of transportation in the Southeast Asian region. Some of the important tasks covered in the Survey were (a) to study the existing transportation network in the region—its limitations and deficiencies, (b) to project future transportation requirements of the region based on a study of its potential economic growth, (c) to recommend measures for development of transportation networks to meet the future transportation requirements and also measures for greater inter-country cooperation in regional transport and (d) to inquire how transport, along with other inputs, could help in the utilization of the region's resources and its overall economic development. The Survey, as far as possible, viewed the transportation network in the seven countries as a complete system, going beyond the national or domestic systems in the individual countries of the region.

The Survey Report makes a valuable contribution to the understanding of the transportation problems of the region. It presents a comprehensive assessment of the existing transportation system of the region and its weaknesses and deficiencies, and recommends measures to enable the system to meet the growing transportation demands of the region. The assessment of future transportation requirements in the Report is based on a systematic analysis of the prospective growth of the region including in-depth studies of the growth potentials of individual economic sectors, namely, agriculture, forestry, fisheries, minerals and manufacturing.

The recommendations in the Report cover physical, operational and policy aspects of transportation as well as areas of broader significance for the general economic development of the region. As was expected, most investment as well as policy recommendations pertain to national transportation systems in the seven countries covered in the Survey. The Report, however, does make a number of investment recommendations of regional significance involving inter-country cooperation.

Important among the regional projects recommended by the Survey are those in the fields of sea and air transport. In the case of sea transport, the Survey recommends: (a) the improvement of regional marine navigation aid systems, (b) the development of a regionally integrated ship building industry, (c) a regional tanker fleet for carrying palm oil, coconut oil, molasses and latex, (d) a regional shipping fleet of log and lumber carriers, (e) a regional fleet of dry bulk carriers for maize, ores, sugar and possibly rice cargoes in the future, and (f) the region's entry into a major world-wide containership consortium. The Survey also recommends design characteristics for development of a model multi-purpose ship for regional and domestic trade.

In the field of air transportation, the Survey examines in some depth, after duly taking into account the practical limitations, the scope for inter-country cooperation in the standardization of airline equipment and the resultant gains in the pooling of spare parts and training and maintenance facilities. The Report examines the regional airline concept, recommends a jointly owned airline by the countries of the region as "a desirable long-term objective" and spells out the conditions under which such an objective could be realized. Regional cooperation, according to the Report, has tangible advantages to offer in training and flight inspection services. The Report recommends the establishment of a regional air flight inspection service as a high priority project.

The Report lays special emphasis on certain important institutional and policy changes which must accompany the recommended investment program. In relation particularly to regional projects, the Report has underlined the need for an effective organization which can pursue implementation of such projects and watch their efficient management. The Survey recommends that these functions be handled by the Secretariat of the Coordinating Committee of Senior Transport Officials of Southeast Asian countries which should be suitably strengthened.

The recommendations of the Survey present what is described as "a massive agenda for the Governments of the region, for multilateral agencies, for aid-giving countries and for the private sector in all of the countries, both within and outside the transport field." Follow-up action on the recommendations of the Survey is presently receiving consideration at various levels in the participating countries. Clearly, the implementation of the recommendations involves resources which are beyond the capacities of the Governments and a substantial measure of foreign assistance will be needed from bilateral and multi-

lateral institutions. The Bank has already initiated consideration, in consultation with the Governments of the countries, of specific areas of development in which it could possibly assist.

#### **Nong Khai-Vientiane Bridge Evaluation Study, Laos and Thailand**

An evaluation study of the Nong Khai-Vientiane Bridge project was undertaken on the basis of a technical assistance grant of \$95,000 for the Governments of Laos and Thailand. The proposed bridge across the Mekong River was conceived primarily to facilitate the flow of goods and passengers across the river, the flow being presently constrained by the limitations of the existing ferry service. To provide a basis on which its viability could be assessed, the Bank agreed to evaluate the proposal in depth, taking into account the technical, economic, legal, operational and financial aspects.

#### **Southeast Asia's Economy in the 1970's**

The report of a study of "Southeast Asia's Economy in the 1970's" sponsored by the Bank was published in November 1971. A Penguin paperback edition consisting of the opening chapter of the Study entitled "Overall Report" by Prof. Hla Myint will be published in January 1972 under the title "Southeast Asia's Economy-Development Policies in the 1970's." This edition will include an additional introductory background chapter on Southeast Asia's economy before 1970.

#### **Coconut Industry Study**

A Study of the Coconut Industry in the region was approved in February 1971. The main objective of the study is to identify "bankable" projects in the coconut industry, i.e., to identify loan or technical assistance activities which would be generally acceptable for financing by national or international banks and other organizations. Possible areas or projects for multi-national cooperation in the coconut industry by members of the Asian Coconut Community and/or other countries covered in the Study will also be explored.

The Study includes the following countries: Ceylon, Fiji, India, Indonesia, Laos, Malaysia, Pakistan, the Philippines, Singapore, Territory of Papua and New Guinea, Thailand, Republic of Viet-Nam and Western Samoa.

Preliminary work on the Study has commenced and two consultants have been selected. The Study



*Philippines: A typical coconut grove.*

will begin in January 1972 and is expected to be completed by the end of September 1972.

#### **Asian Industrial Survey**

The Bank has agreed to contribute up to \$200,000 to the Asian Industrial Survey for Regional Cooperation sponsored by the Economic Commission for Asia and the Far East (ECAFE). The Survey will consider the long-term perspectives for industrialization and regional cooperation in 12 developing countries of the ECAFE region. It will assess the potential for industrialization of the countries taking into account the size of markets, availability of raw materials, production costs, economies of scale and other factors. It will make concrete proposals for the formulation of industrial programs and projects based on a coordination of investment, production and trade policies between the countries to be studied. The Survey, begun in September 1971, is expected to be completed in 18 months at an estimated cost of \$617,000. The Bank is represented in the Consultative Committee for the Survey, which met initially in Bangkok in October.

The countries to be covered by the Survey are: Burma, Ceylon, Republic of China, Indonesia, Khmer

Republic, Republic of Korea, Laos, Malaysia, the Philippines, Singapore, Thailand and Republic of Viet-Nam.

#### **LAWASIA Credit and Security Research Project**

The Law Association for Asia and the Western Pacific (LAWASIA) Credit and Security Research Project involves a study of credit and security arrangements available to national development banks and similar financial institutions. The study has been made by LAWASIA. The countries covered are Australia, Ceylon, Republic of China, Indonesia, Japan, Republic of Korea, the Philippines, Singapore and Thailand. The Project began in 1969 with a contribution of \$25,000 from the Ford Foundation and with technical advice and administrative assistance from the Bank. In August 1970, the Bank provided \$27,000 to enable extension of the Project for the purpose of producing not only one integrated report but nine additional reports on the respective individual countries covered by the study.

All basic research and writing was substantially finished in 1971 and the preparation of the 10 reports will be completed in 1972.

#### **Development Banks Conference—Follow-up**

A study of the training facilities currently available at the national, regional and international levels for development banks in the Bank's developing member countries together with recommendations for an action program for the Bank was completed during the year. The Report, which was submitted to development banks in the region, selected international institutions and individual experts, will be discussed early in 1972 by a panel of experts as a basis for further action.

#### **Asian Vegetable Research and Development Center, Taipei**

The Charter of the Center was signed in May by the Bank and seven participating countries—Republic of China, Japan, Republic of Korea, the Philippines, Thailand, United States and Republic of Viet-Nam. The Bank's contribution of \$300,000 to support the Center's establishment and operation for the first two years became effective in September. A Director has been appointed and the work of establishing the Center is proceeding. The cost of the Center over the first five years is estimated at \$7.5 million.

RELATIONS WITH  
OTHER INTERNATIONAL  
ORGANIZATIONS

In accordance with its Charter, the Bank intensified its cooperative relations during the year with its sister institutions, the World Bank and the other regional development banks and with the United Nations and its various organs and specialized agencies.

Formal arrangements for cooperation are confined to the Interim Arrangement for Cooperation with the Food and Agriculture Organization, the joint arrangements with the World Bank for the collection of debt-servicing data and the newly-established arrangements with the World Bank, the United Nations Development Programme and the Mekong Committee, whereby the Bank will act as delegated executing agent for selected Mekong pioneer projects. In addition, discussions took place during the year on an informal basis with organizations such as the International Labour Organisation and the United Nations Educational, Scientific and Cultural Organization as well as the United Nations Economic Commission for Asia and the Far East, with which the Bank has had a continuing and valued relationship. Where matters of mutual interest were under consideration, Bank representatives attended conferences and meetings organized by other international organizations, although it was not possible to accept all the invitations received.

#### **Food and Agriculture Organization**

Exchanges of information and consultations continued with the Food and Agriculture Organization (FAO) in the agricultural, fishery and forestry fields. A consultation under the Interim Arrangement for Cooperation between the Bank and the FAO was held in Manila in January 1971 when a number of projects and possible areas of activity suitable for cooperation were discussed. FAO experts have also been invited as consultants to participate in the Bank's missions.

#### **World Bank**

This Bank maintained close relations with the World Bank throughout 1971. As the Bank's operations in its developing member countries have been expanding, such cooperation has become increasingly necessary and helpful. There have been frequent consultations, visits and exchanges of information regarding operational practices, status of individual projects and country economic development.

The Bank's observers attended the aid coordination meetings sponsored by the World Bank for Republic of Korea, Pakistan and the Philippines during the year.

Since 1968 the Bank has participated with the World Bank in studies relating to the external public debt position of regional developing member countries of the Bank. A new manual and forms for reporting external debt and grants have been distributed for use by the member countries since the beginning of 1970.

As a follow-up to this cooperative arrangement and in response to a proposal from the 1970 Conference of Asian Statisticians, the two Banks jointly sponsored a seminar on External Debt Reporting in Manila from 22 to 28 November 1971. The seminar sought to improve the quality of external debt data through the establishment of meaningful standards in collection, tabulation and publication of debt tables and to indicate the possible uses of these data for economic analysis. Sixteen developing member countries of the Bank<sup>1</sup> were represented at the Seminar, the proceedings of which have been published.

The Bank's association with the World Bank in the Mekong Basin is described on page 48.

#### **Consultative Group on International Agricultural Research**

During the year the Bank became a member of a new Consultative Group on International Agricultural Research. Members of the Group, which was sponsored jointly by the World Bank, the Food and Agriculture Organization and the United Nations Development Programme, include governments, international institutions and private foundations. The Group was established mainly for the purpose of identifying the needs of developing countries for special efforts in agricultural research at the international and regional levels and of promoting international assistance to fulfill these critical needs. The Group is supported by a Technical Advisory Committee consisting of 12 distinguished scientists with wide experience in the agricultural problems of developing countries. Members of the Consultative Group have complete freedom to make their own decisions regarding possible assistance to any research project or feasibility study recommended by the Group and, when interested, to follow their own procedures in having their policy-making bodies consider and approve assistance to the project or feasibility study.

<sup>1</sup> Afghanistan, Republic of China, Fiji, Hong Kong, India, Indonesia, Khmer Republic, Republic of Korea, Laos, Malaysia, Pakistan, the Philippines, Thailand, Territory of Papua and New Guinea, Republic of Viet-Nam and Western Samoa.

### **International Labour Organisation**

The Bank participated during the year in a Comprehensive Employment Strategy Mission to Ceylon, sponsored by the International Labour Organisation (ILO), by providing a consultant to join the Mission (see page 40). In December the Bank sent an observer to ILO's Seventh Asian Regional Conference in Teheran at which a review of the Asian Manpower Plan was a principal agenda item. A number of ILO staff members visited Manila in 1971 and the visits provided opportunities to exchange views regarding further cooperation between the two organizations.

### **Mekong Committee**

The Bank continued to maintain and expand its project activities in the Lower Mekong Basin. In addition to sponsoring direct technical assistance and capital investment projects in each riparian country, the Bank maintained close working relations with the Committee for the Coordination of Investigations of the Lower Mekong Basin (Mekong Committee).

The most important recent development relates to formation of a Plan of Operation for pioneer agricultural projects. Under the auspices of the United Nations Development Programme (UNDP), a fund of \$2,040,000 was established to finance the necessary studies on 15 pioneer agricultural projects throughout the Basin. The contributors to the fund are: UNDP \$1,000,000, United States \$500,000, United Kingdom \$240,000, Japan \$200,000 and the Netherlands \$100,000.

In August 1971 the UNDP convened an informal inter-agency meeting in Bangkok, which was attended by representatives from the UNDP, the World Bank, this Bank and four riparian countries. While the Plan of Operation envisages the World Bank as the executing agent, the meeting recognized the importance of the Asian Development Bank's co-operation and association in the execution of individual pioneer projects to be agreed between the Bank and the World Bank. The meeting agreed on a draft Memorandum of Understanding under which the Bank will exercise the de facto role of executing agent by delegation from the World Bank. The draft Memorandum of Understanding between UNDP, the World Bank, the Bank and the Mekong Committee, was approved by the Board of Directors of the Bank in readiness for signature early in 1972. Under the applicable terms of the Plan of Operation and the Memorandum of Understanding, the obligations of the executing agent will be transferred to the Bank in respect of the pioneer project preparation activities,

subject to the reservation that the formulation of terms of reference governing the work to be done by consultants, the prequalification of consultants by the Bank and the final drafting of contracts with consultants will be the subject of consultation with the World Bank.

As a delegated executing agent under the Plan of Operation, the Bank will henceforth also formally participate in all inter-agency consultations relating to the development of the Lower Mekong Basin.

### **Organisation for Economic Co-operation and Development**

The efforts of the Organisation for Economic Co-operation and Development (OECD) in promoting intra-regional cooperation and international aid flows and understanding, especially in exchange of information on development and development financing, continues to be of interest to the Bank. In this connection, the Bank was represented in Bangkok during October at the Regional Meeting of Directors of Training and Research Institutes in Asia in the Field of Social and Economic Development. The meeting was sponsored by OECD and the Asian Institute of Economic Development and Planning. The objectives of the meeting were: (i) to form an association of development research and training institutes in Asia and (ii) to consider the potential for cooperative research projects.

### **Regional Development Banks**

The presidents and staff members of the three principal regional banks—the African, the Asian and the Inter-American—held a joint meeting—the second of its type—at the headquarters of the Inter-American Development Bank in Washington, D.C. in September.

Under the chairmanship of the Inter-American Development Bank President, Mr. Ortiz Mena, the banks discussed matters related to the coordination of bond issues, the mobilization of external resources, the impact of recent international economic events on developing countries, cooperation with the World Bank and other international organizations, the role of the regional banks in the United Nations Second Development Decade and experiences in the identification of loan and technical assistance projects.

### **United Nations Development Programme**

The Bank's collaboration with the United Nations Development Programme (UNDP) has been intensified within the framework of informal working arrangements for regular consultations and exchange

of information on specific projects. The UNDP sends summaries of new requests for pre-investment assistance from Asian countries for the Bank's review and comments. The Bank keeps the UNDP and its resident representatives informed about its loan and technical assistance operations. A Bank representative participated in the global meeting of the UNDP resident representatives in New Delhi in February at which a scheme for country and inter-country programming was initiated. The Bank has been co-operating in country programming in the Philippines and towards the end of the year it received a high level mission from the UNDP to exchange views regarding the programming of inter-country projects in the region, the implementation of which is expected to start in 1973. With the re-structuring of the UNDP early this year, the Regional Bureau for Asia and Far East was established, thereby facilitating cooperation between the Bank and the UNDP.

The Bank's association with the UNDP in the Mekong Basin is described on page 48.

#### **United Nations Economic Commission for Asia and the Far East**

The Bank has maintained close working relations with the United Nations Economic Commission for Asia and the Far East (ECAFE) on matters of mutual interest. In addition to cooperating with the ECAFE on the Asian Industrial Survey as already mentioned, the Bank participated in several ECAFE conferences during the year, including the 1971 Annual Conference, the Committee on Trade, the Asian Planners Conference and the Asian Industrial Development Council.

The Bank also continued to provide lecturers for the Asian Statistical Institute, and to maintain close contact with the Asian Institute for Economic Development and Planning, both being ECAFE-related institutions. A proposal was made during the year by the Institute for the Bank to make a special study of its functions and requirements. This matter was under consideration at the end of the year.

#### **United Nations Educational, Scientific and Cultural Organization**

Discussions took place between the Bank and the United Nations Educational, Scientific and Cultural Organization (UNESCO) on the possibilities for cooperation in the field of education.

The Bank sent an observer to the Third Regional Conference of Ministers of Education and Those Responsible for Economic Planning in Asia which was organized by UNESCO and held in Singapore in May/June.

ORDINARY  
CAPITAL  
RESOURCES

### **Increase of Capital Resources**

At its Fourth Annual Meeting in April 1971 the Board of Governors adopted Resolution No. 43 on the Resources of the Bank directing that:

"The Board of Directors promptly undertake a study of the resources position of the Bank and in particular of the need to enlarge them through an increase in the authorized capital stock of the Bank and report as early as possible its findings, with such recommendations in respect of the said capital stock as are deemed appropriate, to the Board of Governors for the latter's consideration and action."

The Board of Directors accordingly studied the resources position of the Bank and recommended an increase in the Bank's authorized capital stock. The following were the findings of the Board of Directors as reported to the Board of Governors in October 1971:

- (a) an increase in the Bank's ordinary capital resources is necessary;
- (b) the Bank's Special Funds resources should be augmented and the Board of Directors will undertake a detailed study of this subject;
- (c) the increase in the Bank's capital stock should be 150 per cent of the present authorized capital and a portion of the increase corresponding to 150 per cent of the present subscribed capital should be available for subscription by members in proportion to their existing capital subscriptions;
- (d) of the increase in the capital stock, 20 per cent should be paid-in and 80 per cent callable. The paid-in portion of subscriptions to the increase should be paid in three equal annual instalments in 1973, 1974 and 1975. Each instalment should consist of 40 per cent payable in gold/convertible currency and 60 per cent in national currency, subject to the provisions of Article 6, paragraph 3;
- (e) in all respects other than those specified in (c) and (d) above, the provisions of the Articles of Agreement relating to the original capital stock should apply equally to the new capital;
- (f) demand promissory notes or similar obligations representing the national currency portion of subscriptions of members to the existing paid-in capital which are not subject to restrictions under Article 24, paragraph 2, should be encashed in three equal instalments in the years 1972, 1973 and 1974; and

- (g) a further study of the capital stock of the Bank is envisaged to take place in adequate time before the end of 1975.

In coming to its findings on the need, magnitude and composition of the required increase in the Bank's capital stock, the Board of Directors took into account the Bank's operations so far, the desirable scale of expansion of operations in the period 1971-1975 and the availability of resources on the basis of present subscriptions to the Bank's capital and contributions to its Special Funds resources. The Board of Directors studied various policy and operational issues such as (i) the rate of interest charged on loans from ordinary capital resources, (ii) the commitment charge, (iii) the coverage of commitments by resources, (iv) the scope for raising funds through borrowings in the light of capital market conditions, (v) the return on investment of surplus funds, (vi) the adequacy of the Bank's reserves and (vii) the annual income position of the Bank. The Board of Directors recognized that these matters would be subject to review from time to time. In all its considerations, the Board of Directors took into account the needs of the regional developing member countries in which the Bank is undertaking operations and the equally important necessity of maintaining a sound and creditworthy financial institution.

The Board of Governors considered the report and recommendations of the Board of Directors, and in November 1971 approved Resolution No. 46 authorizing the increase in the capital stock of the Bank as recommended by the Board of Directors. As stated in the resolution, the increase in authorized capital stock "shall become effective only if and when, on or before 30 September 1972 or such other date not later than 28 February 1973 as the Board of Directors may determine, subscriptions shall have been made in accordance with this Resolution to an aggregate of at least 100,000 shares."

Payment of subscriptions to paid-in shares shall be made in three equal instalments, the first of which shall be paid not later than 6 April 1973, the second not later than 6 April 1974, and the third not later than 6 April 1975. Of each instalment, (a) 40 per cent shall be paid in gold or convertible currency; and (b) 60 per cent shall be paid in the currency of the subscribing member.

### **Capital Subscription**

At the end of 1971 total subscriptions to the authorized capital stock of the Bank stood at \$1,005,380,000. The Territory of Papua and New Guinea became the thirty-sixth member of the Bank

on 8 April 1971, subscribing \$1,380,000 to the Bank's capital. The paid-in portion of the subscription of the Territory of Papua and New Guinea amounted to \$690,000, payable in five equal annual instalments, the first of which was paid on 31 March 1971.

France and Fiji paid their second instalment of capital subscription on or before the due dates. Similarly, Hong Kong and Switzerland paid their third and fifth (final) instalments of capital subscription, respectively, on or before the due dates. Total subscription in convertible currencies paid under Article 6.2(a) of the Articles of Agreement amounted to the equivalent of \$246,669,000. Total subscription under Article 6.2(b) in members' own currencies, or in the form of promissory notes, amounted to the equivalent of \$246,669,000; of the amount of subscription paid under Article 6.2(b), convertible currency funds amounted to the equivalent of \$169,069,000.

#### **Member Currencies: Changes in Value**

Effective 10 May 1971, the Austrian schilling was revalued from a par value of 26.00 schillings per United States dollar to 24.75 schillings per United States dollar. Also effective 10 May 1971, the gold content of the Swiss franc was changed from 0.20322 grams of fine gold to 0.21759 grams of fine gold, resulting in a revaluation of the Swiss franc from 4.37282 francs per United States dollar to 4.08411 francs per United States dollar. As a result of these changes, the Bank revalued its holdings of Austrian schillings and Swiss francs and refunded to the Governments of Austria and Switzerland 3,125,000 schillings and 577,440 francs, respectively, being the amounts required to adjust the value of the Bank's holdings of these currencies, in terms of Article 25.2.

Effective 23 August 1971 there was a reduction in the foreign exchange value of Indonesia's currency which was fixed at 415 rupiahs per United States dollar. Consequently, Indonesia paid an additional amount of its currency to the Bank in accordance with Article 25.1.

#### **Borrowings**

During the year the Bank raised the equivalent of \$121.7 million by means of public issues in Austria, Belgium, Japan, Switzerland and the United States and a private issue placed in 12 regional member countries. Aggregate borrowings reached the equivalent of \$160 million at the end of 1971.

The Bank floated its first bonds in the United States capital market in April. The issue was divided into two parts: \$25 million of 7½% Twenty-Five-Year Bonds offered at 98% and \$25 million of 6½% Five-Year Notes offered at par. The Twenty-Five Year

Bonds are subject to a sinking fund which will retire 50% of the issue before maturity. The Five-Year Notes are not subject to a sinking fund and are not otherwise redeemable prior to maturity. Both issues, rated 'AAA' by one of the leading rating agencies, were underwritten by a nationwide syndicate headed by Kuhn, Loeb & Co. and The First Boston Corporation and are listed on the New York Stock Exchange.

The Bank made its first bond issue in the Swiss capital market in April 1971 when it sold SwF40 million (\$9.8 million) of 7% Fifteen-Year Bonds priced at 99%. The issue was underwritten by the Union Bank of Switzerland, the Swiss Bank Corporation, and the Swiss Credit Bank and is listed on the Stock Exchanges of Zurich, Basle, Geneva, Lausanne and Berne.

In April 1971 the Bank raised \$20 million by the sale of 5½% Two-Year Dollar Bonds at par to central banks and governmental agencies of regional members. This issue was designed to promote cooperation among the regional members by generating funds within the region for the Bank's operations. Countries which participated in the issue were Australia, Republic of China, India, Japan, Khmer Republic, Republic of Korea, Malaysia, Nepal, New Zealand<sup>1</sup>, Singapore, Thailand, and Republic of Viet-Nam.

The Bank floated its second bond issue in Japan in October. This issue, which was larger than the first, was for Y10 billion (\$27.8 million) of 7.4% Seven-Year Bonds priced at 99.75%. The issue was underwritten by a nationwide syndicate consisting of 18 securities companies in Japan managed by The Nomura Securities Co., Ltd., The Daiwa Securities Co., Ltd., The Nikko Securities Co., Ltd., and Yamaichi Securities Co., Ltd.

The Bank's initial bond issue in Belgium took place in November when it sold BF400 million (\$8 million) of 7½% Twelve-Year Bonds at par. The Bonds are redeemable in six annual instalments of BF40 million from 1977 through 1982 and the balance of BF160 million in December 1983. The issue was underwritten by Société Générale de Banque, Banque Lambert, Banque de Bruxelles, Kredietbank and Banque de Paris et des Pays-Bas Belgique. Arrangements have been made for listing on both the Brussels and Antwerp Stock Exchanges.

In December the Bank made its second issue of bonds in Austria with the issue of AS150 million (\$6.1 million) of 7% Twelve-Year Bonds priced at 98½%. The bonds will be redeemed in 10 annual

<sup>1</sup> New Zealand's contribution included an amount of \$30,000 from Western Samoa under bilateral arrangements between the two Governments.

instalments of AS15 million commencing December 1974. The issue was underwritten by an Austrian banking syndicate headed by Creditanstalt Bankverein and Österreichische Länderbank A.G. and sold not only to domestic investors but also to investors outside the country.

#### **Investments**

At the end of the year the Bank's investments of convertible currency funds were held invested in 18 currencies and amounted to the equivalent of \$363 million, of which 24 per cent was held in government securities or government-guaranteed obligations of member countries and 76 per cent in time deposits or certificates of deposit of banks in member countries and with the Bank for International Settlements. Of the total investments in government securities or government-guaranteed obligations of members 49 per cent was invested in securities maturing within one year and 51 per cent was invested in securities maturing after one year. Of the total investments in time deposits or certificates of deposit of banks in member countries and with the Bank for International Settlements 82 per cent was invested in deposits maturing within one year and 18 per cent was invested in deposits maturing after one year.

#### **Loan Participations**

Participations during the year in the early maturities of the Bank's project loans by commercial banks and other institutions amounted to \$1.6 million, bringing the total sold since the Bank commenced operations to \$6.7 million.

Long-term interest rates in major money markets remained at high levels throughout most of the year, which made it difficult for commercial banks and other institutions to participate more actively in the Bank's loans at the current lending rate of 7½ per cent per annum.

#### **Income and Expenditure**

The gross income for the year amounted to \$25,893,507. After deducting commissions appropriated to Special Reserve amounting to \$375,268, the unappropriated income for the year was \$25,518,239. The total administrative expenses for the year, net of those financed from Technical Assistance Special Fund in the amount of \$137,839, was \$7,464,382.

During 1971 an Administration Charge to Special Operations was instituted, as mentioned in Note F in Appendix 1-VIII and Note 6 in Appendix 1-M to Financial Statements. The Administration Charge is computed by the use of a formula of charging Special

Loans signed at an "experience rate" based on the actual administrative expenses of the Bank in the preceding five years in relation to both the numbers and amounts of loans made by the Bank in the same preceding five years. The total amount of such Administration Charge determined to be allocated to Special Operations was \$4,766,000.<sup>1</sup> This amount was deducted from the total internal administrative expenses of ordinary capital resources and charged to Special Funds resources. The total net amount of internal administrative expenses attributable to ordinary operations for 1971 after such deductions was therefore \$2,698,382.

In addition, during the year the total services to member countries, exclusive of expenses charged to the Technical Assistance Special Fund of \$1,025,715, amounted to \$1,158,439, and the total financial expenses were \$7,084,925. The gross expenses for the year were therefore \$10,941,746, and the net income for the year was \$14,576,493. This net income is available for allocation by the Board of Governors in accordance with the provisions of Article 40.1.

#### **Monetary Developments**

1971 was an eventful year from the viewpoint of international monetary developments. Effective 10 May 1971 the Federal Republic of Germany and the Netherlands, without any change in their par values established with the International Monetary Fund (IMF), ceased to assure that exchange transactions would take place within the established margins of one per cent on either side of their respective par values so that the exchange values of the Deutsche mark and the Netherlands guilder were allowed to fluctuate. On 15 August 1971 the United States took action, inter alia, for temporary suspension of full convertibility of the United States dollar into gold for foreign treasuries and central banks and the start of international consultation and negotiations to achieve needed and lasting reform in international monetary arrangements.

Thereafter, many countries including several members of the Bank, permitted their currencies to float in the international exchange markets, with the result that most of such currencies appreciated in relation to the United States dollar.

A number of meetings, under the auspices of the "Group of Ten," were convened during the following months to consider the international monetary situation. At the Ministerial Meeting of the "Group of Ten" held in Washington D.C. on 17-18 December

1 Of this amount \$2,476,000 was based on loans signed prior to 1971.

1971 the participants agreed on an inter-related set of measures pursuant to which it was announced that agreement on a pattern of exchange rate relationships among the currencies of the "Group of Ten" had been reached. Canada indicated that it intended temporarily to maintain a floating exchange rate; the remaining countries indicated their intention of establishing exchange rates in the form of par values or central rates and that provision would be made for 2.25 per cent margins of exchange rate fluctuation on either side of such exchange rates; representatives of the United States agreed to propose to the United States Congress a suitable means for devaluing the dollar in terms of gold to \$38 per ounce.

The Executive Directors of the International Monetary Fund (IMF) adopted a decision on 18 December 1971 establishing a temporary regime under which a member may permit the exchange rates for its currency to move within margins of 2½ per cent on either side of the par value or the new exchange value of its currency resulting from the agreed realignment of exchange rates. The new exchange value for a currency resulting from realignment if notified to the Fund only for the purposes of this temporary regime of wider margins and not

immediately proposed by the member as a new par value will be referred to as a central rate. The decision enabled members to observe the purposes of the IMF to the maximum extent possible during the temporary period preceding the resumption of effective par values with appropriate margins in accordance with the articles.

The Bank continued to maintain its books on the basis of prevailing par values, provisional and parity rates for its member currencies both during the period between 15 August and 18 December 1971 when the world's major currencies were floating and during the period following the 18 December 1971 agreement and the subsequent realignment of foreign exchange rates on the basis of central rates.

The Bank's financial statements for the year ending 31 December 1971, appearing in Appendix 1 hereto, have been prepared on the above-mentioned basis, as indicated in Note A to such Appendix 1-VIII. Consequently, the United States dollar amounts in the financial statements do not reflect, in respect of certain currencies, variations from such rates in foreign exchange markets which have occurred as a result of the 18 December 1971 agreement.

1

### **Additional Resources in 1971**

During 1971 the resources of the Multi-Purpose Special Fund were increased by the addition of further funds set aside from the Bank's ordinary capital resources and by contributions from the Federal Republic of Germany and Japan. Belgium, Italy and Norway also indicated at the Fourth Annual Meeting an intention to make contributions to the Bank's Special Funds.

The Board of Governors took action at the Fourth Annual Meeting, pursuant to Article 19.1 (i) of the Bank's Articles of Agreement, to set aside and allocate to the Multi-Purpose Special Fund 10 per cent of the portion of the Bank's capital paid in under Article 6.2 (a) since the date of the previous set-aside action at the Second Annual Meeting. The amount thus set-aside was \$9,941,900, bringing the total set-aside resources to \$24,516,900. The Board of Governors also resolved that the full amount of set-aside resources should be transferred to the Multi-Purpose Special Fund, so that income earned on the investment of such resources pending their disbursement under loans will accrue to Special Funds. Pursuant to the Board of Governors' Resolution, the amount of \$24.5 million in the form of cash and investments in securities and time deposits or certificates of deposit formerly held as part of the ordinary capital resources has been duly transferred to the Multi-Purpose Special Fund.

In October 1971 a contribution agreement was signed with the Federal Republic of Germany for a contribution to the Multi-Purpose Special Fund of 64 million Deutsche mark (\$17,486,339) in four annual instalments, the installment for 1971 being 11.2 million Deutsche mark (\$3,060,110). In December Germany agreed to add a further 2.8 million Deutsche mark (\$765,027) to its contribution, increasing the total amount payable in 1971 to 14 million Deutsche mark (\$3,825,137). In December Japan also contributed a further amount of 10.8 billion yen (\$30 million) to the Multi-Purpose Special Fund, thus fulfilling the pledge made at the Bank's First Annual Meeting to contribute 36 billion yen (\$100 million) over four years.

Both the German and the Japanese contributions may be used to procure goods and services from the contributor's own country, from other countries which contribute to the Multi-Purpose or Agricultural Special Funds and from developing member countries of the Bank.

The year 1971 also saw a welcome number of additional contributions to the Technical Assistance

Special Fund. Four countries contributed for the first time to the Fund and another five countries made additional contributions or extended arrangements for contributions made in previous years. Four regional countries were among the nine contributors.

The four countries contributing for the first time were Austria, Ceylon, Republic of China and Republic of Korea. The Austrian contribution of 1.3 million schillings (\$52,525) is available for two years from July 1971 to finance the services of Austrian experts and facilities. The Ceylonese contribution of 100,000 rupees (\$16,800) is available for financing the costs incurred in Ceylon in employing Ceylonese experts. The contributions of the Republics of China and Korea, of \$200,000 and \$30,000, respectively, are both free from procurement restrictions, although a preference has been expressed for the use of the funds in financing services of consultants from the respective contributor country and from other developing member countries of the Bank.

India made a second contribution of 300,000 rupees (\$40,000) to the Technical Assistance Special Fund for financing the costs of Indian expert services. The largest contribution during the year was that of Japan, which contributed 720 million yen (\$2 million) for financing the services of Japanese experts. The Netherlands made a further contribution of up to 100,000 guilders (\$27,624) for use during 1971 in employing Dutch consultants. The Federal Republic of Germany and United Kingdom each agreed to extend for a further year the arrangements previously made for meeting requests of the Bank for financial assistance in respect of the cost of employing German and British experts.

### **Utilization**

Loans from Special Funds resources are described in the chapter headed Loan and Technical Assistance Activities.

Lending under Special Operations was \$51,510,000 in 1971. Twelve loans were approved for projects in eight countries, primarily in the fields of agriculture and power.

Since the beginning of Special Operations in 1969 28 loans have been approved for projects in 12 countries for a total commitment of \$107.2 million, nearly half of which was committed in 1971. The table on page 58 shows the distribution of lending among the 12 countries which have received concessional loans and the sectoral breakdown of these loans.

## COUNTRY AND SECTORAL DISTRIBUTION OF SPECIAL FUNDS LOANS

AS OF 31 DECEMBER 1971

Country	No.	Amount (\$ million)	% Share	Agriculture	Public Utilities	Transport and Communications	Industry	Development Banks	Education
Afghanistan	1	5.150	4.8	5.150	—	—	—	—	—
Ceylon	2	11.305	10.5	7.705	—	3.600	—	—	—
Indonesia	9	47.800	44.6	22.700	11.700	—	10.000	3.400	—
Khmer Republic	1	1.670	1.6	—	1.670	—	—	—	—
Laos	2	4.343	4.0	0.973	3.370	—	—	—	—
Malaysia	1	3.300	3.1	3.300	—	—	—	—	—
Nepal	4	14.910	13.9	8.900	—	6.010	—	—	—
Philippines	2	3.500	3.3	2.500	—	1.000	—	—	—
Singapore	1	3.000	2.8	—	—	—	—	—	3.000
Territory of Papua and New Guinea	1	4.500	4.2	—	—	—	—	4.500	—
Viet-Nam	2	5.000	4.7	5.000	—	—	—	—	—
Western Samoa	2	2.730	2.5	0.330	—	2.400	—	—	—
<b>TOTAL</b>	28	107.208	100.0	56.558	16.740	13.010	10.000	7.900	3.000

The use made of the contributions to the Multi-Purpose and Agricultural Special Funds to the end of 1971 is shown on page 59.

The rate of utilization of each contribution is related to the extent to which the contributor has restricted the permissible uses of the contributed funds, and the nature of the restrictions. In practice, however, the primary use which has been made of each contribution, after the usual processes of competitive bidding, has been for the financing of procurement from the contributor's own country, even where the contribution is on less restricted terms. There is necessarily an interval, of course, before commitments for loans—as stated above now \$107.2 million—result in disbursements.

The use made of the contributions to the Technical Assistance Special Fund to the end of 1971 is shown on page 60.

### Future Needs of the Bank

The Technical Assistance Special Fund has proved to be a valuable source of funds for financing expert

services needed in the Bank's operations.<sup>1</sup> Although most contributions to the Technical Assistance Special Fund have been tied to use in the relevant contributor country and the amounts of contributions have varied considerably, a noteworthy feature has been the wide geographic range of contributions received. In 1971 the Bank had at its disposal resources contributed by twelve developed member countries (Australia, Austria, Canada, Denmark, Finland, Federal Republic of Germany, Japan, the Netherlands, New Zealand, Switzerland, United Kingdom and United States) and by four developing member countries (Republic of China, India, Republic of Korea and Pakistan). Ceylon's contribution became effective in December 1971, while Belgium and Italy have both indicated an intention to become contributors.

<sup>1</sup> In 1971 some 47 per cent of the grants for technical assistance were financed from the Technical Assistance Special Fund, the remainder of the funds being obtained from the income from ordinary resources.

## MULTI-PURPOSE AND AGRICULTURAL SPECIAL FUNDS

Contributor	Amount of Contribution (\$)	Amount of Loans Disbursed (\$)
Australia	9,750,000	566,891
Canada	25,000,000	284,933
Denmark	2,000,000	646
Germany, Federal Republic of	18,251,366	—
Japan	100,000,000	3,760,893
Netherlands	2,209,944	127,988
United Kingdom	14,400,000	277,345
Set Aside Resources	24,516,900	1,776,054
<b>TOTAL</b>	<b>196,128,210</b>	<b>6,794,750</b>

The most pressing need of the Bank, however, is for sufficient Special Funds resources for its soft lending operations. The Multi-Purpose Special Fund must clearly play the central role, as the primary channel by which these resources are made available to the Bank's borrowers. The generosity of those countries which have contributed to the Special Funds of the Bank is very much appreciated. However, Special Operations cannot continue to grow at the present rate unless substantial additional resources can be assured. Since lending from Special Funds resources began in 1969, commitments, as shown in the table on page 60, have grown at an annual rate of over 100 per cent. But the in-flow of contributed resources available for lending (excluding contributions to the Technical Assistance Special Fund) has not kept pace with loan commitments; contributions to the Multi-Purpose and Agricultural Special Funds grew from \$68.1 million at the end of 1969 to \$171.6 million at the end of 1971, an annual increase of about 55 per cent. As stated in the report

of the Board of Directors to the Board of Governors on the Capital Resources of the Bank, it is proposed to undertake in the near future a study of the problem of securing the resources needed to maintain and strengthen this important branch of the Bank's operations.

Not only the amount, but also the terms of use of contributed resources need to be appropriate for the Bank's requirements. With the growth of the Bank's Special Operations in 1971, it has become increasingly difficult to administer funds contributed on different terms and with different degrees of restrictions upon use in a manner which is compatible with the reasonable requirements of the Bank's borrowers. Consultations have been initiated with contributors in an attempt to standardize the terms of contributions and introduce greater flexibility in such terms. The progress so far made in these consultations gives grounds for thinking that a model form of agreement could gain wide acceptance among Special Funds contributors.

## TECHNICAL ASSISTANCE SPECIAL FUND

Contributor	Amount of Contribution (\$)	Amount Utilized (\$) <sup>1</sup>
Australia	250,000	234,127
Austria	52,525	—
Canada	200,000	200,000
Ceylon	16,800	—
China, Republic of	200,000	7,153
Denmark	300,000	191,205
Finland	108,173	13,557
Germany, Federal Republic of	131,219	117,514
India	66,667	55,755
Japan	3,313,982	863,366
Korea, Republic of	30,000	—
Netherlands	55,434	45,728
New Zealand	168,000	102,627
Pakistan	42,000	7,639
Switzerland	200,000	( 195) <sup>2</sup>
United Kingdom	174,609	174,609
United States	1,250,000	1,250,000
<b>TOTAL</b>	<b>6,559,409</b>	<b>3,263,085</b>

1 Net of income earned amounting to \$97,501.

2 Income derived from investment of contribution which remains unutilized.

## SPECIAL FUNDS RESOURCES AND LOANS

(\$ Million Equivalent)<sup>3</sup>

End of Period	Cumulative Contributions <sup>4</sup>	Cumulative Loan Commitment	Difference
December 1969	68,105	22,005	46,100
December 1970	123,360	55,698	67,662
December 1971	171,600	107,200	64,400

3 Dollar equivalents, where not indicated in respective Contribution Agreements, are based on the formal International Monetary Fund par value, as of 31 December 1971, applicable to the contribution currency.

4 Excluding capital set aside and contributions to the Technical Assistance Special Fund but including commitments not immediately available.

MEMBERSHIP

ORGANIZATION  
AND ADMINISTRATION

## **Members**

The membership of the Bank rose from 35 to 36 during the year with the addition of the Territory of Papua and New Guinea. Papua New Guinea's membership became effective on 8 April. The distribution of voting power among the members of the Bank following the admission of Papua New Guinea is given with the statement of subscriptions in Appendix 1-VII.

## **Board of Governors**

During the year there were several changes in the Board of Governors. The first meeting of the Procedures Committee for 1971-1972 held in Singapore on 16 April recommended that the Governor for Thailand be elected Chairman and the Governors for Austria and Laos be elected Vice-Chairmen of the Board of Governors to hold office until the close of the Fifth Annual Meeting. A list of Governors and Alternate Governors appears in Appendix 6.

At the invitation of the Government of Singapore, the Fourth Annual Meeting of the Board of Governors was held in Singapore from 15 to 17 April 1971. At the meeting the Board of Governors resolved that the Board of Directors promptly undertake a study of the resources position and of the need to enlarge the resources through an increase in the authorized capital stock of the Bank. (Subsequently in November 1971 the Board of Governors adopted Resolution No. 46 by which the authorized capital of the Bank was raised from \$1,100 million to \$2,750 million.) The Board of Governors also resolved to re-elect Mr. Takeshi Watanabe as President.

A list of the resolutions adopted during the year appears in Appendix 3.

In response to an invitation from the Government of Austria, the Governors determined in June 1971 that the Fifth Annual Meeting take place in Vienna from 20 to 22 April 1972.

## **Board of Directors**

During the course of the year the following changes took place in the Board of Directors:

### **Directors**

An election of Directors was held on 16 April during the Fourth Annual Meeting in Singapore in accordance with the provisions of Resolution No. 42 of the Board of Governors. The number of Directors was increased from 10 to 12 (one additional each from the regional and non-regional members) as authorized by the Board of Governors Resolution No. 27.

Of the 12 Directors, three, namely, Messrs. D.S. Joshi (India) representing India, J.C.G. Lloyd (Australia) representing Australia, Hong Kong and Territory of Papua and New Guinea and Artemus E. Weatherbee (United States) representing United States were re-elected.

The nine new Directors were:

Mr. Cornelio Balmaceda\* (Philippines) representing Pakistan and the Philippines.

Mr. Enno Carstensen (Federal Republic of Germany) representing Austria, Federal Republic of Germany and United Kingdom.

Mr. L.J. Downey\* (New Zealand) representing Fiji, Indonesia, New Zealand and Western Samoa.

Mr. Yves-Louis Fievet (France) representing Belgium, France, Italy and Switzerland.

Mr. Tatsuaki Hirai (Japan) representing Japan.

Mr. B.H. Kay (Republic of Korea) representing Republic of China, Republic of Korea and Republic of Viet-Nam.

Mr. Poul H. Kryger\* (Denmark) representing Canada, Denmark, Finland, the Netherlands, Norway and Sweden.

Mr. Lee Keng Tuan (Singapore) representing Malaysia, Nepal, Singapore and Thailand.

Mr. William Tennekoon (Ceylon) representing Afghanistan, Ceylon, Khmer Republic and Laos.

The term of office of the new Board commenced on 1 June 1971.

### **Alternate Directors**

Mr. J.M. Starey (Australia) was appointed on 16 February replacing Mr. Lance Joseph (Australia).

Following the election of Directors at the Fourth Annual Meeting, four serving Alternate Directors, namely, Messrs. Buu Hoan (Republic of Viet-Nam), George R. Jacobs (United States), Fumio Kawano (Japan) and J.M. Starey (Australia) were re-appointed and seven new Alternate Directors were appointed as follows:

Mr. A.W. Haider\* (Afghanistan)

Mr. K.S. Islam\* (Pakistan)

Mr. R.A. Kartadjoemena\* (Indonesia)

Mr. A.A.W. Landymore (United Kingdom)

Mr. Robert Lempen (Switzerland)

Mr. Mohd. Yusoff Rahim (Malaysia)

Mr. Ian B. Robertson (Canada).

Mr. Keiya Nagamatsu (Japan) was appointed on 17 August replacing Mr. Fumio Kawano (Japan) who resigned as of 12 July.

\* Previously served as member of the Board of Directors.

Mr. A.T. Bambawale (India) was appointed on 25 August replacing Mr. J.R. Hiremath (India) who resigned as of 5 April.

A list of Directors and Alternate Directors as of the end of the year appears in Appendix 7.

During the year there were 53 meetings of the Board of Directors, including regular and executive sessions.

## ORGANIZATION AND ADMINISTRATION

### President and Vice President

On 17 April at the Fourth Annual Meeting of the Board of Governors, the Board elected Mr. Takeshi Watanabe as President of the Bank for a further term of five years commencing on 24 November.

On 24 June the Board of Directors, on the recommendation of President Takeshi Watanabe, appointed Mr. C.S. Krishna Moorthi as Vice President of the Bank for a further term of five years commencing on 19 December.

### Staff

An additional 32 professional staff and 30 non-professional staff joined the Bank in 1971. This raised the Bank's total staff (excluding President and Vice President) from 490 at the beginning of the year to 552 at the close of the year, comprising 191 professional staff and 361 non-professional staff and representing among them 34 nationalities.

Owing to the upward trend in consumer price levels in Manila, a general salary increase was given to non-professional staff with effect from 1 August. In view of local and overseas price increases and in order to maintain the Bank's capacity to attract and retain suitably qualified staff from a competitive international market, a general salary increase was given to professional staff with effect from 1 December.

Some improvements in staff benefits were implemented with effect from 1 December. The rates of dependency allowance both for professional and non-professional staff were increased for reasons similar to those which led to the general salary increases granted during the year. Staff members

whose duty station is outside their home countries were previously entitled to the benefit of home leave travel after every two years of service. These staff members are now entitled to this benefit after their first two years of service and every 18 months thereafter.

The Office of the Financial Advisor was relocated in April at Glarnischstrasse 30, Zurich 8002, Switzerland. Appropriate arrangements relating to this office and its personnel were effected by an exchange of letters between the Bank and the Federal Government of Switzerland.

### Headquarters

The Philippine Coordinating Committee continued to act as a liaison body between the Bank and agencies of the Philippine Government. The assistance of the Committee in providing additional office accommodation as requested for the Bank's temporary offices was particularly appreciated. Thus, in 1971 the Committee provided the Bank with additional office space in the Prudential Bank Building and expanded office accommodation in the Rufino Building. The Bank is now located in five buildings, namely, the Metropolitan, Amalgamated, Rufino, Oledán, and Prudential buildings, which are all situated on Ayala Avenue, Makati, Rizal.

Construction of the Bank's permanent headquarters building, which the Philippine Government is providing, is well advanced and plans are being made to occupy the building about the middle of 1972.

### Budget for 1972

The budget for 1972 was approved by the Board of Directors on 2 December and a summary thereof appears in Appendix 2. Internal Administrative Expenses are estimated at \$10,141,800<sup>1</sup> and Services to Member Countries are estimated at \$3,871,900.

A table showing estimated gross income, financial expenses on bonds and investments, internal administrative expenses and expenditure on services to member countries for 1972, together with corresponding figures for 1970 and 1971, appears on page 65.

<sup>1</sup> Consisting of the expenses to be charged to ordinary capital resources (\$5.63 million), expenses to be borne by Special Funds resources (\$4.40 million) and expenses chargeable to Technical Assistance Special Fund (\$0.11 million).

	1970 Actual	1971 Budget ( \$ Million)	1971 Actual	1972 Budget
<b>I. ORDINARY CAPITAL RESOURCES</b>				
1. Gross Income Net of Special Reserve	20.57	25.40	25.52	33.30
2. Less:				
a) Administrative Expenses <sup>3</sup>	6.36	5.31 <sup>1</sup>	2.70 <sup>1</sup>	5.63 <sup>1</sup>
b) Services to Member Countries <sup>3</sup>	1.35 <sup>2</sup>	0.94	1.16 <sup>2</sup>	1.80
	7.71	6.25	3.86	7.43
3. Residual Gross Income	12.86	19.15	21.66	25.87
4. Less: Financial Expenses	1.56	5.20	7.08	15.20
5. Net Income	<u>11.30</u>	<u>13.95</u>	<u>14.58</u>	<u>10.67</u>
<b>II. SPECIAL FUNDS RESOURCES</b>				
Expenses Charged to Technical Assistance Special Funds of which	<u>1.54</u>	<u>1.69</u>	<u>1.16</u>	<u>2.18</u>
a. Internal Administrative Expenses	0.13	0.15 <sup>4</sup>	0.14	0.11 <sup>4</sup>
b. Services to Member Countries	1.41	1.54 <sup>4</sup>	1.02	2.07 <sup>4</sup>

<sup>1</sup> Exclusive of Administration Charges to Special Operations computed in accordance with the formula approved by the Board of Directors in November, 1971, viz: 1971 (Budget)—3.10, 1971 (Actual)—4.77 (inclusive of 2.48 representing administration charges for special loans signed prior to 1971), and 1972 (Budget)—4.40.

<sup>2</sup> Exclusive of expenses chargeable to the United Nations Development Programme contribution.

<sup>3</sup> Exclusive of expenses charged or chargeable to Technical Assistance Special Fund shown under II (Special Funds Resources).

<sup>4</sup> Based on the percentage of expenses charged to Technical Assistance Special Fund during the period January to September of the previous year.

## APPENDIX E

1. General Instructions and Organization of Independent Auditor
2. Audit Report (Form O-197)
3. Resolution of Audit Board of Accountants (Form O-197)
4. Circular of Comptroller
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7. Circular Letter (Form O-197)
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**FINANCIAL STATEMENTS AND OPINIONS OF INDEPENDENT AUDITORS****ORDINARY CAPITAL RESOURCES:**

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  - II Comparative Statement of Income and Expenses
  - III Statement of Changes in Financial Position
  - IV Statement of Cash in Banks and Demand Obligations of Members
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**SPECIAL FUNDS RESOURCES:**

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**ASIAN DEVELOPMENT BANK—****BALANCE****31 December***Expressed in United***ASSETS**

CASH IN BANKS (Note B)			
Member currencies (See Appendix 1-IV)			\$ 9,338,048
INVESTMENTS (Note B)			
Government and government-guaranteed obligations—amortized cost			
Maturing within one year			
(Face amount \$42,441,222)	\$ 42,298,892		
Maturing after one year			
(Face amount \$43,499,134)	42,927,066	\$ 85,225,958	
Time deposits and certificates of deposit			
Maturing within one year	227,205,828		
Maturing after one year	50,531,896	277,737,724	
Accrued interest			
	362,963,682		
	8,363,002	371,326,684	
DEMAND OBLIGATIONS OF MEMBERS			
(Notes B and C)			
Non-negotiable, non-interest-bearing obligations in member currencies			
(See Appendix 1-IV)			212,728,492
EFFECTIVE LOANS (See Appendix 1-V)			
Held by Bank	352,550,732		
Agreed to be sold	1,856,000	354,405,732	
ADMINISTRATION CHARGE RECEIVABLE FROM SPECIAL FUNDS RESOURCES (Note F)			4,766,000
UNAMORTIZED FUNDED DEBT ISSUANCE EXPENSES			3,686,534
OTHER ASSETS			1,843,869
SPECIAL RESERVE FUND ASSETS (Note D)			
Cash in banks	395,411		
Accrued loan commissions	161,737	557,148	
TOTAL			\$958,652,507

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

## ORDINARY CAPITAL RESOURCES

## SHEET

1971

*States Dollars (Note A)*

## LIABILITIES, RESERVES AND CAPITAL

LIABILITIES			
Accounts payable		\$ 468,451	
Accrued interest on funded debt		2,330,822	
Undisbursed balance of effective loans (See Appendix 1-V)			
Held by Bank	\$288,296,649		
Agreed to be sold	1,855,000	290,151,649	
	<hr/>	<hr/>	
Funded debt (See Appendix 1-VI)		159,361,525	\$452,312,447
	<hr/>	<hr/>	
SPECIAL RESERVE (Note D)			557,148
	<hr/>	<hr/>	
CAPITAL (Note C)			
Capital stock (See Appendix 1-VII)			
Authorized—55,000 "paid-in" shares and 55,000 "callable" shares of \$10,000 par value each			
Subscribed (100,538 shares)		1,005,380,000	
Less "callable" shares subscribed (50,269 shares)		502,690,000	
	<hr/>	<hr/>	
"Paid-in" shares subscribed (50,269 shares)		502,690,000	
Less subscription instalments not due		9,352,000	
	<hr/>	<hr/>	
Subscription instalments matured		493,338,000	
Less capital set aside and transferred to Multi-Purpose Special Fund (Note C)		24,516,900	
	<hr/>	<hr/>	
Capital for ordinary operations		468,821,100	
	<hr/>	<hr/>	
Ordinary Reserve (Note G)		22,385,319	
	<hr/>	<hr/>	
Net income for the year ended 31 December 1971 (To be allocated by the Board of Governors)		14,576,493	505,782,912
	<hr/>	<hr/>	
TOTAL			\$958,652,507

## ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

### COMPARATIVE STATEMENT OF INCOME AND EXPENSES

**For the Years Ended 31 December 1971 and 31 December 1970**

*Expressed in United States Dollars (Note A)*

	<u>1971</u>	<u>1970</u>
<b>INCOME</b>		
From investments	\$21,818,529	\$19,153,981
From loan operations		
Interest	2,207,816	818,514
Commissions	375,268	139,321
Commitment charge	1,309,115	504,396
From other sources	182,779	88,563
	<u>25,893,507</u>	<u>20,704,775</u>
<b>GROSS INCOME</b>	375,268	139,321
Deduct commissions appropriated to Special Reserve (Note D)		
	<u>25,518,239</u>	<u>20,565,454</u>
<b>UNAPPROPRIATED INCOME</b>		
<b>EXPENSES</b>		
Administrative expenses		
Board of Governors	56,875	68,764
Board of Directors		
Salaries	519,630	476,713
Benefits	97,776	90,263
Travel	189,291	97,377
Staff services	43,153	40,704
Total Board of Directors	849,850	705,057
Staff		
Salaries	3,322,906	2,768,683
Benefits	887,164	717,531
Travel	1,060,681	858,814
Consultants	114,816	264,556
Representation	38,628	41,850
Total staff	5,424,195	4,651,434
Other administrative expenses		
Communications	288,848	192,849
Office occupancy	136,573	77,947
Publications and printing	92,585	92,439
Expendable supplies	126,827	133,236
Furniture and equipment	152,515	145,845
Fees and compensation	225,705	174,534
Special activity—Expo '70	110,409	20,492
Miscellaneous		
Total other administrative expenses	1,133,462	930,824
Total administrative expenses—(Forward)	\$ 7,464,382	\$ 6,356,079

CONTINUED

	<u>1971</u>	<u>1970</u>
Total administrative expenses — (Forward)	\$ 7,464,382	\$ 6,356,079
Deduct Administration Charge to Special Operations, including \$2,476,000 based on loans signed prior to 1971 (Note F)	4,766,000	—
Net administrative expenses	<u>2,698,382</u>	<u>6,356,079</u>
Services to member countries		
Project preparation and other loan-related technical assistance	394,032	478,150
Advisory missions and other technical assistance	589,481	658,013
Regional Transport Survey (Note H)	82,571	87,541
Asian Vegetable Research and Development Center	75,000	—
Southeast Asia's Economy in the Seventies	—	122,492
LAWASIA Credit and Security Research	17,355	—
Other regional activities	—	5,950
Total services to member countries	<u>1,158,439</u>	<u>1,352,146</u>
Financial expenses		
Interest on funded debt	6,741,860	1,448,135
Funded debt issuance and other financial expenses	343,065	108,939
Total financial expenses	<u>7,084,925</u>	<u>1,557,074</u>
GROSS EXPENSES	<u>10,941,746</u>	<u>9,266,299</u>
NET INCOME (NOTE C)	<u>\$14,576,493</u>	<u>\$11,300,155</u>

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

**ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES****STATEMENT OF CHANGES IN FINANCIAL POSITION****For the Year Ended 31 December 1971***Expressed in United States Dollars (Note A)*

<b>FUNDS WERE PROVIDED BY</b>	
Operations	
Net Income	\$ 14,576,493
Items not requiring or providing funds	(3,490,885)
Funds provided by operations	11,085,608
Funded debt issued	119,144,847
Capital subscriptions collected	2,369,000
Demand obligations of members encashed	1,538,977
Loans sold	1,824,000
Loans collected	537,108
Other—net	616,171
Total	<u>137,115,711</u>
<b>FUNDS WERE UTILIZED FOR</b>	
Loans disbursed	42,920,180
Set-Aside Resources transferred	23,840,783
Funded debt purchased for redemption funds	543,030
Total	<u>67,303,993</u>
<b>INCREASE IN CASH IN BANKS AND INVESTMENTS</b>	
	<u>\$ 69,811,718</u>
<b>INCREASE IN COMPONENTS OF FUNDS</b>	
Cash in banks (excluding Special Reserve Fund cash)	\$ 318,534
Investments (excluding accrued interest)	69,493,184
TOTAL	<u>\$ 69,811,718</u>

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

**ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES****STATEMENT OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS****31 December 1971***Expressed in United States Dollars (Note A)*

Members	Unit of Currency	Cash in Banks	Demand Obligations of Members
Afghanistan	Afghani	\$ —	\$ 1,195,000 <sup>1</sup>
Australia	Australian Dollar	67,008 <sup>3</sup>	17,000,000 <sup>2</sup>
Austria	Austrian Schilling	14,842	—
Belgium	Belgian Franc	29,161	1,236,000
Canada	Canadian Dollar	54,272	6,250,000
Ceylon	Ceylon Rupee	3,540	2,117,781 <sup>1</sup>
China, Republic of	New Taiwan Dollar	8,839	3,748,548 <sup>1</sup>
Denmark	Danish Krone	7,408	1,250,000
Fiji	Fiji Dollar	—	100,000 <sup>1</sup>
Finland	Finnish Markka	—	1,250,000
France	French Franc	40,399	2,500,000
Germany, Federal Republic of	Deutsche Mark	316,794	—
Hong Kong	Hong Kong Dollar	22,844 <sup>4</sup>	1,483,500 <sup>2</sup>
India	Indian Rupee	6,309	23,217,333 <sup>1</sup>
Indonesia	Rupiah	4,059,940 <sup>1</sup>	2,124,119 <sup>1</sup>
Italy	Italian Lira	49,366	—
Japan	Yen	—	50,000,000
Khmer Republic	Riel	700,000 <sup>1</sup>	175,000 <sup>1</sup>
Korea, Republic of	Won	13,054	7,443,198 <sup>1</sup>
Laos	Kip	102,154 <sup>1</sup>	—
Malaysia	Malaysian Dollar	48,434	4,970,927 <sup>1</sup>
Nepal	Nepalese Rupee	1,116	514,568 <sup>1</sup>
Netherlands	Netherlands Guilder	5,288	2,750,000
New Zealand	New Zealand Dollar	19,042 <sup>2</sup>	5,617,600 <sup>2</sup>
Norway	Norwegian Krone	13,029	—
Pakistan	Pakistan Rupee	8,490	7,976,770 <sup>1</sup>
Papua and New Guinea, Territory of	Australian Dollar	—	69,000 <sup>1</sup>
Philippines	Philippine Peso	194,197	4,810,000 <sup>1</sup>
Singapore	Singapore Dollar	22,795	1,233,667 <sup>1</sup>
Sweden	Swedish Krona	10,137	1,250,000
Switzerland	Swiss Franc	141,170	—
Thailand	Baht	9,150	4,945,481 <sup>1</sup>
United Kingdom	Pound Sterling	58,228	7,500,000
United States	United States Dollar	306,042	50,000,000
Viet-Nam, Republic of	Piastre	2,997,879 <sup>1</sup>	—
Western Samoa	Western Samoan Dollar	7,121 <sup>1</sup>	—
<b>TOTAL</b>		<b>\$9,338,048</b>	<b>\$212,728,492</b>

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

- 1 Restrictions on use may be imposed by members (Note B).
- 2 Restrictions on use have been imposed by members (Note B).
- 3 Of this amount, restrictions on use have been imposed in the amount of \$65,809.
- 4 Of this amount, restrictions on use have been imposed in the amount of \$5,571.

**ASIAN DEVELOPMENT BANK—**

**STATEMENT**

**31 December**

*Expressed in United*

Member and Borrower	Loan No.	Date of Loan Agreement	Maturities	Interest Rate (including commission)	Principal Amount
<b>CEYLON</b>					
Central Bank of Ceylon	2 CEY	17 Jul. '68	1971-1983	6-7/8%	\$ 2,000,000
Ceylon	17 CEY	6 Nov. '69	1974-1984	6-7/8	885,000
Ceylon	31 CEY	5 May '70	1975-1984	6-7/8	2,600,000
Central Bank of Ceylon	39 CEY	1 Dec. '70	1974-1985	7-1/2	3,500,000
Ceylon	78 CEY	21 Dec. '71	1976-1986	7-1/2	4,150,000
<b>CHINA, REPUBLIC OF</b>					
Republic of China	5 CHI	30 Nov. '68	1971-1978	6-7/8	400,000
Chinese Petroleum Corporation (Guaranteed by Member)	7 CHI	27 Dec. '68	1972-1980	6-7/8	10,200,000
Republic of China	11 CHI	10 Apr. '69	1972-1981	6-7/8	10,000,000
Taiwan Aluminium Corporation (Guaranteed by Member)	20 CHI	15 Dec. '69	1973-1982	6-7/8	2,670,000
Taiwan Metal Mining Corporation (Guaranteed by Member)	21 CHI	15 Dec. '69	1973-1981	6-7/8	1,150,000
Republic of China	22 CHI	15 Dec. '69	1972-1982	6-7/8	990,000
Republic of China	29 CHI	3 Apr. '70	1973-1989	6-7/8	18,000,000
Taiwan Power Company (Guaranteed by Member)	44 CHI	16 Dec. '70	1974-1989	7-1/2	12,880,000
Taiwan Power Company (Guaranteed by Member)	67 CHI	24 May '71	1973-1980	7-1/2	500,000
China Development Corporation (Guaranteed by Member)	75 CHI	15 Oct. '71	Not Fixed <sup>2</sup>	Variable <sup>1</sup>	7,500,000
Republic of China	79 CHI	15 Dec. '71	1975-1981	7-1/2	13,600,000
Taiwan Power Company (Guaranteed by Member)	82 CHI	15 Dec. '71	1975-1990	7-1/2	22,500,000
<b>KOREA, REPUBLIC OF</b>					
Republic of Korea	3 KOR	16 Sep. '68	1972-1983	6-7/8	6,800,000
Korea Cold Storage Company Limited (Guaranteed by Member)	10 KOR	22 Mar. '69	1973-1984	6-7/8	7,000,000
The Korea Express Company Limited (Guaranteed by Member)	14 KOR	17 Sep. '69	1972-1980	6-7/8	7,500,000
The Medium Industry Bank (Guaranteed by Member)	23 KOR	19 Dec. '69	1973-1985	6-7/8	10,000,000
Republic of Korea	38 KOR	26 Oct. '70	1972-1980	7-1/2	500,000
Korea Electric Company (Guaranteed by Member)	40 KOR	23 Nov. '70	1973-1990	7-1/2	9,500,000
FORWARD					\$154,825,000

## ORDINARY CAPITAL RESOURCES

## OF LOANS

1971

States Dollars (Note A)

Loans not yet Effective	Refundings and Cancellations	Payments Received		Effective Loans		Undisbursed Balance of Effective Loans	
		On Loans Held by Bank	For Loans Sold	Held by Bank	Agreed to be Sold	Held by Bank	Agreed to be Sold
\$ —	\$ —	\$55,000	\$ —	\$ 1,945,000	\$ —	\$ —	\$ —
—	—	—	—	885,000	—	885,000	—
—	—	—	—	2,600,000	—	1,116,729	—
—	—	—	—	3,500,000	—	2,882,873	—
4,150,000	—	—	—	—	—	—	—
—	400,000	—	—	—	—	—	—
—	—	—	845,000	8,450,000	905,000	2,522,677	905,000
—	—	—	550,000	9,450,000	—	4,941,787	—
—	—	—	—	2,670,000	—	2,587,290	—
—	1,133,000	17,000	—	—	—	297,910	—
—	—	—	400,000	17,600,000	—	14,658,003	—
—	—	—	—	12,880,000	—	12,828,174	—
—	—	—	—	500,000	—	491,185	—
—	—	—	—	7,500,000	—	7,500,000	—
13,600,000 <sup>3</sup>	—	—	—	—	—	—	—
22,500,000	—	—	—	—	—	—	—
—	488,449	—	785,000	5,526,551	—	—	—
—	2,000,000	—	490,000	4,510,000	—	373,191	—
—	—	—	—	7,500,000	—	3,593,117	—
—	—	—	—	10,000,000	—	2,673,459	—
—	—	—	—	500,000	—	301,993	—
—	—	—	—	9,500,000	—	9,500,000	—
\$40,250,000	\$4,021,449	\$72,000	\$3,070,000	\$106,506,551	\$905,000	\$67,153,388	\$905,000

## ASIAN DEVELOPMENT BANK—

### STATEMENT

31 December

*Expressed in United*

Member and Borrower	Loan No.	Date of Loan Agreement	Maturities	Interest Rate (including commission)	Principal Amount
<b>FORWARD</b>					
The Korea Development Bank (Guaranteed by Member)	42 KOR	23 Nov. '70	Not Fixed <sup>2</sup>	Variable <sup>1</sup>	\$154,825,000
Hankook Caprolactam Corporation (Guaranteed by Member)	55 KOR	7 Jan. '71	1975-1985	7-1/2%	10,000,000
Republic of Korea	64 KOR	2 Apr. '71	1974-1990	7-1/2	25,000,000
The Medium Industry Bank (Guaranteed by Member)	70 KOR	3 Sep. '71	Not Fixed <sup>2</sup>	8,800,000	15,000,000
Korea Electric Company (Guaranteed by Member)	72 KOR	13 Sep. '71	1974-1991	7-1/2	10,600,000
Republic of Korea	86 KOR	29 Dec. '71	1979-1998	7-1/2	22,000,000
<b>MALAYSIA</b>					
Malaysia	4 MAL	23 Sep. '68	1973-1988	6-7/8	7,200,000
Malaysia	8 MAL	15 Feb. '69	1974-1988	6-7/8	2,800,000
Malaysia	18 MAL	16 Nov. '69	1975-1995	6-7/8	5,000,000
Malaysia	27 MAL	19 Dec. '69	1975-1989	6-7/8	3,100,000
Malaysia	37 MAL	14 Oct. '70	1975-1985	7-1/2	900,000
Malaysia	41 MAL	11 Dec. '70	1976-1995	7-1/2	5,000,000
Malaysia	47 MAL	11 Dec. '70	1976-1995	7-1/2	3,500,000
Malaysia	76 MAL	20 Dec. '71	1977-1996	7-1/2	13,400,000
Malaysian Industrial Development Finance Berhad (Guaranteed by Member)	87 MAL	20 Dec. '71	Not Fixed <sup>2</sup>	Variable <sup>1</sup>	15,000,000
<b>NEPAL</b>					
Nepal	46 NEP	29 Dec. '70	1974-1982	7-1/2	2,000,000
<b>PAKISTAN</b>					
Industrial Development Bank of Pakistan (Guaranteed by Member)	6 PAK	16 Dec. '68	1972-1985	6-7/8	10,000,000
Pakistan Industrial Credit and Investment Corporation (Guaranteed by Member)	34 PAK	9 Oct. '70	1974-1988	7-1/2	3,120,000
Pakistan Industrial Credit and Investment Corporation (Guaranteed by Member)	52 PAK	24 Dec. '70	1974-1985	7-1/2	12,000,000
Industrial Development Bank of Pakistan (Guaranteed by Member)	53 PAK	24 Dec. '70	1974-1985	Variable <sup>1</sup>	15,000,000
Agricultural Development Bank of Pakistan (Guaranteed by Member)	54 PAK	24 Dec. '70	1973-1985	7-1/2	6,730,000
<b>FORWARD</b>					
					\$350,975,000

## ORDINARY CAPITAL RESOURCES

## OF LOANS

1971

States Dollars (Note A)

CONTINUED

Loans not yet Effective	Refundings and Cancellations	Payments Received		Effective Loans		Undisbursed Balance of Effective Loans	
		On Loans Held by Bank	For Loans Sold	Held by Bank	Agreed to be Sold	Held by Bank	Agreed to be Sold
\$ 40,250,000	\$4,021,449	\$72,000	\$3,070,000	\$106,506,551	\$905,000	\$ 67,153,388	\$905,000
—	—	—	—	10,000,000	—	10,000,000	—
—	—	—	—	25,000,000	—	24,928,177	—
8,800,000 <sup>3</sup>	—	—	—	—	—	—	—
15,000,000	—	—	—	—	—	—	—
10,600,000	—	—	—	—	—	—	—
22,000,000	—	—	—	—	—	—	—
—	—	—	285,000	6,915,000	—	4,249,924	—
—	—	—	—	2,800,000	—	2,057,095	—
—	—	—	—	5,000,000	—	4,722,803	—
—	—	—	—	3,100,000	—	2,887,946	—
—	—	—	—	900,000	—	900,000	—
—	—	—	—	5,000,000	—	4,981,678	—
—	—	—	—	3,500,000	—	3,491,687	—
13,400,000	—	—	—	—	—	—	—
15,000,000	—	—	—	—	—	—	—
—	—	—	—	2,000,000	—	1,994,083	—
—	—	—	—	10,000,000	—	355,491	—
—	—	—	—	3,120,000	—	3,120,000	—
—	—	—	—	12,000,000	—	12,000,000	—
—	—	—	—	15,000,000	—	15,000,000	—
—	—	—	—	6,730,000	—	6,730,000	—
<b>\$125,060,000</b>	<b>\$4,021,449</b>	<b>\$72,000</b>	<b>\$3,355,000</b>	<b>\$217,571,551</b>	<b>\$905,000</b>	<b>\$164,572,272</b>	<b>\$905,000</b>

# ASIAN DEVELOPMENT BANK

## STATEMENT

31 December

*Expressed in United*

Member and Borrower	Loan No.	Date of Loan Agreement	Maturities	Interest Rate (including commission)	Principal Amount
FORWARD					\$350,975,000
<b>PHILIPPINES</b>					
Philippine National Bank (Guaranteed by Member)	9 PHI	5 Mar. '69	Not Fixed <sup>2</sup>	6-7/8%	5,000,000
Philippine National Bank (Guaranteed by Member)	51 PHI	28 Dec. '70	Not Fixed <sup>2</sup>	Variable <sup>1</sup>	15,000,000
Philippines	56 PHI	28 Dec. '70	1976-1995	7-1/2	10,600,000
Philippines	62 PHI	12 Mar. '71	1975-1988	7-1/2	4,500,000
National Power Corporation (Guaranteed by Member)	77 PHI	3 Nov. '71	1977-1996	7-1/2	23,400,000
<b>SINGAPORE</b>					
The Development Bank of Singapore Limited (Guaranteed by Member)	13 SIN	16 Jul. '69	Not Fixed <sup>2</sup>	6-7/8	10,000,000
Jurong Town Corporation (Guaranteed by Member)	35 SIN	5 Sep. '70	1975-1995	7-1/2	8,310,000
Singapore	43 SIN	4 Dec. '70	1976-1990	7-1/2	20,500,000
Public Utilities Board, Singapore (Guaranteed by Member)	57 SIN	28 Dec. '70	1975-1990	7-1/2	8,300,000
The Port of Singapore Authority (Guaranteed by Member)	73 SIN	15 Sep. '71	1977-1993	7-1/2	8,100,000
Public Utilities Board, Singapore (Guaranteed by Member)	74 SIN	15 Sep. '71	1975-1986	7-1/2	15,470,000
<b>THAILAND</b>					
Industrial Finance Corporation of Thailand (Guaranteed by Member)	1 THA	25 Jan. '68	Not Fixed <sup>2</sup>	6-7/8	5,000,000
Industrial Finance Corporation of Thailand (Guaranteed by Member)	24 THA	30 Jan. '70	Not Fixed <sup>2</sup>	6-7/8	10,000,000
Electricity Generating Authority of Thailand (Guaranteed by Member)	50 THA	21 Dec. '70	1975-1992	7-1/2	19,000,000
Metropolitan Electricity Authority (Guaranteed by Member)	80 THA	17 Dec. '71	1975-1992	7-1/2	18,000,000
ADJUSTMENT IN US DOLLAR EQUIVALENTS OF LOANS DISBURSED					\$532,155,000
TOTAL					\$532,155,000

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

- 1 Interest rate is applied to each portion of these loans at the Bank's lending rate prevalent at the time when each such portion is credited for a specific project.
- 2 Amortization schedules are agreed upon between the Bank and the borrowers for each portion of these loans when each such portion is credited for a specific project.

## ORDINARY CAPITAL RESOURCES

## OF LOANS

1971

States Dollars (Note A)

CONTINUED

Loans not yet Effective	Refundings and Cancellations	Payments Received		Effective Loans		Undisbursed Balance of Effective Loans	
		On Loans Held by Bank	For Loans Sold	Held by Bank	Agreed to be Sold	Held by Bank	Agreed to be Sold
\$125,050,000	\$4,021,449	\$ 72,000	\$3,355,000	\$217,571,551	\$ 905,000	\$164,572,272	\$ 905,000
—	—	97,366	—	4,902,634	—	2,517,087	—
—	—	—	—	15,000,000	—	15,000,000	—
—	—	—	—	10,600,000	—	10,577,328	—
—	—	—	—	4,500,000	—	4,402,586	—
23,400,000	—	—	—	—	—	—	—
—	—	—	—	10,000,000	—	8,914,143	—
—	—	—	—	8,310,000	—	8,275,837	—
—	—	—	—	19,950,000	550,000	19,890,778	550,000
—	—	—	—	8,050,000	250,000	8,018,034	250,000
—	—	—	—	8,100,000	—	8,100,000	—
—	—	—	—	15,320,000	150,000	15,320,000	150,000
—	—	588,203	—	4,411,797	—	94,627	—
—	—	—	—	10,000,000	—	6,899,975	—
—	3,200,000	—	—	15,800,000	—	15,713,982	—
18,000,000 <sup>3</sup>	—	—	—	—	—	—	—
—	—	—	—	34,750 <sup>4</sup>	—	—	—
\$166,450,000	\$7,221,449	\$757,569	\$3,355,000	\$352,550,732	\$1,855,000	\$288,296,649	\$1,855,000

3 \$100,000 of Loan No. 79 CHI, \$550,000 of Loan No. 64 KOR and \$840,000 of Loan No. 80 THA, which are not yet effective, have been agreed to be sold.

4 This amount represents the increase in US dollar equivalent, arising from the revaluation of currencies disbursed, of loans outstanding and repayable to the Bank in such currencies.

**ASIAN DEVELOPMENT BANK--****STATEMENT OF****31 December***Expressed in United*

Payable in, Issue and Maturity	Principal Outstanding <sup>1</sup>
Austrian Schillings: 7% Twelve Year Bonds of 1970, due 1982 (\$130,000,000)	\$ 5,078,788
7% Twelve Year Bonds of 1971, due 1983 (S150,000,000)	6,060,606
Belgian Francs: 7.5% Twelve Year Bonds of 1971, due 1983 (BF 400,000,000)	8,000,000
Deutsche Mark: 7% Fifteen Year Bonds of 1969, due 1984 (DM 60,000,000)	15,983,607
Japanese Yen: 7.4% Seven Year Bonds of 1970, due 1977 (Y 6,000,000,000)	16,666,667
7.4% Seven Year Bonds of 1971, due 1978 (Y10,000,000,000)	27,777,778
Swiss Francs: 7% Fifteen Year Bonds of 1971, due 1986 (SwF 40,000,000)	9,794,079
United States Dollars: 5.5% Two Year Bonds of 1971, due 1973 (*) 6.5% Five Year Notes of 1971, due 1976 (*) 7.75% Twenty-Five Year Bonds of 1971, due 1996	20,000,000 25,000,000 25,000,000
<b>TOTAL</b>	<b>\$159,361,525</b>

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

1 Each issue, except those indicated by an asterisk, is subject to redemption prior to maturity at the option of the Bank at prices and upon the conditions stated in the respective bonds. The amounts shown as principal outstanding are after deduction of \$583,573 of bonds purchased for redemption funds.

## ORDINARY CAPITAL RESOURCES

### FUNDED DEBT

**1971**

*States Dollars (Note A)*

#### Redemption Requirements<sup>2</sup>

1972	\$ 10,000,000
1973-1982	\$ 12,000,000
1974-1983	\$ 15,000,000
1977-1982	BF 40,000,000
1983	BF 160,000,000
1975-1984	DM 6,000,000
1973-1976	Y 360,000,000
1977	Y 4,560,000,000
1975-1977	Y 600,000,000
1978	Y 8,200,000,000
1973-1985	Up to SwF 3,000,000
1986	The balance
1973	\$ 20,000,000
1976	\$ 25,000,000
1983	\$ 500,000
1984-1995	\$ 1,000,000
1996	\$ 12,500,000

2 The amounts shown as redemption requirements are the principal amounts of bonds to be purchased or redeemed to meet each year's requirements. For the following five calendar years these are:

Year	Amount
1972	\$ 404,040
1973	22,219,404
1974	2,825,464
1975	6,131,475
1976	31,131,475
	<hr/>
	\$62,711,858
	<hr/>

**ASIAN DEVELOPMENT BANK**

**STATEMENT OF SUBSCRIPTIONS TO**

31 December

*Expressed in United*

MEMBERS	SUBSCRIBED		
	Shares	Per Cent of Total	Par Value
<b>REGIONAL</b>			
Afghanistan	478	0.475	\$ 4,780,000
Australia	8,500	8.455	85,000,000
Ceylon	852	0.847	8,520,000
China, Republic of	1,600	1.591	16,000,000
Fiji	100	0.100	1,000,000
Hong Kong	800	0.796	8,000,000
India	9,300	9.250	93,000,000
Indonesia	2,500	2.487	25,000,000
Japan	20,000	19.894	200,000,000
Khmer Republic	350	0.348	3,500,000
Korea, Republic of	3,000	2.984	30,000,000
Laos	42	0.042	420,000
Malaysia	2,000	1.989	20,000,000
Nepal	216	0.215	2,160,000
New Zealand	2,256	2.244	22,560,000
Pakistan	3,200	3.183	32,000,000
Papua and New Guinea, Territory of	138	0.137	1,380,000
Philippines	3,500	3.481	35,000,000
Singapore	500	0.497	5,000,000
Thailand	2,000	1.989	20,000,000
Viet-Nam, Republic of	1,200	1.194	12,000,000
Western Samoa	6	0.006	60,000
Total Regional	62,538	62.204	625,380,000
<b>NON-REGIONAL</b>			
Austria	500	0.497	5,000,000
Belgium	500	0.497	5,000,000
Canada	2,500	2.487	25,000,000
Denmark	500	0.497	5,000,000
Finland	500	0.497	5,000,000
France	2,500	2.487	25,000,000
Germany, Federal Republic of	3,400	3.382	34,000,000
Italy	2,000	1.989	20,000,000
Netherlands	1,100	1.094	11,000,000
Norway	500	0.497	5,000,000
Sweden	500	0.497	5,000,000
Switzerland	500	0.497	5,000,000
United Kingdom	3,000	2.984	30,000,000
United States	20,000	19.894	200,000,000
Total Non-Regional	38,000	37.796	380,000,000
<b>GRAND TOTAL</b>	<b>100,538</b>	<b>100.000</b>	<b>\$1,005,380,000</b>

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

**ORDINARY CAPITAL RESOURCES****CAPITAL STOCK AND VOTING POWER****1971***States Dollars (Note A)*

PAR VALUE OF CALLABLE SHARES	PAR VALUE OF PAID-IN SHARES		VOTING POWER	
	Subject to Call	Subscription Not Due	Instalments Matured	Number of Votes
\$ 2,390,000	\$ —	\$ 2,390,000	1,176	0.936
42,500,000	—	42,500,000	9,198	7.319
4,260,000	—	4,260,000	1,550	1.234
8,000,000	—	8,000,000	2,298	1.829
500,000	300,000	200,000	798	0.635
4,000,000	1,000,000	3,000,000	1,498	1.192
46,500,000	—	46,500,000	9,998	7.956
12,500,000	—	12,500,000	3,198	2.545
100,000,000	—	100,000,000	20,698	16.471
1,750,000	—	1,750,000	1,048	0.834
15,000,000	—	15,000,000	3,698	2.943
210,000	—	210,000	740	0.589
10,000,000	—	10,000,000	2,698	2.147
1,080,000	—	1,080,000	914	0.727
11,280,000	—	11,280,000	2,954	2.351
16,000,000	—	16,000,000	3,898	3.102
690,000	552,000	138,000	836	0.665
17,500,000	—	17,500,000	4,198	3.341
2,500,000	—	2,500,000	1,198	0.953
10,000,000	—	10,000,000	2,698	2.147
6,000,000	—	6,000,000	1,898	1.510
30,000	—	30,000	704	0.560
<b>312,690,000</b>	<b>1,852,000</b>	<b>310,838,000</b>	<b>77,894</b>	<b>61.986</b>
2,500,000	—	2,500,000	1,198	0.953
2,500,000	—	2,500,000	1,198	0.953
12,500,000	—	12,500,000	3,198	2.545
2,500,000	—	2,500,000	1,198	0.953
2,500,000	—	2,500,000	1,198	0.953
12,500,000	7,500,000	5,000,000	3,198	2.545
17,000,000	—	17,000,000	4,098	3.261
10,000,000	—	10,000,000	2,698	2.147
5,500,000	—	5,500,000	1,798	1.431
2,500,000	—	2,500,000	1,198	0.953
2,500,000	—	2,500,000	1,198	0.953
2,500,000	—	2,500,000	1,198	0.953
15,000,000	—	15,000,000	3,698	2.943
100,000,000	—	100,000,000	20,698	16.471
<b>190,000,000</b>	<b>7,500,000</b>	<b>182,500,000</b>	<b>47,772</b>	<b>38.014</b>
<b>\$502,690,000</b>	<b>\$9,352,000</b>	<b>\$493,338,000</b>	<b>125,566</b>	<b>100.000</b>

# ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

## NOTES TO FINANCIAL STATEMENTS

31 December 1971

*Expressed in United States Dollars (Note A)*

### NOTE A:

Amounts in currencies other than United States Dollars have been translated into United States Dollars at the following rates, which have been determined by the Bank in conformity with the provisions of Article 6, paragraph 4 of the Articles of Agreement of the Bank, and after such consultation with the members concerned as appropriate:

- (1) In the cases of members which have established par values with the International Monetary Fund, at such par values, except as noted in sub-paragraphs 2 (i) and (iii) below;
- (2) In the cases of:
  - (i) The fifth instalment of Canada's capital subscription at market rate, after its currency was allowed to float;
  - (ii) The Bank's holdings of Indonesian Rupiahs at the single exchange rate, after the introduction of a new exchange system;
  - (iii) A part of the Bank's holdings of Philippine Pesos at the free market rate, after the adoption of a new exchange rate system;
- (3) In the cases of the remaining members, at the rates used by them in making payments of capital subscriptions to the Bank.

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

An agreement among international monetary officials on 18 December 1971 resulted in decisions and proposals for realignment and restructuring of the exchange values of major currencies.

The Executive Directors of the International Monetary Fund adopted a decision on 18 December 1971 establishing a temporary regime under which a member may permit the exchange rates for its currency to move within margins of 2 1/4 per cent on either side of the par value or the new exchange value of its currency resulting from the agreed realignment of exchange rates. The new exchange value for a currency resulting from realignment if notified to the Fund only for the purposes of this temporary regime of wider margins and not immediately proposed by the member as a new par value will be referred to as a central rate.

If and when new par values are established with the International Monetary Fund, the financial statements—Ordinary Capital Resources—of the Bank expressed in United States Dollars could be affected by the following: (a) restatement of the capital of the Bank to reflect any change in the weight and fineness of the United States Dollar from that in effect on 31 January 1966 (which is the basis specified in Article 4, paragraph 1), (b) amounts receivable from and payable to members under the provisions of Article 25, paragraphs 1 and 2, concerning maintenance of value of the currency holdings of the Bank, (c) translation of certain other amounts in the

financial statements at rates based on the new par values or at other appropriate rates and (d) a net charge to the Ordinary Reserve that is not expected to exceed 3/5 of 1% of the subscribed capital stock of \$1,005,380,000.

### NOTE B:

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

The use of cash in banks and demand obligations in the currencies of 18 members aggregating \$72,508,486.

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

The use of cash in banks, demand obligations and investments in the currencies of 3 members aggregating \$26,997,122.

### NOTE C:

The original authorized capital of the Bank was \$1,000,000,000 in terms of United States Dollars of the weight and fineness in effect on 31 January 1966. In November 1966, the Board of Governors approved an increase of \$100,000,000 in authorized capital, such increase to be available for the admission of new members. As of 31 December 1971, the subscribed capital was \$1,005,380,000.

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

All matured instalments amounting to \$493,338,000 have been paid as of 31 December 1971 and the balance of instalments amounting to \$9,352,000 is payable as follows:

- (1) \$1,000,000 on 27 March 1972 (representing the subscription of Hong Kong which paid the first instalment on 27 March 1969);
- (2) \$300,000 in three equal instalments on 25 March, in each of the years 1972 to 1974 (representing the subscription of Fiji which paid the first instalment on 25 March 1970);
- (3) \$7,500,000 in three equal instalments on 27 July, in each of the years 1972 to 1974 (representing the subscription of France which paid the first instalment on 27 July 1970);

CONTINUED

- (4) \$552,000 in four equal instalments on 31 March, in each of the years 1972 to 1975 (representing the subscription of the Territory of Papua and New Guinea which paid the first instalment on 31 March 1971).

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

In November 1971, the Board of Governors approved an additional increase of \$1,850,000,000 (165,000 shares) in authorized capital stock, such increase to become effective only if and when, on or before 30 September 1972 or such other date not later than 28 February 1973 as the Board of Directors may determine, subscriptions by members shall have been made to an aggregate of at least 100,000 shares. If and when effective, the increase will consist of 20% "paid-in" capital stock and 80% "callable" capital stock. The "paid-in" portion would be payable in three equal annual instalments in the years 1973, 1974, and 1975, such instalments being 40% in gold or convertible currency and 60% in the currency of the subscribing member subject to the provisions of Article 6, paragraph 3.

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

Pursuant to the provisions of Article 19, paragraph 1 (i), the Board of Governors has authorized the setting aside of \$24,516,900, representing 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2 (a) as of 17 April 1971, to be used as part of the Consolidated Special Funds of the Bank. The resources so set aside have been allocated and transferred to the Multi-Purpose Special Fund.

#### NOTE D:

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

#### NOTE E:

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

Each participant contributes to the Plan 7% of his remuneration and the Bank contributes the remainder of the cost and expenses of the Plan. During the years ended 31 December 1971 and 31 December 1970 the Bank contributed \$518,030 and \$441,215, respectively, to the Plan to cover its estimated cost and expenses, at the rate of 14% of participants' remuneration.

#### NOTE F:

During 1971 an Administration Charge to Special Operations was instituted. The computation of the Administration Charge is based on a formula which takes into consideration administrative expenses and the number and amounts of loans signed. Payment of the Administration Charge by Special Funds Resources shall be made solely from the service fee levied on special loans and thus collection of the receivable from Special Funds Resources can be expected over a period of years as and when such service fee is received from the borrowers.

#### NOTE G:

Under the provision of Article 40, the net income of the Bank for the year ended 31 December 1970, namely \$11,300,155, was allocated to the Ordinary Reserve in terms of the resolution adopted by the Board of Governors at the Fourth Annual Meeting. Similar allocations had previously been made in respect of the net income for preceding periods.

#### NOTE H:

This amount is exclusive of \$355,695 and \$784,685 in the years ended 31 December 1971 and 31 December 1970, respectively, charged by the Bank as Executing Agency, against the commitment of \$1,142,530 of the United Nations Development Programme.

#### NOTE I:

The outstanding commitments, as of 31 December 1971 for technical assistance (services to member countries) projects and programs approved by the Bank, were approximately \$3,822,000; to the extent available, contributions to the Consolidated Special Funds of the Bank may be used to meet expenditures arising out of the commitments. The amount shown above is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown above leads to loans for specific projects, the Bank has, in several cases, the option of charging to such loans a part or all of the cost of such projects. Under such option, technical assistance expenditures of \$85,000 from Ordinary Capital Resources were charged during 1971 to a loan and credited to income.

**HASKINS & SELLS**

Certified Public Accountants

Two Broadway  
New York 10004

**OPINION OF INDEPENDENT AUDITORS**

Asian Development Bank:

We have examined the following financial statements of Asian Development Bank—Ordinary Capital Resources as of 31 December 1971 and for the year then ended:

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

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

In our opinion, such financial statements present fairly the financial position of Asian Development Bank—Ordinary Capital Resources at 31 December 1971 and the results of its related operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

18 February 1972

**ASIAN DEVELOPMENT BANK—**

**BALANCE**

**31 December**

*Expressed in United*

		Technical Assistance Special Fund (Note 3)
<b>ASSETS</b>		
CASH IN BANKS		\$ 211,853
INVESTMENTS		
Government obligations—amortized cost (Face amount \$6,919,298)	\$2,722,362	
Time deposits and certificates of deposit	—	
Accrued interest	—	2,722,362
NOTES OF CONTRIBUTOR		
Non-negotiable, non-interest-bearing notes		—
EFFECTIVE LOANS (See Appendix 1-E)		—
RESOURCES AVAILABLE		
Contributed Resources (See Appendix 1-F)		
Amounts made available	6,559,409	
Less amounts drawn	5,827,141	732,268
Accrued Resources [Note 5 (h)]		
OTHER ASSETS		15,867
TOTAL		\$3,682,350
<b>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</b>		
ACCOUNTS PAYABLE		\$ 386,026
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)		
UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix 1-E)		—
UNEXPENDED BALANCES AND CAPITAL		
Contributed Resources (See Appendix 1-F) <sup>a</sup>		
Contributions committed	\$6,559,409	
Less amounts not yet made available		—
Amounts made available	6,559,409	
Set-Aside Resources (See Appendix 1-G) [Note 5 (g)]		
Capital set aside and transferred		
Accumulated net income (expense) (See Appendix 1-C)		
Contributed Resources	(3,263,085)	
Accrued Resources [Note 5 (h)]		
Other income transferred from Contributed and Set-Aside Resources		
Service fee less administrative expenses		
	(3,263,085)	3,296,324
TOTAL		\$3,682,350

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

a One contribution is repayable to the contributor as specified in Note 4(a).

**SPECIAL FUNDS RESOURCES****SHEET****1971***States Dollars (Note 2)*

Agricultural Special Fund (Note 4)	Multi-Purpose Special Fund (Note 5)	Total (Consolidated Special Funds)
\$ 204,346	\$ 990,130	\$ 1,406,329
\$ —	\$ 4,168,958	\$ 6,891,320
—	22,440,877	22,440,877
—	418,397	418,397
	27,028,232	29,750,594
16,550,000	82,168,880	98,718,880
23,104,972	51,153,028	74,258,000
23,104,972	125,830,108	155,494,489
20,168,560	87,965,590	113,961,291
	37,864,518	41,533,198
	20,580	20,580
24,661	19,561	60,089
\$ 42,820,391	\$199,244,929	\$245,747,670
\$ 22,062	\$ 51	\$ 408,139
	4,766,000	4,766,000
19,633,184	47,830,066	67,463,250
\$ 23,104,972	\$148,506,338	\$178,170,719
—	22,676,230	22,676,230
23,104,972	125,830,108	155,494,489
	24,516,900	24,516,900
60,173	22,729	( 3,180,183)
	1,010,059	1,010,059
	( 4,730,984)	( 4,730,984)
60,173	( 3,698,196)	( 6,901,108)
23,165,145	146,648,812	173,110,281
\$ 42,820,391	\$199,244,929	\$245,747,670

**ASIAN DEVELOPMENT BANK—**

**COMPARATIVE STATEMENT OF**

**For the Years Ended 31 December**

*Expressed in United*

	Technical Assistance Special Fund	
	1971	1970
<b>INCOME</b>		
From investments	\$ 58,541	\$ 30,368
From loans	—	—
Interest	—	—
Service fee	—	—
From other sources	3,555	—
<b>GROSS INCOME</b>	<b>62,096</b>	<b>30,368</b>
Service fee less depository banks charges allocated to Accrued Resources	—	—
<b>UNALLOCATED GROSS INCOME</b>	<b>62,096</b>	<b>30,368</b>
<b>EXPENSES</b>		
Administrative expenses		
Project appraisal and other field missions—		
Consultants	137,731	131,505
Other administrative expenses—		
Administration Charge, including \$2,476,000 based on loans signed prior to 1971 (Note 6)	—	—
Library materials	—	175
Depository banks charges	108	1,114
Total	137,839	132,794
Services to member countries		
Project preparation missions and other loan-related technical assistance—		
Consultants	676,872	—
Advisory missions and other technical assistance—		
Consultants	290,756	203,616
Regional activities—		
Consultants	59,087	1,205,664
Total	1,025,715	1,409,280
<b>GROSS EXPENSES</b>	<b>1,163,554</b>	<b>1,542,074</b>
<b>NET INCOME (EXPENSE)</b>	<b>(\$1,101,458)</b>	<b>(\$1,511,706)</b>

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

**SPECIAL FUNDS RESOURCES****INCOME AND EXPENSES****1971 and 31 December 1970***States Dollars (Note 2)*

Agricultural Special Fund		Multi-Purpose Special Fund				Total	
1971	1970	Contributed Resources	Set-Aside Resources	Accrued Resources		1971	1970
\$ —	\$ —	\$ 15,332	\$ 991,622	\$ —	\$ 1,006,954	\$ —	
54,029	7,520	9,092	14,435	—	23,527	666	
18,377	2,507	5,684	8,800	—	14,484	647	
—	—	—	150	—	150	—	
72,406	10,027	30,108	1,015,007	—	1,045,115	1,313	
( 18,146)	( 2,385)	( 5,556)	( 8,242)	31,944	18,146	( 647)	
54,260	7,642	24,552	1,006,765	31,944	1,063,261	666	
—	—	—	—	—	—	—	
—	—	—	—	4,766,000	4,766,000	—	
—	—	—	—	—	—	—	
231	122	128	558	—	686	—	
231	122	128	558	4,766,000	4,766,686	—	
—	—	—	—	—	—	—	
—	—	—	—	—	—	—	
—	—	—	—	—	—	—	
—	—	—	—	—	—	—	
231	122	128	558	4,766,000	4,766,686	—	
\$ 54,029	\$ 7,520	\$ 24,424	\$ 1,006,207	(\$4,734,056)	(\$3,703,425)	\$ 666	

## ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES

## STATEMENT OF ACCUMULATED NET INCOME (EXPENSE)

For the Year Ended 31 December 1971

Expressed in United States Dollars (Note 2)

	Multi-Purpose Special Fund						
	Technical Assistance Special Fund	Agricultural Special Fund	Contributed Resources	Set-Aside Resources	Other Income Transferred	Accrued Resources	Service Fee Less Administrative Expenses
BALANCE AT BEGINNING OF THE YEAR	(\$2,161,627)	\$ 7,635	\$ —	\$ 666	\$ —	\$ 3,072	
NET INCOME (EXPENSE) FOR THE YEAR	(1,101,458)	54,029	24,424	1,006,207	—	(4,734,056)	
TRANSFERS OF INCOME PURSUANT TO CERTAIN CONTRIBUTION AGREEMENTS OR THE SPECIAL FUNDS RULES AND REGULATIONS							
Within Contributed Resources	—	( 1,482)	1,482	—	—	—	—
To Accrued Resources	—	( 9)	( 3,177)	( 1,006,873)	1,010,059	—	—
BALANCE AT END OF THE YEAR	(\$3,263,085)	\$ 60,173	\$ 22,729	\$ —	\$ 1,010,059	(\$4,730,984)	

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

## ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES

### STATEMENT OF CHANGES IN FINANCIAL POSITION

**For the Year Ended 31 December 1971**

*Expressed in United States Dollars (Note 2)*

	Technical Assistance Special Fund	Agricultural Special Fund	Multi-Purpose Special Fund	Total (Consolidated Special Funds)
<b>FUNDS WERE PROVIDED BY</b>				
Contributions drawn (excluding notes of contributors)	\$ 3,272,365	\$ 168,560	\$ 4,715,590	\$ 8,156,515
Notes of contributors encashed	—	2,450,000	1,081,120	3,531,120
Set-Aside Resources transferred	—	—	23,840,783	23,840,783
<b>Total</b>	<b>3,272,365</b>	<b>2,618,560</b>	<b>29,637,493</b>	<b>36,528,418</b>
<b>FUNDS WERE UTILIZED FOR</b>				
Operations				
Net expense (income)	1,101,458	( 54,029)	3,703,425	4,750,854
Items not requiring or providing funds (including Administration Charge)	—	18,220	( 4,319,575)	( 4,301,355)
Funds utilized for operations	1,101,458	( 35,809)	( 616,150)	449,499
Loans disbursed	—	2,602,843	2,636,625	5,239,468
Other—net	164,499	( 19,524)	17,053	162,028
<b>Total</b>	<b>1,265,957</b>	<b>2,547,510</b>	<b>2,037,528</b>	<b>5,850,995</b>
<b>INCREASE IN CASH IN BANKS AND INVESTMENTS</b>				
	\$ 2,006,408	\$ 71,050	\$27,599,965	\$29,677,423
<b>INCREASE IN COMPONENTS OF FUNDS</b>				
Cash in banks	\$ 182,928	\$ 71,050	\$ 990,130	\$ 1,244,108
Investments (excluding accrued interest)	1,823,480	—	26,608,835	28,433,315
<b>Total</b>	<b>\$ 2,006,408</b>	<b>\$ 71,050</b>	<b>\$27,599,965</b>	<b>\$29,677,423</b>

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

**ASIAN DEVELOPMENT BANK—**

**STATEMENT**

**31 December**

*Expressed in United*

Member and Borrower	Loan No.	Date of Loan Agreement	Maturities
AFGHANISTAN	49 AFG (SF)	29 Dec. 1970	1978-2000
CEYLON	16 CEY (SF) 71 CEY (SF)	6 Nov. 1969 10 Sep. 1971	1976-1994 1975-1991
INDONESIA	12 INO (SF) 15 INO (SF) 33 INO (SF) 58 INO (SF) 63 INO (SF) 66 INO (SF) 69 INO (SF) 81 INO (SF) 83 INO (SF)	2 Jul. 1969 24 Oct. 1969 5 Jun. 1970 28 Dec. 1970 26 Mar. 1971 28 May 1971 4 Aug. 1971 13 Dec. 1971 13 Dec. 1971	1976-1993 1976-1994 1978-2000 1978-1995 1978-2000 1978-1996 1978-1996 1979-1996 1979-1996
KHMER REPUBLIC	32 CAM (SF)	15 Jun. 1970	1974-1985
LAOS	28 LAO (SF) 65 LAO (SF)	23 Mar. 1970 26 May 1971	1980-2009 1976-1996
MALAYSIA	36 MAL (SF)	14 Oct. 1970	1977-1995
NEPAL	26 NEP (SF) 45 NEP (SF) 59 NEP (SF) 85 NEP (SF)	20 Jan. 1970 29 Dec. 1970 29 Dec. 1970 30 Dec. 1971	1977-1999 1974-1982 1975-1986 1979-1996
PHILIPPINES	19 PHI (SF) 61 PHI (SF)	21 Nov. 1969 12 Mar. 1971	1975-1994 1975-1988
PAPUA AND NEW GUINEA, TERRITORY OF	84 PNG (SF)	21 Dec. 1971	1975-1987
SINGAPORE	60 SIN (SF)	28 Dec. 1970	1981-1995
VIET-NAM, REPUBLIC OF	48 VIE (SF) 88 VIE (SF)	16 Dec. 1970 20 Dec. 1971	1976-1995 1979-2001
WESTERN SAMOA	25 SAM (SF) 68 SAM (SF)	17 Dec. 1969 10 Aug. 1971	1980-1999 1981-2000
<b>TOTAL</b>			

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

**SPECIAL FUNDS RESOURCES****OF LOANS****1971***States Dollars (Note 2)*

Interest Rate (including service fee)	Principal Amount	Loans Not Yet Effective	Effective Loans	Undisbursed Balance of Effective Loans
1½%	\$ 5,150,000	\$ 5,150,000	\$ —	\$ —
3	7,705,000	—	7,705,000	7,062,980
3	3,600,000	—	3,600,000	3,600,000
3	990,000	—	990,000	27,826
3	2,400,000	—	2,400,000	1,817,164
2½	10,000,000	—	10,000,000	10,000,000
2½	2,700,000	—	2,700,000	2,700,000
2½	7,410,000	—	7,410,000	7,410,000
2½	3,400,000	—	3,400,000	3,400,000
2½	4,600,000	—	4,600,000	4,600,000
2½	9,200,000	9,200,000	—	—
2½	7,100,000	7,100,000	—	—
3	1,670,000	—	1,670,000	1,670,000
1½	973,000	—	973,000	509,799
1½	3,370,000	—	3,370,000	3,370,000
3	3,300,000	—	3,300,000	3,300,000
2	6,010,000	—	6,010,000	4,892,681
3	2,000,000	—	2,000,000	2,000,000
3	2,400,000	—	2,400,000	2,400,000
2½	4,500,000	4,500,000	—	—
3	2,500,000	—	2,500,000	927,468
3	1,000,000	—	1,000,000	1,000,000
3	4,500,000	4,500,000	—	—
3	3,000,000	—	3,000,000	3,000,000
2½	2,500,000	—	2,500,000	2,500,000
2½	2,500,000	2,500,000	—	—
1½	2,400,000	—	2,400,000	945,332
1½	330,000	—	330,000	330,000
	\$107,208,000	\$32,950,000	\$74,258,000	\$67,463,250

**ASIAN DEVELOPMENT BANK—**

**STATEMENT OF**

**31 December**

*Expressed in United*

	Contributions Committed During 1971	Total Contributions Committed
<b>TECHNICAL ASSISTANCE SPECIAL FUND (Note 3)</b>		
Australia	\$ —	\$ 250,000
Austria	52,525	52,525
Canada	—	200,000
Ceylon	16,800	16,800
China, Republic of	200,000	200,000
Denmark	—	300,000
Finland	—	108,173
Germany, Federal Republic of	45,082	131,219
India	40,000	66,667
Japan	2,000,000	3,313,982
Korea, Republic of	30,000	30,000
Netherlands	27,810	55,434
New Zealand	—	168,000
Pakistan	—	42,000
Switzerland	—	200,000
United Kingdom	56,175	174,609
United States	—	1,250,000
Total	2,468,392	6,559,409
<b>AGRICULTURAL SPECIAL FUND (Note 4)</b>		
Denmark	—	2,000,000
Japan	—	20,000,000
Netherlands	—	1,104,972
Total	—	23,104,972
<b>MULTI-PURPOSE SPECIAL FUND (Note 5)</b>		
Australia	—	9,750,000
Canada	—	25,000,000
Germany, Federal Republic of	18,251,366	18,251,366
Japan	30,000,000	80,000,000
Netherlands	—	1,104,972
United Kingdom	—	14,400,000
Total	48,251,366	148,506,338
<b>GRAND TOTAL</b>	<b>\$ 50,719,758</b>	<b>\$178,170,719</b>

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

**SPECIAL FUNDS RESOURCES****CONTRIBUTED RESOURCES****1971***States Dollars (Note 2)*

Amounts Not Yet Made Available	Amounts Made Available	Amounts Drawn	Resources Available for Drawing
\$ —	\$ 250,000	\$ 56,000	\$ 194,000
	52,525	—	52,525
—	200,000	200,000	—
—	16,800	16,800	—
—	200,000	50,000	150,000
—	300,000	190,733	109,267
—	108,173	108,173	—
—	131,219	131,219	—
—	66,667	66,667	1,000
—	3,313,982	3,313,982	—
—	30,000	30,000	—
—	55,434	27,810	27,624
—	168,000	38,848	129,152
—	42,000	7,639	34,361
—	200,000	200,000	—
—	174,609	140,270	34,339
—	1,250,000	1,250,000	—
—	6,559,409	5,827,141	732,268
—	2,000,000	14,113	1,985,887
—	20,000,000	20,000,000	—
—	1,104,972	154,447	950,525
—	23,104,972	20,168,560	2,936,412
3,250,000	6,500,000	3,250,000	3,250,000
5,000,000	20,000,000	461,608	19,538,392
14,426,230	3,825,136	3,825,136	—
—	80,000,000	80,000,000	—
—	1,104,972	23,481	1,081,491
—	14,400,000	405,365	13,994,635
22,676,230	125,830,108	87,965,590	37,864,518
\$ 22,676,230	\$155,494,489	\$113,961,291	\$ 41,533,198

**ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES****STATEMENT OF SET-ASIDE RESOURCES****For the Year Ended 31 December 1971***Expressed in United States Dollars (Note 2)*

	Capital Authorized to be Set-Aside			Amounts Transferred from Ordinary Capital Resources		
	Balance at Beginning of the Year	Authorized During the Year	Balance at End of the Year	Balance at Beginning of the Year	Transferred During the Year	Balance at End of the Year
CAPITAL [Note 5 (g)]	\$14,575,000	\$ 9,941,900	\$24,516,900	\$ 676,117	\$23,840,783	\$24,516,900

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

## ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES

### STATEMENT OF ACCRUED RESOURCES

**For the Year Ended 31 December 1971**

*Expressed in United States Dollars (Note 2)*

	Amounts Credited
	Service Fee Less Administrative Expenses
	Other Income
BALANCE AT BEGINNING OF THE YEAR	\$ — \$ 3,072
SERVICE FEE FOR THE YEAR LESS ADMINISTRATIVE EXPENSES CHARGED THERETO	( 4,734,056)
TRANSFERS OF INCOME PURSUANT TO CERTAIN CONTRIBUTION AGREEMENTS OR THE SPECIAL FUNDS RULES AND REGULATIONS	1,010,059 —
BALANCE AT END OF THE YEAR	\$1,010,059 (\$4,730,984)

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

**ASIAN DEVELOPMENT BANK—  
TECHNICAL ASSISTANCE  
BALANCE**

31 December

*Expressed in United*

	Australia	Austria	Canada	Ceylon	China, Republic of	Denmark	Finland
<b>ASSETS</b>							
CASH IN BANKS	\$ 1,780	\$ —	\$ 1,230	\$16,800	\$ 42,850	\$ 818	\$94,616
INVESTMENTS							
Government obligations—amortized cost (Face amount \$2,738,889)	—	—	—	—	—	—	—
RESOURCES AVAILABLE							
Contributed Resources (See Appendix 1-F)	194,000	52,525	—	—	150,000	109,267	—
OTHER ASSETS	727	—	—	—	—	—	—
<b>TOTAL</b>	<b>\$196,507</b>	<b>\$52,525</b>	<b>\$ 1,230</b>	<b>\$16,800</b>	<b>\$192,850</b>	<b>\$110,085</b>	<b>\$94,616</b>
<b>LIABILITIES AND UNEXPENDED BALANCES</b>							
ACCOUNTS PAYABLE	\$180,634	\$ —	\$ 1,230	\$ —	\$ 3	\$ 1,290	\$ —
UNEXPENDED BALANCES							
Contributed Resources (See Appendix 1-F)	250,000	52,525	200,000	16,800	200,000	300,000	108,173
Amounts made available	( 234,127)	—	( 200,000)	—	( 7,153)	( 191,205)	( 13,557)
Accumulated net income (expense) (See Appendix 1-C)							
<b>TOTAL</b>	<b>\$196,507</b>	<b>\$52,525</b>	<b>\$ 1,230</b>	<b>\$16,800</b>	<b>\$192,850</b>	<b>\$110,085</b>	<b>\$94,616</b>

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

**SPECIAL FUNDS RESOURCES****SPECIAL FUND (Note 3)****SHEET****1971***States Dollars (Note 2)*

Germany, Federal Republic of	India	Japan	Korea, Republic of	Nether- lands	New Zealand	Pakistan	Switzer- land	United Kingdom	United States	Total
\$13,705	\$ 719	\$ 6,674	\$30,000	\$ 665	\$ —	\$ —	\$ 1,996	\$ —	\$ —	\$ 211,853
—	—	2,524,163	—	—	—	—	198,199	—	—	2,722,362
—	1,000	—	—	27,624	129,152	34,361	—	34,339	—	732,268
—	11,800	40	—	—	—	—	—	3,300	—	15,867
<b>\$13,705</b>	<b>\$13,519</b>	<b>\$2,530,877</b>	<b>\$30,000</b>	<b>\$28,289</b>	<b>\$129,152</b>	<b>\$34,361</b>	<b>\$200,195</b>	<b>\$37,639</b>	<b>\$ —</b>	<b>\$3,682,350</b>
 \$ —	 \$ 2,607	 \$ 80,261	 \$ —	 \$18,583	 \$ 63,779	 \$ —	 \$ —	 \$37,639	 \$ —	 \$ 386,026
131,219	66,667	3,313,982	30,000	55,434	168,000	42,000	200,000	174,609	1,250,000	6,559,409
(117,514)	(55,755)	( 863,366)	—	(45,728)	(102,627)	( 7,639)	195	(174,609)	(1,250,000)	(3,263,085)
<b>\$13,705</b>	<b>\$13,519</b>	<b>\$2,530,877</b>	<b>\$30,000</b>	<b>\$28,289</b>	<b>\$129,152</b>	<b>\$34,361</b>	<b>\$200,195</b>	<b>\$37,639</b>	<b>\$ —</b>	<b>\$3,682,350</b>

**ASIAN DEVELOPMENT BANK—**

**AGRICULTURAL  
BALANCE**

**31 December**

*Expressed in United*

Denmark

**ASSETS**

CASH IN BANKS	\$ 13,476
NOTES OF CONTRIBUTOR Non-negotiable, non-interest-bearing notes	—
EFFECTIVE LOANS	646
RESOURCES AVAILABLE Contributed Resources (See Appendix 1-F)	1,985,887
OTHER ASSETS	3
<b>TOTAL</b>	<b>\$2,000,012</b>

**LIABILITIES AND UNEXPENDED BALANCES**

ACCOUNTS PAYABLE	\$ 12
UNDISBURSED BALANCE OF EFFECTIVE LOANS	—
UNEXPENDED BALANCES Contributed Resources (See Appendix 1-F) <sup>b</sup>	2,000,000
Amounts made available	—
Accumulated net income (See Appendix 1-C)	—
<b>TOTAL</b>	<b>\$2,000,012</b>

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

a The unallocated amount will be allocated to specific contributions as and when procurement contracts have been awarded. The loans may also be financed from the Multi-Purpose Special Fund.

b One contribution is repayable to the contributor as specified in Note 4 (a).

**SPECIAL FUNDS RESOURCES****SPECIAL FUND (Note 4)****SHEET****1971***States Dollars (Note 2)*

Japan	Netherlands	Unallocated <sup>a</sup>	Total
\$ 153,495	\$ 37,375	\$ —	\$ 204,346
16,550,000	—	—	16,550,000
3,369,640	118,024	19,616,662	23,104,972
—	950,525	—	2,936,412
23,634	1,024	—	24,661
<b>\$20,096,769</b>	<b>\$1,106,948</b>	<b>\$19,616,662</b>	<b>\$42,820,391</b>
 \$ 20,074	 \$ 1,976	 \$ —	 \$ 22,062
16,522	—	19,616,662	19,633,184
20,000,000 60,173	1,104,972 —	—	23,104,972 60,173
<b>\$20,096,769</b>	<b>\$1,106,948</b>	<b>\$19,616,662</b>	<b>\$42,820,391</b>

**ASIAN DEVELOPMENT BANK—**

**MULTI-PURPOSE  
BALANCE**

31 December

*Expressed in United*

	Contributed		
	Australia	Canada	Germany, Federal Republic of
<b>ASSETS</b>			
CASH IN BANKS	\$ 64,418	\$ 178,651	\$ 54,644
<b>INVESTMENTS</b>			
Government obligations—amortized cost (Face amount \$4,180,409)	—	—	—
Time deposits and certificates of deposit	—	—	3,770,492
Accrued interest	—	—	10,220
	—	—	3,780,712
<b>NOTES OF CONTRIBUTOR</b>			
Non-negotiable, non-interest-bearing notes	2,618,880	—	—
<b>EFFECTIVE LOANS</b>			
	566,892	284,933	—
<b>RESOURCES AVAILABLE</b>			
Contributed Resources (See Appendix 1-F)	3,250,000	19,538,392	—
Accrued Resources [Note 5 (h)]	—	—	—
OTHER ASSETS	4,531	2,274	—
<b>TOTAL</b>	<b>\$6,504,721</b>	<b>\$20,004,250</b>	<b>\$3,835,356</b>
<b>LIABILITIES UNEXPENDED BALANCES AND CAPITAL</b>			
ACCOUNTS PAYABLE	\$ 2,110	\$ 4,250	\$ —
<b>ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)</b>			
<b>UNDISBURSED BALANCE OF EFFECTIVE LOANS</b>			
<b>UNEXPENDED BALANCES AND CAPITAL</b>			
Contributed Resources (See Appendix 1-F) Amounts made available	6,500,000	20,000,000	3,825,136
Set-Aside Resources (See Appendix 1-G) [Note 5 (g)] Capital set aside and transferred	—	—	—
Accumulated net income (expense) (See Appendix 1-C) Contributed Resources	2,611	—	10,220
Accrued Resources [Note 5 (h)] Other income transferred from Contributed and Set-Aside Resources	—	—	—
Service fee less administrative expenses	—	—	—
<b>TOTAL</b>	<b>\$6,504,721</b>	<b>\$20,004,250</b>	<b>\$3,835,356</b>

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

- a The unallocated amount will be allocated to specific resources as and when procurement contracts have been awarded. The loans may also be financed from the Agricultural Special Fund.
- b The eliminations represent offsetting amounts due to and due from resources within the Multi-Purpose Special Fund.

**SPECIAL FUNDS RESOURCES****SPECIAL FUND (Note 5)****SHEET**

1971

*States Dollars (Note 2)*

Resources			Set-Aside Resources	Accrued Resources	Unallocated <sup>a</sup> and (Eliminations) <sup>b</sup>	Total
Japan	Netherlands	United Kingdom				
\$ 42,421	\$ 13,499	\$ 133,132	\$ 503,365	\$ —	\$ —	\$ 990,130
—	—	—	4,168,958		\$ 4,168,958	
—	—	—	18,670,385		22,440,877	
—	—	—	408,177		418,397	
—	—	—	23,247,520			27,028,232
79,550,000	—	—				82,168,880
407,774	9,964	277,345	1,776,054		47,830,066	51,153,028
—	1,081,491	13,994,635				37,864,518
			1,045,075	( 1,024,495)		20,580
3,040	1,578	2,364	9,254		( 3,480)	19,561
\$80,003,235	\$1,106,532	\$14,407,476	\$25,536,193	\$1,045,075	\$46,802,091	\$199,244,929
\$ 1,190	\$ 18	\$ 1,165	\$ 1,019,293	\$ —	(\$ 1,027,975)	\$ 51
				4,766,000		4,766,000
				47,830,066		47,830,066
80,000,000	1,104,972	14,400,000				125,830,108
		24,516,900				24,516,900
2,045	1,542	6,311			\$ 22,729	
—	—	—	1,010,059		1,010,059	
—	—	—	(4,730,984)		(4,730,984)	( 3,698,196)
\$80,003,235	\$1,106,532	\$14,407,476	\$25,536,193	\$1,045,075	\$46,802,091	\$199,244,929

**ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES**  
**TECHNICAL ASSISTANCE SPECIAL FUND**  
**STATEMENT OF EXPENSES BY PROJECTS AND PROGRAMS**

**For the Year Ended 31 December 1971**  
*Expressed in United States Dollars (Note 2)*

		Contributors	Amounts
<b>ADMINISTRATIVE EXPENSES</b>			
Project appraisal and other field missions—			
Afghanistan	Kajakai Transmission Lines Balkh and Kama Irrigation	Australia Japan	\$ 2,557 3,491 _____
Ceylon	Walawe Development Power Project Mineral Sands	Japan Japan Australia	10,910 2,419 7,438 20,767
China, Republic of Fiji Hong Kong Indonesia	Deep Sea Fishery Electricity Supply Water Desalination Gambarsari Pesanggrahan Irrigation Sempor Irrigation Makassar Power Project West Sumatra Power Supply Java Teak Project	Japan New Zealand United Kingdom Japan Japan Japan China, Republic of Finland	1,019 11,341 6,258 23 4,007 2,419 4,455 502 11,406
Korea, Republic of	E. Caprolactam Plant Seoul Water Supply Seoul-Inchon Expressway International Vocational Training Institute	Denmark New Zealand Netherlands United Kingdom	64 6,904 9,199 4,402 20,569
Malaysia Nepal	Kuala Lumpur/Karak Highway Agricultural Credit Air Transport Development Gandak-Hetauda Electrical Transmission	United Kingdom Germany, Federal Republic of China, Republic of New Zealand	3,343 1,161 2,698 3,662 7,521
Pakistan	Power Expansion and Transmission Line	Australia	2,556
Philippines Singapore	Philippine Ports Water Supply	Japan Japan New Zealand	3,088 ( 104) 3,450 3,346
Thailand	Power Transmission and Substation Expansion	Japan United Kingdom	( 22) ( 19) ( 41)
Viet-Nam, Republic of Western Samoa	Binh-Dinh Irrigation Faleolo Airport and Road	Japan India	36,000 4,510 137,731
Total			
Other administrative expenses—			
Depository banks charges		Canada India Japan Pakistan	1 8 98 1 108
TOTAL ADMINISTRATIVE EXPENSES —(Forward)			\$137,839

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

CONTINUED

		Contributors	Amounts
<b>TOTAL ADMINISTRATIVE EXPENSES — (Forward)</b>			<b>\$137,839</b>
<b>SERVICES TO MEMBER COUNTRIES</b>			
Project preparation missions and other loan-related technical assistance—			
Consultants			
Afghanistan	Selected Small Scale Irrigation	Netherlands	5,767
Ceylon	Oleo Chemicals	United Kingdom	14,464
Indonesia	Wampu River Flood Control	India	
		Japan	\$ 10,913
			165,359
			\$176,272
	Java Teak Project	Canada	85,224
		Denmark	9,142
			94,366
	West Sumatra Electric Power	Germany, Federal Republic of	
			31,377
			302,015
Korea, Republic of	Andong Dam Multi-Purpose Development	Australia	
Laos and Thailand	Nong-Khai-Vientiane Bridge	Canada	14,775
		India	9,106
		Japan	6,068
		New Zealand	4,835
			34,784
Nepal	Kankai Irrigation	Japan	
	Total		168,842
			675,872
Advisory missions and other technical assistance—			
Consultants			
Afghanistan	Sectoral Planning Study of Afghan Agriculture	India	12,989
		Japan	7,546
		New Zealand	15,690
			36,225
Ceylon	Ceylon Fisheries Corporation	India	3,024
		Pakistan	4,340
			7,364
Fiji	Fiji Development Bank	Australia	
Indonesia	Sawit Sebarang Oil Palm Estate	Netherlands	20,825
Khmer Republic	Phnom Penh High Voltage Transmission		23,607
Laos	Tha Ngon Agricultural Development Integrated Development of Vientiane Plain	Australia	
		Japan	65,784
			28,486
Nepal	Agricultural Credit	Netherlands	7,155
			72,939
Philippines	Water Management	Denmark	135
Thailand	Accelerated Rural Development,	Germany, Federal Republic of	217
Viet-Nam, Republic of	Development Financing Institution	India	11,402
	Rural Banking System	United Kingdom	2,935
	National Bank of Viet-Nam		14,689
	Total		( 86)
			38,727
Regional activities—			
Consultants			
Regional countries	Regional Transport Survey	Japan	1,013
		New Zealand	23,188
		United Kingdom	23,779
			47,980
	Total		290,756
<b>TOTAL SERVICES TO MEMBER COUNTRIES</b>			<b>1,025,715</b>
<b>GROSS EXPENSES</b>			<b>\$1,163,554</b>

## ASIAN DEVELOPMENT BANK—SPECIAL FUNDS RESOURCES

### NOTES TO FINANCIAL STATEMENTS

31 December 1971

#### NOTE 1:

In 1967 the Board of Directors, pending the adoption of rules and regulations governing the administration and use of Special Funds, established a consolidated account for the administration of resources available under Article 19, paragraph 1 (ii) of the Articles of Agreement of the Bank to provide technical advice and assistance serving the purposes and coming within the functions of the Bank.

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

#### NOTE 2:

Amounts in currencies other than United States Dollars have been translated into United States Dollars at the following rates:

- (a) In the cases of contributors which have established par values with the International Monetary Fund, at such par values, except as noted in paragraph (b) below;
- (b) In the cases of the second Canadian contribution equivalent to US\$100,000 and the first Netherlands contribution of 100,000 Guilders, both to the Technical Assistance Special Fund, at market rates used by these countries in making such contributions.

No representation is made that any of these currencies is convertible into any other currency at the rate or rates specified above.

An agreement among international monetary officials on 18 December 1971 resulted in decisions and proposals for realignment and restructuring of the exchange values of major currencies.

The Executive Directors of the International Monetary Fund adopted a decision on 18 December 1971 establishing a temporary regime under which a member may permit the exchange rates for its currency to move within margins of 2 1/4 per cent on either side of the par value or the new exchange value of its currency resulting from the agreed realignment of exchange rates. The new exchange value for a currency resulting from realignment if notified to the Fund only for the purposes of this temporary regime of wider margins and not for the purposes proposed by the member as a new par value will be referred to as a central rate.

If and when new par values are established with the International Monetary Fund, the financial statements—Special Funds Resources—of the Bank expressed in United States Dollars could be affected by the following: (a) restatement of the capital of the Bank set aside pursuant to the provisions of Article 19, paragraph 1(i) [see Note 5(g)] to reflect any change in the weight and fineness of the United States Dollar from that in effect on 31 January 1966 (which is the basis specified in Article 4, paragraph 1), (b) translation of certain other amounts in the financial statements at rates based on the new par values or other appropriate rates and (c) recognition of minor translation gains arising from accumulated net income.

#### NOTE 3:

The contributed resources in the Technical Assistance Special Fund consist of the following (in alphabetical order):

- (a) The Government of Australia, in December 1970, made a contribution of 223,214 Australian Dollars (US\$250,000) to be used by the Bank to finance the procurement in Australia of the services of Australian experts and consultants for technical assistance activities.
- (b) The Government of Austria, in September 1971, made a contribution of up to 1,300,000 Austrian Schillings (US\$2,525) to be used by the Bank, in a period of two years, for any of the purposes specified in Sections 4.02 and 7.01 of the Special Funds Rules and Regulations. In the initial use of the contribution for the purposes mentioned above, and except as the Government may otherwise agree, the contribution shall be applied to financing the cost of Austrian experts and consultants, and of such other Austrian facilities as may be agreed between the contributor and the Bank.
- (c) The Government of Canada, in September 1970, made available to the Bank a grant in Canadian Dollars equivalent to US\$100,000 for procurement of Canadian goods and services, to be utilized by the Bank for technical assistance activities. This contribution was in addition to the grant equivalent to US\$100,000 made in November 1968 for similar purposes.
- (d) The Government of Ceylon, in December 1971, made a contribution in an amount of 100,000 Ceylon Rupees (US\$16,800) to be used for financing costs incurred in Ceylon in connection with the employment of Ceylonese experts and consultants by the Bank.
- (e) The Government of the Republic of China, in August 1971, made a contribution of US\$200,000, on an untied basis, to be utilized by the Bank for technical assistance activities. In the initial use of the contribution, due consideration is to be given by the Bank to the employment of suitably qualified experts and consulting firms from the Republic of China and other developing member countries.
- (f) The Government of Denmark, in January 1969, made available to the Bank a grant equivalent to 2,250,000 Danish Kroner (US\$300,000) to be used by the Bank to finance the employment of consultants, specialists, services and specialized equipment needed to make technical assistance available to Bank members. Of the 2,250,000 Danish Kroner, only 75% or 1,687,500 Danish Kroner need be applied for the acquisition of such facilities from Denmark.
- (g) The government of Finland, in December 1970, made a contribution in Finnish currency equivalent to US\$100,000 to be utilized by the Bank for the financing of Finnish consultants and consulting engineers to carry out specific feasibility studies and project analysis in fields of Finnish competence. The above contribution was in addition to the contribution offered in January 1969 for similar purposes under which the equivalent of US\$8,173 was drawn.
- (h) The Government of the Federal Republic of Germany offered to finance in 1968 the services of German consultants and specialists to be utilized by the Bank for technical assistance, and to enable the Bank to plan its request, indicated that consideration may be given to requests entailing disbursements of up to 160,000 Deutsche Mark (US\$43,716) in the calendar year 1968. In the calendar years 1969, 1970 and 1971, the parties agreed that the technical assistance arranged in 1968 would continue to be available to the Bank in the same amount and on similar terms and conditions.
- (i) The Government of India, in August 1971, made a contribution, as a grant, amounting to 300,000 Rupees (US\$40,000) for financing the procurement of services of Indian consultants and experts for technical assistance activities. This contrib-

CONTINUED

bution was in addition to the contribution amounting to 200,000 Rupees (US\$26,667) made in July 1970 for similar purposes.

- (j) The Government of Japan, in December 1971, made a contribution, as a grant, of a sum of 720,000,000 Yen (US\$2,000,000) in cash, to be used by the Bank for procurement of services of Japanese consultants and specialists for technical assistance operations, for training of Bank staff and suitably qualified personnel of developing member countries and for provision of library materials. The above contribution was in addition to contributions of 360,000,000 Yen (US\$1,000,000) made in June 1970, 72,000,000 Yen (US\$200,000) made in June 1969 and 36,000,000 Yen (US\$100,000) made in March 1968 for similar purposes and a contribution of up to 11,260,000 Yen (US\$31,278) offered in July 1968 to provide for Japanese expert services to be used by the Bank for technical assistance operations.
- (k) The Government of the Republic of Korea, in August 1971, made a contribution of US\$30,000, on an untied basis, to be utilized by the Bank for technical assistance activities. In the initial use of the contribution, due consideration is to be given by the Bank to the employment of suitably qualified experts and consulting firms from the Republic of Korea and other developing member countries.
- (l) The Government of Netherlands, in August 1971, made a contribution, as a grant, in an amount of up to 100,000 Guilders (US\$27,624) to be used by the Bank to finance the cost, incurred during the calendar year 1971, of the services of Dutch consultants for technical assistance activities. This contribution was in addition to the contribution of 100,000 Guilders (US\$27,810) made in December 1970.
- (m) The Government of New Zealand, in November 1969, made available to the Bank a grant of 150,000 New Zealand Dollars (US\$168,000) to finance the procurement of the services of New Zealand consultants and specialists for the widest possible range of feasibility and pre-investment studies. The grant is available to the Bank in amounts of up to 75,000 New Zealand Dollars in each of the two financial years (ending March) 1970/1971 and 1971/1972 or at any time thereafter.
- (n) The Government of Pakistan, in October 1970, made a contribution, as a grant, amounting to 200,000 Rupees (US\$42,000) for financing the procurement of such services of Pakistani consultants and experts as may be required by the Bank in providing technical assistance, conducting feasibility or pre-investment studies, processing loan applications, appraising or implementing projects and training of personnel that may be undertaken by the Bank in the course of its operations.
- (o) The Government of Switzerland, in October 1970, made a contribution, as a grant, amounting to US\$200,000 for financing the procurement of the services of Swiss consultants and experts and goods or equipment produced in Switzerland provided it is established that such services, goods or equipment are competitive in terms of quality and cost with those which are available from other sources. In any case in which Swiss services, goods or equipment are not as competitive or are not available, the contribution may be used to finance the procurement in other member countries of services supplied from or goods produced in such countries.
- (p) The United Kingdom has declared its willingness to consider requests for the financing of British technical services and assistance to be utilized by the Bank and to enable the Bank to plan its requests, indicated an amount of US\$250,000 up to which such requests would be met during the British financial

year ended 31 March 1969. The parties have agreed to extend the availability of the technical services and assistance up to 31 March 1972.

- (q) The United States agreed on 14 May 1969 to make available as a grant, for procurement of services from the United States, a technical assistance contribution of up to US\$1,000,000 for carrying out the Regional Transport Survey. The United States contribution for the Survey was made by means of a Letter of Commitment issued to a United States commercial bank against which the Bank drew funds to meet expenditures for the Survey. The above contribution was in addition to a grant of US\$250,000 made available in June 1967 for procurement in the United States of specific kinds of technical assistance.

As to those countries which have agreed to consider specific requests for financing (see paragraphs h and p of this note), the amounts shown in the financial statements as contributed resources are based on the specific requests approved through 31 December 1971.

#### NOTE 4:

The contributed resources in the Agricultural Special Fund consist of the following (in alphabetical order):

- (a) The Government of Denmark, on 1 April 1969, made a contribution of 15,000,000 Danish Kroner (US\$2,000,000). The contribution, to be drawn as required from the official depository of the Bank in Denmark, is interest-free and is repayable in regular half-yearly installments commencing in April 1976 and extending to October 1993. It is for use by the Bank for making loans and for providing reimbursable technical assistance; and except as shall otherwise be agreed between the contracting parties, for procurement of goods and services with a high Danish content and for procurement in developing member countries of the Bank of goods produced in such countries.
- (b) The Government of Japan, in December 1968, made a contribution of 7,200,000,000 Yen (US\$20,000,000) for financing special operations of the Bank relating to agricultural development including forestry, fisheries and agriculturally related industries. The contribution is in the form of non-negotiable, non-interest-bearing notes deposited with the official depository of the Bank in Japan and payable to the Bank at par value. The contribution is not available for providing non-reimbursable technical assistance; and except as shall be otherwise agreed between the contributor and the Bank, it shall be used only for procurement in Japan of goods produced in or services supplied from Japan. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (c) The Government of Netherlands, on 7 May 1969, made a contribution of 4,000,000 Guilders (US\$1,104,972) to be paid to the Bank in such amounts as requested by it from time to time, for procurement in the Bank's special operations, other than for providing non-reimbursable technical assistance, of goods and services (a) from the Netherlands, (b) from the territories of developing member countries, and (c) from developed countries which have made contributions to any Special Fund (other than the Technical Assistance Special Fund) with procurement conditions not less liberal than those governing this contribution. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.

CONTINUED

## NOTE 5:

The resources in the Multi-Purpose Special Fund consist of the following (in alphabetical order of the contributors):

- (a) The Government of Australia, in December 1970, made a contribution of 8,705,357 Australian Dollars (US\$9,750,000) to be available in three equal annual installments, the first to be payable in the year which commenced on 1 July 1970, in the form of non-negotiable, non-interest-bearing promissory notes encashable upon request by the Bank. Except as otherwise agreed by the contributor, the contribution may only be used for financing procurement in Australia of goods produced in and services supplied from Australia in the Bank's special operations. It is, however, not available for providing non-reimbursable technical assistance. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (b) The Government of Canada, in December 1968, agreed to contribute Canadian Dollars equivalent to US\$25,000,000 to be available by equal instalments in each of the five Canadian fiscal years beginning 1 April 1968. This contribution is to be used for procurement of equipment, services and supplies with a Canadian content as defined from time to time by the contributor. In the case of the subsequent use of repayments and accruals received by the Bank and derived from this contribution, the provisions respecting procurement from Canadian sources shall not apply. As of 31 December 1971, the equivalent of US\$20,000,000 was available to the Bank.
- (c) The Government of the Federal Republic of Germany, in October 1971, made a contribution of 64,000,000 Deutsche Mark (US\$17,486,339) to be available to the Bank in two instalments of 11,200,000 Deutsche Mark each on 19 October 1971 and 1 September 1972 and two instalments of 20,800,000 Deutsche Mark each on 1 September 1973 and 1 September 1974. In December 1971, the Government of the Federal Republic of Germany supplemented its contribution by a further amount of 2,800,000 Deutsche Mark (US\$765,027) in cash, increasing the contribution to 66,800,000 Deutsche Mark (US\$18,251,366) and the amount made available to the Bank as of 31 December 1971 to 14,000,000 Deutsche Mark (US\$3,825,136). The contribution may be used for financing the cost of procurement in Germany, in other countries which have contributed to Consolidated Special Funds (other than the Technical Assistance Special Fund) and in developing member countries of the Bank, of goods produced in and services supplied from such countries. However, the contribution may not be used to finance assistance provided on a non-reimbursable basis. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (d) The Government of Japan, in December 1971, made a contribution of 10,800,000,000 Yen (US\$30,000,000) for financing special operations of the Bank in important sectors, giving due regard to agriculture. The contribution is in the form of non-negotiable, non-interest-bearing notes deposited with the official depository of the Bank in Japan and payable to the Bank at par value. The contribution may be used for procurement of goods and services in the territories of developed member countries contributing to the Consolidated Special Funds (other than the Technical Assistance Special Fund) or of developing member countries. It is, however, not available for providing non-reimbursable technical assistance. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (e) The above contribution was in addition to contributions of 10,800,000,000 Yen (US\$30,000,000) made in October 1970 and 7,200,000,000 Yen (US\$20,000,000) made in November 1969 for similar purposes and with the same procurement terms.
- (f) The Government of Netherlands, in July 1970, made a contribution of 4,000,000 Guilders (US\$1,104,972) to be paid to the Bank in such amounts as requested by it from time to time, for the procurement in the Bank's special operations, other than for providing non-reimbursable technical assistance, of goods and services (a) from the Netherlands, (b) from the territories of developing member countries, and (c) from developed countries which have made contributions to any Special Fund (other than the Technical Assistance Special Fund) with procurement conditions not less liberal than those governing this contribution. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (g) The United Kingdom, in May 1970, made a contribution of 6,000,000 Pounds Sterling (US\$14,400,000) to be paid in such amounts as the Bank may request from time to time as may be necessary to enable the Bank to enter into appropriate arrangements for the financing of the Bank's special operations, other than non-reimbursable technical assistance. The contribution may be used for the procurement (a) in the United Kingdom or in developing member countries of the Bank of goods produced in and services supplied from the United Kingdom, (b) in developing member countries of the Bank of goods produced in and services supplied from those countries, and (c) in such countries as, in the opinion of the Bank and the contributor, have made contributions to any Special Fund of the Bank (other than the Technical Assistance Special Fund) on conditions relating to procurement not less liberal as a whole than those governing this contribution, of goods produced in and services supplied from those countries. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (h) Pursuant to the provisions of Article 19, paragraph 1(i), the Board of Governors has authorized the setting aside of US\$24,516,900, representing 10% of the unimpeded "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) as of 17 April 1971, to be used as part of the Consolidated Special Funds of the Bank. The resources so set aside have been allocated and transferred to the Multi-Purpose Special Fund.
- (i) The term "accrued resources" refers to the resources derived from the service fee charged by the Bank in its special operations for the purpose of Section 7.01 of the Special Funds Rules and Regulations and to other income of the Bank derived from Special Funds Resources credited, held and administered by the Bank in the Multi-Purpose Special Fund pursuant to Section 5.03 of the Rules and Regulations.

## NOTE 6:

During 1971 an Administration Charge to Special Operations was instituted. The computation of the Administration Charge is based on a formula which takes into consideration administrative expenses and the number and amounts of loans signed. Pursuant to the Special Funds Rules and Regulations, payment of the Administration Charge to Ordinary Capital Resources shall be made solely from accrued resources derived from the service fee levied on special loans. Accordingly, such Administration Charge is charged to the accrued resources in the Multi-Purpose Special Fund.

## **HASKINS & SELLS**

Certified Public Accountants

Two Broadway  
New York 10004

### **OPINION OF INDEPENDENT AUDITORS**

Asian Development Bank:

We have examined the following financial statements of Asian Development Bank—Special Funds Resources as of 31 December 1971 and for the year then ended:

	Appendix
Balance Sheet	1-A
Comparative Statement of Income and Expenses	1-B
Statement of Accumulated Net Income (Expense)	1-C
Statement of Changes in Financial Position	1-D
Statement of Loans	1-E
Statement of Contributed Resources	1-F
Statement of Set-Aside Resources	1-G
Statement of Accrued Resources	1-H
Technical Assistance Special Fund Balance Sheet	1-I
Agricultural Special Fund Balance Sheet	1-J
Multi-Purpose Special Fund Balance Sheet	1-K
Technical Assistance Special Fund—Statement of Expenses by Projects and Programs	1-L
Notes to Financial Statements	1-M

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

In our opinion, such financial statements present fairly the financial position of Asian Development Bank—Special Funds Resources at 31 December 1971 and the results of its related operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

18 February 1972

**SUMMARY OF BUDGET FOR 1972**  
**INTERNAL ADMINISTRATIVE EXPENSES**

	1971		1972
	Budget <sup>1</sup>	Actual	Budget <sup>5</sup>
I. BOARD OF GOVERNORS	\$ 62,600	\$ 56,875	\$ 151,000
II. BOARD OF DIRECTORS	954,300	849,850	1,003,000
Salaries	562,500	519,630	600,000
Benefits	135,600	97,776	138,200
Travel	200,000	189,291	200,000
Staff Services	56,200	43,153	64,800
III. STAFF	6,057,100	5,561,926	7,321,100
Salaries	3,501,400	3,322,906	4,361,300
Benefits	908,300	887,164	1,211,200
Travel	1,236,000	1,060,681	1,398,600
Consultants	361,400	252,547 <sup>2</sup>	300,000
Representation	50,000	38,628	50,000
IV. OTHER ADMINISTRATIVE EXPENSES	1,403,300	1,133,570	1,576,700
Communications	295,700	288,848	370,000
Office Occupancy	150,700	136,573	200,600
Publications & Printing	109,300	92,585	157,100
Expendable Supplies	130,000	126,827	156,700
Furniture & Equipment	372,300	152,515 <sup>3</sup>	285,600
Fees and Compensation	229,000	225,705	270,900
Miscellaneous	116,300	110,517 <sup>4</sup>	135,800
V. CONTINGENCY	85,000	—	90,000
TOTAL	\$8,562,300	\$7,602,221	\$10,141,800

<sup>1</sup> Transfers between certain major heads and items were made during 1971 without exceeding total budget amount.

<sup>2</sup> Includes amount of \$137,731 from Technical Assistance Special Fund and excludes amount of \$2,473 temporarily charged to Suspense Account.

<sup>3</sup> Excludes amount of \$214,099 representing total cost of equipment for new headquarters building ordered during 1971 but not received by 31 December 1971.

<sup>4</sup> Includes amount of \$108 from Technical Assistance Special Fund.

<sup>5</sup> Does not include expenditures arising from decisions of the Board of Governors made in 1972.

**SUMMARY OF BUDGET FOR 1972  
SERVICES TO MEMBER COUNTRIES**

CONTINUED

	1971			1972	
	Commitments Approved	Disbursements Budget	Actual	New Commitments	Disbursements
Project Preparation	\$1,352,300	\$1,973,700	\$1,069,904 <sup>3</sup>	\$2,660,000	\$2,145,400
Project Implementation/Advisory	278,700	1,639,200	880,237 <sup>4</sup>	700,000	1,396,500
Regional Services	275,000	1,037,900	234,013	—	330,000
a. Regional Transport Survey	—	827,000	141,658 <sup>5</sup>	—	—
b. Others	275,000 <sup>1</sup>	210,900 <sup>2</sup>	92,355	—	330,000
<b>TOTAL</b>	<b>\$1,906,000</b>	<b>\$4,650,800</b>	<b>\$2,184,154</b>	<b>\$3,360,000</b>	<b>\$3,871,900</b>

1 This amount represents commitments for Asian Industrial Survey, Coconut Industry Study and Panel Meeting on Training Facilities for Regional National Development Banks.

2 Includes disbursements for Asian Vegetable Research Development Centre, LAWASIA Credit and Security Research Project and Asian Industrial Survey.

3 Includes amount of \$675,872 from Technical Assistance Special Fund.

4 Includes amount of \$290,756 from Technical Assistance Special Fund and excludes amount of \$20,590 temporarily charged to Suspense Account.

5 Includes amount of \$59,087 from Technical Assistance Special Fund and excludes disbursements charged to United Nations Development Programme contribution in amount of \$355,695.

## **RESOLUTIONS OF BOARD OF GOVERNORS DURING 1971\***

Resolution Number	Subject	Date Adopted
37	Amendment of Minimum Percentage for Election of Non-Regional Directors Stated in Paragraph 2 of Resolution No. 27 of the Board of Governors	19 February
38	Admission of the Territory of Papua and New Guinea to Membership in the Asian Development Bank	12 March
39	Financial Statements and Auditors' Reports	17 April
40	Allocation of Net Income	17 April
41	Action to Set Aside Capital for Special Funds	17 April
42	Procedures for the Election of Directors at the Fourth Annual Meeting	15 April
43	Resources of the Bank	17 April
44	Election of President	17 April
45	Appreciation	17 April
46	Increase of \$1,650,000,000 in Authorized Capital Stock and Subscriptions Thereto	30 November

\* The texts of Resolution Nos. 37-45 are available in the Proceedings of the Fourth Annual Meeting.

**CHANNELS OF COMMUNICATION**

COUNTRY	CHANNEL	COUNTRY	CHANNEL
Afghanistan	Ministry of Planning, Kabul cc: Ministry of Finance, Kabul The Royal Afghan Embassy New Delhi, India	Malaysia	Secretary to the Treasury The Treasury Kuala Lumpur
Australia	Secretary Commonwealth Treasury Canberra	Nepal	Secretary Ministry of Finance Kathmandu
Austria	Bundesministerium für Finanzen Wien	Netherlands	Ministerie van Financien The Hague
Belgium	Minister of Finance Brussels	New Zealand	Secretary of Foreign Affairs Wellington cc: The Secretary to the Treasury Wellington
Canada	Department of Finance Ottawa	Norway	Royal Ministry of Commerce and Shipping Foreign Exchange Department Oslo
Ceylon	Permanent Secretary to the Ministry of Planning and Economic Affairs Colombo	Pakistan	Ministry of Finance Government of Pakistan Islamabad
China, Republic of	Governor The Central Bank of China Taipei	Philippines	Department of Foreign Affairs Manila
Denmark	Ministry of Foreign Affairs Copenhagen	Singapore	Permanent Secretary (Economic Development) Ministry of Finance Singapore
Fiji	Ministry of Finance Suva	Sweden	Ministry for Foreign Affairs Stockholm
Finland	Ministry of Foreign Affairs Helsinki	Switzerland	Département fédéral de l'économie publique Division du commerce Palais fédéral Berne
France	Ministry of Economy and Finance Treasury Department Paris	Territory of Papua and New Guinea	The Treasurer Department of the Treasury Konedobu, Papua
Germany, Federal Republic of	Bundesministerium für Wirtschaft und Finanzen Bonn	Thailand	Ministry of Finance Bangkok
Hong Kong	The Financial Secretary c/o Colonial Secretariat Hong Kong	United Kingdom	The Foreign and Commonwealth Office (Overseas Development Administration) London
India	Secretary to the Government of India Ministry of Finance Department of Economic Affairs New Delhi	United States	Secretary of the Treasury Washington, D.C. cc: The Secretary National Advisory Council on International Monetary and Financial Policies U.S. Treasury Department Washington, D.C. 20220
Indonesia	Department of Finance Djakarta	Viet-Nam, Republic of	Governor National Bank of Viet-Nam Saigon
Italy	Direzione Generale del Tesoro I.R.F.E. Ministero del Tesoro Rome	Western Samoa	Secretary to the Government Government of Western Samoa Apia
Japan	Minister of Finance Tokyo c/o Embassy of Japan Makati, Rizal, Philippines		
Khmer Republic	National Bank of Cambodia Phnom-Penh		
Korea, Republic of	Minister of Finance Seoul		
Laos	National Bank of Laos Vientiane		

**OFFICIAL DEPOSITORYIES**

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

**BOARD OF GOVERNORS**

(As of 31 December 1971)

<b>COUNTRY</b>	<b>GOVERNOR</b>	<b>ALTERNATE GOVERNOR</b>
AFGHANISTAN	ABDUL HAKIM TABIBI Ambassador to India	ABDUL AZIZ ATTAI President Treasury Department Ministry of Finance
AUSTRALIA	B.M. SNEDDEN <sup>1</sup> Treasurer	R.J. WHITELAW First Assistant Secretary Commonwealth Treasury
AUSTRIA	HANNES ANDROSCH Federal Minister of Finance	WERNER SAUTTER Ambassador to Thailand
BELGIUM	BARON J-CH. SNOY ET d'OPPUERS Minister of Finance	M. d'HAEZE Director-General Treasury and Public Debt Administration Ministry of Finance
CANADA	EDGAR JOHN BENSON Minister of Finance	PAUL GERIN-LAJOIE <sup>2</sup> President Canadian International Development Agency
CEYLON	N.M. PERERA Minister of Finance	CHANDANA AELIAN COORAY <sup>3</sup> Acting Secretary to the Treasury Ministry of Finance
CHINA, Republic of	YU KUO-HWA Governor Central Bank of China	WANG SHAO-YU Administrative Vice Minister of Finance
DENMARK	JENS CHRISTENSEN Undersecretary of State for Economic Affairs Ministry of Foreign Affairs	HANS JESPERSEN Head of Department Ministry of Foreign Affairs
FIJI	WESLEY M. BARRETT Minister of Finance	MOSESE QIONIBARAVI <sup>4</sup> Secretary for Finance
FINLAND	PENTTI UUSIVIRTA Head Foreign Trade Department Ministry of Foreign Affairs	EERO ASP Managing Director Finnish Export Credit, Ltd.
FRANCE	V. GISCARD-d'ESTAING Minister of Economy and Finance	JACQUES HIRSCH-GIRIN Financial Counsellor for Asia and the Far East Ministry of Economy and Finance

<sup>1</sup> Succeeded L.H.E. Bury in March.<sup>2</sup> Succeeded M.F. Strong in January.<sup>3</sup> Succeeded Murugesen Rajendra in July.  
Murugesen Rajendra succeeded H.E. Tennekoon in January.<sup>4</sup> Succeeded Rodney V. Cole in March.

CONTINUED

<b>COUNTRY</b>	<b>GOVERNOR</b>	<b>ALTERNATE GOVERNOR</b>
GERMANY, Federal Republic of	ERHARD EPPLER Federal Minister for Economic Cooperation	JOHANN BAPTIST SCHOELLHORN State Secretary Federal Ministry of Economics
HONG KONG	C.P. HADDON-CAVE <sup>5</sup> Financial Secretary	
INDIA	Y.B. CHAVAN Minister of Finance	I.G. PATEL Secretary to the Government of India Ministry of Finance Department of Economic Affairs
INDONESIA	ALI WARDHANA Minister of Finance	RADIUS PRAWIRO Governor Bank Indonesia
ITALY	GUIDO CARLI Governor Bank of Italy	GASTONE MICONI Director General Treasury Ministry of the Treasury
JAPAN	MICIO MIZUTA <sup>6</sup> Minister of Finance	TADASHI SASAKI Governor Bank of Japan
KHMER REPUBLIC	HING KUNTHEL Governor National Bank of Cambodia	MAU SAY Director-General Ministry of Finance
KOREA, Republic of	DUCK WOO NAM Minister of Finance	SUNG WHAN KIM Governor Bank of Korea
LAOS	SISOUK NA CHAMPASSAK Minister of Finance	OUDONG SOUVANNAVONG Governor National Bank of Laos
MALAYSIA	ALI BIN HAJI AHMAD Deputy Minister of Finance	ISMAIL BIN MOHAMED ALI Governor Bank Negara Malaysia
NEPAL	V.P. LOHANI <sup>7</sup> Minister of Industry and Commerce	BHARAT BAHADUR PRADHAN Secretary Ministry of Transport and Communications
NETHERLANDS	R.J. NELISSEN <sup>8</sup> Minister of Finance	TJ. A. MEURS Ambassador to the Philippines
NEW ZEALAND	R.D. MULDOON Minister of Finance	H.G. LANG Secretary to the Treasury
NORWAY	PER KLEPPE <sup>9</sup> Minister of Commerce and Shipping	LARS ONSAGER Ambassador to the Philippines

<sup>5</sup> Succeeded John Cowperthwaite in July.<sup>6</sup> Succeeded Takeo Fukuda in August.<sup>7</sup> Succeeded Bhekh Bahadur Thapa in July.<sup>8</sup> Succeeded H.J. Witteveen in July.<sup>9</sup> Succeeded Otto Grieg Tidemand in March.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
PAKISTAN	S.S. IQBAL HOSAIN <sup>10</sup> Secretary Economic Coordination and External Assistance Division	
PHILIPPINES	CESAR VIRATA Secretary of Finance	GREGORIO LICAROS Governor Central Bank of the Philippines
SINGAPORE	HON SUI SEN Minister for Finance	GEORGE BOGAARS Permanent Secretary Economic Development Division Ministry of Finance
SWEDEN	LENNART KLACKENBERG Undersecretary of State Ministry for Foreign Affairs	BOERJE BILLNER Head of Department Ministry for Foreign Affairs
SWITZERLAND	EDWIN STOPPER President Board of Directors Swiss National Bank	ALEXANDRE HAY Director-General Swiss National Bank
TERRITORY OF PAPUA AND NEW GUINEA	OALA OALA-RARUA <sup>11</sup> Assistant Ministerial Member for the Treasury	H.P. RITCHIE <sup>12</sup> Treasurer
THAILAND	SERM VINICCHAYAKUL	SOMMAI HOONTRAKOOL Director Assistant to the Governor Bank of Thailand
UNITED KINGDOM	RICHARD WOOD Minister for Overseas Development	R.H. BELCHER Under Secretary Foreign and Commonwealth Office (Overseas Development Administration)
UNITED STATES	JOHN B. CONNALLY <sup>13</sup> Secretary of the Treasury	NATHANIEL SAMUELS Deputy Under Secretary of State for Economic Affairs
VIET-NAM, Republic of	LE-QUANG-UYEN <sup>14</sup> Governor National Bank of Viet-Nam	NGUYEN-VAN-DONG Deputy Governor National Bank of Viet-Nam
WESTERN SAMOA	TOFA SIAOSI Minister of Finance	J. WENDT Financial Secretary Treasury

10 Succeeded Nawab Mozaflar Ali Khan Qizilbash in May.  
 11 Appointed in April.  
 12 Appointed in July.  
 13 Succeeded David M. Kennedy in February.  
 14 Appointed in June.

## BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1971)

<b>Director</b>	<b>Alternate Director</b>	<b>Countries Represented*</b>
Cornelio Balmaceda	K.S. Islam	Philippines Pakistan
Enno Carstensen	A.A.W. Landymore	Federal Republic of Germany United Kingdom Austria
L.J. Downey	R.A. Kartadjoemena	Indonesia New Zealand Fiji Western Samoa
Yves-Louis Fievet	Robert Lempen	France Italy Belgium, Switzerland
Tatsuaki Hirai	Keiya Nagamatsu	Japan
D.S. Joshi	A.T. Bambawale	India
B.H. Kay	Buu Hoan	Republic of Korea Republic of China Republic of Viet-Nam
Poul H. Kryger	Ian B. Robertson	Canada Netherlands Denmark, Finland, Norway, Sweden
Lee Keng Tuan	Mohd. Yusoff Rahim	Malaysia, Thailand Singapore Nepal
J.C.G. Lloyd	J.M. Starey	Australia Hong Kong Territory of Papua and New Guinea
William Tennekoon	A.W. Haider	Ceylon Afghanistan Khmer Republic Laos
Artemus E. Weatherbee	George R. Jacobs	United States

\* In order of voting strength within each group.

**PRINCIPAL OFFICERS<sup>1</sup>**

(As of 31 December 1971)

<b>TAKESHI WATANABE</b>	President
<b>C.S. KRISHNA MOORTHI</b>	Vice President

**OFFICE OF THE SECRETARY**

Douglas C. Gunesekera	Secretary
Wilfred A. Vawdrey	Assistant Secretary

**OFFICE OF THE GENERAL COUNSEL**

Lewis Carroll	General Counsel
Graeme F. Rea	Deputy General Counsel
Chun Pyo Jhong	Assistant General Counsel

**OPERATIONS DEPARTMENT**

Howard Farrelly	Director
Akira Tsusaka	Operations Manager concurrently Deputy Director
C.S. Venkat Rao	Operations Manager concurrently Deputy Director
Robert Byrnes	Operations Manager
H. King Hedinger	Operations Manager
Patrick J. Knapp	Operations Manager
Song Chil Lee	Operations Manager
Akihiko Takeuchi	Operations Manager

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<sup>1</sup> Names of Deputy Directors, Assistant Directors and Managers are listed in alphabetical order.

CONTINUED

## PROJECTS DEPARTMENT

Sam-Chung Hsieh	Director
Kasturi L. Luthra	Project Manager concurrently Deputy Director
Yoshinao Sakatani	Project Manager concurrently Deputy Director
Hans J. Hansen	Chief Engineer
Herbert F. Huehne	Project Manager
Wolf D. Kluber	Project Manager
Theodore C. Mesmer	Project Manager
Kazuaki Suma	Project Manager

## ECONOMIC OFFICE

Perry Chang	Chief Economist
Burton T. Oñate	Chief Statistician

## ADMINISTRATION DEPARTMENT

Shinsaku Kudo	Director
Raymond B. Lyon	Deputy Director
F.R.S. Weeraratne	Deputy Director
Gerhard Janschek	Assistant Director (Personnel)
Pyong Whi Min	Assistant Director (Administrative Services)

## TREASURY DEPARTMENT

S.M.A. Kazmi	Treasurer
Kiyoshi Mizoi	Deputy Treasurer
Chia-Ching Mok	Chief Accountant

## FINANCIAL ADVISOR

Edgar Plan	Financial Advisor
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## OFFICE OF THE INTERNAL AUDITOR

Carl J. Lemvig-Fog	Internal Auditor
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## INFORMATION OFFICE

P.S. Hariharan	Chief Information Officer
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## **INDUSTRIAL GROWTH AND ECONOMIC DEVELOPMENT IN THE REGIONAL DEVELOPING MEMBER COUNTRIES**

The study which follows was made by the Economic Office of the Bank for publication with this Annual Report in response to a request of the Board of Directors.

## Introduction

The Bank commenced its lending operations in 1968 with a loan in the industrial sector. It has since maintained an active interest in the financing of industrial projects in various regional developing member countries (RDMCs) either by direct lending or through national development banks.

As of 31 December 1971 the loans made by the Bank directly to industrial enterprises totalled \$72.2 million and included a \$25-million loan—the largest single loan extended to date—for the establishment of a caprolactam plant in the Republic of Korea. Sub-loans (now more than 200) to industrial enterprises made out of Bank loans to national development banks totalled \$1.32 million and were more varied in scope. They ranged from a supplemental loan of \$309 to a manufacturer of synthetic fabrics and yarn in the Republic of Korea to a \$1.5-million loan to a company manufacturing jute carpet backing cloth in Pakistan and from a \$192,984 loan to a firm in the Philippines for the procurement of oxygen-generating plant and empty cylinders to a \$1.7-million loan to a company in Singapore engaged in the manufacture of plywood, veneer, core stocks and other related wood products.

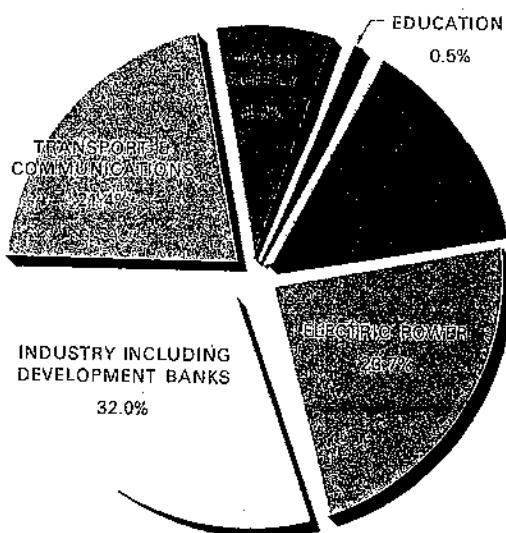
Cumulative loan approvals by the Bank for the industrial sector, including loans to national development banks, accounted for about 32 per cent of the total lending as of 31 December 1971. This makes industry the largest sector in the Bank's lending activities (see Chart).

As industrial development constitutes one of the major areas of its operations, the Bank has not only paid close attention to the factors influencing individual Bank-financed industrial projects but it has also recognized the importance of studying the nature and trends of industrial development in general in the region. A better understanding of the facts and the issues involved will help the Bank as well as its developing member countries in dealing with industrial projects within the context of overall economic growth.

In response to a request by the Board of Directors the Economic Office of the Bank has prepared a brief study on industrial development in the RDMCs during the past decade.<sup>1</sup> It is not the purpose of this study to provide specific answers to policy questions. Rather, the aim is to throw some light on certain basic issues in industrialization and economic development in the region.

<sup>1</sup> This study, however, does not necessarily represent the views of the Board.

LENDING OPERATIONS BY ECONOMIC SECTOR  
PERCENTAGE DISTRIBUTION  
1968-1971



## A GENERAL SURVEY OF INDUSTRIAL DEVELOPMENT<sup>2</sup>

### Growth of the Manufacturing Sector

Industrial development may be indicated, in the first place, by the increase in value added by manufacturing in the different RDMCs, which represents the net contributions made by the manufacturing sector to national income. Since the RDMCs are different in size and population, the absolute figures of value added by manufacturing vary greatly from country to country, ranging from 23.3 billion rupees (or roughly \$3 billion) for India (in 1967) to 164.2 million rupees (or roughly \$16.2 million) for Nepal (in 1968). Details are shown in Table I.

The value added by manufacturing at constant

<sup>2</sup> Unless otherwise specified, the sources of statistical information used in this Review are *Key Indicators of Developing Member Countries of ADB* (Economic Office, Asian Development Bank, Vol. II, No. 2, July 1970) and individual country sources mentioned therein.

market prices or factor costs was on the increase during the period under review in all RDMCs except the Republic of Viet-Nam; the compound annual rate of growth ranged from 2.3 to 19.8 per cent, with simple regional average (excluding Republic of Viet-Nam) of 10.4 per cent. The countries which experienced a growth rate above the regional average included Afghanistan, Republic of China, Hong Kong, Republic of Korea, Malaysia, Nepal and Singapore.

Although the rate of growth of value added by manufacturing is often used as a main indicator of industrial growth, it should, however, be considered with caution because this rate, like any other growth rate, depends very much on the base-year value. A more meaningful way of measuring industrial growth is to compare value added by manufacturing as a percentage of the gross domestic product (GDP) between the beginning and end of the period under investigation. This shows, in a general way, the change in the relative importance of the industrial sector in the context of the overall changes of the national economy.

As reflected in Table I,<sup>1</sup> industrial development in certain countries has resulted in significant changes in the respective economic structures over the period. This is so of Republic of China, Hong Kong, Republic of Korea, Singapore and to a lesser extent, of Malaysia, Pakistan and Thailand. On the other hand, industrial development has failed to induce any noticeable or important structural changes in the other countries.

#### **Changes in Composition of Industrial Output**

Industrial development in the RDMCs may also be examined from the viewpoint of changes in the composition of industrial output. For this purpose, the different industries could be divided into three major categories: (a) "agro-based" industries; (b) textile and apparel industries; and (c) "other industries," with "unidentified" as a fourth and residual group.

The "agro-based" industries generally include food, beverages, tobacco, wood and cork products, furniture and fixtures, leather and leather products, rubber processing and rubber products. Textile and apparel industries are singled out because of their special importance to a number of RDMCs. The "other industries" include paper and paper products, printing and allied industries, chemicals and chemical products, petroleum and coal products, plastics and plastic products, basic and other metals, and machinery and equipment.

As can be seen in Table II, there have been noticeable changes in the composition of industrial output in virtually all RDMCs during the period under review. While individual differences exist, the general trend, with few exceptions, has been a shift from the "agro-based" and, to a lesser extent, also from the textile and apparel industries, to the development of the "other industries."

Since the "other industries" as listed above generally require more sophisticated technologies, it may be said that industrial development in the region has been largely concentrated in the modern manufacturing sector. This does not mean that the traditional industries, which include in most cases the "agro-based" and the textile and apparel industries, have been completely ignored. Nor does it imply that there will be no room for further development in these fields. But from the viewpoint of what has occurred during the last decade, the main thrust of industrial development in the region seems to have been in the modern rather than in the traditional industries.

#### **Changes in Marketing Orientations**

Yet another dimension of industrial development in the region is the change in marketing orientations of manufactured products. This may be illustrated, to a certain extent, by the changes in (a) consumption goods other than food, as a percentage of total merchandise imports, and (b) manufactured goods as a percentage of total merchandise exports. The former indicates roughly the changes in the degree of import-substitution, and the latter the extent of manufactured products oriented for export.

As shown in Table III, there are some indications that industrial development in a number of countries, notably Ceylon, Khmer Republic, Republic of Korea, Thailand, Republic of Viet-Nam and, to a lesser extent, Pakistan and the Philippines, was still oriented to the import-substitution principle because the share of consumption goods in total merchandise imports has appreciably declined. But it is significant that manufactured products as a percentage of total merchandise exports have at the same time increased in all RDMCs except Afghanistan and Khmer Republic. In recent years this percentage reached very significant proportions—50 per cent or more—in a number of countries, such as Republic of China, Hong Kong, India, Republic of Korea, Pakistan and, in all probability, Singapore. This trend clearly shows that more manufactured products have been oriented toward export in practically all RDMCs during the period under review.

<sup>1</sup> Tables 1-V on pages 134-138.

## POLICIES AND INSTRUMENTS OF INDUSTRIAL DEVELOPMENT

### Sectoral Priorities

In discussions on economic development, there have been heated debates over the question as to whether the "industrial horse" should pull the "agricultural cart" or the "agricultural horse" should pull the "industrial cart." Having realized the inconclusiveness of these debates, the RDMCs are now generally interested in seeking the "right mix" among the industrial, agricultural and other sectors in their social and economic development.

While there is a general awakening to the need for balanced or complementary growth, the different countries, however, have put varying degrees of emphasis on the industrial sector in accordance with their special needs and aspirations.

Broadly, the RDMCs may be divided into three categories according to the priority given to the industrial sector. The first includes the countries which have accorded higher, if not the highest priority to the industrial sector, while not ignoring the development of other sectors. For instance, Afghanistan, India, Republic of Korea and Pakistan have made it known in various policy statements and national development plans that they will put more emphasis on industrial development. Judging from the nature of government efforts to facilitate industrial growth, this may well be true of Hong Kong and Singapore, even though they have not so far articulated official development plans.

In the second category which includes Republic of China, Laos, the Philippines, Thailand, Ceylon, and to a lesser extent, Malaysia, stress has been put on both industrial and agricultural development. This approach is clearly stated in the various national economic plans in the first four countries. Ceylon seems to have generally followed this approach in spite of some wavering due to changes of government. Malaysia has put greater emphasis on agriculture than on manufacturing in its two national development plans. But in view of the fact that a large part of manufacturing investment in Malaysia was implemented by the private sector and that the Government has recently emphasized the need for industrialization, it may be said that Malaysia also belongs to this category.

A third category which includes all the other RDMCs puts more emphasis on the agricultural and/or sectors other than industry. Among the countries adopting this approach, Indonesia has clearly indicated in its current development plan (1969/70—1973/74) that agriculture will be "the central arena

in which all efforts are concentrated and results expected." Fiji, Nepal and Western Samoa have indicated special interest in developing tourism. The Territory of Papua and New Guinea seems to have put more emphasis on the development of social overheads in its current development program (1967/68—1972/73). Both Khmer Republic and Laos showed some interest in industrial development, but the main efforts seem to have been in agriculture and infrastructure. The Republic of Viet-Nam had an ambitious industrial development plan in the early 1960's, but has since been required to pay more attention to the supply of food and other exigencies of armed hostilities.

### Priorities Within the Manufacturing Sector—by Nature of Industries

Just as the priority accorded to the industrial sector differs widely from country to country, so also do the priorities given to the different industries within the sector. For instance, certain countries, including Afghanistan, Fiji, Malaysia, Pakistan and Thailand, have explicitly indicated their preference for industries using indigenous (and largely agricultural) raw materials, whereas other countries, such as India, the Philippines, and more recently, the Republics of China and Korea, have included, among other things, basic metals and heavy industries in their priority list. The textile industries received special attention in Ceylon, Republic of China, Indonesia, Republic of Korea, Pakistan and the Philippines; and light industries with special emphasis on electrical equipment and chemicals were mentioned as among the industries receiving high priorities in Afghanistan, Republic of China, India, Indonesia, Republic of Korea, Thailand and the Philippines. The fertilizer industry was accorded high priority in Republic of China, India, Indonesia and Republic of Korea.

There are indications that industrial development in the RDMCs has been significantly affected by the priorities accorded to the different types of industries.

### Import-Substitution versus Export Promotion

Yet another aspect of industrial policies concerns the intended markets for manufactured products, that is, for the domestic market through import-substitution or for the international market through export promotion. Traditionally, industrial development in the region was generally based on import-substitution. But in recent years, a number of countries have already, by choice or by necessity,

shifted the emphasis toward export-oriented industries. For instance, Ceylon has attempted to promote industries with export potentials for some time, and since 1966 has actually put them among the top priority development projects. Beginning with the Second Four-Year Plan (1957-1960) the Republic of China has made a clear policy change in favor of export-oriented industries. India has made special efforts in promoting the export of its various industrial products since the Third Five-Year Plan (1961/62—1965/66). The Republic of Korea made the shift toward export promotion in the early 1960's and has continued to pay special attention to industrial exports. Pakistan and the Philippines have adopted the same policy as the Republic of Korea since the early 1960's, while Thailand, and to a certain extent, Malaysia, have made the shift in more recent years. Thus it may be said that while import substitution will continue to play its role, most RDMCs have, in varying degrees, already shifted the emphasis toward export promotion.

### Instruments for Industrial Development

In order to achieve the selected objectives, most RDMCs have adopted specific measures to protect, promote and/or regulate the establishment of industries in their territories, including in some cases, special provisions for inducing or regulating foreign investment. The protective measures include high tariffs, quantitative controls, foreign exchange control, aimed mainly at reducing imports, and the complete ban of certain imports. These measures have been generally practised, except in Hong Kong and, to a lesser extent, Singapore, by all RDMCs in varying degrees during the period under review.

The promotive measures generally include: tax holidays of various lengths; tax exemption on imported capital goods in general and on selected imported materials in some countries; tax concessions for certain types of industries; tax exemptions on development or promotional expenses; accelerated depreciation; the carry-over of losses in post tax holidays; rebates of import duties on imported materials for export-oriented industries; direct or indirect government export bonus, preferential interest rates and easy access to credit for certain industries and, in some special cases, subsidized public utilities rates. While the extent to which different measures have been applied varies considerably from country to country, the basic purpose undoubtedly is to provide the necessary additional financial incentive for industrial development.

The regulative measures may be represented by industrial licensing, which is practised, among others, by India and Ceylon, and is intended to restrict the establishment of certain industries for the benefit of more harmonious industrial growth and/or because of foreign exchange constraints. Also foreign exchange control, and *de facto* multiple foreign exchange rates as practised, among others, by Ceylon and Pakistan may have, to a certain extent, served the same purpose in addition to their being protective measures.

Private foreign investment has generally enjoyed the same privileges as domestic investment. In addition, several countries, including Afghanistan, Republic of China, Hong Kong, Republic of Korea, Laos, Malaysia, Nepal, Singapore and Thailand, have made specific provisions to guarantee free and unrestricted repatriation of foreign capital and dividends and/or to prevent nationalization. On the other hand, there are restrictions on foreign investments in the form of non-entry to certain industries, ceilings to foreign investments in individual enterprises, non-availability of certain privileges enjoyed by domestic investors, and some limitations on the repatriation of dividends. These practices have been found, in varying degrees, in some countries, including Ceylon, India and the Philippines.

The wide use of protective and promotive measures seems to indicate that many, if not all, of the industries in these countries are still so weak that they must depend on protection or subsidies for their existence and that the different governments have been practitioners of the theory of "infant industries".

Moreover, these policies also tend to overstate the benefits of industrial development in national income accounting terms. This is because the estimation of the GDP and its component parts, as a rule, is based on domestic rather than on international prices. But domestic prices of the manufactured products under protection are generally much higher than international prices. To the extent that this is true, the growth of value added by manufacturing and consequently of the GDP itself reflects, in part at least, the overpricing of the manufactured products, but not the real increase in productivity. The increase in the export of manufactured products should also be discounted by the fact that the cost of export promotion, insofar as it exists, is not included in the reporting. This does not mean that the growth of the manufacturing sector and its directional changes as shown earlier were all unreal. But there is reason to believe that industrial growth and its contribution to the GDP in many countries of the region may have been more or less overestimated.

## SOME BASIC ISSUES IN INDUSTRIALIZATION AND ECONOMIC DEVELOPMENT

### Industrial Development and Its Benefits and Costs to Society

Industrial development in the region has brought with it some benefits as well as some costs to society. Generally speaking, the benefits are as follows:

First, the growth of the manufacturing sector has directly and indirectly contributed to the growth of the GDP. As shown in Table IV, those RDMCs which have experienced greater industrial growth, such as Republic of China, Hong Kong, Republic of Korea, Malaysia, Pakistan, Singapore and Thailand, have also gained more in the growth of GDP. This is due partly to the increase of the value added by manufacturing as such, and partly to the fact that the expansion of the manufacturing sector often leads to the expansion of the tertiary sector (including trade and services), which adds more to national income.

Second, as a corollary, industrial development has also directly and indirectly contributed to employment. The direct effect, it must be admitted, has not been very great for most RDMCs. As shown in Table IV, employment in the manufacturing sector has remained very low—two or three per cent or less of the total employment—in most countries. But in Republic of China, Hong Kong, Republic of Korea and Singapore, manufacturing employment has reached 10-per cent or more of the total employment in recent years. The indirect effect cannot be easily assessed for want of data. But there are indications that the unemployment rate has been generally lower in the above-mentioned four countries than in others, due probably to the jobs created directly and indirectly by the growth of industries.

Third, industrial development has provided opportunities for the RDMCs to learn modern industrial technology and techniques of management, to improve domestic institutions in dealing with new problems arising from industrial growth, and to stimulate changes in attitudes toward economic progress in general. Even though these benefits cannot be quantified, they can contribute to the long-run growth of the economy.

While these benefits exist, it is important to bear in mind that industrial growth in the RDMCs has been achieved largely through protective and promotional industrial policies. In implementing these policies, society is bound to pay a cost. It is generally known that import-substitution often involves high cost and sometimes even results in "negative value

added" or more "import consuming." But the same, perhaps with only differences in degree, is also true of export promotion. Even though export promotion has a definite advantage over import-substitution in that it will help the "infant industries" to grow through the widening of the markets, the cost of export promotion, like that of import-substitution, must be borne, in one way or another, by society at large.

From an economic point of view the real cost paid by the society in pursuing these policies consists mainly of two things: one is the possible increase in the inequality of income distribution, and the other is the opportunity cost of the resources used in industrial development. So far as the former is concerned, it may be caused, in the first place, by the incidence of financial cost in implementing these policies. For instance, if these policies are implemented, as has been the general practice in the region, through overt or implicit reduction in taxation on or outright subsidy to the industrial sector, it results in the other sectors paying more in taxation, and to the extent that this is true, they would bear the cost of protecting and/or promoting the "infant industries." On the other hand, if these policies are financed through inflation, the burden would be more widely shared by all the people, but it would generally hurt the poor and fixed income group more than the others. In either case, therefore, it would tend to increase the inequality of income distribution.

Secondly, since the industrial prices under protection are generally higher than international prices and the agricultural products are exported at international prices with little or no subsidies, the internal terms of trade between the industrial and agricultural sector would be unfavorable to the latter. Unless other measures are taken to help the farmers, the protective industrial policies would tend to do more harm to the farm income in particular, and thus further increase the inequality of income distribution.

Finally, the high industrial prices under protection would tend to increase the financial burden of the consumers in general and that of the farmers in particular when farm inputs are manufactured domestically at high costs. The effects of the high industrial prices on income distribution would be the same as higher taxes levied on non-industrial sectors, and the high farm input prices could also weaken the country's competitiveness in selling its agricultural products in the international markets, which would tend to further depress the farm income.

While the increase in inequality of income distribution may, under certain circumstances, contribute to the accumulation of capital needed for

industrial and other development, it always brings with it some undesirable results. First, it would tend to defeat a major purpose of economic development, namely, to enhance the economic well-being of all the people. Second, the spread of poverty, even in a relative sense, is not conducive to economic growth from the point of view of purchasing power and effective demand. Third, the increase in inequality of income distribution could be detrimental to social and political stability, which is a prerequisite for economic development.

Even though the protective and promotive industrial policies are not the only contributing factors to the increase in inequality of income distribution, they would tend to make it more difficult for the countries concerned to balance these disadvantages against the possible advantage in terms of capital accumulation.

Yet another way of looking at the social cost of industrialization is to examine the opportunities which the society must give up while using the limited resources for industrial development under protection and promotion so that the same resources cannot be used elsewhere to bring about even higher economic returns. As has been generally recognized by the economic profession, the "infant industries" due to the high opportunity costs involved, often result in misallocation of resources. But even if misallocation of resources may be tolerated to a certain extent on the ground that the "infant industries" must have a period of learning before they can do away with government protection and subsidies, the fact remains that society pays a cost in terms of opportunities foregone for rearing these industries. Moreover, a prolonged misallocation of resources could undermine economic efficiency of the countries concerned.

Since the increase in inequality of income distribution and misallocation of resources are both real costs to society, the question arises as to whether these costs are not too high for the benefits sought and realized. This is a basic question which must be faced by the developing countries of the region in determining their industrial policies.

### **Interflow Between Industry and Agriculture**

For traditionally agricultural countries such as the RDMCs—except Hong Kong and Singapore—economic development depends not only on the growth of the manufacturing sector, but also, perhaps more importantly, on the interflow between industry and agriculture. This interflow has, to a certain

extent, taken place in the RDMCs, but except in a few cases there are indications that it has been rather insignificant.

The lack of substantial interflow between industry and agriculture may be indicated in the first place by the fact that in a number of countries, the growth rate of real GDP has not been very high (say, five per cent annually or less). Even though this is not necessarily a sign of the lack of economic change, it nonetheless suggests that the interflow between industry and agriculture in these countries could not have been very significant because the growth of GDP is the end result of reciprocal actions among all economic sectors, including those between industry and agriculture.

Secondly, the lack of a net increase in value added by agriculture in several countries as shown in Table V, also suggests that very little interflow has occurred in those countries. This is because in a traditionally agricultural economy, agricultural surplus is a major source of domestic savings. If the increase in value added by agriculture is less than that in population, then agricultural surplus could not be accumulated and the agricultural sector would contribute little, if any, to industrial development.

Thirdly, a significant interflow between industry and agriculture may be indicated by a relative decrease in the "savings gap," i.e., the difference between domestic investment and domestic savings which must be financed by external resources. This is a meaningful indicator because, other things being equal, the greater the interflow between industry and agriculture, the larger the GDP, and therefore, the higher the domestic savings. But as shown in Table V, only in a few countries has the "savings gap" as a percentage of domestic investment decreased. When some of these countries are eliminated for the above-mentioned reasons only the Republic of China and the Republic of Korea stand out as countries where a significant interflow between industry and agriculture has taken place.

Finally, the interflow between industry and agriculture may be indicated by the extent to which the agricultural population or employment as a percentage of total population or employment has decreased. This is because the interflow calls for not only the flow of savings and investment as already mentioned, but also the shift of human resources from agriculture to industrial and other activities. As shown in Table V, this shift has taken place in several, if not all, RDMCs. But except in the Republic of China and the Republic of Korea, the agricultural population or employment has remained high—55

per cent or more—and the rate of this shift has been generally slow.

It is of interest to note that the lack of sufficient reduction in agricultural population or employment in the face of a rather rapid percentage decrease in value added by agriculture, as is true of most RDMCs (see Table V), may well lead to a deterioration in the relative economic position of the farmers. This is because the value added by agriculture is, by and large, the source of farm income, and the agricultural population consists mainly, if not entirely, of farmers. If their share of the national income, in comparison with that of non-farmers, is declining more than proportionately to their share in total population, the relative economic position of the farmers is bound to deteriorate. There are indications that this has happened in a number of RDMCs.

A basic reason why there has been a lack of significant interflow between industry and agriculture in most developing countries in the region is that a traditionally agricultural economy is at the same time a "dual economy," under which the "modern" sector co-exists with the "traditional" sector, but there is very little communication between the two. Unless these two sectors are more fully integrated, the interflow between industry and agriculture will remain negligible.

This, then, leads to the question as to whether industrialization or modernization is needed in the integration of the "dual economy" of many developing countries in the region. It is true that the interflow between industry and agriculture and consequently the shrinking of the "traditional" sector in the Republic of China and the Republic of Korea may be attributable, *inter alia*, to their industrial growth. It does not, however, follow that there are no alternatives to the integration of the "dual economy." The modern manufacturing sector is only a part of the "modern" sector and the enlargement of the latter may well be done through channels other than the modern manufacturing sector. This would depend on the endowment of resources, location and other factors affecting the comparative advantages of the countries concerned. Since these conditions differ from country to country, there should be more than one way to integrate the "modern" and the "traditional" sectors.

The problem of integrating the "dual economy" through the enlargement of the "modern" sector is larger and more complex than the question of the intensification of the interflow between industry and agriculture. This is another basic issue which must be faced by the traditionally agricultural RDMCs in determining their industrial policies.

### Technology and Institutions

The two basic issues, namely, the high social cost and the integration of the "dual economy," are ultimately and inevitably related to the question of how to implant modern technology in the RDMCs. From a technological point of view, the question of whether the social cost is too high is directly related to the operative efficiency at the enterprise level. Unless this efficiency can be improved through "learning-by-doing" and the training of the needed skills, the industries will remain so feeble that they cannot do without government protection and subsidies. Moreover, industrial efficiency depends also on the economy of scale as well as on the growth of external economies required for industrial development. This can be achieved, in part, through export promotion which has already taken place in varying degrees in several RDMCs. But further improvements can be made through an increase in intra- and inter-sectoral complementarity within the country as well as through regional and international cooperation for certain types of industrial projects.

As to the integration of the "dual economy," the basic issue, as already discussed, is the application of modern technology in all economic activities. However, since modern technology is more capital intensive than traditional practices, and since capital is generally a much scarcer factor in the developing countries, the question, in the final analysis, is the "right-mix" of capital-intensive and labor-intensive technologies. While this question cannot be answered without examining all the factors involved in each case, it can be said in general that this "mix" does not necessarily imply that the two types of technologies should be reduced to a still new type of technology which would require a moderate amount of capital investment. Rather, the two types of technology should co-exist, each fulfilling a useful function in the respective fields in which they are applied.

The adoption of modern technology is by no means an isolated phenomenon, but is rather an integral part of the whole process of social and economic development. The success or failure in its adoption depends, therefore, not only on economic considerations, but also on the extent to which these technologies can be mingled and harmonized with the traditional value system and institutions of the country. It is important that in the long run, these forces should produce an "indigenized" new economic order in tune with other developments, because any economic system cannot rest on a technological base alone, but must also be guided by a certain

spirit and be regulated by its own institutions. The challenge that lies ahead for the establishment of this new economic order is great, but so also are the opportunities.

### The Problem of "Small Countries"

Since what has been said is based on the region's experience as a whole, it is generally applicable to all RDMCs, large or small. However, the economically "small" countries, such as Afghanistan, Sajn, Laos, Nepal, Territory of Papua and New Guinea, and Western Samoa, may face even greater difficulties in meeting the challenges of industrialization and economic development. In the first place, the domestic markets in these countries, owing to the small size of population and/or the lack of purchasing power, are so limited that they make import-substitution much more costly if not prohibitive. Secondly, since these countries are either land-locked or distant from the main stream of commerce, the transport costs tend to limit the scope of their exports. Thirdly, the supply of capital entrepreneurship and industrial labor is relatively limited in these countries. Finally, as these countries are generally at lower stages of development, they have depended, and will continue for some time to come, to depend on external assistance for social and economic development.

In view of these difficulties, several of the countries in this group have decided to concentrate on the development of agriculture and other sectors such as infrastructure and tourism, leaving industrial development either for the future or giving it a secondary role. In order to accelerate economic growth in these countries, special efforts will be needed. Among the suggestions that have been made, the following deserve consideration:

First, particular attention should be paid to regional cooperation, especially with the neighbouring countries, regarding the expansion of trade, better coordination of each other's development plans and, in the case of land-locked countries in particular, the expedition of the movements of goods in transit.

Second, more efforts should be made to discover and cultivate development potentials of these countries. These include better economic surveys and the training of personnel.

Third, since the minimum efforts required to overcome the difficulties faced by these countries are so great, not only more massive foreign assistance is called for, but also programs especially tailored to the needs of these countries. These include the most favorable terms in aid-giving, more technical assistance and more emphasis on the program approach.

### The Role of Developed Countries

Industrial development in the region has been directly or indirectly helped by the flow of official development aid and foreign investment loans and contributions from private sources. It is estimated that the total flow of external resources reaching the developing countries of the region was nearly \$2 billion in 1960, of which about \$1.9 billion were official bilateral and multilateral flows. In 1969, this total was nearly \$4 billion, of which about \$3.3 billion was the official flow.

It may appear to be somewhat perplexing that in spite of the economic progress that had been made in the RDMCs, their dependence on external resources was generally increasing instead of decreasing. But a closer examination will show that this was not due to the lack of improvement in domestic savings, but rather to the increasing demand for investment as the economy climbed to a higher stage of development. So far as domestic savings are concerned, they had in fact increased considerably as a percentage of GNP in most RDMCs during the period under review. But since domestic savings in these countries were generally quite low initially, even a faster rate of growth could not bring them to the required level to meet all the needs for domestic investment. Consequently, the savings gap was generally increasing instead of decreasing in the RDMCs. So long as these countries have not yet reached the stage of self-sustained growth, it is most likely that the "savings gap" — and therefore, the dependence on external resources — will be increasing in absolute terms for the region as a whole, if not also for every individual RDMC. This is one area in which the developed countries could continue to play a very important role.

Another area in which the developed countries have played and could continue to play an important role is technical assistance. This includes not only training and technical advice provided through official channels, but also the transfer of operative technology by private enterprises through the demonstration effects of direct investments, purchase of operative technology, management contracts, license agreements, dissemination of technological information and training of personnel. The effects and arrangements of the latter have proved, in particular to be invaluable to industrial development in the region. But there is concern about such questions as (a) Has transferred operative technology been fully adjusted to local needs? (b) Was the price paid for the purchase of the technology through the various arrangements too high? and (c) Is the license

arrangement which prevents the country from exporting the products really in the nation's interest? Whether or not these apprehensions are based on facts, it can be said that if the terms and conditions of the transfer of operative technology at the enterprise level can be further improved, it would be a great help to the industrial development of the region.

Yet another area in which the developed countries have made and could continue to make a significant contribution to industrial growth in the region is the special consideration given to the export of manufactured products from these countries. Since the export of manufactured products from the developing countries is generally concentrated in a few types of products, it is understandable that import of these products might have some unfavorable effects on employment in the developed countries which can be eliminated only after a period of readjustment.

However, in the interest of world peace and progress, this seems to be a small price to pay by the developed countries, and any increase of the export of manufactured products by the developing countries in the region would be very helpful to their industrial and economic development.

Last but not least, the developing countries in the region need from the developed countries not only aid and trade as commonly known, but also continued moral support in their struggle against the deep-rooted industrial and economic under-development. There were, of course, weaknesses in the past and there will be difficulties in the future in this struggle. But all these should be viewed with empathy, for this is really a protracted battle which cannot be won without patience and sustained effort on the part of both developed and developing countries.

**TABLE I**  
**SELECTED INDICATORS OF INDUSTRIAL GROWTH IN THE RDMCs**

	Period	Unit	Value added by Manufacturing <sup>1</sup>			Manufacturing as Percentage of GDP <sup>2</sup>	
			Beginning of Period	End of Period	Compound Rate of Growth during the Period	Beginning of Period	End of Period
Afghanistan	1961-69	Mn Afs	552.2	1,398.4	12.2	1.1	2.3
Ceylon	1961-70	Mn Rs	724.1	1,193.2	5.7	11.2	12.2
China, Rep. of	1960-70	Bn NTs	1.23	5.58	16.3	17.3	30.6
Fiji	1965-70	Mn F\$	27.6	38.0	6.7	20.7	22.2
Hong Kong	—	—	—	—	15.0 <sup>3</sup>	—	38.0 <sup>4</sup>
India	1960-67	Bn Rs	19.9	23.3	2.3	14.1	13.0
Indonesia	1960-69	Bn Rp	32.6	46.6	4.0	8.4	9.6
Khmer Republic	1960-68	Mn Riels	2,242.4	4,022.6	7.6	8.8	11.7
Korea, Rep. of	1960-70	Bn W	69.8	255.2	13.8	12.0	18.0
Laos	—	—	—	—	—	—	—
Malaysia	1960-68	Mn Ms	575.1	1,346.2	11.2	8.7	13.1
Nepal	1964-68	Mn Rs	82.5	164.2	18.8	1.4	2.5
Pakistan	1960-70	Mn Rs	3,179.2	6,908.2	8.1	9.6	12.5
Philippines	1960-70	Mn P	2,202.8	3,586.9	5.0	18.6	18.8
Singapore	1960-70	Mn S\$	188.2	1,152.0	19.8	6.9	18.8
Territory of Papua and New Guinea	—	—	—	—	—	—	4.0 <sup>4</sup>
Thailand	1960-70	Mn Baht	7,008.6	17,746.0	9.7	12.5	14.9
Viet-Nam, Rep. of	1964-69	Bn Pies	11.1	5.0	-14.7	11.0	4.2
Western Samoa	—	—	—	—	—	—	—

1. At constant market prices or factor costs in national currencies. No attempt is made to convert all these into a common monetary unit due to technical difficulties in dealing with abrupt changes in the rates of exchange.

2. Except for Afghanistan and Khmer Republic, at current market prices.

3. At least 15 per cent, c.f. *Report of the Second Asian Conference on Industrialization*, United Nations, 1971, p. 51.

4. 1968 figures based on IBRD, *World Tables*, 1971.

**TABLE II**  
**CHANGES IN THE COMPOSITION OF INDUSTRIAL OUTPUT**  
**IN THE RDMCs**

(Per cent)

	Period	Agro-based <sup>1</sup> (A)	Agro-based <sup>1</sup> (B)	Textile & Apparel <sup>1</sup> (A)	Textile & Apparel <sup>1</sup> (B)	Other Industries <sup>1</sup> (A)	Other Industries <sup>1</sup> (B)	Unidentified <sup>1</sup> (A)	Unidentified <sup>1</sup> (B)
Afghanistan	—	—	—	—	—	—	—	—	—
Ceylon	1964-69	35.4	34.2	18.8	16.4	32.7	40.3	13.1	9.1
China, Rep. of	1961-70	40.6	24.0	17.3	20.9	42.1	55.1	—	—
Fiji	—	—	—	—	—	—	—	—	—
Hong Kong	1960-70	6.7	4.6	49.0	44.1	42.4	44.1	1.9	7.2
India	1960-69	25.0	22.0	27.0	18.0	33.0	45.0	15.0	16.0
Indonesia	1963-67	75.5	81.8	7.8	2.8	15.7	11.2	1.0	4.2
Khmer Republic	1962-66	61.3	61.2	2.0	3.8	28.2	23.1	8.5	11.9
Korea, Rep. of	1960-69	41.2	27.1	27.4	20.4	29.9	49.4	1.5	3.1
Laos	—	—	—	—	—	—	—	—	—
Malaysia	1960-68	69.1	54.6	0.8	2.6	28.5	24.5	1.6	18.2
Nepal	—	—	—	—	—	—	—	—	—
Pakistan <sup>2</sup>	1962-65	28.5	31.2	33.4	27.8	23.4	26.9	9.6	14.1
Philippines	1960-68	48.1	42.8	11.7	9.7	33.8	46.7	6.4	0.8
Singapore	1960-69	84.6	44.4	0.9	3.4	13.9	49.4	0.6	2.8
Territory of Papua and New Guinea	1960-69	42.8	49.7	—	—	13.9	28.7	43.3	21.6
Thailand <sup>3</sup>	1962-67	69.7	58.9	6.5	6.6	19.2	30.4	4.6	4.1
Viet Nam, Rep. of	—	—	—	—	—	—	—	—	—
Western Samoa	—	—	—	—	—	—	—	—	—

1. (A) refers to the beginning, and (B) end of the period.

2. Refers to fiscal years 1962/63 on to 1965/66.

3. Value added data are used for calculation.

**TABLE III**  
**SOME INDICATORS OF THE MARKETING ORIENTATIONS OF  
INDUSTRIAL DEVELOPMENT IN THE RDMCs**

	Consumption goods other than food (as % of total merchandise imports — (year))	Manufactured products as % of total merchandise exports — (year))	Manufactured products as % of total merchandise exports — (year))
Afghanistan		4.4 (1960)	6.9 (1968)
Ceylon	22.0 (1960)	10.3 (1969)	10.9 (1960)
China, Rep. of	6.7 (1960)	5.6 (1969)	36.5 (1961)
Fiji	—	—	10.5 (1960)
Hong Kong	27.4 (1960)	27.4 (1969)	89.6 (1960)
India	15.4 (1960)	3.8 (1969)	41.9 (1959/60)
Indonesia	21.6 (1960)	32.0 (1967)	10.7 (1960)
Khmer Republic	44.7 (1960)	27.2 (1968)	1.2 (1962)
Korea, Rep. of	14.4 (1960)	5.7 (1969)	13.8 (1960)
Laos	25.8 (1960)	32.4 (1969)	9.7 (1962)
Malaysia (West)	29.4 (1960)	27.1 (1968)	17.0 (1960)
Nepal	—	—	1.7 (1960/61)
Pakistan	8.4 (1960)	6.1 (1969)	28.2 (1959/60)
Philippines	10.4 (1960)	7.1 (1969)	3.0 (1960)
Singapore	22.4 (1960)	26.7 (1969)	25.1 (1960)
Territory of Papua and New Guinea	—	—	17.6 (1960)
Thailand	30.9 (1960)	20.8 (1969)	1.4 (1961)
Viet-Nam, Rep. of	30.0 (1960)	16.5 (1969)	0.9 (1961)
Western Samoa	—	—	10.4 (1961)

Source: *Asian Economic Statistics*, reprinted from The Economic Bulletin for Asia and the Far East, Vol. XVII, No. 2, September 1967 (© Vol. XXI, No. 3, December 1970).

**TABLE IV**  
**THE GROWTH OF GDP AND MANUFACTURING**  
**EMPLOYMENT IN THE RDMCs**

	Compound annual rate of growth in real GDP Period	Compound annual rate of growth in mfg. employment Period	Manufacturing employment as % of total employment	
			1960-67	1961-69
Afghanistan	1961-69	2.4	—	—
Ceylon	1960-70	4.7	1969-70	2.0
China, Rep. of	1960-70	9.9	1960-69	4.9
Fiji	1965-70	5.3	1960-70	3.6
Hong Kong	1960-68	n.a.	1960-70	9.6
India	1960-68	3.3	1961-69	3.7
Indonesia	1960-69	3.0	1963-67	1.5
Khmer Republic	1960-69	3.6	—	3 (1962)
Korea, Rep. of	1960-70	9.2	1963-70	10.5
Laos	n.a.	n.a.	—	—
Malaysia <sup>1</sup>	1960-68	5.8	1960-67	10.7
Nepal	1964-68	2.8	—	—
Pakistan <sup>1</sup>	1960-70	5.3	1962-65	15.2
Philippines	1960-70	4.9	1960-69	6.0
Singapore	1960-70	10.5	1960-69	16.8
Territory of Papua and New Guinea	1960-68	5.9	1960-69	14.0
Thailand <sup>1</sup>	1960-70	8.0	1963-69	9.1
Viet-Nam, Rep. of	1960-70	3.7	1960-66	—
Western Samoa	n.a.	n.d.	1961-66	4.5

<sup>1</sup> These countries experienced high industrial growth in the region as explained earlier in this Review.

**TABLE V**  
**SOME INDICATORS OF THE INTERFLOW BETWEEN INDUSTRY AND AGRICULTURE IN SELECTED RDMCs**

	Period:	Compound annual rate of growth of value added by agriculture		Savings Gap <sup>1</sup> as % of domestic investment <sup>2</sup>	Agricultural population as % of total population	Value added by agri- culture as % of GDP	
		Gross	Net			Earlier	Later
Afghanistan	1961-69	0.9	-1.3	—	—	55 (1961)	49 (1969)
Ceylon	1961-70	3.1	0.7	24.7 (1960)	18.2 (1970)	—	—
China, Rep. of	1960-70	3.0	0.2	41.2 (1960)	4.1 (1969)	50 (1960)	41 (1970)
Fiji	1965-70	0.8	-2.0	47.5 (1965)	29.8 (1970)	—	—
India	1960-67	4.1	1.6	13.4 (1960)	16.7 (1966)	73 (1961)	70 (1966)
Indonesia	1960-69	2.0	0.6	12.3 (1960)	51.2 (1969)	—	67 (1965)
Khmer Republic	1960-69	4.9	-0.4	35.7 (1962)	48.6 (1968)	—	45 (1960)
Korea, Rep. of	1960-70	4.5	1.9	78.3 (1960)	35.0 (1970)	58 (1960)	50 (1970)
Laos	—	—	—	—	—	81 (1965)	—
Malaysia	1960-70	3.1	0.3	54.5 (1960)	17.3 (1970)	—	55 (1965)
Nepal	1964-68	3.7	1.9	—	—	92 (1965)	67 (1965)
Pakistan	1960-70	3.0	0.7	26.1 (1960)	31.6 (1967)	74 (1961)	68 (1965)
Philippines	1960-70	5.1	1.7	20.8 (1960)	22.7 (1969)	71 (1961)	58 (1965)
Territory of Papua and New Guinea	—	—	—	53.0 (1961)	62.9 (1970)	—	—
Thailand	1960-70	4.7	1.6	10.0 (1960)	19.7 (1969)	83 (1960)	79 (1968)
Viet-Nam, Rep. of	1964-69	0.5	-2.2	52.5 (1960)	122.8 (1970)	—	85 (1965)
Western Samoa	—	—	—	—	—	57 (1965)	—

1. The difference between "gross" and "net" being the rate of increase of population.

2. Derived from the deficits of the current accounts of the country's balance of payments, which is the same as the difference between domestic investment and domestic savings in national income accounting terms.

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