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ASIAN DEVELOPMENT BANK

ANNUAL REPORT 1987



The Asian Development Bank

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

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

In 21 years of operations, the Bank has become a major catalyst in promoting the development of the most populous and fastest growing region in the world today. The Bank's principal functions are: (i) to make loans and equity investments for the economic and social advancement of developing member countries; (ii) to provide technical assistance for the preparation and execution of development projects and programs and advisory services; (iii) to promote investment of public and private capital for development purposes; and (iv) to respond to requests for assistance in coordinating development policies and plans of member countries. In its operations, the Bank is also required to give special attention to the needs of the smaller or less developed countries and give priority to regional, subregional and national projects and programs which will contribute to the harmonious economic growth of the region as a whole.

The financial resources of the Bank consist of ordinary capital resources, comprising subscribed capital, reserves and funds raised through borrowings; and Special Funds, comprising contributions made by member countries, accumulated net income and amounts previously set aside from the paid-in capital. Loans from ordinary capital resources, which account for 67 per cent of Bank lending, are generally made to member countries which have attained a somewhat higher level of economic development. Loans from the Asian Development Fund are made on highly concessional terms and almost exclusively to the poorest borrowing countries.

The Bank has borrowed funds for its ordinary operations from the capital markets of Europe, Japan, the Middle East and the United States. The Bank's callable capital, which at the end of 1987 accounted for nearly 88 per cent of its subscribed capital, backs its borrowings in the capital markets.

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

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

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

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

The Bank has 24 departments and offices — including a Resident Office in Dhaka, Bangladesh, a South Pacific Regional Office in Port Vila, Vanuatu, and a Resident Office in Jakarta, Indonesia — dealing with various operational, financial, administrative and general support functions.

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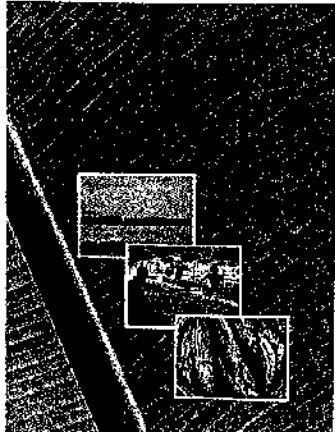
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1987

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ENVIRONMENTAL AND NATURAL RESOURCES planning is critical to sustaining economic development. In concert with its developing member countries, the Bank, through its Environment Unit, endeavors to integrate the environmental dimension in its development policies, programs and projects. A number of initiatives have been launched to enhance this process, and this Annual Report contains a special chapter on Environmental and Natural Resources Planning and Management (see pages 27-31).

BANK HIGHLIGHTS, 1966-1987

Loans and Technical Assistance

- * The Bank has committed a total of \$21.8 billion in loans for 793 projects, including loans to the private sector.
- * Technical assistance, in grants and loans, has amounted to \$1.7 billion. Of this amount, \$244 million was provided for project preparation technical assistance which has so far resulted in 352 Bank loan projects totalling \$10 billion, \$1,248 million was provided for project implementation technical assistance, \$162 million for advisory technical assistance and \$45 million for regional technical assistance.

Resource Mobilization

- * Authorized capital stood at the equivalent of \$23 billion as of 31 December 1987.
- * A total of \$8.1 billion has been borrowed from international capital markets for lending from ordinary capital resources.
- * About \$12.8 billion has been mobilized in Asian Development Fund contributions for concessional lending to poorer DMCs, and about \$151.4 million in Technical Assistance Special Fund contributions for financing technical assistance grants.

Sectoral Activities

- * Agriculture and Agro-Industry: 114 irrigation and area development projects benefiting about 17.2 million people; 68 fisheries, livestock and forestry projects; 69 projects for industrial crops, agro-industry and support services; and seven fertilizer projects to help increase the region's fertilizer supplies by about 1.22 million tons of nitrogen nutrients and about 68,850 tons of phosphate nutrients per annum.
- * Energy: 145 projects including 126 power projects for creation of 11.6 million kW of generation capacity of which over 75 per cent will be based on indigenous resources, and for about 78,000 km of transmission-distribution circuits. Non-power energy projects provided for expanded production of natural gas and coal, rehabilitation of refineries and distribution networks for gas.
- * Industry and Development Banks: 96 credit lines totalling \$2.7 billion to 34 financial intermediaries in 21 DMCs, which have been used so far to assist 12,700 subloans to small-scale and medium-scale enterprises.
- * Transport and Communications: construction, rehabilitation, modernization and expansion of ports to increase cargo-handling capacity by about 54.8 million tons per year, and of roads and telecommunications serving estimated populations of 112 million and 81 million, respectively; rehabilitation and modernization of railways to increase freight capacity by 14.9 million tons.
- * Social Infrastructure: 59 water supply and sanitation projects benefiting over 63 million people; upgrading and expansion of vocational, technical, science and professional education in more than 10,000 institutes; housing schemes and urban infrastructure facilities benefiting over 3.7 million people; establishment or upgrading of rural health facilities and referral hospitals, health manpower development, supply of essential drugs and improvement of storage/distribution systems for medical supplies; and provision of better malaria control measures for about 20 million people.

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**ASIAN DEVELOPMENT BANK
Manila**

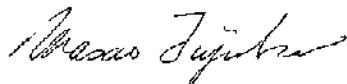
Office of the President

14 March 1988

Dear Mr. Chairman:

In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the enclosed Annual Report of the Bank for 1987, including a separate report on the activities of the Special Funds of the Bank, which has been prepared under the direction of the Board of Directors. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



MASAO FUJIOKA
President and
Chairman of the
Board of Directors

Chairman of the
Board of Governors
Asian Development Bank

THE BOARD OF DIRECTORS

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

The Board of Governors elected a new Board of Directors at the Bank's Annual Meeting in Osaka. It took office for two years on 1 July 1987. A list of the 12 Directors and their Alternates follows this Chapter, while Appendix 4 to this Annual Report provides more details on Board membership and voting groups.

For the first time, the People's Republic of China elected a Director and appointed an Alternate Director to take part in Board deliberations. The entry of the People's Republic of China required a reorganization of one of the existing chairs: Sri Lanka joining the constituency chaired by the Republic of Korea; Maldives joining the constituency chaired by Pakistan; Viet Nam and Lao PDR joining the constituency chaired by India; while Afghanistan has yet to join any constituency.

General

The Board approved 49 government-guaranteed loans totalling \$2,418 million for 45 projects, eight equity investments amounting to \$22.8 million¹ and three accompanying loans to private sector entities without government guarantee for \$20.5 million, and 141 grant-financed technical assistance projects amounting to \$41.8 million, of which \$15.8 million is being provided from non-Bank sources.

The Board approved five borrowings totalling the equivalent of \$537.2 million in Swiss francs, Japanese yen, Deutsche mark, pounds sterling and Kuwaiti dinar. The Bank's pounds sterling issue was its first borrowing in the Euro-sterling market.

¹ Excludes an underwriting commitment of \$5 million in the Asian Development Equity Fund.

Notable Events

The Bank's first two loans to the People's Republic of China were approved in 1987: \$100 million to the China Investment Bank to provide assistance to small and medium-sized industrial enterprises and \$33.3 million for the Fuel Conversion Project to convert oil-fired generating facilities to coal-fired.

In an effort to assist the development of the capital markets of its developing member countries (DMCs), the Bank's recent initiatives in that area were reviewed. An investment of \$5 million in the first mutual fund created by the Bank — the Asian Development Equity Fund — was approved along with an underwriting of up to \$5 million. Total funds raised in the international markets exceeded \$100 million.

Policy Review

During the course of the year, the Board conducted a number of reviews on financial issues. Early in the year an indicative borrowing program of up to \$800 million was approved; however, as financial requirements developed, only five individual borrowings totalling \$537.2 million were deemed necessary. In an effort to lower the lending rate to its borrowers, the Board approved the swapping of certain existing borrowings in high-cost currencies for those with a lower cost, primarily Swiss francs.

The Board also undertook a review of the Bank's net income targets and loan charges and concluded that certain loan charges could be reduced slightly while maintaining the creditworthiness of the institution. As a result of the reduction in charges, lower borrowing costs in 1987 and certain swap transactions, the variable lending rate was lowered from 7.65 per cent at the end of 1986, first to 7.36 per cent in the first half of 1987 and then to 7.03 per cent in the second half of the year.

The Board of Governors in 1986 instructed the Board of Directors to begin a review of the Bank's financial and operational needs, with a view to submitting a general capital increase proposal to the Governors at an appropriate date.

During 1987, the Board of Directors reviewed the Bank's operational plans and priorities for the late 1980s and a preliminary paper on projected ordinary capital resources (OCR) operations in the period 1987-1995. Other papers on the organizational, staffing and financial implications will be reviewed in 1988 and beyond as the role of the Bank in meeting the changing needs of the region becomes clearer.

Recognizing that the needs of the region were changing fast, and that this would require changes in Bank policies and procedures, several Governors at the Twentieth Annual Meeting called for a review of the Bank's role in the region in the 1990s by a panel of distinguished outside experts. The Board approved the setting up of an external expert panel comprising representatives from a cross-section of member countries and is under the Chairmanship of former Foreign Minister of Japan, Mr. Saburo Okita.

The Board actively reviewed the lending policies of the institution and, as a result, approved a revised policy on program lending. The new policy supplements the Bank's traditional project-based lending with loans that are based primarily on structural reforms in a particular sector of a borrower's economy. Program lending is limited to no more than 15 per cent of total Bank lending and the policy will be reviewed after two years.

Discussions also were initiated during the year on implementing a limited program on guarantee operations by the Bank. Guarantees were envisioned in the Bank's Charter but their scope had earlier appeared limited. However, with changed circumstances in the capital markets, it was thought that opportunities existed for certain borrowers to receive Bank-guaranteed funds from commercial sources on more favorable terms than they could receive otherwise.

The Bank in recent years has increased its efforts to assist its small island members, primarily the South Pacific developing member countries (SPDMCs), for whom it recognizes it has a special responsibility. Many of these economies suffer disproportionately from natural disasters that impede their development. The Board, after reviewing the Bank's assistance to small DMCs, approved expedited procedures to provide limited rehabilitation assistance to small member countries in this situation.

Reflecting the underlying trends in member countries, Bank operations in the private sector have assumed increased visibility and importance in recent years. Equity operations were initiated in 1983 and lending without government guarantee in 1986. In 1987 the Board conducted a review of policies on credit lines to development finance institutions (DFIs) through which most of the Bank's support to the private sector flows. It recommended, *inter alia*, that the Bank's future operations should be guided by the broader objective of contributing to the evolution of efficient DMC financial systems. The Board also conducted an interim review of private sector operations and recommended changes designed to increase the competitiveness and marketability of Bank services. Changes included reducing the minimum size of Bank loans and lending spreads and adoption of summary procedures for small loans and investments.

A further review of private sector operations is expected in 1988. Along with the increasing recognition of the private

sector's vital role in economic growth has been the realization that non-governmental organizations (NGOs) fill an important niche in the development process. The Board endorsed a variety of measures to ensure greater and more effective cooperation between the Bank and NGOs.

As mandated by the Board of Governors, the Board of Directors reviewed arrangements for lending from the Asian Development Fund (ADF), Technical Assistance Special Fund (TASF) operations funded by ADF contributions and ADF lending terms. The Board agreed that the maturity of ADF loans to ADF-only countries would continue to be 40 years, whereas for those countries receiving a blend of ADF and OCR resources the maturity of ADF loans would be reduced to 35 years. Both Indonesia and the Philippines, although Group B countries, were made eligible for limited ADF assistance during the replenishment of the Asian Development Fund (ADF V), in recognition of their recent economic difficulties.

Discussions on the question of special capital increases for certain members continued throughout 1987 and will continue into 1988.

The Board reviewed the progress of implementing the previous year's review of policies and procedures in managing the environmental aspects of Bank-supported development projects.

Administration

On the recommendation of the President, the Board reappointed Mr. S. Stanley Katz as a Vice-President of the Bank for a term of two years from 1 April 1988.

The Board approved a 5 per cent increase in salary and an adjustment of the dependency allowance for professional and supporting staff. The Board also reviewed the Staff Retirement Plan and approved improved pension benefits.

The Board approved an addition to the capital expenditure program to upgrade the Bank's computer and office automation systems during the period 1986-1988.

Directors' Visits

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

- (i) Burma and Nepal - 24 January to 8 February
- (ii) Pakistan and Bangladesh - 17 October to 1 November

Committees

During the first half of 1987, the Board had three committees: the Audit Committee, the Budget Review Committee and the Committee on Administrative Matters Relating to Members of the Board (CAMB), each consisting of five Directors or Alternates. After discussion with the incoming Board, the President recommended, and the Board agreed, that the

Committees be rationalized: the Audit and Budget Review Committees were expanded to six members each, and CAMB was disbanded.

Membership of the Audit and Budget Review Committees is shown in Appendix 5 of this Annual Report.

The Audit Committee examined the Bank's financial statements and the scope of the outside audit, considered various internal audit matters and reviewed the work of the Post-Evaluation Office, including 14 Project Performance Audit Reports. The Committee recommended to the President on its review of Post-Evaluation Reports that an additional project category, "unsatisfactory", should be added to the existing categories of "generally successful" and "partially successful". In accordance with its terms of reference, the Committee also advised the Board on the appointment of Outside Auditors for 1988 and the recommendation was accepted

by the Board.

The Budget Review Committee examined in detail the proposals of the 1988 Administrative Budget for which an expenditure commitment of \$98.4 million was submitted for Board consideration. In recommending the 1988 Budget, the Committee emphasized, *inter alia*, the need to adjust the staff mix to the changing requirements of Bank operations while continuing to exercise economy and efficiency in budgetary matters.

Prior to being disbanded, CAMB, among other activities, reviewed the provisions for shipment allowances and insurance on Appointment, Termination and Official Travel. Its recommendation was approved by the Board and the revised provisions were subsequently incorporated in a revised edition of the Handbook on Directors' and Alternate Directors' Administrative Matters.

THE BOARD OF DIRECTORS

(As of 31 December 1987)

President and Chairman of the Board of Directors Masao Fujloka

| Directors | Alternate Directors |
|----------------------|---------------------|
| David Craxton | Heinz Bühler |
| Sofjan Djajawinata | Cliff F. Sproule |
| Victor H. Frank, Jr. | William R. Thomson |
| S. M. Kelkar | Quazi Azher Ali |
| Kong Fannong | Li Dongqun |
| Jean-Marc Métivier | Inga Klevby |
| Shoji Mori | Satoshi Hashimoto |
| Suwon Pasugswad | Bhubaneshwar Khatri |
| N. M. Qureshi | Joker P. Arroyo |
| Michel Rougé | Paul Obrist |
| Kenneth Waller | Ralph Hillman |
| Sung-Yong Wei | H. B. Disanayaka |

THE RECORD

(amounts in \$ million)

| | 1966-1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1966-1987 ^a |
|--|-----------|---------|---------|----------------------|----------------------|-------------------|------------------------|
| OPERATIONAL ACTIVITIES | | | | | | | |
| TOTAL LENDING (Amount) | 11,454.5 | 1,893.2 | 2,234.3 | 1,808.1 ^c | 2,004.0 ^d | 2,438.5 | 21,832.5 |
| Number of Projects ^b | 563 | 53 | 47 | 45 | 48 | 48 | 793 |
| OCR Loans (Amount) | 7,936.9 | 1,189.8 | 1,550.7 | 1,171.2 | 1,368.2 | 1,480.9 | 14,697.6 |
| Number of Loans | 349 | 26 | 26 | 24 | 27 | 22 | 474 |
| Disbursements | 3,442.3 | 715.4 | 702.2 | 620.3 | 611.8 | 692.8 | 6,784.8 |
| ADF Loans (Amount) | 3,517.6 | 703.4 | 683.6 | 636.9 ^c | 635.8 ^d | 957.6 | 7,134.9 |
| Number of Loans | 271 | 29 | 23 | 23 | 25 | 30 | 401 |
| Disbursements | 1,062.4 | 221.5 | 298.3 | 389.8 | 412.4 | 538.6 | 2,923.0 |
| A. Government and Government-Guaranteed Loans (Amount) | 11,454.5 | 1,893.2 | 2,234.3 | 1,808.1 ^c | 1,992.5 ^d | 2,418.0 | 21,800.6 |
| Number of Projects | 563 | 53 | 47 | 45 | 45 | 45 | 787 |
| OCR Loans (Amount) | 7,936.9 | 1,189.8 | 1,550.7 | 1,171.2 ^c | 1,356.7 | 1,462.9 | 14,668.2 |
| Number of Loans | 349 | 26 | 26 | 24 | 24 | 20 | 469 |
| Disbursements | 3,442.3 | 715.4 | 702.2 | 620.3 | 611.8 | 689 | 6,781.0 |
| ADF Loans (Amount) | 3,517.6 | 703.4 | 683.6 | 636.9 | 635.8 ^d | 955.1 | 7,132.4 |
| Number of Loans | 271 | 29 | 23 | 23 | 25 | 29 | 400 |
| Disbursements | 1,062.4 | 221.5 | 298.3 | 389.8 | 412.4 | 538.6 | 2,923.0 |
| B. Private Sector Loans (Amount) | — | — | — | — | 11.5 | 20.5 | 32.0 |
| Number of Projects | — | — | — | — | 3 | 3 | 6 |
| Disbursements | — | — | — | — | — | 3.8 | 3.8 |
| OCR Loans (Amount) | — | — | — | — | 11.5 | 18.0 | 29.5 |
| Number of Loans | — | — | — | — | 3 | 2 | 5 |
| Disbursements | — | — | — | — | — | 3.8 | 3.8 |
| ADF Loans (Amount) | — | — | — | — | — | 2.5 | 2.5 |
| Number of Loans | — | — | — | — | — | 1 | 1 |
| Disbursements | — | — | — | — | — | — | — |
| EQUITY OPERATIONS | | | | | | | |
| Number of Projects | — | 2 | 1 | 4 | 4 | 8 | 19 |
| Amount | — | 3.0 | 0.4 | 3.7 | 8.2 | 22.8 ^e | 38.0 ^e |
| TECHNICAL ASSISTANCE^f | | | | | | | |
| Number of Projects | 867 | 107 | 118 | 110 | 129 | 119 | 1,440 |
| Amount | 895.6 | 185.1 | 141.2 | 175.3 | 121.0 | 135.6 | 1,653.7 |
| REGIONAL ACTIVITIES | | | | | | | |
| Number of Projects | 108 | 30 | 25 | 32 | 33 | 39 | 266 |
| Amount | 15.1 | 5.7 | 3.7 | 5.5 | 7.4 | 7.5 | 44.9 |
| RESOURCES | | | | | | | |
| Ordinary Capital Resources | | | | | | | |
| Authorized Capital (at end of period) | 7,965 | 15,461 | 14,476 | 16,222 | 19,663 | 22,987 | 22,987 |
| Subscribed Capital (at end of period) | 7,899 | 11,510 | 14,058 | 15,970 | 19,476 | 22,770 | 22,770 |
| Borrowings (gross) | 4,005 | 979 | 972 | 792 | 813 | 537 | 8,098 |
| Outstanding Debt (at end of period) | 2,810 | 3,429 | 3,893 | 5,569 | 7,135 | 8,475 | 8,475 |
| Ordinary Reserve (at end of period) | 665.7 | 830.1 | 997.8 | 1,158.5 | 1,372.9 | 1,601.5 | 1,601.5 |
| Special Reserve (at end of period) | 123.3 | 151.3 | 167.3 | 176.5 | 176.5 | 176.5 | 176.5 |
| Gross Income | 2,132.0 | 478.0 | 568.6 | 684.8 | 875.0 | 976.1 | 5,714.5 |
| Net Income after Appropriation of Commissions to Special Reserve | 804.3 | 151.6 | 190.4 | 247.9 | 287.1 | 306.9 | 1,988.2 |
| Special Funds Resources | | | | | | | |
| Asian Development Fund: | | | | | | | |
| Total Resources (at end of period) | 3,616.9 | 4,207.2 | 4,615.1 | 6,081.5 | 7,764.5 | 10,200.9 | 10,200.9 |
| Technical Assistance Special Fund: | | | | | | | |
| Contributions (at end of period) | 59.2 | 63.5 | 69.2 | 76.0 | 81.9 | 151.4 | 151.4 |
| MEMBERSHIP AND STAFF | | | | | | | |
| Member Countries (at end of period) | 45 | 45 | 45 | 45 | 47 | 47 | 47 |
| Professional Staff (at end of period) | 517 | 551 | 570 | 581 | 595 | 597 | 597 |

a Cumulative amount totals may not add due to rounding; cumulative number of projects excludes supplementary loans.

b A project financed from both OCR and ADF is counted only once.

c Amount adjusted to exclude the withdrawal by the Government of the Republic of Korea of the sixth loan of \$100 million to the Korea Long-Term Credit Bank.

d Amount adjusted to include additional Bank financing of \$2.65 million to the Second Aquaculture Project in Bangladesh due to change in financing arrangements.

e In addition, the Bank made an underwriting commitment of \$5 million in the Asian Development Equity Fund.

f Comprising technical assistance grants and loans funded by the Bank and other sources. Regional technical assistance excluded.

THE BANK IN 1987

DURING 1987, Bank lending commitments including private sector loans rose 22 per cent to \$2,438.5 million.

This sharp increase reflected high borrowing levels in four developing member countries (DMCs) — Bangladesh, India, Indonesia and Pakistan — which together accounted for \$1,776.9 million, or nearly 73 per cent of the total lending.

The Bank also approved its first two loans to the People's Republic of China.

Loans from ordinary capital resources (OCR) amounted to \$1,480.9 million, an increase of 8 per cent over \$1,368 million in 1986. Loans from the Asian Development Fund (ADF) rose steeply to \$957.6 million, 51 per cent above the 1986 figure of \$635.8 million.

The Bank continued to increase its private sector activities during 1987. It approved three loans to private sector companies without government guarantees totalling \$20.5 million, an increase of almost 79 per cent over \$11.5 million in 1986. The Bank also made eight equity investment operations totalling \$22.8 million¹ in 1987, which was nearly three times the \$8.2 million approved the previous year, consisting of six

1 In addition, the Bank made an underwriting commitment of \$5 million in the Asian Development Equity Fund.

NOTE ON DOLLAR AMOUNTS

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

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

direct investments amounting to \$15.8 million and two new lines of equity amounting to \$7 million. These raised total cumulative equity approvals to \$38 million after five years of equity operations. During the year, three equity projects amounting to \$1 million were also approved from previously approved lines of equity.

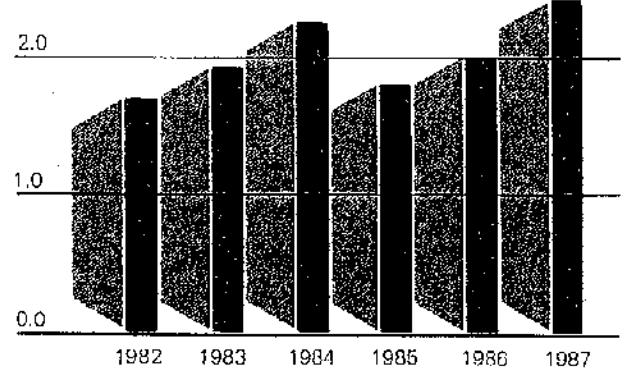
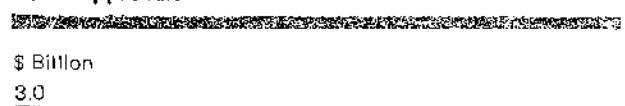
Technical assistance grants (including regional activities) approved by the Bank, and funded by the Bank and other sources, increased to \$41.8 million from \$36 million in 1986.

The replenishment of the Asian Development Fund and the Technical Assistance Special Fund came into effect in May 1987, as envisaged in Governors' Resolution No. 182.

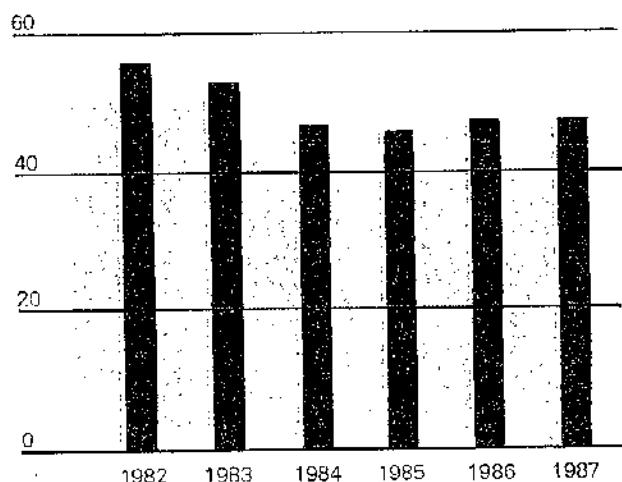
Other highlights:

* The Twentieth Annual Meeting of the Board of Governors was held in Osaka, Japan, from 27 to 29 April. The opening session was attended by their Imperial Highnesses, the Crown Prince and the Crown Princess of Japan.

Loan Approvals



Number of Loan Projects



Development Departments were redistributed into two regionalized Agriculture Departments.

* In the international capital markets, the Bank's borrowings, which included its first public bond issue in the Euro-sterling market, totalled \$537 million.

During the year, 52 loans were approved for 48 projects in 17 DMCs compared with the same number of loans and projects in 19 DMCs in 1986. The average loan size increased to \$46.9 million from \$38.5 million the year earlier. The size of individual loans ranged from \$2 million for a private sector loan to Pakistan Industrial Leasing Corporation Ltd. to a \$190 million loan to India for the Railways Project.

Co-financing increased slightly to \$498 million from \$492 million in 1986. Official sources of co-financing fell by 25 per cent to \$286 million from \$379 million in 1986, and their share of total co-financing dropped to 57 per cent from 77 per cent the year earlier. Co-financing from commercial sources, at \$212 million, rose substantially over the \$113 million total in 1986, or 43 per cent of the total compared with 23 per cent a year earlier.

On a sectoral basis, loans to the transport and communications sector more than quadrupled to \$793.9 million in 1987 from \$178.8 million a year earlier. The share of this sector rose to 33 per cent from 9 per cent in the same period. This was attributable to the approval of four large-scale loans of \$100 million or more. India received two loans for railways and ports development totalling \$277.6 million.

Lending to the industry and non-fuel minerals sector also rose steeply to \$645.5 million in 1987 from \$110 million a year earlier, while the sector's share of total lending rose to 26 per cent from 5 per cent in the same period. The sharp rise was due mainly to a surge in lending to development finance institutions — both established and new borrowers — as a result of improved industrial prospects in many DMCs.

On the other hand, loans to the agriculture and agro-

MONITORING ACTIVITIES AND THE BANK'S OWN DEVELOPMENT

* In September, the Board approved a significant reduction in the Bank's charges on OCR loans. The variable lending rate spread was lowered to 0.4 per cent from 0.5 per cent per annum from 1 January 1988. The method of computing the commitment charge on loans approved on or after 1 July 1987 was also altered, the change being effectively equivalent to a straight reduction to 0.50 per cent from 0.75 per cent per annum.

* The Bank's variable lending rate was lowered from 7.65 per cent per annum to 7.36 per cent per annum on 1 January 1987 and to 7.03 per cent per annum on 1 July 1987.¹

* Following a review of its program lending policies, the Bank decided to extend program loans to DMCs in support of policies directed at sector adjustment.

* The Bank set up a high-powered external panel to conduct an in-depth study of its role in the 1990s, and to provide a basis for the formulation of its operational directions, strategies and policies for the decade.

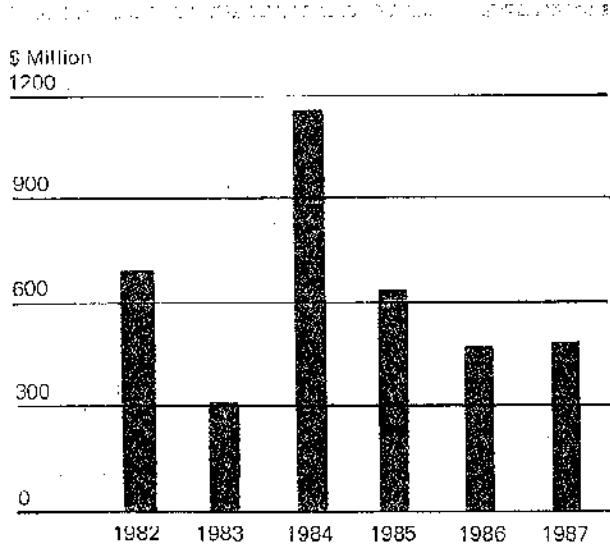
* Total loan disbursements reached \$1.23 billion, a 20 per cent rise over 1986. This reflected a 31 per cent increase in the rate of ADF disbursements.

* The Bank sponsored a Symposium-cum-Workshop on Country Development Strategies for South Pacific Developing Member Countries to assist in establishing a firmer foundation for their future development. It also announced new streamlined procedures to help small island member countries affected by natural disasters.

* The Indonesia Resident Office (IRO) opened in July for more effective follow-up of project implementation and disbursements.

* The Bank reorganized several departments early in the year. The Country Department was divided into two and renamed Programs Departments, East and West. The combined functions of the Agriculture and the Irrigation and Rural

Amount of Co-Financing



1 On 1 January 1988, the rate was further reduced to 6.59 per cent per annum, the lowest since the start of the Bank's operations.

industry sector fell to \$529 million from \$824.8 million in 1986. The share of total lending almost halved to 22 per cent from 41 per cent in 1986. The change reflects year-to-year programming fluctuations in this sector rather than any change in Bank priorities or in sectoral demand.

Lending to the energy sector fell to \$331.7 million from \$515 million in 1986. The decline in the sector's share of total lending to 14 per cent from 26 per cent did not reflect a fall in loan growth but rather the deferral of a few projects due to unresolved policy issues with the governments concerned.

Lending for the social infrastructure sector — water supply and sanitation, urban development and housing, education, and health and population — dropped to \$135.7 million from \$272.5 million in 1986, while the percentage share declined to 6 per cent from 14 per cent in the same period. The fall was due to the economic downturn in many DMCs which led to cutbacks in infrastructure projects which are often non-revenue-generating and have high recurrent costs.

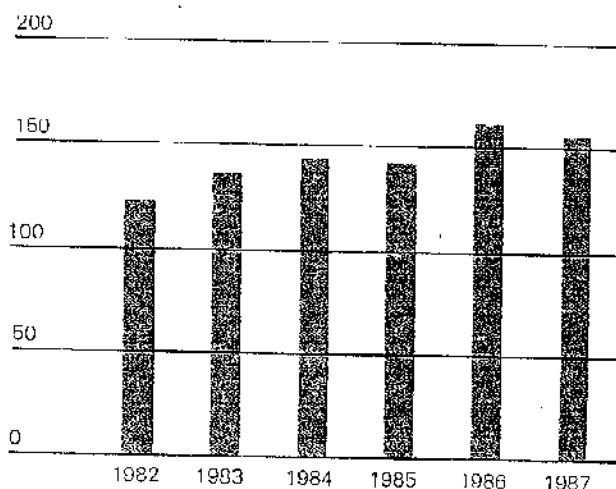
Technical assistance (grant and loan-financed) for the preparation of projects, for advisory and project implementation purposes and for regional activities amounted to \$143 million for 158 projects during 1987, compared with \$128.5 million for 162 projects in 1986.

By the end of 1987, project preparatory technical assistance amounting to \$244 million had been provided, resulting in 352 Bank loan projects amounting to \$10 billion and involving an estimated total investment cost of about \$25 billion.

By the end of 1987, the Bank had approved \$1.4 billion for advisory and project implementation technical assistance and \$46 million for regional activities.

Loan disbursements rose 20 per cent to \$1.23 billion in 1987 from just over \$1 billion the year earlier. Disbursements under ADF loans rose for the sixth successive year and by the biggest margin, 31 per cent, to \$539 million from \$412

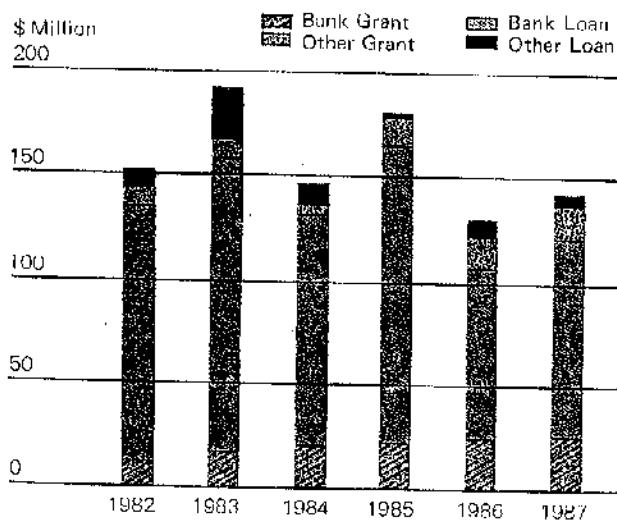
Number of Technical Assistance Projects (Grant and Loan Financed)^a



^a Includes regional activities.

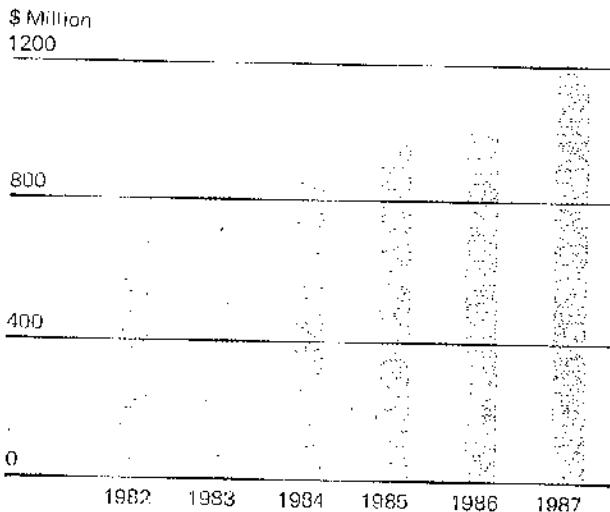
million in 1986. The better ADF disbursement performance in 1987 was mainly due to improved project implementation performance in Bangladesh and Pakistan in areas such as power, fertilizer and development finance institutions. OCR disbursements rose 13 per cent to \$693 million from \$612 million in 1986. This was mainly due to efficiencies gained from the establishment of the Indonesia Resident Office, better-coordinated project implementation by the Government of Indonesia, the timely utilization of special financing

Technical Assistance Approvals (Grant and Loan Financed)^b



^b Includes regional activities.

Loan Disbursements



facilities for ongoing Bank-assisted projects in Indonesia and the Philippines, sustained monitoring of project implementation and improved project-sector specific implementation performance in Pakistan.

During 1987, the net transfer of resources by the Bank to DMCs (i.e. loan disbursements less repayments of principal, interest and other charges) fell by 49.1 per cent to \$120.8 million from \$237.4 million in 1986.

The implementation of Bank-financed projects proceeded satisfactorily in several DMCs in 1987. In others, progress was impeded by such problems as a shortage of counterpart funds, manpower and institutional constraints, cumbersome procedural requirements which delayed the awarding of contracts and the appointment of consultants, lack of coordination between line agencies, unfamiliarity with Bank procedures and requirements, poor performance of contractors, cost overruns and technical problems during construction. Steps taken by the Bank in 1987 to tackle project administration problems

included a further streamlining of disbursement procedures and of the project reporting system as well as fielding project administration missions and country project review missions to several DMCs. Efforts continued to strengthen the management capabilities of executing agencies and help them identify project implementation problems and issues.

In 1987, seminars on business opportunities and procurement information were held in Belgium, People's Republic of China, Denmark, Italy, Netherlands, Thailand, United Kingdom and United States to encourage greater interest in international competition. Seminars on the development of domestic consultants were also held in India, Malaysia and Thailand.

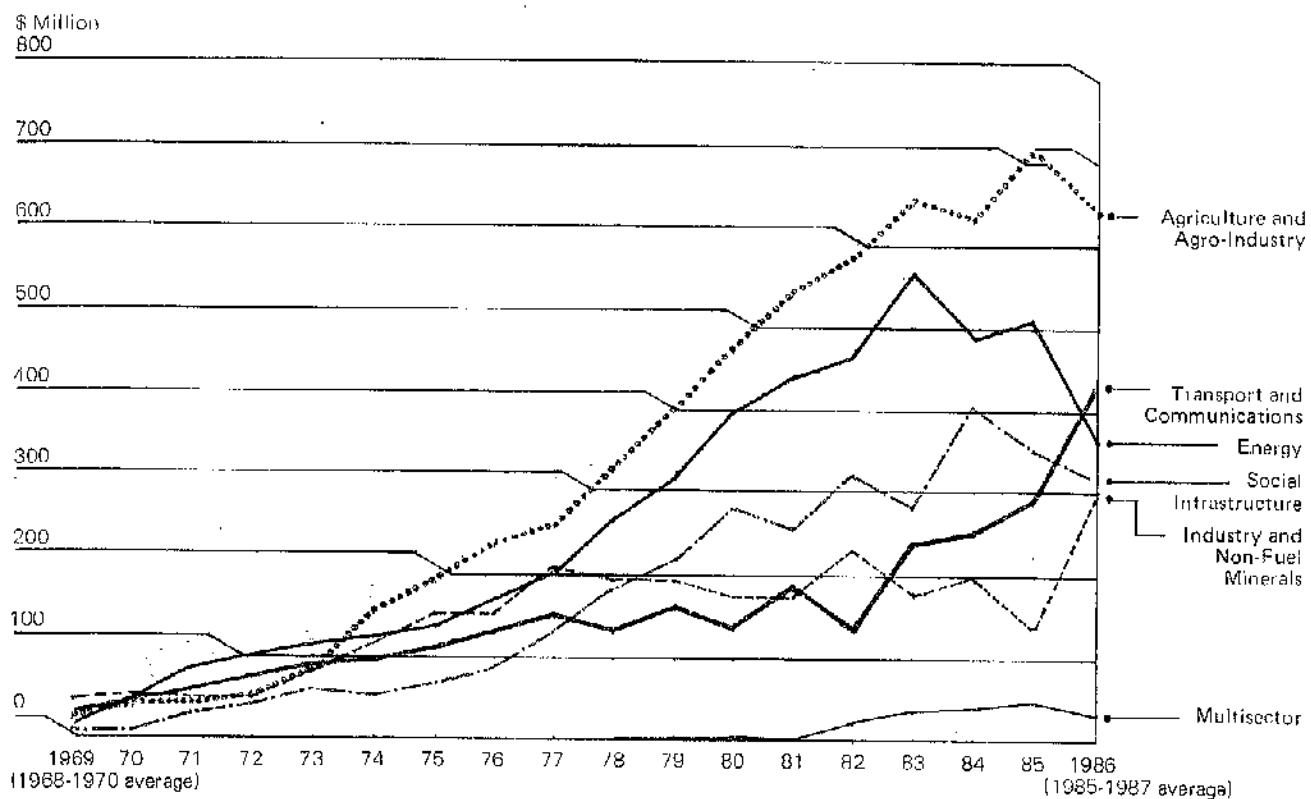
During 1987, 52 projects were completed, bringing the total number of projects completed to 389 out of 793 approved by the end of the year.

On 31 December 1987, the Bank's authorized capital stock amounted to \$23 billion (SDR16.2 billion). The subscribed



MAKING paper from rice straw, part of a pilot training project at the International Rice Research Institute in the Philippines. The project is supported by a technical assistance grant from the Bank.

Loan Approvals By Sector: Three-Year Moving Averages, 1968-1970 – 1985-1987



capital stock stood at \$22.8 billion (SDR16.1 billion).

During 1987, the Bank made five borrowings equivalent in total to \$537 million. The borrowings consisted of public bond issues in the capital markets of the Federal Republic of Germany, Japan and Switzerland, a public bond issue in the Euro-sterling market (the Bank's first borrowing in that market) and a private placement of Kuwaiti dinar bonds. The average maturity of the year's borrowings, weighted by amount, was 10.93 years, and the average life of outstanding borrowings at the end of 1987 was 7.88 years. After swaps, the average cost of the 1987 borrowings, weighted by the amount of each borrowing, was 5.63 per cent per annum.

The replenishment of the Asian Development Fund and

the Technical Assistance Special Fund (ADF V), authorized by Governors' Resolution No. 182 in October 1986, came into effect in May 1987 when the Bank had received the necessary \$1,800 million in unqualified contribution commitments from developed member countries that was required for triggering effectiveness. By the end of 1987, ADF V contribution commitments had been received from 14 member countries for a total amount of \$2,393 million.¹ Pursuant to the Resolution, the first tranches of all 14 contributions were available to the Bank for operational commitments.

¹ Three more contribution commitments were received in early 1988.



STEEL finishing in the Republic of Korea. To date, the Bank has approved loans totalling \$215 million to the Small and Medium Industry Bank for onlending to such enterprises.

ECONOMIC DEVELOPMENTS

DURING 1987, the international economic environment generally remained difficult for developing countries as growth in world output continued to slow down. Reflecting the deterioration in the external environment, the economic growth of the developing world was also slower. The Bank's developing member countries (DMCs), however, exhibited healthy economic growth in 1987, which averaged at about the level achieved in the previous year. Further, their aggregate trade balance improved considerably and their overall inflation rate remained moderate.

Most DMCs pursued fiscal and monetary policies consistent with the goals of achieving internal and external balance. Most DMCs also adopted industrial and trade policies facilitating greater private and foreign investment and a greater orientation towards exports. These policies generally emphasized improving the investment environment and promoting industrial efficiency. The DMCs also made efforts at enlarging the scope of market mechanisms and expanding the role of the private sector.

The International Setting

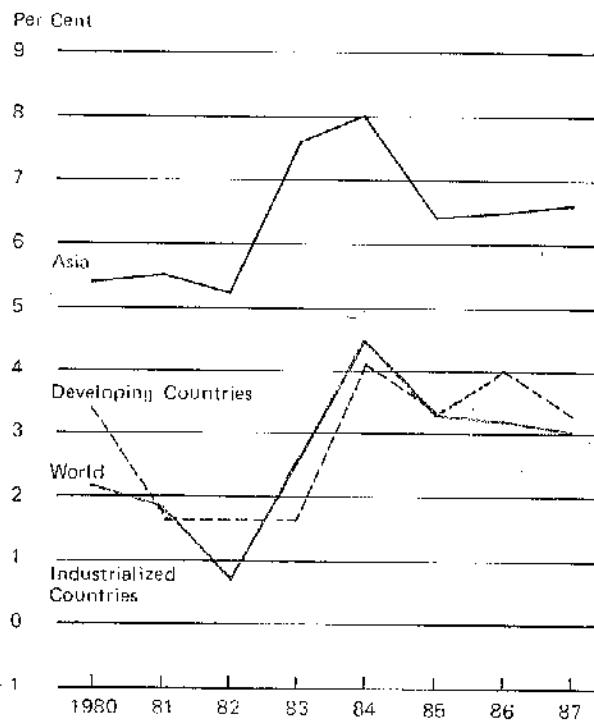
In 1987, the world economy continued to face large fluctuations in exchange rates, sharp imbalances in trade and payments, persistent protectionism and rising external indebtedness. The widely held expectation that the collapse of the global stock market would result in a decline in consumption and investment demand has prompted many forecasters to revise their growth projections downwards.

The worldwide recovery which began in 1983 lost further momentum in 1987. Growth in world output declined to 3 per cent from 3.2 per cent in 1986 and 3.3 per cent in 1985. However, growth in the volume of world trade increased to 4.7 per cent in 1987 from 4.5 per cent in 1986, reflecting higher exports of both primary and manufactured goods. Rapidly expanding exports of the newly industrializing countries (NICs) contributed to this growth.

Solutions to the problems facing the world economy will require relatively large economic adjustments and fundamental policy changes in both industrialized and developing countries. In 1987, the major industrialized countries took a series

of steps aimed at expanding coordination of their economic policies. This was a continuation of the process which began with the Plaza Accord of September 1985 when the finance ministers and central bank governors of the industrialized countries concerned decided on measures to lower the value of the dollar as a means of reducing the trade deficit of the United States. In February 1987, after nearly one and a half years of relatively rapid depreciation in the value of the dollar, attempts were made at the Louvre meeting to stabilize exchange rates at around their prevailing levels. This intention was reaffirmed by the heads of seven major industrialized

World Economic Growth Rates, 1980-1987



countries at the Venice Summit in June and also by the December statement of the Group of Seven.

In association with these agreements, Japan announced in May a ¥6 trillion package aimed at stimulating domestic demand which was accompanied with measures aimed at opening further the Japanese market to imports. It also announced increases in its financial resources to be channelled to developing countries over the subsequent three years. Towards the end of the year, the Federal Republic of Germany announced that it would increase the size of its tax cut already scheduled for 1988, and later led a round of interest rate cuts in European countries. In November, the United States announced a package of measures for reducing its budget deficit by \$76 billion over the following two years.

The large changes in exchange rates that occurred during 1986 and 1987 have begun to influence trade flows. Although the current account deficit as a percentage of gross national product (GNP) of the United States remained at about 3.4 per cent in 1987, the current account surplus as a percentage of GNP of Japan and the Federal Republic of Germany decreased. Also, the United States' fiscal deficit shrank in 1987 because of slower growth in defense spending and increased revenue arising primarily from the 1986 Tax Reform Act. On the other hand, the fiscal deficit widened in Japan and the Federal Republic of Germany.

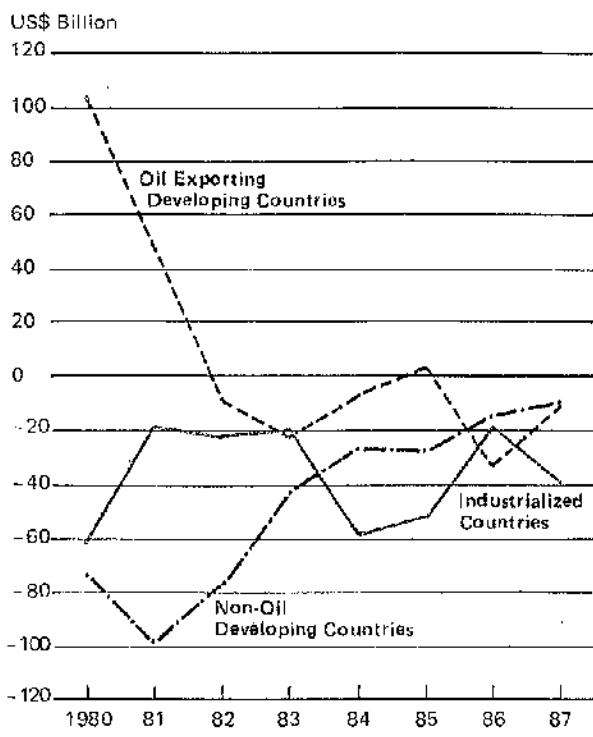
The developing countries also adopted adjustment measures in 1987. In an attempt to overcome the adverse impact of their unfavorable terms of trade during the preceding years when primary commodity prices fell sharply, many developing countries allowed their currencies to depreciate in real terms. Some were able to take advantage of this competitive edge by exporting an increased volume of manufactured goods. Also, because of reduced foreign exchange earnings, many developing countries — especially oil-exporting countries — curtailed imports. While this had a favorable effect on their external balance, it generally contributed to lower economic growth rates in these countries. New foreign borrowings by developing countries were limited, as the focus was on reducing existing debt through repayments.

The aggregate GNP growth rate in the industrialized countries increased to 2.9 per cent in 1987 from 2.7 per cent in 1986. This improved performance can be attributed to higher GNP growth in Japan. In many other industrialized countries, the growth rate fell in 1987 due to lower growth in their investment and consumer expenditures, cautious fiscal and monetary policies and continuing excess capacity in several industries.

Unemployment rates, which fell slightly to 7.7 per cent in 1987 from 7.9 per cent in 1986, remained a major problem in the industrialized countries. In Japan, the rising value of the yen affected export-oriented industries, causing some to reduce production, and the unemployment rate reached a record 3 per cent. The industrial countries' aggregate inflation rate increased moderately to 3 per cent in 1987 from 2.3 per cent in 1986. This was partly due to the effect of the lower value of the dollar on US import prices and the partial recovery of oil prices.

The combined current account deficit of the industrialized countries increased sharply to \$39 billion in 1987 from \$18

Current Account Balance, 1980-1987



billion in 1986. This can be attributed to declining import demand in the oil-exporting countries where import volumes contracted by 15.3 per cent. It also reflects the competitiveness of manufactured goods of several NICs in export markets.

In the developing countries, the gains from the difficult adjustment measures undertaken in earlier years were not enough to accelerate economic growth. The continuing debt service problems and weak world demand for many primary commodities affected investment and growth in many developing countries. Therefore, the growth rate of their aggregate real gross domestic product (GDP) fell to 3.1 per cent in 1987 from 4.1 per cent in 1986.

In oil-exporting countries, real output declined by 0.6 per cent as restraints were placed on oil production in order to stabilize prices and adjustment policies constrained domestic demand. On the other hand, the partial recovery of oil prices led to a sharp improvement in their combined trade and current account balances.

For the non-oil developing countries, the average GDP growth rate declined to 4.1 per cent in 1987 from 4.9 per cent in 1986. Buoyancy in the manufactured exports of the non-oil developing countries, a result of competitive gain due to the depreciation of their currencies, helped reduce their combined current account deficit to \$9.2 billion in 1987 from \$14.3 billion in 1986.

The total outstanding external debt of the developing world, which exceeded the one trillion dollar mark by the end of 1986, increased further in 1987. Debt service payments of

the developing countries increased partly due to the appreciation of several major currencies, boosting the amount of debt service payments in US dollar terms. Fortunately, however, the debt service ratio of many developing countries declined because of higher exports of their goods and services. During the year, a number of countries were involved in negotiations with the Paris Club or private creditors for rescheduling of their debt, which helped lower their immediate debt service burden.

Overview of Developing Countries in Asia and the Pacific¹

Despite slow economic growth in the industrialized countries, the combined GDP of developing countries in the Asian and Pacific region which are members of the Bank (DMCs) rose by a healthy 6.8 per cent, slightly higher than their growth rate in 1986.² This performance compares favorably with the aggregate growth rate of 3.1 per cent for the entire developing world (see Table 1). Further, inflation rates in DMCs continued to be much lower than the average for all developing countries. While the overall inflation rates of developing countries as a whole increased significantly to 36 per cent in 1987 from 29 per cent in 1986 mainly due to the accelerating inflation rates in Latin American countries, the aggregate inflation rates in DMCs remained at single-digit levels.

While the current account balance of the developing world improved substantially in 1987, the aggregate current account remained in deficit. On the other hand, the DMCs as a whole showed a surplus in their current account for the second consecutive year.

The excellent performance of DMCs in their balance of payments is largely attributable to the rapid increase in their exports. The aggregate value of their exports increased by 28 per cent in 1987 compared with 10.1 per cent in 1986. The exchange-rate realignments and the DMCs' successful efforts at diversifying exports provided the major stimuli to their exports.

Three different patterns characterized the movements of the US dollar exchange rate in DMCs. Many DMCs including Republic of Korea, Malaysia, Singapore and Taipei, China allowed their currencies to appreciate against the US dollar, while the exchange rates of People's Republic of China, Hong Kong, Nepal and Pakistan showed little change as they largely linked their currencies to the US dollar. In contrast, the currencies of a few DMCs, including Fiji and Sri Lanka, depreciated significantly against the US dollar. Despite these diverse patterns, the effective exchange rates of DMCs generally depreciated as the currencies of DMCs depreciated against other major currencies.

The external debt situation in the DMCs was relatively comfortable compared with that in other developing countries. The ratio of external debt outstanding to GDP of DMCs in 1987 was about 90 per cent, considerably lower than 164 per cent for the entire developing world. Similarly, the debt service ratio of DMCs in 1987 was 12 per cent compared with 23 per cent for all developing countries.

In 1987, some DMCs were able to repay a part of their external debt ahead of schedule. In particular, the Republic of Korea reduced its external debt substantially, and Malaysia repaid a part of its debt in order to reduce its future debt-servicing burden and to provide a healthier debt profile.

Although the economic performance of DMCs as a whole was satisfactory, the situation varied widely across country groups. The NICs except Singapore maintained double-digit growth rates for the second consecutive year, while the Southeast Asian countries showed considerable recovery during the year, partly because of the rise in commodity prices

Table 1: Economic Indicators of Developing World and DMCs

| Indicator | Developing World | | DMCs | |
|--|------------------|-------|------|------|
| | 1986 | 1987 | 1986 | 1987 |
| GDP Growth Rate (%) | 4.1 | 3.1 | 6.6 | 6.8 |
| Inflation Rate (%) | 29.0 | 35.7 | 5.5 | 6.4 |
| Current Account (\$ billion) | -47.0 | -19.6 | 4.9 | 15.3 |
| Exports (Growth Rate: %) | -7.1 | 16.4 | 10.1 | 27.5 |
| External Debt Outstanding (as percentage of exports of goods and services) | 171 | 164 | 100 | 90 |
| Debt Service Ratio | 24.7 | 23.2 | 13.8 | 12.1 |

and larger growth in manufactured exports. The growth rate of the People's Republic of China also increased, mainly due to booming investments and exports.

The South Asian countries, on the other hand, experienced a difficult year. Due to the worst drought in decades in India and Sri Lanka, poor rainfall in some other countries and floods in Bangladesh, growth rates in the South Asian countries were generally lower in 1987 than in 1986. The aggregate GDP growth rate of South Pacific DMCs was also lower, mainly due to the adverse effects of cyclones and political developments.

The performance of the agriculture sector was not satisfactory in many DMCs due to unfavorable weather. Sizable crop losses occurred in India, Lao PDR, Philippines, Thailand and Viet Nam. Further, the unfavorable commodity prices of recent years also tended to dampen agricultural production. On the other hand, the manufacturing sectors of most DMCs generally performed well. Manufactured exports increased and domestic demand remained strong.

Inflation rates were low in the NICs while they were relatively high in the South Asian countries. Inflation rates in the latter group of countries were affected adversely by unfavorable weather. The aggregate trade balance of the DMCs improved in 1987 as their imports increased less rapidly than exports. The improvement was most pronounced in the NICs and the People's Republic of China, while the trade balance of South Pacific DMCs slightly deteriorated.

Data regarding financial flows, which are available only up

to 1986, show that aggregate net inflows into DMCs increased to \$13.1 billion in 1986 from \$11.9 billion in 1985. There were significant variations in flows to different countries. Total net flows increased in the South Asian countries and the People's Republic of China, while they decreased in the other country groups. In particular, the NICs showed negative total net flows as they repaid existing debt and refrained from new borrowing. The NICs increasingly became net foreign investors as their current accounts continued to improve in 1987. While non-concessional flows continued to decrease, concessional flows increased substantially to \$10 billion in 1986 from \$7.9 billion in 1985. All the country groups, except the NICs, experienced an increase in their concessional flows, the highest increase being registered by the South Asian countries. On the other hand, non-concessional flows increased only in the South Asian countries and the People's Republic of China.

The following paragraphs discuss the economic developments by five country groups: newly Industrializing countries, Southeast Asian countries, South Asian countries, the People's Republic of China and South Pacific DMCs.

Newly Industrializing Countries

Impressive GDP Growth

Among the NICs, Hong Kong, Republic of Korea and Taipei,China registered double-digit growth rates for the second consecutive year (see Table 2). Their growth rates for 1987 were 13.6 per cent, 11.2 per cent and 11.2 per cent, respectively. Singapore's GDP growth was somewhat slower at 8.8 per cent, but still more than four times its growth rate in 1986. Partly because of currency revaluation, the per capita GNP of the NICs increased sharply, the most rapid increase being registered by Taipei,China, where it rose to about \$5,000 in 1987 compared with \$3,750 in 1986, while that of the Republic of Korea increased to \$2,800 from \$2,370. The per capita GNP of Hong Kong and Singapore at well over \$7,000 in 1987 exceeded that of several developed countries.

The manufacturing sector in the NICs continued to expand appreciably, mainly due to surging exports and higher investment. The aggregate growth rate of the manufacturing sector of the NICs was about 16 per cent, exceeding their aggregate GDP growth rate of 11.4 per cent.

The NICs' aggregate inflation rate was relatively low compared with that of other country groups, but it increased during the year due to strong growth in domestic demand and higher import prices. The average inflation rate of the NICs rose to 2.7 per cent in 1987 from 1.6 per cent in 1986. Among the NICs, Hong Kong had the highest inflation rate (5.5 per cent), followed by the Republic of Korea (3.6 per cent). Both Singapore and Taipei,China registered inflation rates of less than 1 per cent.

Changing Pattern of Balance of Payments

The realignment in the value of major currencies proved to be advantageous to the NICs. The appreciation of the yen and major European currencies against the US dollar helped

Real GDP Growth of Selected DMCs, 1986-1987

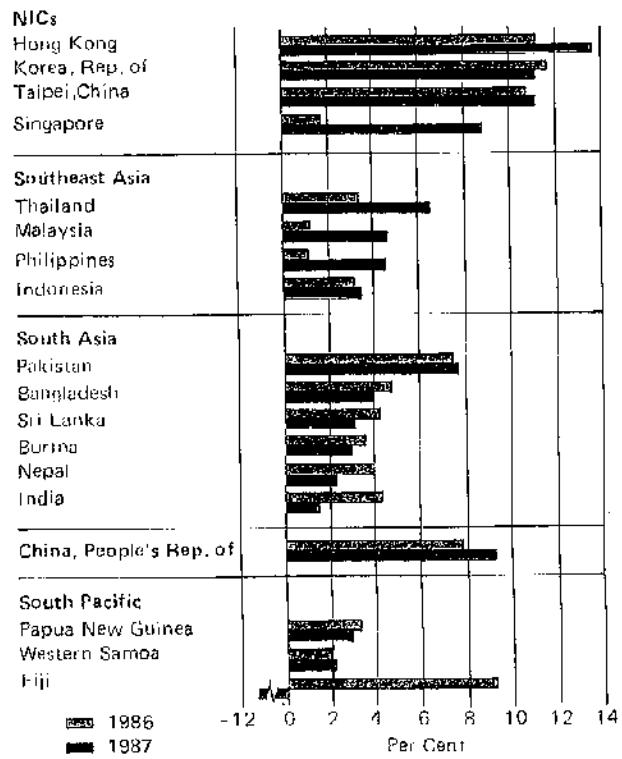


Table 2: Real GDP Growth and Trade Balance of Newly Industrializing Countries

| | Annual Average 1977-1984 | 1985 | 1986 | 1987^a | Per Capita GNP 1986 (US\$) |
|--|-------------------------------------|-------------|-------------|-------------------------|---|
| Real GDP (per cent change) | | | | | |
| Hong Kong | 9.1 | -0.1 | 11.2 | 13.6 | 6,720 |
| Korea, Rep. of | 7.4 | 5.4 | 11.7 | 11.2 | 2,370 |
| Singapore | 8.6 | -1.6 | 1.8 | 8.8 | 7,410 |
| Taipei,China | 8.2 | 4.3 | 10.6 | 11.2 | 3,750 |
| Average ^b | 8.0 | 3.6 | 10.5 | 11.4 | |
| Balance of Trade (\$ million)^c | | | | | |
| Hong Kong | 1,898 | 479 | 74 | 11 | |
| Korea, Rep. of | -2,938 | -853 | 3,131 | 6,261 | |
| Singapore | -4,756 | -3,472 | -3,013 | -3,870 | |
| Taipei,China | 2,720 | 10,621 | 15,624 | 19,032 | |
| Total | -6,872 | 6,775 | 15,816 | 21,434 | |

^a Preliminary estimates.

^b Weights are proportional to GDP in US dollars in 1986.

^c Exports are in fob prices and imports are in cif prices.

The NICs improve the competitiveness of their exports and enjoy sizable trade account surpluses. In particular, Taipei,China and the Republic of Korea registered large surpluses of more than \$19 billion and \$6 billion, respectively. Only Singapore experienced a trade deficit.

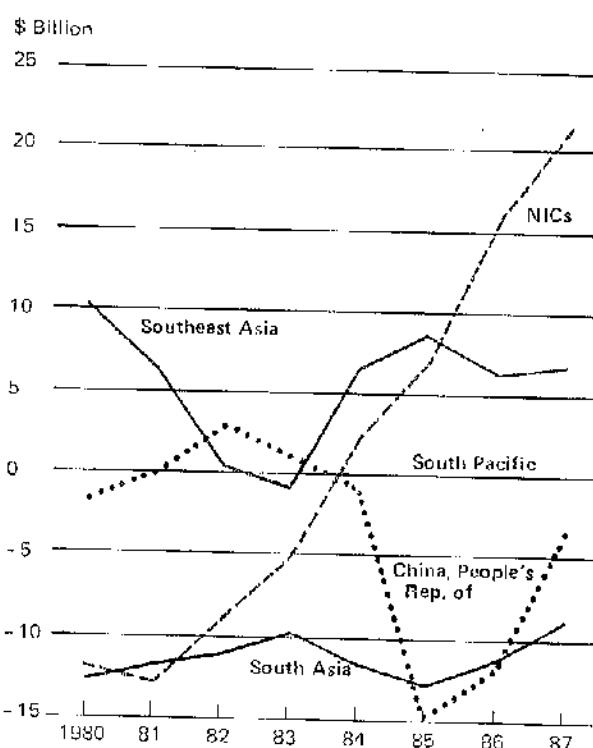
Merchandise exports in US dollar terms increased by more than 25 per cent in all the NICs. The most rapid increase was registered by Hong Kong (36.8 per cent), followed by the Republic of Korea (36.2 per cent), Taipei,China (34.5 per cent) and Singapore (27.2 per cent).

Current account surpluses improved the international reserves of the NICs. By the end of 1987, Taipei,China had more than \$79 billion in reserves, making it the third largest holder of international reserves in the world. Furthermore, current account surpluses made the NICs net foreign investors. The Republic of Korea, which relied heavily on foreign savings for its investment in the past, has been a net foreign investor for the last three years. Net foreign capital inflows into the NICs continued to be negative in 1987 partly due to the drastic reduction in new borrowings and early repayment of existing debt in the Republic of Korea. However, foreign direct investment flows into the NICs rose substantially as overseas investors became confident in the policies and investment climate of these countries.

Domestic Policies

During the year, the NICs continued to restructure their industries to maintain their competitive edge in the world market.

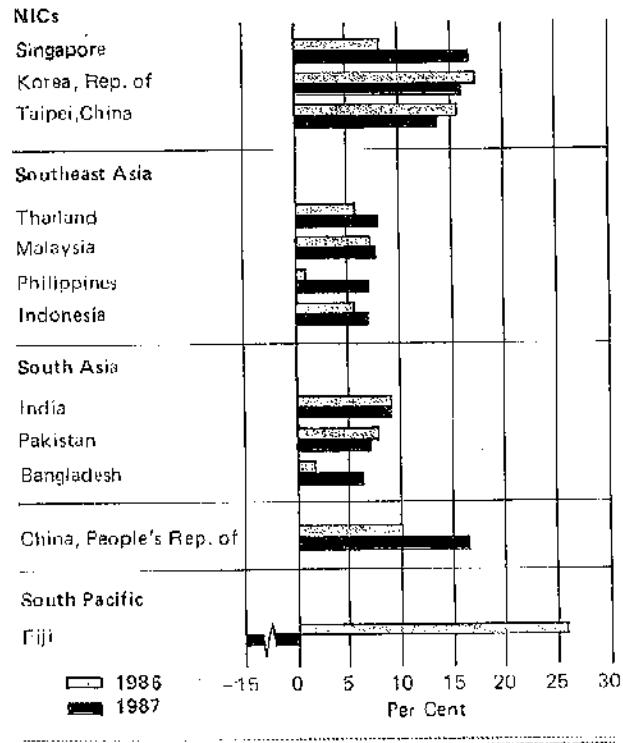
Trade Balance of DMCs by Region, 1980-1987



Taipei, China made efforts to develop products with higher value-added. For this purpose, a number of companies in Taipei, China increased their capital investment and research and development expenditures. Some companies moved their manufacturing processes to lower-cost Asian locations. The main elements of the Industrial policy in the Republic of Korea were development of small-scale and medium-scale industries, particularly those which are technology-intensive or in which the country enjoys a comparative advantage, such as the manufacture of parts and components. The Korean Government also decided to reduce its role in industrial management, and announced that it would gradually reduce its ownership in a number of government-held companies. Hong Kong experienced a serious labor shortage and some companies moved labor-intensive manufacturing processes to the People's Republic of China.

The domestic policies of the NICs were influenced by developments in their external sectors. A rapid increase in money supply stemming from a growing current account surplus caused some difficulty in the management of monetary policies, particularly for the Republic of Korea and Taipei, China. Monetary policy in these two countries emphasized the mopping up of excess liquidity from the foreign sector. In this regard, the Republic of Korea relied on various monetary policy instruments, including the issuance of monetary stabilization bonds, while Taipei, China increased its issue of treasury bills to help curb the growth of money supply.

Estimated Growth Rate of Manufacturing Sector of Selected DMCs, 1986-1987



Several changes in external policy followed the rapid increase in the trade account surplus of the NICs. The Republic of Korea, Singapore and Taipei, China allowed appreciation of their domestic currencies against the US dollar; the New Taiwan dollar by 20 per cent and the Singapore dollar and Korean won by about 8 per cent.

Trade liberalization efforts continued in the NICs. The Republic of Korea and Taipei, China cut tariffs on a number of products to help reduce their trade surpluses. The Republic of Korea also increased the number of items that could be imported without government approval. Restrictions on capital outflow were moderated in the Republic of Korea and Taipei, China. Taipei, China lifted restrictions on capital outflow by allowing individuals and companies to convert freely local currency into foreign currency up to an equivalent of \$5 million a year for investment abroad. The Republic of Korea relaxed its foreign exchange controls relating to overseas investment by domestic firms.

Southeast Asian Countries

Road to Recovery

The Southeast Asian countries experienced a mild recovery in 1987. Thailand exhibited the best performance, its annual GDP growth rate increasing to 6.6 per cent in 1987 from 3.4 per cent in 1986 (see Table 3). The main factors for the more rapid economic growth in Thailand were its rapidly expanding exports and the recovery of domestic demand. Thailand's sustained efforts at diversification of production and exports seem to have paid off in enhanced economic growth and increased exports. The Philippines, which suffered a severe setback in recent years, registered a GDP growth rate of 4.6 per cent in 1987 despite the sluggish performance in the agriculture sector caused by unfavorable weather. This recovery was helped mainly by an increase in domestic demand, which was boosted by the Government's pump-priming program of investment in infrastructure. The recovery was also helped by the successful efforts at deregulation of some industries and the rescheduling of external debt.

Oil-exporting Indonesia and Malaysia, which were hardest hit by low oil prices in 1986, also showed recovery. The annual GDP growth rate in Indonesia increased to 3.5 per cent in 1987 from 3.2 per cent in 1986, and that of Malaysia rose to 4.7 per cent from 1.2 per cent. Economic recovery in these two countries was largely led by increased exports of manufactures and the rise in the price of oil and other primary product exports.

Agricultural production in the Southeast Asian countries slackened due to poor rainfall. However, the manufacturing sector did well due to the rise in both domestic demand and exports. The aggregate value-added in the manufacturing sector in the Southeast Asian countries rose by 7.7 per cent in 1987 compared with 5.1 per cent in 1986. Export-oriented industries performed well in all the Southeast Asian countries.

Among the Southeast Asian countries, Malaysia and Thailand continued to have relatively low inflation rates of 1.1 per cent and 2.6 per cent, respectively. The inflation rate

Table 3: Real GDP Growth and Trade Balance of Southeast Asian Countries

| | Annual Average 1977-1984 | 1985 | 1986 | 1987 ^a | Per Capita GNP 1986 (US\$) |
|--|-----------------------------|--------|-------|-------------------|----------------------------------|
| Real GDP (per cent change) | | | | | |
| Indonesia | 6.6 | 2.3 | 3.2 | 3.5 | 500 |
| Malaysia | 7.3 | -1.0 | 1.2 | 4.7 | 1,860 |
| Philippines | 3.1 | -4.4 | 1.1 | 4.6 | 570 |
| Thailand | 6.4 | 3.2 | 3.4 | 6.6 | 810 |
| Average ^b | 6.1 | 0.8 | 2.6 | 4.6 | |
| Balance of Trade (\$ million)^c | | | | | |
| Indonesia | 7,655 | 8,325 | 4,087 | 4,365 | |
| Malaysia | 1,444 | 3,052 | 3,022 | 5,236 | |
| Philippines | -2,178 | -816 | -553 | -1,160 | |
| Thailand | -2,298 | -2,219 | -494 | -1,707 | |
| Total | 4,623 | 8,342 | 6,062 | 6,734 | |

a Preliminary estimates.

b Weights are proportional to GDP in US dollars in 1986.

c Exports are in fob prices and imports are in cif prices.

In Indonesia increased to 9.3 per cent from 8.2 per cent in 1986. However, this is still commendable considering the sharp devaluation of the rupiah in September 1986. The tight fiscal and monetary policies adopted by Indonesia helped minimize the inflationary impact of the devaluation. In the Philippines, the inflation rate increased to 6.8 per cent in 1987 from 5.3 per cent in 1986.

Encouraging Non-traditional Exports

All the Southeast Asian countries enjoyed a substantial increase in merchandise exports, reflecting some success in diversifying exports to non-traditional manufactured goods and the recovery in commodity prices. The most rapid increase was registered by Thailand, with a growth rate of 30.8 per cent. Malaysia's exports also increased rapidly by 29.6 per cent compared with a decline of 9.6 per cent in 1986. This was largely due to favorable changes in commodity prices and strong growth in non-traditional manufactured exports. Indonesia's exports increased by 13.3 per cent, mainly due to its improved competitive position resulting from the September 1986 devaluation of the rupiah and the positive impact of trade and industry policy reforms aimed at increasing efficiency and stimulating non-oil exports. The growth rate of merchandise exports in the Philippines was 7.8 per cent compared with 4.6 per cent in 1986.

Imports into the Southeast Asian countries increased by 23.4 per cent in 1987. Imports rose rapidly by 42 per cent in Thailand, mainly due to an increase in the amount of im-

ported raw materials and intermediate goods required for a growing output of manufactured goods. Imports into other Southeast Asian countries also increased, reflecting the rise in the price of imports and replenishment of stocks of capital and intermediate goods required in the process of economic recovery.

The trade deficit widened in the Philippines and Thailand since their imports increased faster than their exports. However, the trade account improved in Indonesia and Malaysia, reflecting an increase in non-oil exports and higher oil prices. Indonesia's trade surplus remained high at \$4.4 billion, while that of Malaysia increased significantly to \$5.2 billion from \$3 billion in 1986. Malaysia had a surplus in its current account for the first time since 1980.

The external debt position of Indonesia and the Philippines remained troublesome. At the end of 1986, total external debt outstanding¹ in Indonesia had grown to \$42.1 billion from \$35.8 billion in 1985, and that of the Philippines had increased to \$28.2 billion from \$26.2 billion in 1985. Among the Southeast Asian countries, the debt service ratio in regard to public and publicly guaranteed long-term debt increased most rapidly in Indonesia during 1986, registering 29.3 per cent compared with 19.9 per cent in 1985.

In view of its rather large external debt obligation, Indonesia

¹ Total external debt includes public and publicly guaranteed long-term debt, private non-guaranteed long-term debt, short-term debt and use of IMF credit. Table 10 in the Statistical Annex shows public and publicly guaranteed long-term debt only.



IRON ore conveyor belt at the Sabah Gas Utilization Project in Labuan, East Malaysia. The Bank provided technical assistance to the Government of Malaysia for a study of privatization options for the Project.

minimized recourse to short-term external commercial borrowing, including import-related credits. Its external debt service obligation has been adversely affected by recent international currency realignments, as about 60 per cent of its external debt is denominated in currencies other than the US dollar.

The Philippines, the only DMC which resorted to external debt rescheduling in recent years, reached an agreement with foreign commercial banks for a second rescheduling arrangement for its external debt. For converting the country's foreign debt liability into equity, the Philippines approved a debt/equity swap program during the year. More than 130 debt-to-equity conversions totalling \$456 million were already approved in 1987. Debt/equity swaps totalling \$557 million were pending Government decision at the end of 1987. Debt/equity swap operations in the Philippines were closely

linked to privatization efforts, since the Government strongly encouraged investors to purchase state-controlled assets.

Malaysia's external debt declined in 1987, largely due to government policies of borrowing less from abroad, and government efforts towards prepayment of external loans. About \$1 billion in external loans was prepaid in 1987. In addition, the Government also undertook measures to restructure its debt in order to limit its exposure to any particular currency and to reduce the overall debt-servicing costs.

Domestic Policies

Indonesia and Malaysia continued to face resource constraints and therefore pursued tight fiscal policies. Indonesia continued its austere budget for purposes of demand manage-

ment. Given its worsening resource constraint, Malaysia drastically cut its development expenditure. The Philippines, however, expanded fiscal expenditures to help boost its sagging economy. Thailand continued a generally restrictive fiscal stance. Government efforts to cut the budget deficit were assisted by increased revenues resulting from its improved economic performance.

Efforts at fiscal reform continued in the Southeast Asian countries. In Indonesia, considerable progress was made in implementing its income tax and value-added tax reforms. Emphasis was placed on improving efficiency in tax collection. Various tax reforms are being introduced in the Philippines in order to allow the country to move away from dependence on foreign trade-related taxes and towards domestic-based taxes. Both Malaysia and Thailand continued to implement revenue-raising measures.

Monetary policy in the Southeast Asian countries varied widely. Indonesia resorted to tight monetary control to prevent capital flight and reduce inflationary pressure. Its central bank raised base interest rates on Bank Indonesia certificates and took measures to reduce the banking sector's liquidity. In particular, four state enterprises were required to purchase Bank Indonesia certificates and withdraw funds from state commercial banks. This led to a significant reduction in liquidity. Monetary policy in the Philippines focused on encouraging private investment. The Government approved a reduction in the reserve requirement ratio for deposits with commercial banks. Malaysia also eased the liquidity requirements of commercial banks with a view to stimulating the economy. Thailand eased its monetary policy to support the economic recovery.

The Southeast Asian countries made various efforts to encourage the role of the market mechanism and to promote further industrialization. Indonesia initiated reforms aimed at improving the investment environment and at promoting non-oil exports. As a first step in the rationalization of its structure of protection, some non-tariff barriers were replaced by tariffs and import-licensing restrictions were reduced. Indonesia also continued its policy of liberalization and deregulation of trade and investment. Import restrictions were relaxed and import tariffs were abolished or lowered in a number of items. In addition, manufacturers were allowed to diversify product lines without lengthy approval procedures. Investment and licensing regulations were also further streamlined.

Malaysia introduced various deregulatory measures in an effort to improve its overall investment climate. The Industrial Coordination Act was revised to relax its private investment licensing procedures and requirements. Various tax incentives were realigned, and the New Investment Fund was initiated to assist private sector investment in priority industries. Application procedures for customs duty exemptions were simplified and approvals of applications were expedited. Malaysia also began to formulate a medium-term to long-term industrial development strategy aimed at promoting higher value-added in its exports, restructuring the industrial sector, and promoting stronger inter-sectoral linkages.

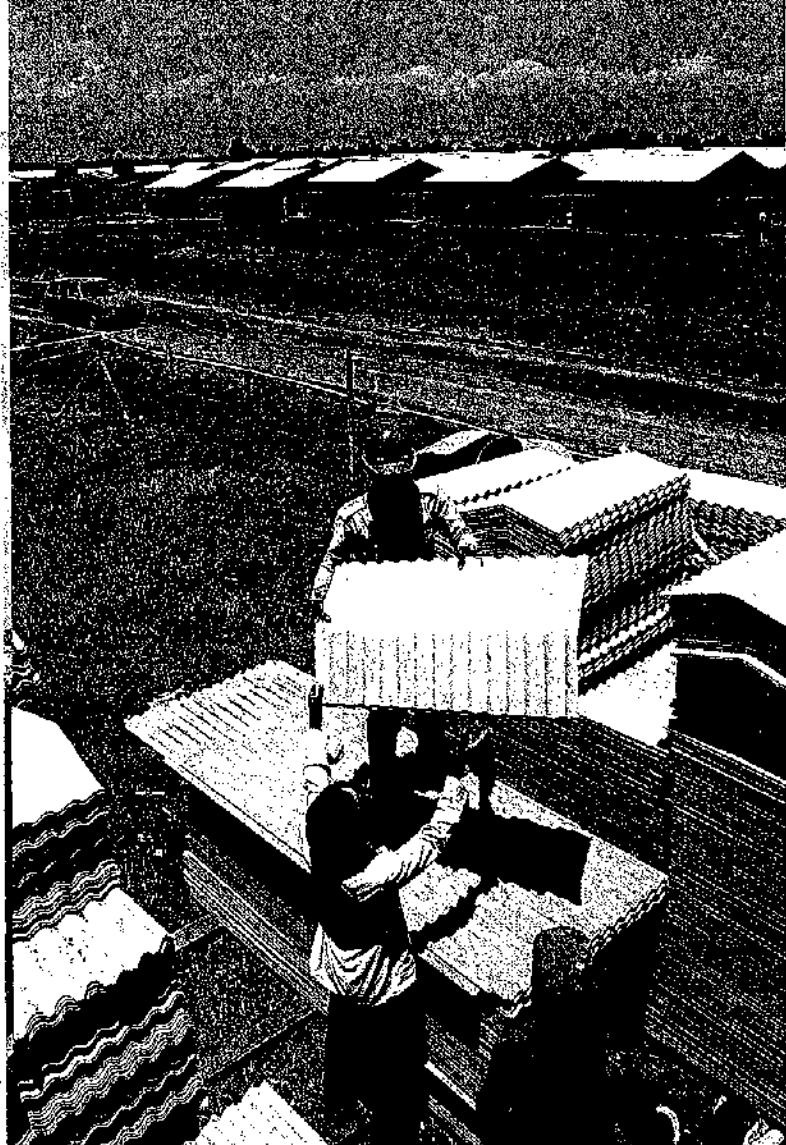
The Philippines proceeded with a far-reaching trade liberalization program which began in 1981, but was held in abeyance between 1983 and 1986, and was resumed only

by the present Government in mid-1986. The program focuses on liberalizing tariff and quota restrictions and includes a phased tariff and quota reduction over the next five years. There were no major changes in trade policies in Thailand.

Privatization efforts continued in the Southeast Asian countries. Malaysia adopted various measures aimed at promoting the private sector, including some allowing the private sector to enter into activities traditionally run by the Government. The Philippines also embarked on a program of privatization under which many enterprises are to be sold to the private sector. Charged with the disposition of government assets, the Assets Privatization Trust announced during 1987 the sale of 58 corporations. Privatization efforts are under way in Thailand. The Government sought private sector involvement



A GENERATING unit of the Canyon Hydropower Project in Sri Lanka, which is assisted by a Bank loan of \$17.5 million.



HOUSING for low and lower-middle income families, part of the Bandung Urban Development Project in Indonesia for which the Bank approved a \$32.3 million loan.

in the development of infrastructure, particularly in the transport sector. Thailand also encouraged the private sector to play a leading role in its large-scale reforestation program.

During the year, Southeast Asian countries attempted to attract more foreign direct investment. Indonesia relaxed its rules on foreign investments. For example, foreign investors are given 15 years instead of 10 years to transfer 51 per cent of a joint venture to domestic shareholders. Malaysia relaxed its rules on foreign equity participation in order to promote foreign direct investment, particularly in export-oriented and high-risk industries, and for foreign companies establishing operations in Malaysia before the end of 1990. The Philippines announced a new investment code for foreign and domestic investment which included a package of tax and import duty relief. Thailand took some positive steps towards improving the investment environment, including expansion in privileges granted to rural investments to diversify manufacturing plants to rural areas and the collection of a surcharge on certain import products to promote local industry. Partly due to the improved investment environment which reflects

the above favorable policy changes and partly due to the appreciation of non-US dollar major currencies which made investments in developing countries cheaper in terms of investors' currencies, foreign direct investment in Southeast Asian countries increased substantially in 1987.

Southeast Asian countries introduced several policy changes in agriculture. In the Philippines, the agriculture sector has been the subject of considerable deregulation since mid-1985. Major changes occurred in the structure of the regulatory authorities relating to the sugar and coconut industries and also in the functions of authorities in charge of the importation and distribution of fertilizers, pesticides, wheat and flour. During 1987, the major issue in the agriculture sector in the Philippines was the Land Reform Program, though details have yet to be finalized by Congress.

Indonesia introduced a new "intensification" program designed to offset the anticipated production losses in the areas most seriously affected by drought. Also, a new policy statement regarding irrigation envisages that, over a 15-year period, efficient operation and maintenance of irrigation systems will be introduced throughout the country which will allow operating and maintenance costs to be recovered directly through irrigation service fees.

There was some progress in the regional cooperation efforts of Southeast Asian countries. The heads of governments of the Association of Southeast Asian Nations (ASEAN) held their third summit, the first in ten years, in Manila in December.¹ The leaders endorsed long-discussed measures for promoting economic cooperation. The four agreements signed during the summit aim at improving ASEAN's existing preferential trading arrangements, freezing and gradually reducing the non-tariff barriers facing intra-ASEAN trade, revising the existing ASEAN industrial joint venture agreement and promoting and protecting intra-ASEAN investment.

During the summit, the Japanese prime minister announced a \$2 billion ASEAN-Japan Development Fund (AJDF) which is to be distributed among the six member countries. The AJDF is to focus on the development of the private sector in the ASEAN countries.

South Asian Countries

Adverse Effects of Weather on Growth

GDP growth in the South Asian countries slackened significantly in 1987 (see Table 4). Agricultural production in these countries was adversely affected by droughts and floods. Because of the worst drought in 40 years, India's GDP growth rate fell to 1.5 per cent or about one-third of that in 1986. The growth rates of Bangladesh, Burma, Nepal and Sri Lanka were also lower in 1987 than in 1986, mainly due to unfavorable weather. Among the South Asian countries, Pakistan showed the highest GDP growth rate of 7.7 per cent, a slightly higher rate than that in 1986.

¹ Members of ASEAN are Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand.

The inflation rate in the South Asian countries remained relatively high in 1987. Led by higher food prices and shortages of basic consumer goods, the inflation rate in Burma rose to 19 per cent in 1987 from 8 per cent in 1986. In India, the drought conditions contributed to the increase in prices. In Bangladesh, Nepal and Sri Lanka, the inflation rates were lower in 1987 than in 1986. Pakistan had the lowest inflation rate among the South Asian countries for the second consecutive year, mainly due to increased import liberalization and its effective monetary policy.

Improving the Trade Balance

Exports of South Asian countries showed an impressive increase of 21.9 per cent in 1987 compared with 11.1 per cent in 1986. Among the South Asian countries, the most rapid increase was registered by Bangladesh (26.4 per cent), followed by India (24.7 per cent) and Pakistan (20 per cent). Increases in manufactured exports and higher primary com-

modity prices contributed to the excellent export performance in these countries. Exports of Sri Lanka also increased moderately despite the sharp fall in tea prices in 1987. Trade balances of most South Asian countries improved as their exports increased faster than their imports. Only in the case of Nepal, the trade balance deteriorated due to the slower growth in its exports.

Domestic Policies

South Asian countries continued to experience large budget deficits. Most of them, therefore, tried to improve their fiscal performance. Bangladesh introduced new revenue-raising measures and reduced subsidies on foodgrains. India levied surcharges on some taxes and rail and air fares to meet the higher expenditure required for drought relief and continued to simplify and rationalize its tax structure and to improve tax administration. It recently undertook a number of measures aimed at strengthening control over expenditure.

Table 4: Real GDP Growth and Trade Balance of South Asian Countries and People's Republic of China

| | Annual Average 1977-1984 | 1985 | 1986 | 1987^a | Per Capita GNP 1986 (US\$) |
|--|-------------------------------------|-------------|-------------|-------------------------|---|
| Real GDP (per cent change) | | | | | |
| South Asian Countries | | | | | |
| Bangladesh | 3.6 | 3.7 | 4.7 | 4.0 | 160 |
| Burma | 6.0 | 4.3 | 3.7 | 3.0 | 200 |
| India | 4.7 | 6.1 | 4.4 | 1.5 | 270 |
| Nepal | 3.1 | 3.0 | 4.0 | 2.3 | 160 |
| Pakistan | 6.3 | 8.0 | 7.5 | 7.7 | 350 |
| Sri Lanka | 5.5 | 5.0 | 4.3 | 3.1 | 400 |
| Average ^b | 4.9 | 6.1 | 4.7 | 2.4 | |
| People's Republic of China ^c | 8.8 | 13.1 | 7.9 | 9.3 | 280 |
| Balance of Trade (\$ million)^d | | | | | |
| South Asian Countries | | | | | |
| Bangladesh | -1,148 | -1,773 | -1,822 | -1,234 | |
| Burma | -224 | -162 | -300 | -290 | |
| India | -4,401 | -6,876 | -5,978 | 4,740 | |
| Maldives | -22 | -32 | -31 | -29 | |
| Nepal | -209 | -293 | -317 | -376 | |
| Pakistan | -2,301 | -3,150 | -1,990 | -1,810 | |
| Sri Lanka | -522 | -729 | -756 | -695 | |
| Total | -8,827 | -13,015 | -11,194 | -9,174 | |
| People's Republic of China | -294 | -14,902 | -11,962 | -3,700 | |

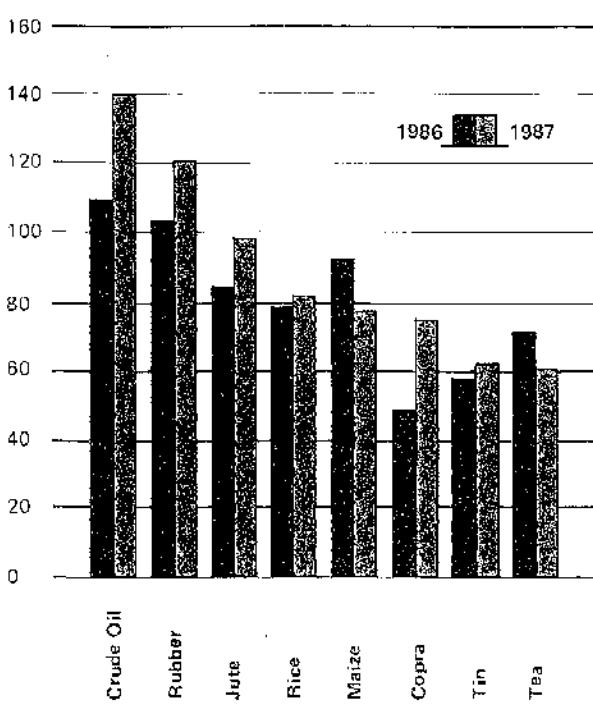
^a Preliminary estimates.

^b Weights are proportional to GDP in US dollars in 1986.

^c Refers to growth rate of net material product.

^d Exports are in fob prices and Imports in cif prices.

(Index 1977 = 100)



including the introduction of zero-base budgeting for all government departments. Nepal also introduced reforms aimed at improving collection efficiency in regard to tax and other revenues.

In Pakistan, the National Taxation Commission made broad recommendations in March for rationalizing the tax system. In Sri Lanka, the main focus of fiscal policy was on preparing for economic reconstruction after a four-year civil war.

During 1987, some important changes also occurred in the monetary policy of South Asian countries. India took measures to regulate its pace of monetary expansion in such a manner that it did not go out of alignment with output trends. Sri Lanka, however, undertook a gradual relaxation of the stringent monetary policy followed since 1984 with a view to stimulating economic activity. Burma resorted to demonetization of its three largest currency denominations, the 25-Kyat, 35-Kyat and 75-Kyat notes.

South Asian countries attempted to adjust their trade policies to improve their trade environment. India views the external sector as an important element in its drive to increase economic efficiency, particularly in industry. Government recognition of the need to devise efficient mechanisms for exports has led to a number of policy changes. During the year, India adopted a set of incentives for improving duty drawbacks on a wide range of items. It also tried to expand its counter-trade with countries with which it runs a deficit, notably those in the Middle East from which it buys oil. Nepal introduced an auction system for allocating import licenses for non-essentials.

Pakistan introduced a new trade policy which provides new incentives for exporters and liberalizes imports. Major changes provided in the new export policy include partial income tax exemption in regard to the income received from manufactured exports, a drawback on surcharges and fees on imported inputs for exports and an increase in financial support for export industries. To enlarge the role of the market mechanism, Burma announced that any citizen can engage in any private enterprise upon registration.

India set out a new medium-term industrial strategy which is focused on initiating longer-term structural change in the industrial sector and the overall economy. A number of important changes in the domestic regulatory environment have been made since the start of the Seventh Plan (FY 1985/86 to FY 1989/90) aimed at increasing competition and allowing the private sector greater freedom to enter new markets, upgrade technology and expand output.

Pakistan has followed a policy of progressive liberalization since the announcement of the Industrial Policy Statement in 1984. During the year, Pakistan further deregulated industrial sanctioning procedures. It also achieved a substantial reduction in public sector involvement in manufacturing activity and an increase in private sector incentives which led to a notable improvement in output growth.

Sri Lanka adopted an industrial policy with regulations and incentives in the areas of tariff reform, exchange rate policy, restructuring of public enterprises and export promotion. Aspects of the policy are now being implemented.

South Asian countries continue to attach high priority to the agriculture sector. The Government made an important change in Burma; in an attempt to relieve food shortages, it lifted all restrictions on private sector involvement in buying, selling, storing and transporting nine food staples, including rice and corn.

In India, the focus of agricultural policy was on minimizing the adverse impact of droughts. The drought conditions of 1987 disrupted agricultural operations on a massive scale in all states and led to a substantial loss of income and employment, particularly among small farmers and agricultural laborers. To deal with these problems, India formed a Cabinet Committee on Drought which formulated a comprehensive Action Plan.

In Pakistan, the raising of agricultural procurement prices towards market prices led to increased sown acreage and output. Pakistan also introduced voluntary procurement to replace monopoly procurement and lifted the ban on inter-district movement of rice.

To promote regional cooperation in South Asia, the heads of the seven countries of the South Asian Association for Regional Cooperation (SAARC) held their third annual summit in Kathmandu, Nepal, in November. The leaders agreed to create a regional reserve of food stocks which obliges member countries to maintain jointly food grain stocks totaling 200,000 tons. This food stock is to supplement national stocks and will be supplied to needy member states in emergencies. It was also agreed that two studies would be commissioned to promote further cooperation -- collective action in the management of floods and droughts and joint funding of projects by member states.

People's Republic of China

Sustained Economic Growth

Economic reforms are fuelling economic growth in the People's Republic of China. The economic growth rate rose to 9.3 per cent in 1987 from 7.9 per cent in 1986 (see Table 4).¹ Agricultural production increased by 4.7 per cent, while the gross product of rural society and the industrial output value rose by 12.7 per cent and 16.5 per cent, respectively. Efforts were made to rationalize the investment structure and consumption patterns. The rate of inflation was 7.2 per cent in 1987, compared with 6 per cent in 1986 and 8.8 per cent in 1985.

The trade deficit narrowed to \$3.7 billion in 1987 from \$12 billion in 1986. The current account deficit also decreased significantly. These improvements are attributable to rising exports and tighter controls over imports, which declined by 11.9 per cent during the year. Along with improvement in the balance of payments, international reserves increased to \$16.8 billion at year-end from \$12 billion at the end of 1986.

The total external debt of the People's Republic of China reached \$22.7 billion by the end of 1986, and in 1987, the country continued to borrow to finance its new investment and the modernization of existing projects.

Domestic Policies

Although a series of economic reforms undertaken since 1978 contributed significantly to a movement away from central planning and towards a system which integrates planning with the market, the market mechanism remains imperfect. Reforms allowing more local authority over investments have had many positive effects including an increase in production and investments, but instances of investments in low-priority sectors have been reported.

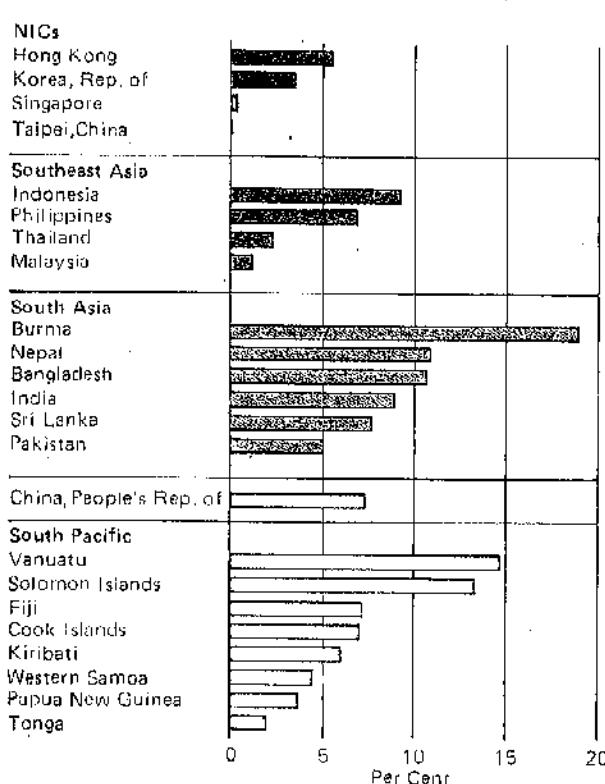
Industrial sector reforms were initiated on a pilot scale in selected cities in 1979 and formally introduced nationwide in 1984. These reforms were aimed at stimulating productivity and efficiency by defining the relations between the state and enterprises and between the owners and managers of enterprises with regard to their respective responsibilities, powers and interests. In 1987, enterprise management under the above contracting system between the State and individual enterprises has made remarkable progress.

Under financial reforms begun in 1979, the monobanking system has been transformed into a diversified structure. The number of institutions and financial services has increased and the regulatory role of the Central Bank has been strengthened. Emphasis has been made in mobilizing deposits through banks and competition has been encouraged in the financial system in relation to deposit mobilization, foreign exchange business and lending operations.

In 1987, tightening of bank credit to bring down the inflation rate and the policy to reduce investments both yielded

¹ Economic growth rate refers to growth rate of net material product. GNP in constant prices grew by 9.4 per cent in 1987 compared with 7.8 per cent in 1986.

Changes in Consumer Prices of Selected DMCs, 1987



significant results. The Central Bank raised the reserve requirement ratio that applies on bank deposits and introduced controls over credits of specialized banks, resulting in an effective control of credit expansion.

Government subsidies and government-set prices have kept the prices of many products artificially low, and this has discouraged production and created shortages. To remedy this situation, price reforms were introduced on a limited scale, but there are indications that the concern over inflationary pressures may delay further reforms.

To reduce its trade deficit, the People's Republic of China has adopted a policy of promoting exports and squeezing imports. Exporting firms have been given more autonomy and incentives. Companies are allowed to retain part of their foreign currency earnings, the export-licensing system has been simplified and administrative interference has been reduced.

The Government has tightened approvals for foreign commercial loans and the issuance of bonds overseas. Regulations have been formulated concerning the use and repayment of foreign loans. These regulations are designed to facilitate collection of information about the country's external debt as a means of controlling the size of external borrowing, to see that the loans are used properly and efficiently, and to ensure that borrowers will repay both principal and interest according to the loan agreements. Foreign direct investment, however, continues to be encouraged as a means of gaining access to technology and management skills.

South Pacific DMCs

Effects of Cyclones

The economic performance of the South Pacific DMCs (SPDMCs) was not encouraging. Some countries including Cook Islands and Vanuatu were hard hit by cyclones which damaged farm crops and various infrastructural facilities. Further, political developments in Fiji had a severe impact on tourist arrivals, production and investment. Fiji's GDP declined sharply during the year (see Table 5). Solomon Islands recovered from the negative growth in the previous two years, but its growth rate in 1987 was only 1 per cent. Western Samoa also experienced a low GDP growth rate of 1.2 per cent, while Tonga showed a growth rate close to zero mainly due to a decline in the production of tree crops and unfavorable trends in the export prices of its major commodities. The GDP growth rate of Papua New Guinea (PNG) was 2.9 per cent in 1987, which is lower than that in 1986.

Inflation rates remained low in the SPDMCs mainly because of a moderate increase in import prices and weak domestic

demand. However, the performance of individual countries varied. While inflation rates fell in Cook Islands, PNG, Tonga and Western Samoa, they rose substantially in Vanuatu and Fiji. Higher inflation in Vanuatu was partly attributable to large increases in tariffs and shortages of basic foods caused by cyclones, and that in Fiji to currency devaluation. Inflation rates remained high in Solomon Islands.

The balance-of-payments position of the SPDMCs worsened in 1987. The aggregate trade account deficit increased due to larger increases in imports than in exports. Aggregate exports increased by 2.4 per cent, while aggregate imports rose by 11.6 per cent. As a result, the external debt situation was aggravated in some SPDMCs, particularly in PNG, Solomon Islands and Western Samoa.

Domestic Policies

Domestic policies varied among the SPDMCs. In Fiji, in view of the deteriorating economic situation which followed political developments, the emphasis of economic policy was on promoting investment and stimulating economic activity. Consequently, the Government announced a package of proposals which included duty-free entry of plant, equipment and

Table 5: Real GDP Growth and Trade Balance of South Pacific Countries

| | Annual Average 1977-1984 | 1985 | 1986 | 1987 ^a | Per Capita GNP 1986 (US\$) |
|--|-----------------------------|------|------|-------------------|----------------------------------|
| Real GDP (per cent change) | | | | | |
| Fiji | 3.2 | -4.8 | 9.2 | -11.2 | 1,800 |
| Papua New Guinea | 1.6 | 4.6 | 3.4 | 2.9 | 690 |
| Solomon Islands | 5.5 | -9.0 | -8.7 | 1.0 | 540 |
| Western Samoa | -2.3 | 2.5 | 1.0 | 1.2 | 680 |
| Average ^b | 2.1 | 1.4 | 4.7 | -1.4 | |
| Balance of Trade (\$ million) ^c | | | | | |
| Cook Islands | -18 | -17 | -18 | -16 | |
| Fiji | -227 | -276 | -225 | -160 | |
| Kiribati | -8 | -11 | -12 | -17 | |
| Papua New Guinea | -147 | -54 | -23 | -265 | |
| Solomon Islands | 3 | 1 | .54 | -11 | |
| Tonga | -24 | -36 | -34 | -39 | |
| Vanuatu | -27 | -39 | -41 | -54 | |
| Western Samoa | -40 | -35 | -36 | -55 | |
| Total | -488 | -467 | -443 | -617 | |

a Preliminary estimates.

b Weights are proportional to GDP in US dollars in 1986.

c Exports are in fob prices and imports are in cif prices.

raw materials relating to manufacturing and the provision of concessional loans.

PNG continued to encourage import substitution and export-oriented industries in which the country has comparative advantage and those with a large value added component. To encourage foreign investment in this area, priority was given to creating a conducive investment climate. Solomon Islands, Vanuatu and Western Samoa also made efforts towards creating a stable economic environment, while at the same time accelerating the structural transformation of their economies.

Although some SPDMCs experienced increasing budget deficits during the year, efforts were made to improve this situation. PNG's fiscal policy remained focused on constraining expenditure to levels that are sustainable in the light of the country's medium-term balance-of-payments outlook. Major policies were introduced which aimed at increasing the effectiveness of expenditures by redirecting resources to productive areas, especially in the economic and infrastructure sectors and away from the security and administrative sectors. A growing budget deficit was the main concern of Fiji, Solomon Islands and Vanuatu, where steps were taken to minimize deficits, reduce recurrent expenditure and improve tax collection. Tax policy in Western Samoa focused on reducing and equitably distributing the overall tax burden and creating incentives for development.

PNG approved a general privatization policy under which four companies were designated to be sold. PNG also decided to sell most of the ministerial houses occupied by public servants to save the maintenance cost of government housing. Western Samoa took steps to sell its minority shareholdings in selected private companies and initiated negotiations for the privatization of several corporations, such as the Special Projects Development Corporation, and such activities as the liquor operations of the Customs Department.

The currencies of the SPDMCs generally depreciated against major currencies other than the US dollar. Against the US dollar, Fiji devalued its currency twice to stimulate exports and discourage imports and capital flight and the currency of Solomon Islands also depreciated. The currencies of PNG, Vanuatu and Western Samoa appreciated against the US dollar.

Efforts at regional cooperation among the SPDMCs focused on the 18th South Pacific Forum held in Apia, Western Samoa, in May. The Forum countries called upon Japan to provide more aid and to conclude a fisheries agreement with the region. They also agreed to examine ways of rescuing the flagging copra industry and to intensify economic cooperation among member nations.

OUTLOOK

Most forecasts regarding the world economy in 1988 indicate that the growth of world output and trade will be slow. This suggests that the external environment will continue to be difficult for developing countries.

The NICs achieved remarkable growth in 1987, primarily on the strength of exports, but it may be difficult to sustain such high growth rates of GDP and exports during 1988. Pressures on NICs to revalue currencies and open up domestic markets are likely to cause a reduction in growth of exports and current account surpluses.

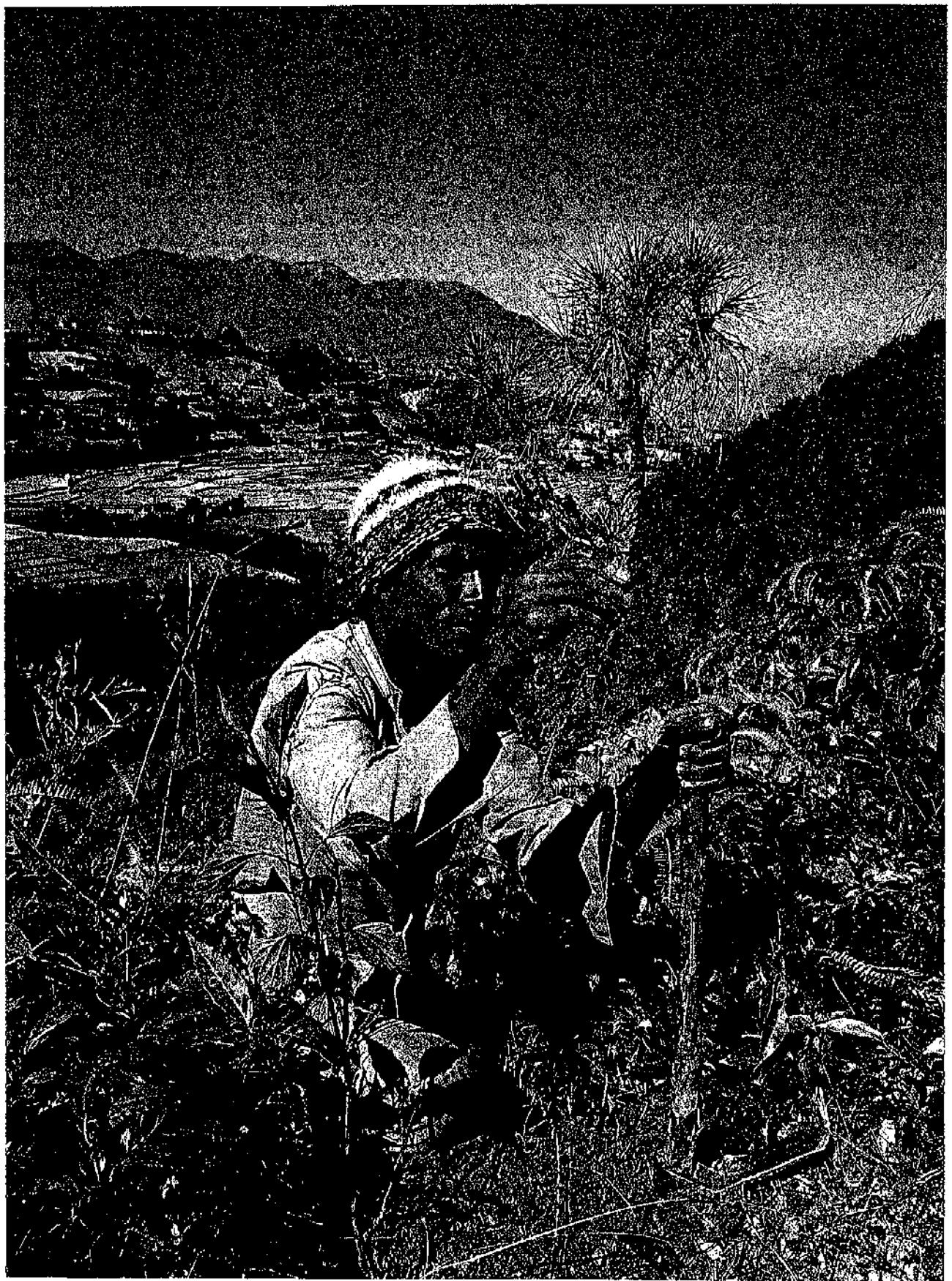
The Southeast Asian countries are expected to maintain or even exceed their 1987 growth rates. Although oil-exporting DMCs will continue to face resource constraints, efforts at economic restructuring and improved efficiency may help increase further their production and export of manufactured goods. Economic performance in these countries will depend partly on the prices of oil and primary commodities. Recent successful efforts to diversify their economies should facilitate high production and growth.

South Asian countries are generally expected to experience higher economic growth rates in 1988 as their economies rebound from low 1987 levels. The GDP growth rate of India is expected to be higher due to the recovery in agricultural production. Improved efficiency through policy reform, rapid expansion of the industrial sector and improvement in infrastructure should boost that recovery. Nepal's growth rate is also expected to be higher as its exports show a sharp increase and agriculture recovers from drought. However, Bangladesh is likely to experience slower growth due to serious floods in the latter half of 1987.

The growth rate of the People's Republic of China is likely to slow down as the Government tries to stem inflation through controlling investment and consumption. Economic reforms will, however, continue through 1988. The emphasis of the reforms is expected to be on transforming the management system in industries.

The South Pacific DMCs are expected to experience slow economic growth in 1988, since the prices of their primary exports are expected to remain depressed while it will take some years for these economies to recover from the impact of the cyclones.

The overall growth of the DMCs in 1988 is expected to remain at about the level achieved in 1986 and 1987. The external debt situation is expected to remain manageable while the recovery in food production should reduce the pressure on prices experienced in several countries during 1987.



TRANSPLANTING pine trees in the Hill Forest Development Project in Nepal which the Bank is assisting with a concessional loan of \$16.7 million.

ENVIRONMENTAL AND NATURAL RESOURCES PLANNING AND MANAGEMENT

The Challenge

ONE of the major challenges facing mankind is how to meet basic human needs while sustaining the resource base upon which these needs depend.

In the Asia-Pacific region, the demand for natural resources is expected to increase dramatically over the next 15 years because of accelerating population and economic growth and more capital and technology-intensive production. The region's population will increase by about 40 per cent — in the cities by some 90 per cent — and economic activity will double the demand on natural resources. Consequently, without careful planning and management, the following environmental conditions may materialize:

- the loss of about 11 per cent or 80 million hectares of current forest cover, thereby endangering critical water-sheds and habitats and increasing soil erosion and the frequency of flooding and drought;
- the salinization, alkalization and waterlogging of existing and newly-irrigated land, as well as widespread incidence of malaria, schistosomiasis and other diseases;
- the possible desertification of many marginal areas due to increased number of livestock;
- the depletion or destruction of many near-shore fisheries due to certain fishing practices near coral reefs, clearance of mangroves and water pollution;
- a five to ten-fold increase in air and water pollution due to a 300 per cent increase in motor vehicles and a 150-200 per cent intensification of industrial and mining activity; and
- increasing environmental and health problems due to a possible doubling in the use of pesticides, as well as their misuse.

Underlying such problems are strong political, economic and social factors which often limit opportunities to find or implement more beneficial methods of natural resources

usage. Economic pressures force many developing nations to exploit rapidly their natural wealth at the expense of future needs, rates of exploitation exceed the regulatory capacities of governmental and traditional institutions, and cultural values and popular attitudes discourage resource management.

In addition, planned interventions generally lack an appreciation of the complexities and dynamics of interactions within and between natural and man-made systems, define objectives in narrow, sectoral terms, use production technologies inherently unsuited to particular conditions, over-value immediate production gains and fail to internalize the costs of their impacts on other economic development activities.

Despite the enormity of these problems, there are signs of change for the better. This is partly due to the realization that constraints on effective natural resources management also hold back economic and social progress. In some areas, forests are being replanted after felling. A few nations are taking steps to reduce soil loss and desertification. The need for family planning is becoming better understood. Water supplies are being protected and pest management practices involving the use of pesticides are being reappraised.

Encouraging though these developments are, they are far from adequate and vigorous, determined initiatives are needed if greater human suffering and environmental degradation are to be avoided. There are, however, no quick and easy answers. The problems of population, natural resources and environment are complex and long-term and are exacerbated by their linkage with poverty, inequality and social conflict.

The Bank's Response

Most governments in the Asia-Pacific region are aware that environmental problems jeopardize development potential and many have passed environmental legislation and established environmental agencies. For its part, the Bank has shown increasing concern for the environment, recognizing that it is rarely a question of environment versus development but

generally one of blending the environmental dimension with the overall objectives of socio-economic development.

Traditionally, the Bank has supported projects with important environmental benefits like reforestation, water supply and sanitation, urban development and housing and the preparation of regional development plans. However, developing member country (DMC) governments are giving greater attention to projects involving environmental and natural resources planning with the result that the Bank's assistance has been extended to new areas such as coastal zone management, watershed protection, urban and industrial pollution control and occupational health and safety.

In its environmental policies, the Bank, through its Environment Unit, is committed to promoting environmentally-sound economic development by pursuing the following: (i) instituting procedures for systematic environmental examination of all the Bank's development activities — including policies, programs and projects — to ensure the incorporation of environmental and natural resources planning and management concerns; (ii) cooperating with DMCs and other organizations to ensure that appropriate environmental protection measures are incorporated in the design and implementation of economic development projects (in this connection, the Bank may provide technical assistance to develop the relevant indigenous capacity of its DMCs); (iii) supporting environmental and natural resources programs and projects; (iv) training and informing Bank staff in the environmental aspects of economic development; and (v) conducting studies leading to the improvement of project processing and implementation methodologies and preparing and disseminating documentation and other materials to provide guidance on the environmental aspects of economic development.

A number of environmental activities have been undertaken in pursuit of these policies:

Country Programming and Country Strategy Studies

At the beginning of each year, to assist Country Programming Missions in their discussions with DMC environmental and natural resources agencies and to assess opportunities for technical assistance and investment projects in environmental natural resources development, the Environment Unit prepares Environmental and Natural Resources Briefing Profiles for each member country. These Profiles identify major environmental and natural resources concerns in the DMCs, list environmental agencies in the DMCs to be consulted and provide examples of environmental resources development projects for possible funding by the Bank.

Following the approval of country programs, the Bank's Environment Unit communicates with environmental agencies and official contact points in the Bank's DMCs notifying them about projects which may generate significant environmental impacts and which require necessary remedial measures. Follow-up discussions allow an exchange of information and advice to be given on the handling of difficult problems. Whenever possible, non-governmental organizations (NGOs) dealing with environmental and natural resources activities are also contacted and encouraged to cooperate with governments on these projects as stipulated in the Bank's policy on NGOs.

This is primarily with the view to soliciting their opinions and promoting the use of their expertise, where appropriate, as input into the formulation and processing of development projects.

The Bank's Country Strategy Studies, which determine the Bank's future operational strategy over the medium term, include coverage of environmental considerations in each country and a chapter on the environmental dimensions of economic development. However, to encourage the longer-term view of development, the Environment Unit has prepared formal studies of the environmental and natural resources of a number of DMCs. Each analysis attempts to identify major environmental and natural resources constraints and opportunities likely to affect economic development and to delineate planning and management needs, development programs and potential projects with which to correct critical cases of loss or degradation of environmental and natural resources.

Project Review

The Environment Unit assists the Projects Departments/Divisions in reviewing the environmental aspects of projects to be financed by the Bank and engages the project cycle in the following ways:

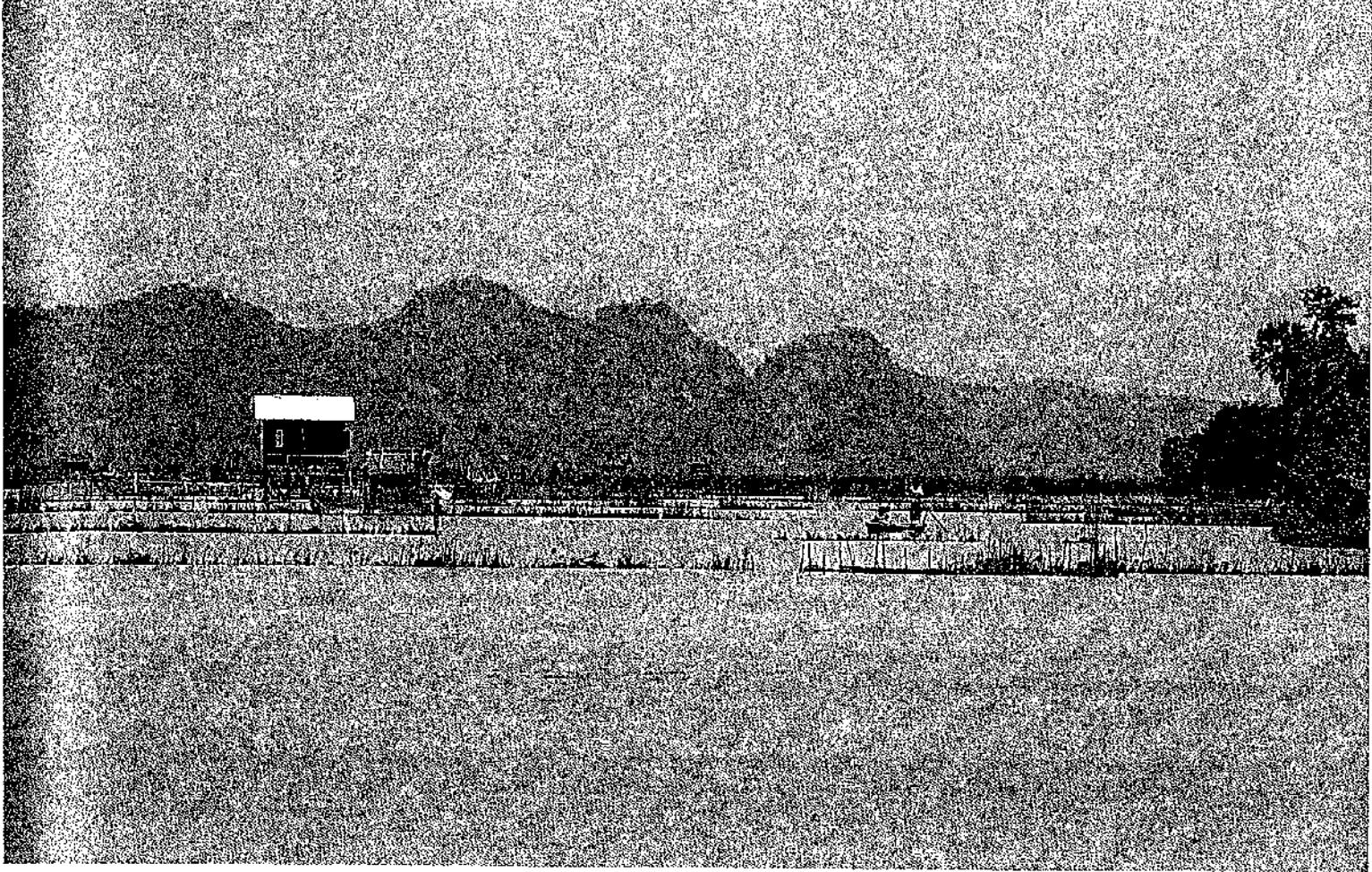
Project Identification

To initiate its project review activities, the Environment Unit liaises with project managers and their staff to classify projects stipulated in the Country Program Papers in accordance with their likely environmental impacts. This leads to a report, "Preliminary Environmental Screening of Loan and Technical Assistance Projects", prepared by the Environment Unit. Proposed Bank projects are divided into four broad impact categories, reflecting the nature of their likely environmental impacts and thus their need for environmental analysis: Category A: projects rarely having significant adverse environmental impacts; Category B: those with significant adverse environmental impacts but for which mitigative/remedial measures may be prescribed readily; Category C: those with significant adverse environmental impacts requiring detailed environmental assessment/analysis; and Category D: environmentally-oriented projects.

A second report, "Secondary Environmental Screening of Loan and Technical Assistance Projects", is then prepared by the Environment Unit. With more information available, major environmental concerns are specified and the scope of work and work program are established for the processing and implementation of pipeline projects for the year.

Fact-Finding

Contributing formal and informal environmental reviews at the project fact-finding stage is crucial because this is the most effective way of avoiding conception and design errors which could prove difficult and costly to rectify later. The Environment Unit comments on project planning and design expressed in the Project Briefs. It also establishes terms of reference for missions and examines the Back-to-Office



VIEW of Songkhla Lake in southern Thailand. A Bank-funded Songkhla Lake Basin Planning Study is designed to formulate an integrated plan for socio-economic development with sustained environmental and natural resources management.

Reports of Fact-Finding Missions. The Environment Specialists sometimes attend Management Review Meetings on the Bank's projects, especially for those falling under Categories C and D, to review the proposed treatment of environmental and natural resources issues.

For some projects, an Environment Specialist or a staff consultant may visit the proposed project site as part of the Fact-Finding Mission or independently to undertake an initial environmental examination. If a potential problem is confirmed, more detailed studies may be required to establish mitigative measures and to incorporate them in project planning and design.

To support the environmental review function, the Environment Unit deploys especially developed "Environmental Guidelines" to help staff during project processing to determine whether or not a proposed project is likely to generate significant environmental impacts and, where such impacts are considered adverse, to specify the need for more detailed study.

Pre-Appraisal/Appraisal

This is the comprehensive review stage of the project cycle at which environmental issues are merged with technical, institutional, economic, socio-cultural and financial parameters and the foundations laid for implementing the project and evaluating it upon completion. To ensure an appropriate

representation of the environmental dimension, a statement on the significant environmental impacts of the project and the detailing of measures to be adopted to reduce adverse impacts is undertaken by projects staff for projects with significant environmental impacts and included in the Appraisal Report. The statement generally includes the identification and prediction of impacts on environmental and natural resource conditions and the quantification, wherever possible, of both direct and indirect impacts and their mitigation in monetary terms.

During appraisal, environmental protection planning and management requirements of projects with significant environmental impacts are discussed between the Appraisal Mission and the Government. Agreements reached on appropriate environmental protection measures are incorporated as proposed loan covenants in the Memorandum of Understanding and incorporated as covenants in the Loan Agreement. This is in addition to the standard provision on environmental practices which has been included in the Bank's loan documents. To assure proper and timely implementation of the environmental covenants, the additional costs of implementing and monitoring significant environmental protection measures are included in the project costs and may either be financed under the loan or by the borrower. If financed by the borrower, the Appraisal Mission ensures that the financing of the additional costs of significant environmental protection measures has an adequate budget.

Negotiations

For projects with significant adverse environmental impacts and which require detailed environmental assessment, an Environment Specialist may form part of the Bank's negotiating team.

Implementation and Supervision

Having incorporated environmental control measures in project formulation, Review Missions ensure that environmental safeguards are implemented efficiently and satisfactorily by the Borrower/Executing Agency during the construction and operation of the project. For most industrial projects, problems occur during operations due to insufficient maintenance or non use of pollution-control devices and facilities.

More specifically, Review Missions examine and evaluate operation and maintenance arrangements and institutional commitments and loan covenants covering environmental planning and management requirements. To help accomplish this, projects staff consult the Environment Unit and receive their assistance as appropriate. Further Back-to-Office Reports of Review Missions provide explicit details on any major environmental problems or issues revealed during field visits and on proposed remedial measures with an indication of the need for follow-up, especially for environmentally-hazardous projects which require continuous review even during their operations.

Towards the end of the year, the Environment Unit prepares a report, *Loan Projects Approved During 19__: Projects Requiring Environmental Review During Implementation*. This document provides a list of projects requiring specific environmental treatment during the implementation phase.

Completion and Post-Evaluation

After physical completion of the project, a Project Completion Report is prepared as a factual, historical record. It includes a general assessment of the significant environmental impacts, including socio-cultural impacts, generated during project implementation, particularly with reference to those issues considered at the time of project appraisal. If the project involved environmental control measures, their implementation and effectiveness is evaluated. Post-Evaluation Reports or Project Performance Audit Reports include a final analysis as to whether the project met proposed environmental requirements and whether any unanticipated effects were induced as a result of project activities.

Project Monitoring Information System

A project monitoring information system operated by the Environment Unit keeps track of major environmental concerns associated with loan and technical assistance projects during project processing and implementation. Project officers and the Bank's Management are regularly informed of the status of projects with respect to their environmental impacts and necessary control measures. This procedure is being fur-

ther developed so that projects can be monitored more closely during implementation and after completion. In the case of potentially hazardous and pollutive projects, such as chemical industries, pulp and paper mills and cement plants, environmental monitoring may be required for an extended period — in some cases, throughout the economic life of the project.

Resource Center Activities

As efforts to strengthen the environmental dimension in development projects must be in concert with the needs of DMCs, the Environment Unit is pursuing the following supportive strategies: (i) briefing of DMCs through Bank Missions on how the Bank might assist government bodies establish and/or reinforce environmental planning; (ii) presenting formal and informal seminars/training to government staff in the Bank's DMCs and giving advice on environmental matters; (iii) helping promote and implement environmental or natural resources projects or components of projects; and (iv) strengthening liaison and cooperation with a growing number of national and international institutions and organizations in the environmental field.

In pursuit of these strategies, major resource papers have been completed including *Economic Analysis of the Environmental Impacts of Development Projects* and a *Handbook on the Use of Pesticides in the Asia/Pacific Region*. An Environment Paper Series has also been initiated.

Education and Training of Staff

Apart from the project-by-project contact and informal discussions on environmental matters between the Environment Specialists and Bank staff, in-house seminars/workshops have been held on environmental planning and management/economic evaluation. These presentations review the importance of environmental and natural resources planning and management in the Bank's development activities and how they may be integrated with the project cycle. Training programs have also been undertaken on a regular basis in the Bank's DMCs for staff of environmental and related agencies.

Future Directions

Whatever the goal of development activities — satisfaction of basic needs or a composite measure of social welfare — it is clear that there are ecological limits to growth and to modifying natural systems. The limits vary from country to country in the Asia-Pacific region but involve soil stability, nutrient sources and uses, preservation of genetic diversity, sustainability of yields, water use, energy efficiency and pollution. There are also socio-economic constraints to radical interventions, particularly regarding the values, organization and institutions of the intended beneficiaries and opportunities for local participation.

In view of the increasing awareness of the importance of environmental and natural resources to economic development, attention is being focused on longer-term needs: the

establishment of natural resources usage policies, implementation and enforcement of environmental legislation, coordination of intersectoral goals and information management systems. Particular attention is being directed towards integrated, multi-disciplinary approaches to development. Sectoral compartmentalizing of the use of natural resources often produces conflicts and inefficient usage. Measures designed to solve one problem often create or exacerbate problems in another functional area. To date, the solution to these oversights has been to implement policies and procedures designed to ensure systematic environmental review of development programs and projects. However, this approach needs to be supplemented by the integration of environmental and natural resources planning and management with the traditional aspects of macroeconomic planning and thereby engage the broader country economic and sector context.

The Bank has launched a number of activities in an effort to encourage sounder use of natural resources for what has come to be called "sustainable development". For example, the project cycle is being engaged to help ensure that economic accounting reflects the values of natural goods and services. Currently, the costs of such activities as forest clearing, soil loss and use of water resources are significantly understated and the benefits of watersheds, forests, wetlands and other natural habitats are excluded from economic calculations. Thus, guidelines have been developed or are being developed to include accounting and estimation of environmental and natural resources costs and benefits at project, sector and program levels.

Another activity to be pursued by the Bank includes paying greater attention to the socio-cultural aspects of development project processing, for example, settlement/resettlement, needs and interests of local communities, rights of tribal/ethnic minorities, cultural integrity and traditional land use control. This will help integrate decision-making and manpower-absorbing conditions with the social structures surrounding the use of natural resources. It is in this context that NGOs with the ability to identify local prescriptions may play a useful role in the formulation, processing and implementation of the Bank's development programs and projects.

The Bank is preparing a manual on environmental quality standards for the design and operation of development projects. The manual aims to assist DMC officials establish realistic standards for the treatment of domestic and industrial wastes and atmospheric emissions. A second aim is to assess the costs involved in meeting these standards and their affordability. In regard to the latter, a procedure is being developed relating

the selected environmental quality standards to an index of economic affluence — ensuring that the choice and adoption of standards can be phased to reflect the socio-economic conditions of a given DMC. The Bank is considering the introduction of a safe minimum standard for use in project processing and implementation equivalent to engineering codes of practice. Items would include the need to avoid the destruction of environmentally-sensitive areas such as mangroves and tropical forests, to protect rare and endangered species and to accommodate cultural sensitivities, particularly those of tribal/ethnic minorities.

Information from remote sensing and other systems is expected to influence the planning and design of programs and projects, especially in relation to ecologically-sensitive areas. As an emerging technology, new methods of application such as geographic information systems are rapidly becoming available. Other techniques such as simulation modelling will be used to move the focus of development beyond site-specific concerns to understand better the environmental dynamics of food supplies and other goods and services.

Other activities likely to be promoted by the Bank include integrated pest management, biological methods of fertility management, the design of agro-ecosystem programs to deal with the development of upland or marginal lands and the conservation of natural resources and ecologically-sensitive areas. The treatment of hazardous wastes, occupational health and safety and risk assessment of large industrial plants are other areas demanding the Bank's attention.

All this supposes a partnership between the Bank and its DMCs. Through discussions, institutional strengthening programs or other means, the Bank hopes to assist in the more systematic application of environmental planning and management, to protect natural resources while protecting the environment.

There is a growing consensus that an intellectual leap has been taken in the development community — that of establishing sustainable development as the norm of economic development. Increasingly common is the situation where natural resources are mobilized under carefully-designed programs to address the problems of burgeoning populations, unemployment and rural impoverishment.

Many of the tools to address these problems are in place — environmental quality management, conservation strategies, land use and natural resources planning, remote sensing, the traditional wisdom of cultures. But they need to be integrated into a coherent pattern if economic development is to be assured.



OFFSHORE gas reserves in Thailand are being developed under a Natural Gas Transmission Project assisted by a Bank loan of \$40 million. The project is designed to save 1.4 million tons a year of imported oil.

BANK OPERATIONS

Loan and Equity Operations

BANK lending in 1987 took the form of project and multiproject, program and sector loans and credit lines, including development finance institutions (DFIs) and agricultural credit.

Bank lending, including private sector loans, in 1987 amounted to \$2,438.5 million, an increase of about 22 per cent over 1986. Loans from ordinary capital resources (OCR) totalled \$1,480.9 million, an 8 per cent increase over the 1986 level of \$1,368 million. Loans from the Asian Development Fund (ADF) amounted to \$957.6 million, a 51 per cent rise over the \$636 million total in 1986.

The strong growth in lending was largely due to the sharp increase in ADF loans. In 1987, the Bank decided to permit Indonesia to borrow ADF funds and the Bank's lending to Bangladesh also rose substantially. The modest increase in OCR lending was helped by loans to the People's Republic of China and India. The Bank's renewed emphasis on sector loans also contributed to the higher lending level.

In addition to its lending operations, the Bank approved eight equity operations totalling \$22.8 million. This will assist six private enterprises and one regional venture. This included

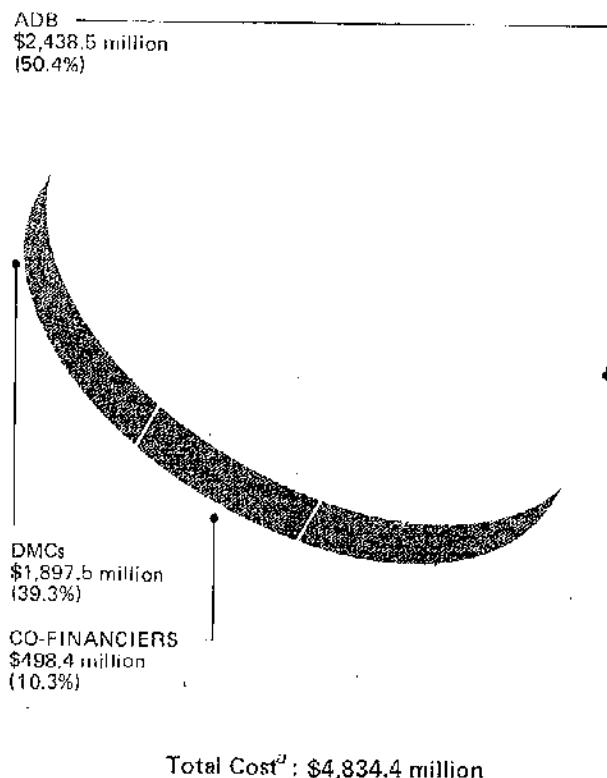
Lending Modalities, 1987^a

| | No. | Amount (\$ million) |
|--------------------------------|-----------|------------------------|
| Project Loans | 33 | 1,152.04 |
| Program Loans | 2 | 201.70 |
| Sector Loans | 5 | 581.00 |
| Credit Lines to Intermediaries | 7 | 501.00 |
| Multiproject Loan | 1 | 2.75 |
| T O T A L | 48 | 2,438.49 |

^a Includes private sector loans.

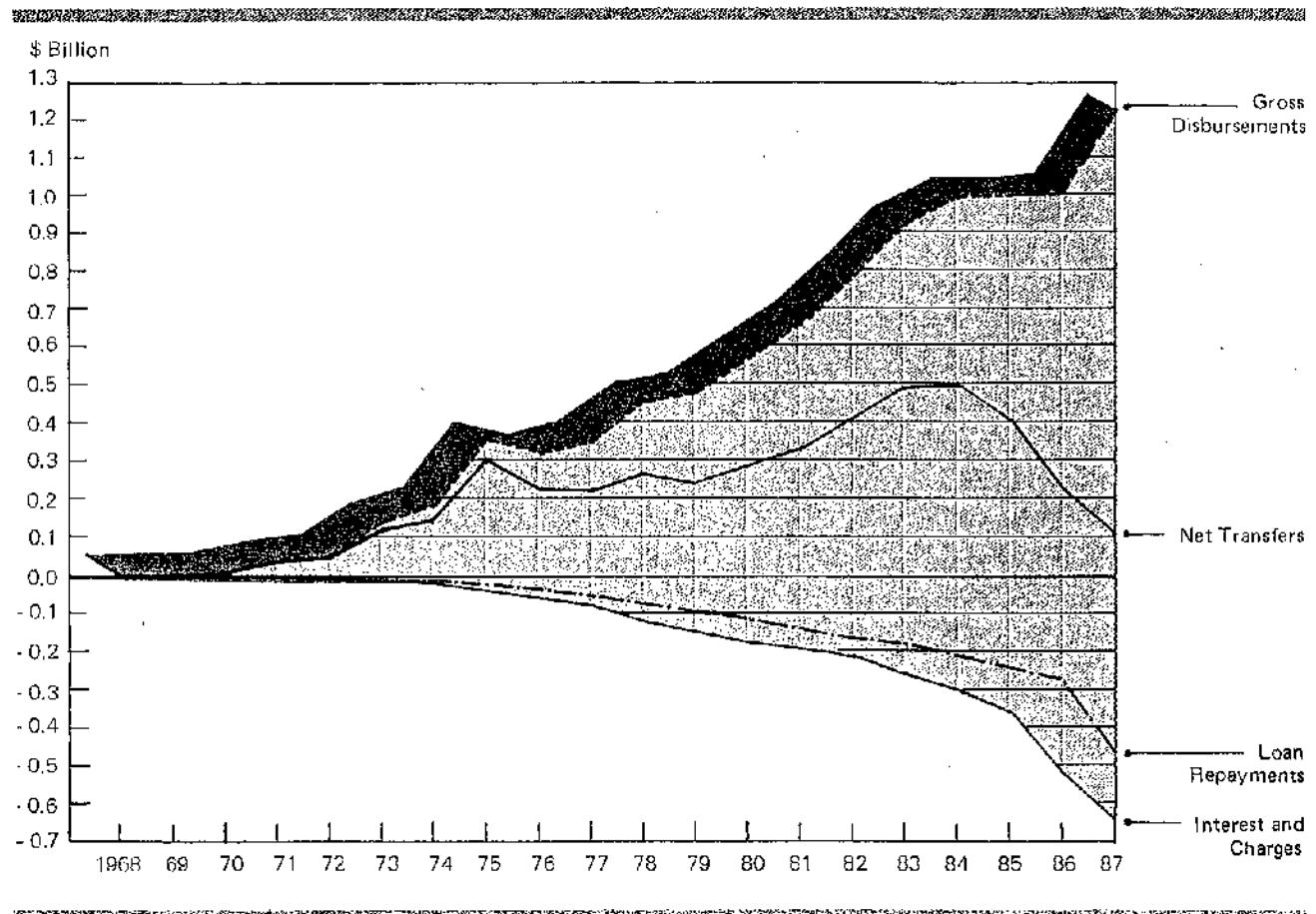
a \$3 million direct investment in the Korea Technology Finance Corporation; a combination of a \$3 million direct investment and a \$2 million equity line to the Korea Technology Development Corporation; and a \$5 million equity for the Asian Development Equity Fund (ADEF). In addition, the Bank provided a \$5 million underwriting commitment for the ADEF. These raised total cumulative equity approvals to \$38 million since the Bank began equity financing in 1983.

Projects Approved in 1987: Total Cost and Sources of Finance



^b Total cost of program loans and credit lines is estimated.

Net Transfers of OCR and ADF Resources, 1968-1987



During the year, 52 loans were approved for 48 projects in 17 developing member countries (DMCs). This compares with the same number of loans and projects in 19 DMCs in 1986. The average size of loans increased in 1987 to \$46.9 million from \$38.5 million in 1986. The average size of OCR loans rose to \$67.3 million in 1987 from \$50.7 million in 1986. The average size of ADF loans increased to \$31.9 million from \$25.4 million in the same period.

Loans financed exclusively from OCR were provided to People's Republic of China, India, Republic of Korea, Malaysia and Philippines. "Blended" loans from OCR and ADF were provided to Indonesia, Pakistan and Papua New Guinea. DMCs which received loans exclusively from ADF were Bangladesh, Bhutan, Cook Islands, Lao PDR, Maldives, Nepal, Solomon Islands, Sri Lanka and Vanuatu (see page 138).

Co-financing increased slightly to \$498 million in 1987 from \$492 million in 1986. Official sources of co-financing declined by 25 per cent to \$286 million from \$379 million and their share of total co-financing dropped to 57 per cent from 77 per cent in the same period. Co-financing from commercial sources, at \$212 million, rose significantly over the 1986 figure of \$113 million, or 43 per cent of the total compared with 23 per cent a year earlier.

Loan projects approved during 1987 — including credit

lines, program and sector loans — had an estimated total cost of \$4.8 billion, of which 51 per cent was accounted for by Bank financing, 39 per cent was to be provided by borrowing DMCs and 10 per cent was to be provided by co-financiers.

Local cost financing in 1987 amounted to \$440.8 million for 23 projects in 13 DMCs. OCR provided \$106.4 million of this amount, and ADF \$334.4 million, representing 7 per cent and 35 per cent, respectively, of OCR and ADF loans approved during the year.

The Bank's cumulative lending by the end of 1987 had reached \$21.8 billion for 793 projects in 29 DMCs, of which \$14.7 billion was from OCR and \$7.1 billion from ADF. About \$2.1 billion had been provided for local cost financing.

Bank's Role in Resource Transfers

According to its Charter, one of the Bank's main purposes is to make additional development finance available for the development of the region. In this role, the Bank's tasks include creating and fostering conditions that will promote improved domestic savings and the inflow of development assistance from outside the region.

The Bank's net transfer of resources from OCR peaked in the early 1980s and has since declined. The measure of the

Bank's net transfer of resources to its DMCs involves the gross disbursement of loans less repayments of principal and payments to the Bank of interest or other charges. OCR gross disbursements rose at a rapid rate during the 1970s and then stabilized in the 1980s close to the \$700 million level. In 1987, including private sector operations, there was a negative net transfer of OCR in the amount of \$359.5 million (see Table on page 167).

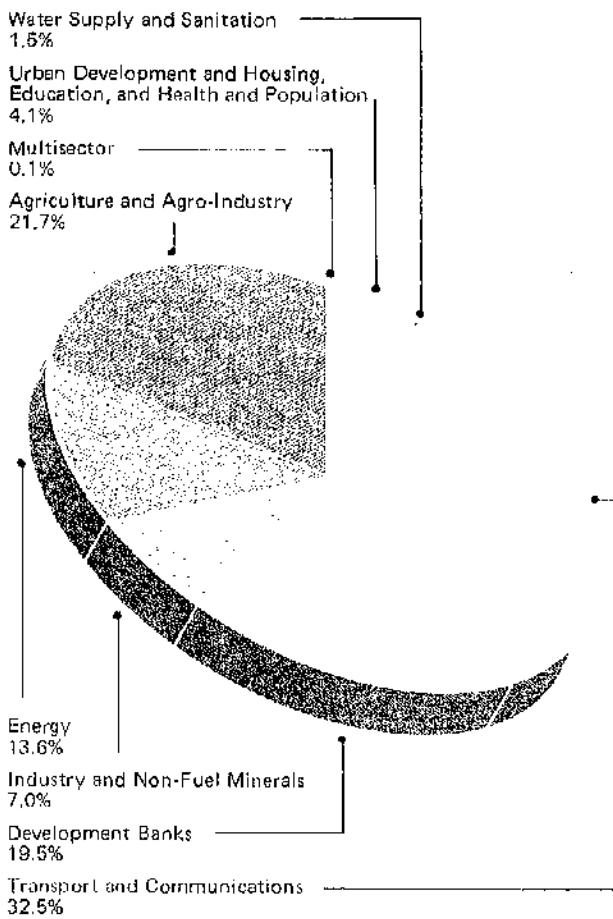
Gross disbursements are a function of both the level of cumulative commitments and the disbursement performance. While commitment levels have continued to rise, the disbursement ratios have declined due to the limited absorptive capacities in many DMCs and the lack of local currency counterpart funds. As these problems have been eased by the Bank through special assistance, the adoption of quick-disbursing adjustment lending, the establishment of resident offices and other measures to speed up disbursements, the levels of gross disbursement should grow again in the latter part of the 1980s. Such renewed growth will be necessary to offset the rising loan repayments that have resulted in

negative net transfers in both 1986 and 1987.

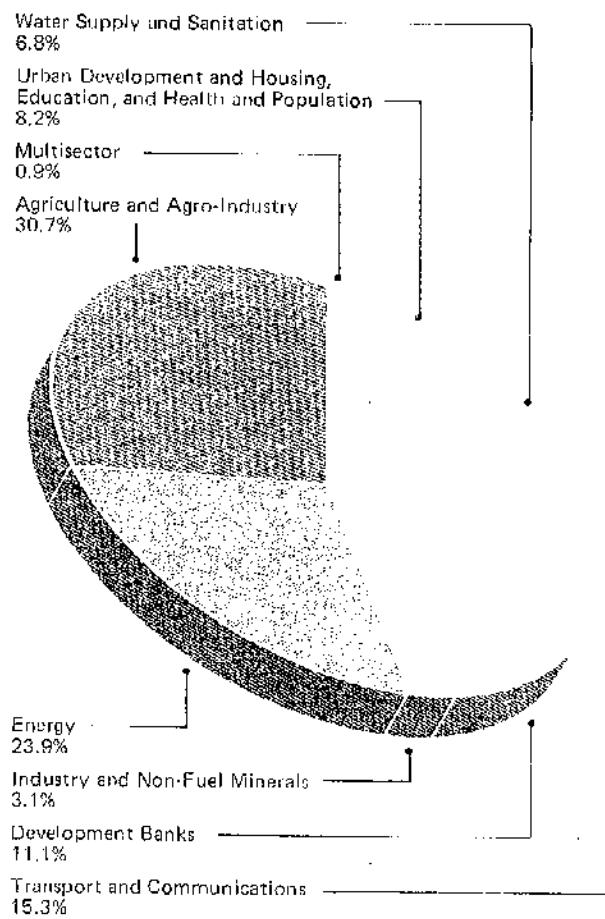
The overall situation of recent negative transfers to OCR-borrowing DMCs is reflected in most of the individual DMCs. Certain countries such as Hong Kong, Singapore and Taipei, China are obviously in the net repayments phase, given their lack of need for further borrowings. The same applies to the Republic of Korea where new borrowings have been reduced and, as a result, net transfers have been negative since 1985. Worrisome, perhaps, have been the instances of negative transfers during recent years in DMCs such as Fiji, Malaysia, Philippines and Thailand.

The Bank's net transfer of resources from the ADF has continued to grow and amounted to \$480.3 million in 1987 (see Table on page 169). Gross disbursements continued to expand in the 1980s, mainly due to increased levels of cumulative commitments and, with the extended repayment schedules and the low rate of service charges, net transfers have continued to grow at an equivalent pace. All ADF-only DMCs are experiencing positive net transfers and in DMCs such as Pakistan and Papua New Guinea that have access

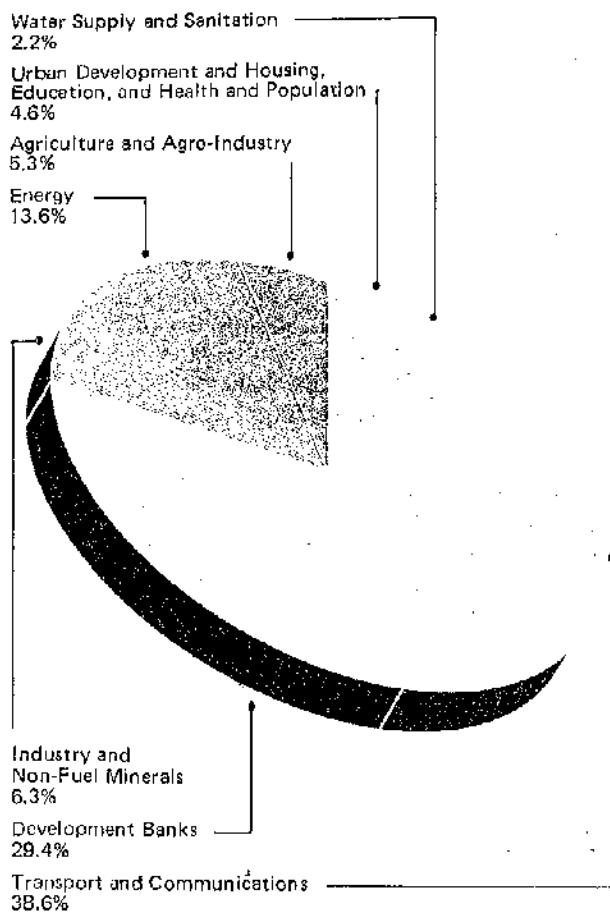
Loan Approvals By Sector: 1987



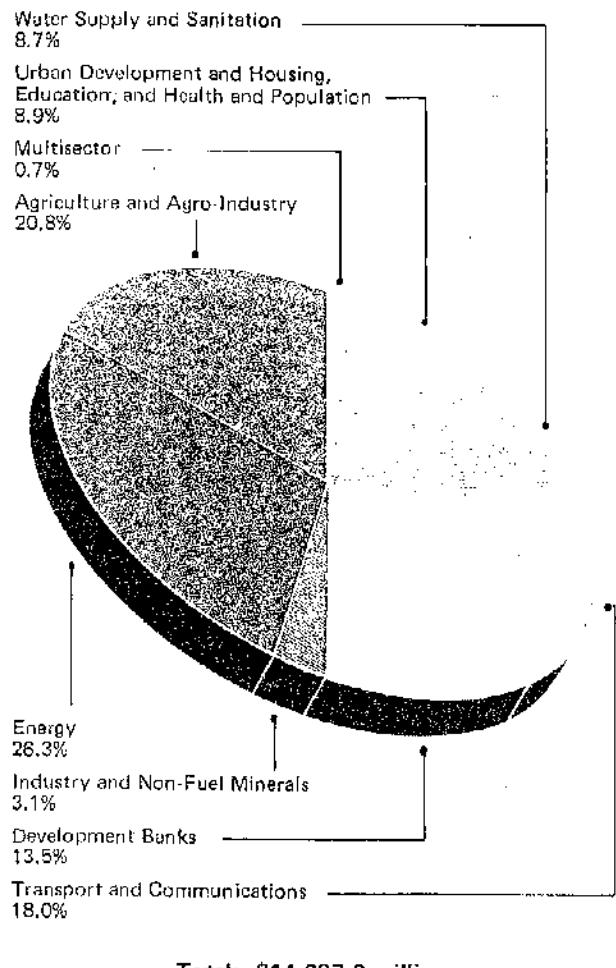
Loan Approvals By Sector: 1968–1987



Ordinary Loan Approvals By Sector: 1987



Ordinary Loan Approvals By Sector: 1968–1987



to both ADF and OCR resources, the net transfers under ADF serve to increase sharply the Bank's overall net transfer to these countries.

As regards the Bank's overall performance, the positive and rising net transfers from ADF offset the negative transfers from OCR in 1986 and 1987, yielding a positive overall position in both years (see Graph on page 34). In 1987, there was a net transfer from the Bank of \$120.8 million. While the Bank's recent experience has been unsatisfactory, corrective measures now in place should help to rectify the situation in the latter part of the 1980s.

The Bank's recent experience has not, in fact, been out of line with other official and multilateral donors. The Organization of Economic Cooperation and Development (OECD) has compiled statistics on net resource flows (disbursements less principal repayments) up to 1986. On this basis of net disbursements, the Bank has increased its share of official financing to over 7 per cent up to 1985. While there was a decline in 1986 to under 6 per cent, the OECD statistics for official financing in that year are still preliminary and appear

overstated. The Bank's share of multilateral financing peaked at around 20 per cent during the period 1984–86. The increasing share of multilateral financing being assumed by the Bank reflects its standing with its DMCs in the region. Given the start of lending to India in 1986 and to the People's Republic of China in 1987, this role will no doubt expand.

Sectoral Review

To date, the *agriculture and agro-industry* sector, the main propellant of economic growth in most DMCs, has accounted for about one-third of cumulative Bank lending and over half its grant-financed technical assistance (see Tables on pages 144 and 164). In 1987, however, the share of loans to this sector declined to about 22 per cent of the total from a peak of 41 per cent a year earlier. The fall reflected the approval of a number of very large loans in other sectors as well as the deferral to 1988 of some projects for political and economic reasons.

In the same period, lending for transport and communications rose to 33 per cent of the total from 9 per cent in 1986 while the share of industry and non-fuel minerals (including development banks) increased to 26 per cent from 5 per cent. The share of lending for energy projects fell to 14 per cent from 26 per cent a year earlier. The share of social infrastructure projects declined to 6 per cent from 14 per cent over the same period.

Agriculture remains the most important sector of Bank operations, and the relative decline in lending in 1987 is regarded as a temporary phenomenon reflecting the cyclical nature of lending to certain sectors. During the year, 16 loans totalling \$529 million were approved for a range of agricultural projects. Bank lending and technical assistance emphasized the sustainable development of water resources and higher agricultural productivity through support for fuller utilization of existing irrigation facilities, the development of new irrigation and flood protection facilities, the promotion of mixed cropping, the importation of crucial inputs (such as diesel fuel

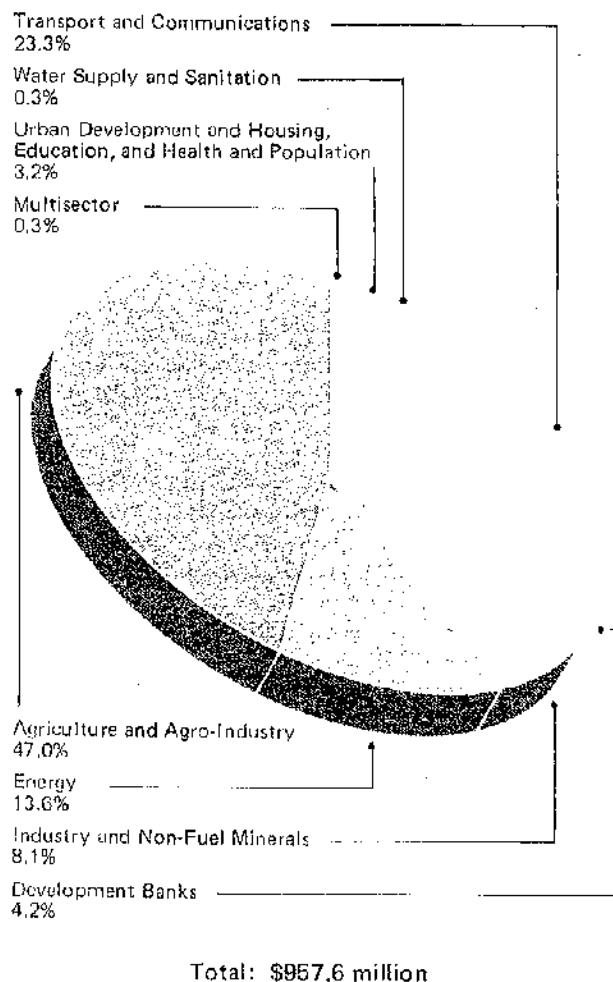
for operating irrigation facilities as well as pesticides) and the improvement of institutional capacity and water management.

Emphasis was also placed on raising the productivity of cash and industrial crops. Approved were loans and technical assistance for fruit and vegetable development projects and a loan for smallholder copra and cocoa development. Technical assistance was approved for the preparation of rubber, tea, rattan and sugar rationalization projects.

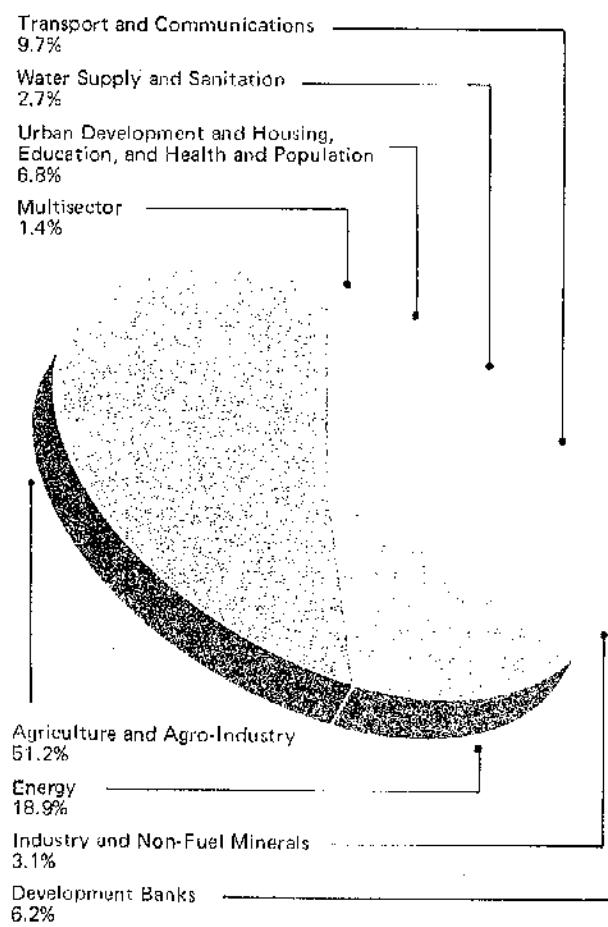
Bank lending also supported developing the potential for greater fish and shrimp production through aquaculture; this was complemented by technical assistance for research on rice-fish farming systems.

Bank assistance was also directed towards human resource development and institutional strengthening in support of accelerated sector development: work began on an assessment of skilled manpower requirements for agricultural development and a study of the role of women in rural development was approved. Bank assistance also covered regional training in remote sensing technology, community

Asian Development Fund Loan Approvals By Sector: 1987



Asian Development Fund Loan Approvals By Sector: 1968-1987



forestry, agricultural research management for South Pacific DMCs and the strengthening of key sector institutions.

Bank assistance for agricultural research expanded significantly in 1987, and will receive increased emphasis in the future. Such assistance will continue to concentrate on strengthening the capacity of international, regional and national agricultural research centers to research and transfer to the region appropriate high-priority technologies.

Lending to the *transport and communications* sector rose sharply in 1987 to \$794 million. The Bank recognizes that the capacity of transport and communications infrastructure in many DMCs has become inadequate, and lending for roads, ports, railways and telecommunications is, therefore, expected to remain relatively high in future.

In the *highways* subsector, the Bank approved six loans for road maintenance and rehabilitation including two sector loans.

Four loans were approved in the *ports* subsector, one for port development in India and three others for port rehabilitation projects in other DMCs. During the year, the Bank also approved a \$190 million loan for a railways project in India.

Lending for *industry and non-fuel minerals* (including development banks) reached a new high of \$645.5 million, including \$20.5 million without government guarantee to the private sector. Improved industrial performance and prospects in several DMCs led to a substantial increase in the demand for Bank funds for onlending to small-scale and medium-scale private enterprises through financial intermediaries. As a result, the Bank extended credit lines totalling \$475 million to development finance institutions during the year. Through these credit lines, the Bank has associated itself with the growth and development of national development banks and with an increasing number of commercial banks in some DMCs.

During the year, the Bank approved its first blended loan under its new program lending modality totalling \$150 million to Indonesia in support of a program of policy reforms and promotional measures for enlarging and diversifying its non-oil exports. For the first time, the Bank directly financed private industrial enterprises in Bangladesh and India.

The Bank continued to contribute to the development of DMC financial systems through technical assistance for strengthening existing intermediaries and establishing new ones in such specialized areas as venture capital and investment funds, as well as through sector studies and policy advice.

The Bank paid close attention to the development of DMC securities markets. In a major new initiative, it took the lead in the creation of a regional mutual fund — the Asian Development Equity Fund — for attracting surplus resources from developed countries into equity markets in DMCs. It also extended technical assistance for the privatization of public enterprises.

Loans to the *energy* sector amounted to \$332 million. This assistance covered rehabilitation, transmission and distribution works in two DMCs and new capacity in two others. Support was also provided for converting existing oil-fired generating plants to coal-fired plants in the People's Republic of China. In addition, the Bank made three loans for oil and gas development and gas transmission. A regional energy data workshop was held and assistance provided for the prepara-

tion of an energy issues paper for the Association of South East Asian Nations (ASEAN) region.

The Bank approved loans totalling \$136 million for five projects in the *social Infrastructure* sector; three for water supply and sanitation, one for education and one for health and population.

The Bank recognizes that the improvement of *water supply and sanitation* facilities is of critical importance to the health and socio-economic progress of Asia and the Pacific. In the past, it has contributed substantially to the improvement and expansion of water supplies in major urban centers and helped reduce the problems caused by inadequate and overloaded sewerage systems. In recent years the Bank has directed its financing towards projects in provincial towns and rural areas. The Bank also emphasizes the rehabilitation of existing water supply systems and the reduction of non-revenue water. During 1987, the Bank approved a water supply project and a sewage treatment project in the Republic of Korea and an urban centers sewerage project in Bhutan.

In the *education* subsector, the Bank approved one loan in 1987, responding to the specific need to expand vocational education and develop skilled manpower for industrialization in Malaysia. Technical assistance projects were also approved for project preparatory, advisory and operational and regional purposes.

No loans were approved in the *urban development and housing* subsector but considerable policy review, sector study and project preparatory work were carried out. In addition, a regional seminar on major national urban policy issues was held and an urban sector profile study carried out in the Philippines.

In the *health and population* subsector, one loan was approved and considerable sector and project preparatory work undertaken. Moreover, a regional seminar was held in Manila on health care financing. The health and population sector in Bangladesh was reviewed. In addition, technical assistance projects were approved to prepare hospital upgrading/development and health manpower and training projects.

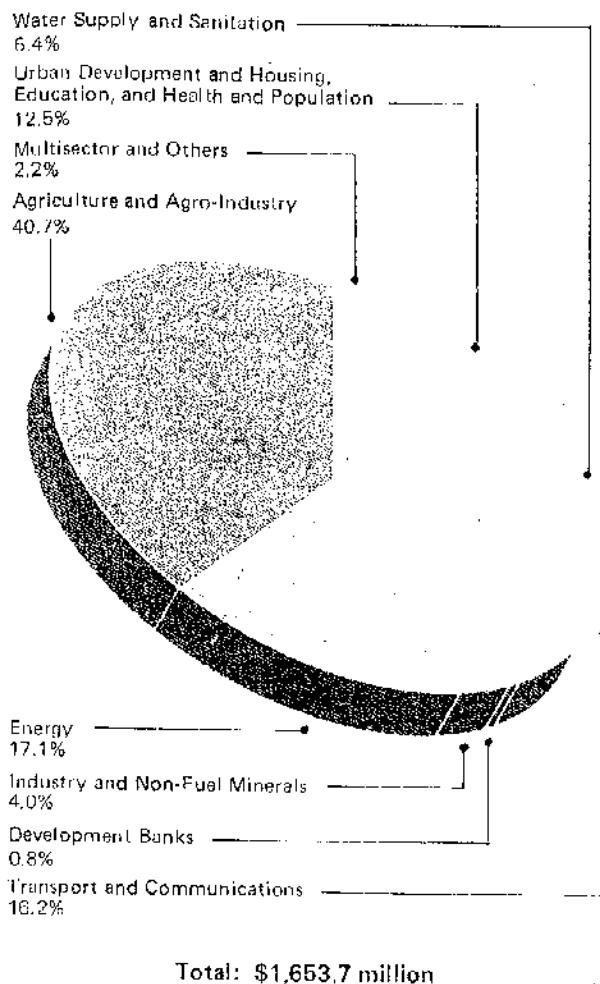
Technical Assistance

Role of Technical Assistance and Its Funding

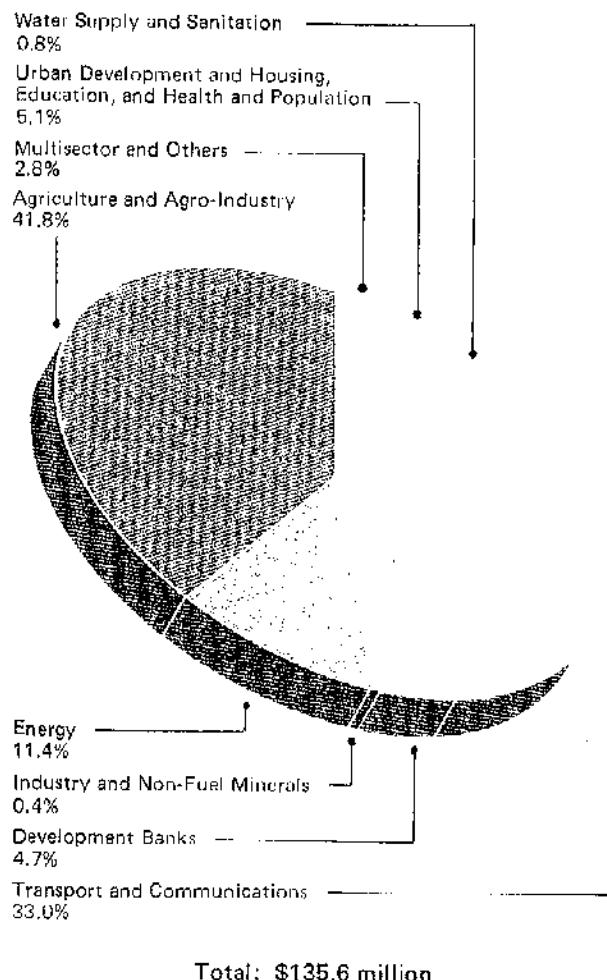
Technical assistance again played a key role in the Bank's operations during 1987. Its main function is to facilitate the transfer of resources and technology to DMCs by assisting them to design, formulate, implement and operate development projects efficiently and effectively. Technical assistance is also used to enhance DMC capability to formulate economic development strategies, policies, programs and plans to improve the allocation of scarce domestic and external resources.

Technical assistance activities are financed by the Bank through grants and loans and combinations of both. Funding sources available for grant-financed technical assistance activities comprise: (1) voluntary contributions to the Technical Assistance Special Fund (TASF) from both developed and

Technical Assistance By Sector: 1967-1987^a



Technical Assistance By Sector: 1987^a



^a Excludes regional activities.

^a Excludes regional activities.

developing member countries; (ii) allocation to TASF from ADF V; (iii) income from the Bank's OCR; and (iv) grant funds provided by other multilateral and bilateral sources under co-financing and exclusive financing arrangements.

Funding sources for loan-financed technical assistance are the Bank's OCR and ADF, together with other multilateral and bilateral sources under co-financing and exclusive financing arrangements.

During 1987, a total of \$143 million in technical assistance loans and grants was provided for 158 projects, including regional activities. Of this amount, \$42 million was grant-financed (\$26 million by the Bank and \$16 million by other sources) and \$101 million was loan-financed (\$96 million by the Bank and \$5 million by co-financiers).

Grant-Financed Technical Assistance

In 1987, technical assistance grants approved by the Bank (funded by the Bank and other sources) amounted to

\$11.8 million for 141 projects, including regional activities. This compares with \$36 million for 133 projects approved in 1986, and brought the cumulative total to \$281 million. Of the 1987 total amount, 57 per cent was provided for advisory and project implementation purposes, 25 per cent for project preparation and 18 per cent for regional activities.

Seventy-two per cent, or \$24.6 million of the total amount, of technical assistance grants to DMCs in 1987 went to countries fully eligible for ADF loans.

The agriculture and agro-industry sector retained the largest share of the total amount of grant-financed technical assistance with 31 per cent, although this was a considerable decline from 50 per cent in 1986. Energy accounted for 16.6 per cent, followed by social infrastructure with 16.5 per cent. Both sectors registered an increase from 9 per cent each in 1986. Transport and communications accounted for 15.1 per cent, down from 23.5 per cent the previous year. Industry and non-fuel minerals accounted for 10 per cent and multisector and others, 11 per cent.

Grant-Financed Technical Assistance
Approvals Funded from Other Sources,^a 1987
(amounts in \$ thousand)

| Agency | No. of Projects | Amount |
|--------------------------------------|-----------------|-----------------|
| United Nations Development Programme | 17 | 14,025.0 |
| Switzerland | 5 | 1,345.0 |
| Netherlands | 1 | 300.0 |
| Norway | 1 | 179.0 |
| TOTAL | 24 | 15,849.0 |

^a With the Bank acting as Executing Agency.

For most of its technical assistance projects financed from other sources, the Bank acts as Executing Agency. Such projects were financed in 1987 by agencies including the United Nations Development Programme (UNDP) and the Governments of Netherlands, Norway and Switzerland. For the preparation of agricultural projects, the Bank also continued to cooperate with organizations such as the Food and Agriculture Organization/Investment Centre (FAO/IC), the International Rice Research Institute (IRRI) and the International Irrigation Management Institute (IIMI).

The importance of technical assistance to the Bank's overall lending program is highlighted by the fact that, as of the end of 1987, 352 Bank loan projects amounting to \$10 billion had resulted from earlier project preparatory technical assistance grants amounting to \$72.6 million (the total amount of project preparatory technical assistance approved was \$244 million). In 1987, 25 Bank loan projects totalling \$1,127 million resulted from earlier technical assistance. Of this amount, \$454.4 million came from OCR and \$672.3 million from ADF, representing 31 per cent and 70 per cent, respectively, of total loans approved during the year from these sources.

Regional technical assistance grants in 1987 amounted to \$7.5 million for 39 projects compared with \$7.4 million for 33 projects in 1986. During the year, 29 per cent of the total amount for regional activities went to training; 34 per cent to studies and workshops; 21 per cent to research; 14 per cent to conferences and seminars and 2 per cent to other activities. In 1987, 101 grant-financed technical assistance projects were completed, bringing the total number of such projects completed to 751.

Loan-Financed Technical Assistance

During 1987, technical assistance components of loans included \$2.2 million for project preparation activities, a sharp decrease of 68 per cent from 1986, and about \$99 million

for project implementation and advisory technical assistance activities, an increase of 18 per cent over the previous year.

Group A (low-income) DMCs received about 35 per cent of the total amount of loan-financed technical assistance approved in 1987 compared with 42 per cent during 1986. Group B (middle-income) DMCs received 59 per cent, compared with 53 per cent in 1986, and Group C (higher-income) DMCs received 6 per cent in 1987 compared with 5 per cent in 1986.

The sectoral distribution of the total amount of loan-financed technical assistance approved in 1987 included 46 per cent to the agriculture sector and 39 per cent to transport and communications. This was followed by 10 per cent to energy, 3 per cent to industry and non-fuel minerals and 2 per cent to social infrastructure.

Total Volume of Technical Assistance

By the end of 1987, the Bank's technical assistance had been provided for 1,706 projects and regional activities in 29 DMCs and totalled \$1.7 billion. Of that assistance, about 75 per cent was financed by Bank loans and 17 per cent by grants financed by the Bank and other sources but executed by the Bank. The remaining 8 per cent was financed and executed by other sources under co-financing arrangements.

As of the end of 1987, 41 per cent of cumulative technical assistance to DMCs had been provided to Group A DMCs, 51 per cent to Group B DMCs and 8 per cent to Group C DMCs. Among Group A DMCs, 21 per cent of the total amount of technical assistance provided went to six least-developed countries (Afghanistan, Bangladesh, Bhutan, Lao PDR, Maldives and Nepal). Two per cent of the total went to Group A DMCs in the South Pacific (Cook Islands, Kiribati, Solomon Islands, Tonga, Vanuatu and Western Samoa).

The sectoral distribution of the total amount of technical assistance provided to DMCs during 1987 is 41 per cent to agriculture and agro-industry, 19 per cent to social infrastructure, 17 per cent to the energy sector, 16 per cent to transport and communications, 5 per cent to industry and non-fuel minerals, including development finance institutions and 2 per cent to the multisector and others.

Training and Institutional Development

Human resources development is a prerequisite to socio-economic growth in developing countries. In recognition of this, the Bank emphasizes education and training to develop skilled manpower and also to equip key personnel with knowledge and skills required for effective job performance under its loan and technical assistance projects as well as other operational programs such as its regional seminars and workshops. Efforts to enhance scientific literacy and accelerate technological advancement in its DMCs are also supported by the Bank.

In 1987, the Bank approved 48 loan projects of which 19 had education and training components totalling \$101.4 million. These included a loan of \$68.8 million for the Third

Vocational Education Project in Malaysia, under which about 120 teacher trainers will attend specialized training courses overseas and 150 will undergo in-country training. Appropriate staff development and training components were selectively included as an essential part of development projects in all sectors to assist the executing agencies to manage implementation effectively. In some cases, the training programs are aimed at institution-building to strengthen the beneficiary agency's capacity to fulfill its functions efficiently. For example, in Indonesia, the Third Irrigation Sector loan provides \$3.5 million for local training for extension agents, seed inspectors as well as key farmers. In the East Rapti Irrigation Project in Nepal, \$3.7 million was set aside to assist implementation and for local training in irrigation operations and maintenance.

Several methods are employed for training DMC personnel. They include offering fellowships for specific studies in countries with appropriate training arrangements (one example

of this in 1987 was the Fisheries Research and Development Project in Malaysia which contained a substantial fellowship training component); engaging specialist consultants either to conduct on-site training courses (as in the Paper Mill Project in Nepal approved in 1987) or to work with host country staff and initiate a process of on-the-job training; arranging study and observation tours for technical staff (as in the Third Vocational Education Project in Malaysia); and promoting collaborative arrangements between expatriate and domestic consultants to ensure a steady transfer of technology as part of certain projects.

In addition to supporting training components of loan projects, a total of \$3.5 million was provided for education and training in project preparatory and advisory and operational technical assistance projects during the year. Technical assistance was widely used to ascertain institutional, educational and manpower weaknesses in DMCs, and design a training response tailored to meet them. For example, the



MALAYSIAN high school girls (left) are potential beneficiaries of the vocational school being built (right) as part of the Kedah Regional Development (Sector) Project. Assisted by a Bank loan of \$45 million, the project is aimed at developing community facilities and employment opportunities in rural areas.

Fisheries Sector Economy Study in Indonesia, for which the Bank provided technical assistance in 1987, was designed, among other things, to provide training to key personnel in the fisheries sector.

Another major program of the Bank's training activities is the regional technical assistance under which specialized seminars and workshops are conducted for the benefit of the key personnel of DMCs (see page 161). The total amount expended on training components under such programs in 1987 was \$2.5 million. Some of these were designed to raise the standard of development management in the region, for example, two regional technical assistance projects provided training programs which focused on raising the development management ability of senior managers in development finance institutions in Asia and the South Pacific. One of the regional technical assistance programs enabled key personnel from various DMCs to attend the Regional Training Program in Vegetable Production and Research (Phase II) which focused on the dissemination of modern technology in vegetable production and research. A similar program also financed the participation of key officials from the Bank's South Pacific DMCs in the Statistical Manpower Training in the South Pacific. In addition, seminars on procurement, use of consultants and project implementation management were conducted in various DMCs.

In recent years, there has been an increase in projects which address central manpower issues in DMCs while others seek to provide an educational base — in major areas such as agriculture, engineering or basic science/technical education — for creating skills necessary for economic growth.

Private Sector Assistance Activities

Direct support for private enterprises increased substantially in 1987, reflecting the continuing priority accorded by the Bank to assisting the private sector in DMCs and the growing institutional capabilities of the Bank in this area. Direct loans without government guarantee to the private sector amounted to \$20.5 million, up from \$11.5 million in 1986. Approvals of equity, including lines of equity, rose to \$22.8 million¹ from \$8.2 million the previous year. The Bank also approved three equity projects amounting to \$1 million from previously approved lines of equity.

Total Board approvals of direct private sector financing (equity and loans without government guarantee) amounted to \$43.3 million² in 1987, substantially higher than the \$19.6 million in 1986. Cumulative Board approvals of such financing, less cancellations, amounted to \$67.8 million.²

The equity investments and loans approved during the year will assist six private enterprises in four DMCs, as well as a regional venture. A polyester fiber project in India, the first private enterprise in the country to be assisted by the Bank, received a loan of \$16 million and an equity investment of \$3 million from the Bank, as well as a complementary com-

mercial loan of \$5 million arranged by the Bank. A beginning in the Bank's direct private sector operations in Bangladesh was also made during the year, with the approval of an equity investment of \$1 million and a loan of \$2.5 million for a textile mill.

A loan of \$2 million, combined with an equity investment of \$0.6 million, was approved for a new leasing company in Pakistan. In addition, the Bank approved investments of \$3 million each in the equity of two young venture capital companies in the Republic of Korea. The Bank also approved two lines of equity, one for \$2 million for investment in the Republic of Korea and one for \$5 million for investment in India. Three investments totalling \$1 million were approved for relatively small enterprises — two in Indonesia and one in Pakistan — under previously approved lines of equity. A notable accomplishment of the Bank during the year was its sponsorship of a new \$100 million regional mutual fund to mobilize surplus funds in developed countries for investments in equities in DMCs. The Bank undertook to subscribe \$5 million to the fund and underwrite another \$5 million of its share issue. A technical assistance grant of \$319,000 was extended to facilitate a study of privatizing a state enterprise in Malaysia.

The Bank's equity investment operations were launched in 1983, and were supplemented in 1986 by a facility for direct lending to DMC private enterprises without government guarantee. Since then, the Board of Directors has approved, cumulatively, \$38 million of equity facilities and \$32 million¹ in loans without government guarantee. The equity approvals include lines of equity totalling \$17.25 million. These lines represent cooperative arrangements with selected financial institutions, which function essentially as the Bank's investment agents and advisors. The Bank's investment decisions under these arrangements are made on the basis of the associated institutions' project evaluation and recommendations, supplemented by Bank staff inputs where necessary. The Bank also relies on the institutions in portfolio management. These arrangements enable the Bank to provide and mobilize the flow of scarce equity funds to relatively small private enterprises, making use of the existing institutional infrastructure in the countries concerned.

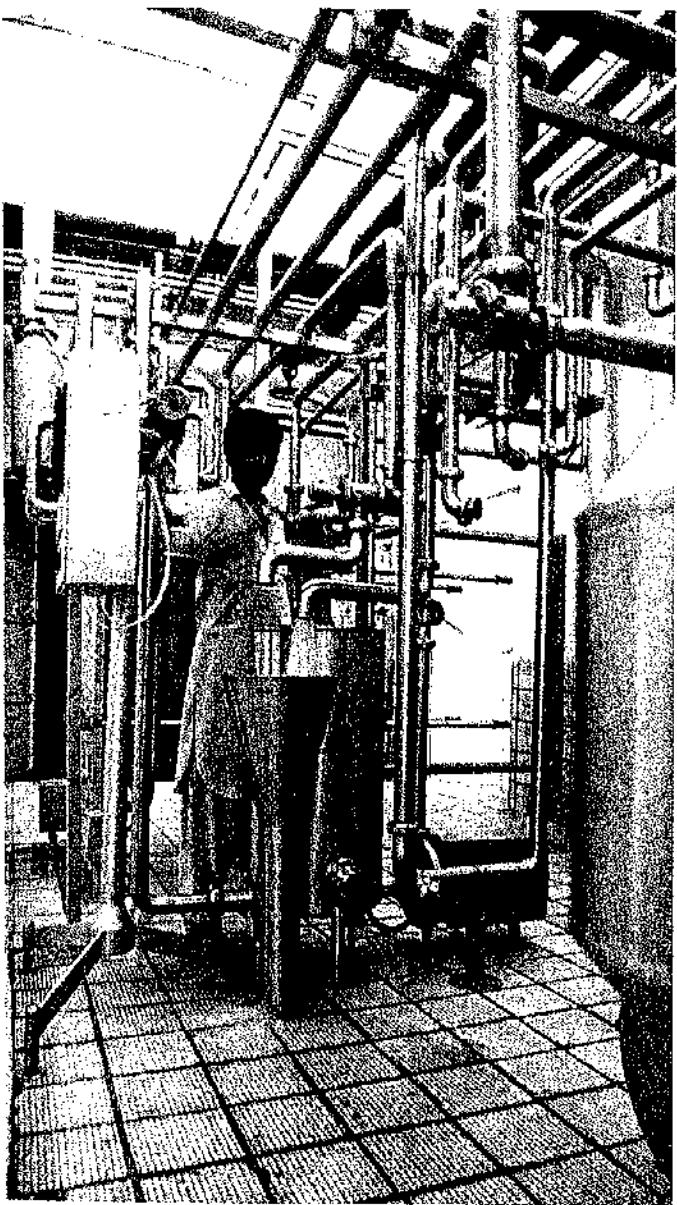
The Bank has also played a significant catalytic role in its direct assistance to private enterprises. In keeping with this role, the Bank's total assistance (equity and loan) to a single enterprise is limited to 25 per cent of the project cost, with the Bank's equity participation not exceeding 20 per cent of the beneficiary company's capital. The Bank's association with an enterprise enables it to mobilize substantial additional funding from other sources — domestic and foreign — and facilitate transfer of technology and managerial skills from abroad. The direct assistance of \$22.5 million approved by the Bank during the year to the two companies in Bangladesh and India have helped them implement projects involving an aggregate investment of \$127 million.

The Bank's support for the private sector in DMCs, however, continues to be provided largely through credit lines to selected financial intermediaries for onlending Bank funds

1 In addition, the Bank made an underwriting commitment of \$5 million in the Asian Development Equity Fund.

2 Exclusive of a complementary loan amounting to \$5 million.

1 Exclusive of a complementary loan amounting to \$5 million.



A MILK storage facility in Pakistan, one of the private sector enterprises to benefit from a \$50 million Bank credit line to the Agricultural Development Bank of Pakistan for onlending to the agro-industrial sector.

for investment by small-size and medium-size productive private enterprises. During 1987, such credit lines approved by the Bank totalled \$475 million. These included the largest Bank loan so far, an umbrella credit line of \$200 million for simultaneous use by four development banks and two commercial banks in Pakistan; a \$100 million credit line to the China Investment Bank, representing the first Bank loan to the People's Republic of China; a \$100 million credit line to an apex development bank in India for relending to a group of selected financial institutions functioning in different states of the country; another apex loan of \$15 million to a development bank in Sri Lanka to be made available to another development bank and four commercial banks; and a \$60

million second credit line to a development bank in Indonesia. These operations have enabled the Bank to enter into or continue discussions with the governments concerned on various policies relating to the development of the financial sector, including the securities market.

As part of its efforts to strengthen the institutional capabilities of financial intermediaries, the Bank approved a technical assistance grant of \$90,000 for a study to improve the loan recovery process in Indonesia, and another grant of \$350,000 for computerizing the operations and training the staff of a development finance institution (DFI) in the People's Republic of China. In addition, the Bank approved two technical assistance grants of \$60,000 and \$40,000 to help establish venture capital companies in Pakistan and Thailand, respectively. Up to \$500,000 of the loan to Sri Lanka was earmarked to finance technical assistance for setting up an Export Development Fund in the country.

On completion of the Bank's study on leasing in seven DMCs, the Bank held a workshop during October, financed by a technical assistance grant, to discuss the main study findings and recommendations and to explore other avenues for developing leasing in DMCs. Another technical assistance grant was approved for organizing a seminar on various aspects of venture capital financing in DMCs, as a follow-up to the recent Bank study of such financing in five DMCs. A third such grant approved during the year facilitated Bank sponsorship, jointly with the International Finance Corporation, of a symposium in early 1988 on the recent trends in foreign direct investment in DMCs and the near-term prospects.

Program Lending Policy

In November 1987, the Board approved a new program lending policy designed to meet medium-term sector development needs and thereby more effectively address the development and adjustment requirements of DMCs. The new policy provides quick-disbursing financial resources in support of a distinct sector adjustment program.

Program lending is not a new instrument for the Bank. Since 1978, the Bank has provided program lending by promoting increased capacity utilization through financing imported inputs. This helped solve capacity utilization problems in high-priority areas. But the new policy focuses on the implementation of a sector development program.

A sector development program will cover a varying mix of policy adjustments, improved investment programs and institutional enhancement. It will be consistent with Bank strategy for the concerned DMC and aim at achieving sectoral goals over a three to five-year period through the implementation of policy changes.

A sector development program needs to cover the full range of sector policy issues. In most sectors, the Bank will review the adequacy of producer incentives and assess the degree of sectoral reliance on market forces with a view to ensuring future adaptations to changing circumstances and efficient resource allocation. In addition, such a program will be concerned with the level and composition of the sectoral invest-

ment program as well as with recurrent expenditures to ensure the maintenance of new investments and future growth. Furthermore, the program will address the adequacy of institutional support and provide for upgrading if required. Finally, in respect to any unresolved policy areas, sector studies could be commissioned in conjunction with the loan to promote continued policy dialogue and adjustment. Technical assistance may be provided for these purposes.

Total program loans of the Bank are subject to a ceiling of 15 per cent of total Bank lending. This ceiling is to be interpreted flexibly over a three-year moving average centered on the current year to accommodate years in which DMCs could make heavy demands on the new facility.

The size of program loans will be set at a level sufficient to offer meaningful support for sector development and institutional changes and to facilitate effective policy implementation. The amount will also depend on the scope of the program, the importance of the sector and other sector-specific considerations. The size of the total lending program in the DMC may also be a factor, although there is no ceiling to the amount of program loans extended to a specific country.

Under this facility, there is considerable flexibility to meet a DMC's developmental needs. The loan proceeds are used to finance economy-wide or sector-specific import requirements on the basis of a negative or positive import list. Once loan proceeds are disbursed against imports, local currency counterpart funds are generated that may be used by the government for general development purposes or on a case-by-case basis for the developmental needs of a specific sector.

The approach to disbursement and procurement under program lending is more flexible than that for project loans. To facilitate disbursements, a liberal use of imprest accounts is recommended and liberal reimbursement will be allowed for imports incurred during a period up to 180 days before the loan becomes effective. Depending on the borrowing DMC's circumstances, the Bank may decide that a certain percentage of the loan will be disbursed through the Bank's standard commitment and reimbursement procedures. With regard to procurement, the Bank's standard ceiling of \$300,000, beyond which international competitive bidding is required, has been lifted.

In December 1987, the Bank approved the first loan under the new facility with a \$150 million Non-Oil Export Promotion Program loan to Indonesia. The loan supports Indonesia's policies to stimulate non-oil exports. These policies are part of a continuing trend towards deregulation and liberalization, with a greater role for the private sector. Under the loan, the Bank will continue its dialogue with the Indonesian Government to review the impact of policy measures already introduced and the progress in implementing further reforms.

Disaster Rehabilitation

In July 1987, the Board approved a new emergency rehabilitation facility to assist small island DMCs in rapidly restoring vital economic infrastructure and social services following damage caused by natural disasters. Stressing the

urgency of such rehabilitation measures, the Bank aims to process disaster rehabilitation loans within six weeks of receiving such a loan request and also to apply liberally its procurement and disbursement procedures.

ADF Lending Policy

In November 1987, the Board approved a number of important policy changes for the ADF V period (1987-90). These included renewing access to ADF resources to Indonesia and the Philippines, a new ADF/OCR blend policy for Pakistan and Papua New Guinea, a reduction in ADF maturity periods to 35 years from 40 years for countries with blended loans and providing access to ADF funds earmarked for TASF to the poorer DMCs.

Co-Financing

A total of 27 Bank projects were co-financed in 1987, including the first project co-financed in the private sector. The total was a small increase over the 23 projects co-financed in 1986. Contributions of co-financiers increased slightly to \$498 million in 1987 from \$492 million in 1986, with the Bank's contribution increasing to \$1,209 million from \$752 million in the same period. As of the end of 1987, 242 Bank projects had involved co-financing, with co-financiers providing about \$6.3 billion and the Bank \$8.8 billion.

While economic growth in most of the Bank's DMCs showed improvement over the previous year, domestic resource constraints and debt-service burdens continued to affect adversely co-financing activity. However, projects in sectors which are traditionally attractive to co-financiers — such as those relating to energy, including oil and gas, industry and development banks — recovered in 1987. Thirteen of the 27 co-financed projects were in these sectors. In addition, there were six co-financed projects in the agriculture and agro-industry sector, five in the transport and communications sector and three in the social infrastructure sector.

New initiatives were undertaken in 1987 to diversify both sources and recipients of co-financing funds. The conclusion of a framework arrangement with the Export-Import Bank of Japan facilitated co-financing in a number of projects. New official bilateral sources were also tapped for co-financing. Bilateral sources, namely Canada, Denmark, Federal Republic of Germany, Japan, Netherlands, Norway, Singapore, Sweden, United Kingdom and United States provided \$253 million for 12 projects. Multilateral sources — the United Nations Development Programme (UNDP), the International Fund for Agricultural Development (IFAD) and the World Bank — provided \$33 million for 11 projects. The Bank co-financed a port project in the Philippines with Singapore for the first time. This assistance is part of the Singapore Government \$5 million technical assistance package offered to the Philippine Government.

Co-financing with export credit/commercial sources increased to \$212 million, or 43 per cent of total co-financing, for seven projects compared with \$113 million, or 23 per cent,

for four projects in 1986. With continuing economic growth expected in the Bank's DMCs during 1988, co-financing from these sources should also increase as energy, power and industrial projects, deferred in the past, continue to re-emerge.

The Bank continued to mobilize external grant assistance to complement the Bank's technical assistance operations. Of the 141 grant-financed technical assistance projects totalling \$41.8 million, which were approved in 1987, \$15.8 million for 24 projects was financed by external sources. The assistance was provided by UNDP and the Governments of Netherlands, Norway and Switzerland.

The Bank is actively considering a guarantee facility to provide additional resources from private financial institutions to co-finance projects in the Bank's lending programs. Such resources, under the Bank's guarantee, are expected to have more favorable terms than would otherwise be available to DMCs from these institutions.

Development Resource Center Activities

Activities of the Bank as a Development Resource Center, which include disseminating information and assisting in the strengthening of institutions and policy frameworks among its DMCs, were further extended in 1987.

Due to significant changes in the international economic environment, many DMCs gave high priority to effective resource mobilization, efficient resource allocation and investment activity. Continued policy dialogue between the Bank and its DMCs led to a better appreciation of these needs and how to cope with them. The Bank's research programs were also geared to understanding, and coping with, changed circumstances.

In 1987, the Bank carried out an analysis of energy issues in ASEAN at the request of ASEAN Energy Ministers and provided research support to the minerals and energy activities of the Pacific Economic Cooperation Conference in Seoul. Additionally, the Bank organized a Regional Energy Data Workshop jointly with the International Energy Agency and published *Energy Policy Experiences of DMCs and Energy Indicators of Major Developing Member Countries of ADB*.

The Bank's Economic Staff Papers and the Economics Office Report Series widely disseminated the research findings in national issues such as *Agricultural Price Policy in Nepal*, *The Implications of Falling Commodity Prices for Agricultural Strategy in the Philippines and Factors Influencing the Choice of Location: Local and Foreign Firms in the Philippines* and international issues such as *Domestic Adjustment to External Shocks in Developing Asia and Determining Irrigation Charges: A Framework*.

The development of economic analysis and personnel training were promoted through Bank programs in selected DMCs. For example, technical assistance has been provided for the development of national accounts in Western Samoa and Vanuatu and programs for statistical training in the South Pacific DMCs. In addition, there are programs for the construction of quarterly national accounts in Indonesia and the improvement of short-term economic policy analysis in Thailand.

Studies were also completed on the *Role of Fertilizer Subsidies in Agricultural Production: A Review of Selected Issues*; *Financing of Public Sector Development Expenditure in seven DMCs* and on *Demographic-Economic Forecasting: Pilot Study for Thailand*. Research programs were ongoing in a *Study of Selected Industries of DMCs*; *Informal Credit Markets*; *Small and Medium-Scale Manufacturing Industries* and on *Human Resources in Relation to Development*. In addition, ongoing programs included the *Industrial Future Study*; *Structural Change to 2000*; and *Foreign Barriers to Exports of DMCs*. At the international level, the Bank continued its participation and contribution to the LINK project, coordinated by Nobel Laureate Lawrence Klein.

The *Asian Development Review* continued to disseminate widely contributions by renowned writers and Bank staff on development issues. The Bank's Distinguished Speakers Program provided a forum for international experts to address Bank staff and other concerned individuals.

Research and training programs and seminars continued to be organized in collaboration with national, regional and international institutions. Such programs were organized in 1987 with the Asian-Pacific Bankers Club, the International Energy Agency, the International Finance Corporation, the Pacific Trade and Development Conference, the East-West Center, the Economic and Social Commission for Asia and the Pacific, the Association of Development Financing Institutions in Asia and the Pacific and the Association of Development Financing Institutions in the Pacific. Greater stress was placed on collaboration with national institutes as a means of drawing on available expertise, strengthening institutional structures and focusing further attention on important development issues.

The Fifth Annual ADB Development Round Table was convened on "The Role of the Public Sector in Development". This brought together distinguished resource persons, technocrats and policy advisers from the Bank's DMCs to discuss issues of topical and practical interest.

Poverty Alleviation

The Bank gives high priority in its lending operations to the improvement of living conditions of the rural and urban poor in Asia and the Pacific. Although progress has taken place in the conditions of the poor, poverty is still widespread in many lower-income DMCs and there are "poverty pockets" even in some more advanced DMCs. High population growth rates in many DMCs have eroded progress in poverty alleviation. Furthermore, economic adjustment problems which many DMCs have faced in recent years have complicated the fight against poverty. Such adjustments have involved substantial human costs, especially among the poor and underprivileged. The Bank's new Program Lending Policy, which was approved by the Board in November 1987, is designed to support sector adjustment programs which take into account the needs of the poor during the adjustment period.

The Bank addresses poverty in two different ways. First, the Bank is required by its Charter to give special attention to the needs of the poorer DMCs, thus contributing to a more



balanced income distribution within the region. In 1987, Bank lending from concessional resources — the Asian Development Fund (ADF) — was 51 per cent higher in nominal terms than in 1986. The share of ADF lending to overall Bank lending rose to 39 per cent in 1987 from 32 per cent in 1986. Eighty-five per cent of ADF funds went to the Bank's low-income DMCs (Group A countries). The largest recipients were Pakistan (\$292.6 million), Bangladesh (\$265.7 million), Sri Lanka (\$106.3 million) and Nepal (\$91.3 million).

Second, the Bank seeks to alleviate poverty within its DMCs through emphasizing economic growth and the efficient use of resources. This approach has contributed to the creation of larger employment opportunities, higher average incomes and has helped create additional revenues for governments

to use for improving the welfare of the poor. However, experience has shown that while efforts to increase growth will ultimately lead to an improvement in living standards, there is also a need for a more direct assault on poverty. The Bank, therefore, while continuing to focus on projects which promote growth, also continued to finance projects aimed at increasing productivity of the poorest farmers and expanding the social and physical infrastructure in the less developed regions.

The Bank has given high priority to attacking rural poverty. Projects in agriculture, rural development, irrigation and fisheries in seven DMCs (Bangladesh, Indonesia, Malaysia, Nepal, Pakistan, Papua New Guinea and Solomon Islands) approved in 1987 will contribute to increased agricultural production, higher incomes and new employment opportunities. It is estimated that in Pakistan about 78,600 farm households will benefit from the Chashma Right Bank Irrigation, the Chitral Area Development and the Second On-Farm Water Management Projects, all approved during the year. These projects, together with the Fruit and Vegetable Marketing Project, are expected to create about 25,000 additional permanent jobs and another 43,000 person-years seasonal employment opportunities. Similarly, the East Rapti Irrigation Project in Nepal will benefit about 7,200 farm families and the Hill Fruit Development Project will increase the incomes of about 20,000 fruit growers.

The Bank also goes beyond direct agriculture-related projects to benefit the poor in rural areas. In physical infrastructure, the Bank financed highway projects in Bangladesh, Indonesia, Republic of Korea, Lao PDR and Sri Lanka which are mainly geared towards improving or expanding rural roads and highways. During construction, these projects will generate more than 64,000 person-years of employment and upon completion contribute to the socio-economic development of the affected regions. In social infrastructure, the Third Health Project in Pakistan will provide access to the national health delivery system in remote rural areas for more than four million people. In the field of energy supply, under the Brahmaputra Gas Transmission and Distribution Project in Bangladesh, low-cost gas will be made available to about 170,000 households in one of the country's least developed areas.

Another way of assisting small farmers and entrepreneurs is to provide credits channeled through DFIs or other suitable intermediaries. Such loans contribute to maintaining existing jobs and creating new ones, thus helping to reduce unemployment and stabilizing the income of urban and rural workers during economic adjustment periods. In 1987, the Bank approved loans totalling \$499 million to five DFIs in People's Republic of China, India, Indonesia, Pakistan and Sri Lanka. These loans will help increase production and employment in the small-size and medium-size industries. It is estimated that more than 82,000 jobs in industry and agro-processing will be created. In addition, about 9,000 farmers in Nepal will be provided with agricultural credit through the Bank's fifth loan to the Agricultural Development Bank of Nepal.

Other projects approved in 1987 aim at improving the quality of life of the urban population, including the poor. In Bhutan, the Bank is financing an Urban Centers Sewerage

Project which will improve the urban environment, improve health conditions and will ultimately bring sewerage facilities to about 42,000 persons. In the Republic of Korea, the Tenth Water Supply Project and the Fourth Sewage Treatment Project will benefit an urban population living in relatively poor areas.

Women in Development

In January 1987, the Bank recruited a Project Specialist to serve as a focal point for the Bank's efforts in promoting women in development (WID) and to coordinate and monitor the implementation of WID policy within the Bank.

The Bank's policy on WID has four basic elements: (i) in-

creasing the awareness of gender issues among Bank staff taking into account the role and needs of women in all relevant facets of the development process; (ii) preparing country profiles and briefing papers to identify special circumstances and the socio-cultural context of individual DMCs; (iii) formulating sector-specific guidelines; and (iv) creating a gender-disaggregated data base of selected socio-economic indicators to facilitate monitoring of women's welfare. During 1987, progress was made in all these areas.

Work has begun to achieve the ultimate aim of fully integrating WID considerations in the Bank's operations. Gender issues are being addressed explicitly in country programming activities, and country briefing profiles to facilitate this process were prepared during the year for Nepal and Papua New Guinea. WID considerations are also being in-



WOMEN carry out a variety of activities in development projects such as seeding a fishpond in Nepal (left) or checking instruments in an industrial venture in the Republic of Korea (right).

corporated in the formulation of the Bank's longer-term operational strategy for each DMC. During 1987, such a study was finalized for Indonesia.

Upon completion of the sectoral guidelines and procedures giving explicit consideration to gender issues, emphasis in 1987 shifted to incorporating such considerations into individual loan and technical assistance projects at the preparatory stage. Project documents have been critically examined in accordance with sectoral WID guidelines, and components which provide income-generating opportunities and direct benefits to women have been included in two projects. The Bank's first technical assistance which specifically and exclusively addresses women entrepreneurship and contribution to production was the Study on the Role of Women in Rural Industries, approved in May 1987. A number of other loan and technical assistance projects has been selected for special consideration of WID. With the gradual accumulation of information and understanding of WID issues, more integration of WID considerations in future Bank operations can be expected.

Cooperation with NGOs

Non-governmental organizations (NGOs) have traditionally been involved in socio-economic development assistance and in providing emergency relief focusing on the poor and disadvantaged groups in rural and urban areas. In particular, they assist these target groups at the grass-roots level in rural and urban areas and strive to make them more self-reliant.

Since they address the same target groups as the Bank, NGOs and the Bank complement each other in their endeavor to alleviate poverty. Closer cooperation between NGOs and the Bank is a desirable goal.

Recognizing the important role played by NGOs, the Bank established a policy framework for cooperation with NGOs, which was approved by the Board of Directors in July 1987. The Bank's aim is to benefit from the experience of NGOs in four broad areas with potential for expansion and cooperation: rural development, small-scale industries, social infrastructure and environmental protection.

The Bank plans to cooperate selectively with NGOs which are well established and which have experience in socio-economic activities of DMCs. Such cooperation will be based on the merits of individual cases and will require the concurrence of DMC governments. The Bank plans to work in parallel with NGOs to ensure that their separate identities are in no way threatened.

In October 1987, the Bank co-sponsored the Second World NGO Symposium in Nagoya, Japan, held under the auspices of The Organization for Industrial, Spiritual and Cultural Advancement (OISCA), a Japanese NGO, the Symposium presented an excellent opportunity for the Bank to explain new policy measures to a large number of NGOs and DMC governments. The Bank also actively liaised with the newly-created NGO Division in UNDP to coordinate activities in this field.

The Chitral Area Development Project in Pakistan, approved in August 1987, was designed on the basis of close

collaboration and cooperation with the Aga Khan Rural Support Programme, an NGO with considerable expertise in the project area.

A technical assistance grant to Indonesia presented another case of Bank-NGO cooperation. In this case, the Bank is helping to improve the efficiency of irrigation and management systems and facilitate the turnover of irrigation system responsibilities from Government to farmers in selected areas of West Java and West Sumatra. For this purpose, the Bank, jointly with the Ford Foundation and the International Irrigation Management Institute, is providing \$970,000 towards the study. Of this, the Ford Foundation and IIMI will provide \$300,000 and \$70,000, respectively, under a cost-sharing arrangement.

During the year, the Bank has also begun discussions with several NGOs in the fields of environmental protection, rural credit expansion and rural development. These efforts are expected to mature into loan and technical assistance projects in future.

Aid Coordination

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

The Bank organized the Ninth ADB-World Bank Coordination Meeting in April 1987 at the time of the Bank's 20th Annual Meeting. In addition, the President attended the meeting of Heads of Multilateral Financial Institutions and the Development Committee Meeting in Washington, D.C. in September-October 1987 and had consultations with the President of the World Bank.

The United Nations Development Programme (UNDP), an important source of grant assistance for the Bank's lending and technical assistance operations, further increased its level of assistance. UNDP provided \$14 million for 17 technical assistance projects including \$7 million for the technical assistance component of eight loan projects. These levels are the highest so far in Bank operations. The Bank was represented at UNDP's Governing Council Meeting and Inter-Agency Consultative Meeting, and contacts between Bank staff and UNDP resident offices improved greatly. These contacts have facilitated cooperation and resulted in a number of projects being co-financed with the Bank. The Bank also cooperated with the Economic and Social Commission for Asia and the Pacific (ESCAP) to hold a Workshop on the International Comparison Project in October 1987 in Bangkok.

Annual consultation continued with the Islamic Development Bank, where information on policy and organizational evolution of both institutions was exchanged. The Bank also held consultations with the International Fund for Agricultural Development (IFAD) during the year and entered into a co-financing arrangement with IFAD in the Chitral Area Develop-

ment Project in Pakistan.

In June 1987, the Bank signed a framework agreement with the Export-Import Bank of Japan, under which the Eximbank would make available untied funds to DMCs through co-financing arrangements with the Bank. The facility would provide long-term loans at a cost slightly below the market rate of interest. It is part of Japan's efforts to recycle its balance-of-payments surplus.

The Bank participated regularly in aid group meetings where aid agencies meet with government representatives to discuss economic and social developments in DMCs, external financing and coordination. In 1987, the Bank participated in aid group meetings for Bangladesh, India, Indonesia, Pakistan, Philippines and Sri Lanka, and in the special donors meeting for Sri Lanka.

Since the establishment of the Bank's Bangladesh Resident Office (BRO) in 1982, the Bank has actively participated in various local consultative group meetings convened by the World Bank. In addition, regular meetings on the railway sector have been convened by BRO with other agencies where the Bank assumes a lead role. Regular monthly meetings with UNDP on the processing of technical assistance projects have also facilitated the Bank's operations.

The opening of the Indonesia Resident Office (IRO) in July 1987 led to its participation in *ad hoc* aid coordination meetings convened by various aid agencies, primarily to ex-

change views on programs and to coordinate on project-related activities. In particular, IRO initiated extensive discussions with OECF and the Eximbank of Japan to facilitate the Bank's operations in the country.

The South Pacific Regional Office (SPRO) in Port Vila, Vanuatu, continues to maintain close liaison with agency representatives in various South Pacific developing member countries (SPDMCs). Bank missions from SPRO frequently consult with these representatives in the field on development issues.

A highlight of the year was the Bank's Symposium-cum-Workshop on Country Development Strategies for the Bank's SPDMCs, held in Auckland in August. The Symposium, which was opened by President Fujioka and attended by representatives of all SPDMCs and various donors, was designed to review the recent changes in the development environment, reassess the collective and individual requirements of the SPDMCs and, if required, readjust the Bank's role accordingly. The exchange of views at the Symposium was extremely valuable in providing the participants with a greater understanding of the development problems of the SPDMCs. It also highlighted the Bank's concern to assist, the role of the Bank and other donor agencies and indicated possible areas of mutual cooperation. The Symposium is expected to enhance further donor coordination in the region.



FISI I market at Navotas, just north of Manila, in the Philippines. The Fisheries Port Project was supported by the Bank with a loan and technical assistance totalling \$5.9 million.

COUNTRY ACTIVITIES

Introduction

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

Bangladesh

Operational Strategy: The Bank's operational strategy for Bangladesh focuses on a broad overview of priority sectors with the objective of ensuring balanced investments and alleviation of bottlenecks to growth. Highest priority is accorded to agriculture, followed by energy, physical infrastructure, social infrastructure and industry. At the same time, the Bank is prepared to assist Bangladesh in emergencies. After the floods in 1987, the Bank quickly began processing two flood restoration loans to assist the Government in rehabilitating irrigation schemes, roads and railways.

In the agriculture sector, rural development is promoted within the context of increased food production and a concomitant increase in employment and farmers' incomes. Bank assistance is also directed at agricultural diversification. This includes crops other than foodgrains, livestock, fisheries and forestry. Provision of agricultural credit and assistance for basic agricultural infrastructure in support of this strategy are also emphasized. In the energy sector, the Bank is concentrating on the development of known gas fields and related gas transmission and distribution facilities as well as power generation, transmission and distribution. Increased emphasis is also given to the development of new energy resources including oil and coal. Bank assistance in physical infrastructure is

directed at the transportation sector, mainly road and port facilities, which are presently inadequate to support economic development. In social infrastructure, the Bank is concentrating on education and improvements to public health through safe water supply, environmental conservation and upgrading of health facilities. Bank involvement in the health and population sector has been mainly complementary to larger-scale programs of other donors. In the industry sector the Bank is primarily concerned with the promotion of private industrial investments through development finance institutions (DFIs) and with institutional improvements.

The policy focus of the Bank's operational strategy for Bangladesh is on adequate pricing and payment for goods and services which should contribute to domestic resource mobilization. The Bank is also seeking to enhance economic efficiency by enlarging the scope of the market forces and the private sector. Likewise, emphasis is given to the operation

Cumulative Bank Lending to Bangladesh

(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|--------------------------------|-----------------|------------------------------|-------|
| Agriculture and Agro-Industry | 37 | 1,046.91 ^a | 47.7 |
| Energy | 14 | 613.35 | 28.0 |
| Transport and Communications | 7 | 286.30 | 13.0 |
| Development Banks | 6 | 107.60 | 4.9 |
| Education | 3 | 66.50 | 2.6 |
| Health and Population | 2 | 43.10 | 2.0 |
| Industry and Non Fuel Minerals | 3 | 24.50 | 1.1 |
| Water Supply and Sanitation | 1 | 14.40 | 0.7 |
| Total | 73 | 2,192.69 | 100.0 |

^a Adjusted to include \$2.65 million additional Bank financing due to change in financing arrangements for the Second Aquaculture Project



ENGINEERS monitoring gas flows at the Second Natural Gas Development Project in Bangladesh for which the Bank has provided a \$103.8 million concessional loan.

and maintenance of development projects as well as their rehabilitation.

The Bangladesh Resident Office (BRO) started functioning in July 1982. A five-year review conducted in 1987 concluded that BRO had effectively discharged its major function of facilitating project administration and had also contributed to increased disbursements. It had also played a useful role in implementing Bank strategy including country programming and local aid coordination.

Loans and Technical Assistance: In 1987, Bank lending to Bangladesh amounted to \$265.7 million for four loans — one each in the agriculture, energy and transport and communications sectors and one to a private sector enterprise without government guarantee — from ADF compared to \$88.4 million for three loans in 1986. Local currency financing of \$78.7 million was provided for two projects. Co-financing amounted to \$22.4 million, of which \$18 million was arranged with the Federal Republic of Germany for a power project approved in 1983; \$1.2 million with UNDP for consultant services for a road project; \$2.5 million with the United Kingdom and \$680,000 suppliers' credit for a textile

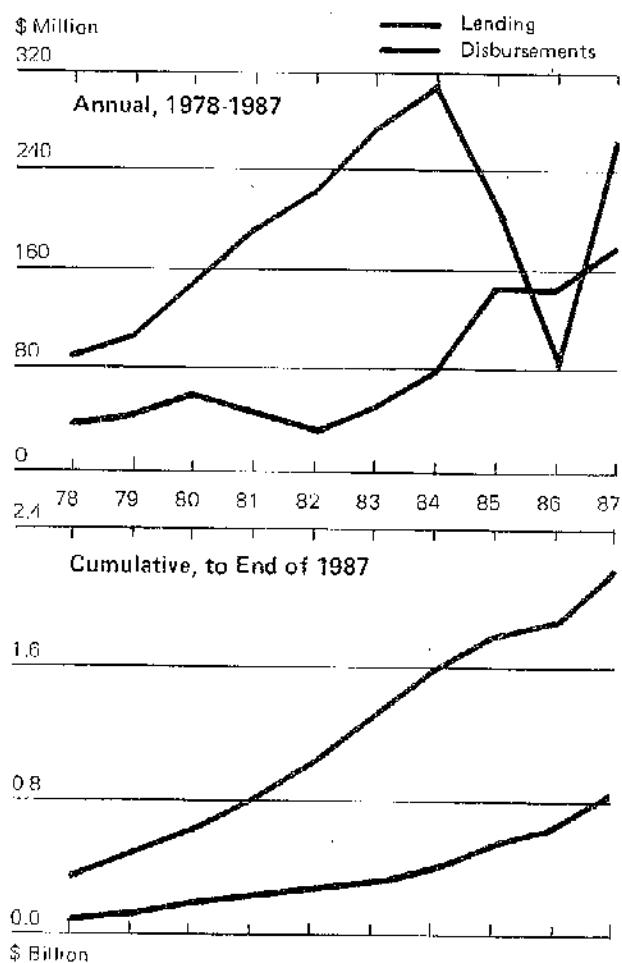
mill project in the private sector.

The Agricultural Inputs Program loan will provide the Government with necessary foreign exchange for importing diesel fuel and pesticides sustaining foodgrain production. The Brahmaputra Basin Gas Transmission and Distribution Project will extend gas transmission and distribution networks in one of the least developed areas of the country. The Road Improvement Project will help reduce constraints on and increase the efficiency of road transport through the improvement of selected portions of national roads. The loan to the private sector is to Padma Textile Mills Ltd. for assisting in establishing a textile mill in the country.

Eight project preparatory technical assistance grants amounting to \$1.6 million were also approved in 1987. Of these, three grants totalling \$979,000 were provided by UNDP and one, for \$179,000, was co-financed by the Government of Norway. The Bank also approved three advisory technical assistance grants for \$4.9 million financed by UNDP, one each in the education, roads and development banks sectors.

As of 31 December 1987, the Bank had approved 73 loans to Bangladesh amounting to \$2,192.7 million for 66 projects. Of this amount, \$11.4 million was from OCR and \$2,181.3

Bangladesh: Lending and Disbursements



million from ADF. The Bank had also provided technical assistance amounting to \$42.6 million for 93 projects of which 39 had resulted in Bank loans.

Project Implementation: Of the 73 loans (including one Special Assistance loan) approved for Bangladesh as of 31 December 1987, 29 had been completely disbursed and 44 were under administration of which five were awaiting loan effectiveness. Four loans were closed during 1987. Disbursements amounted to \$177.1 million during 1987 compared with \$142.2 million in 1986. On a cumulative basis, \$843.7 million had been disbursed as of 31 December 1987 which represents 42 per cent of the total effective loans.

In 1987, one Country Projects Review Meeting (CPRM) was held in Bangladesh to discuss problems affecting the implementation of Bank-assisted projects. The implementation problems discussed included insufficient letter of credit extension periods, slow submission of bid evaluation reports and conflicts between the Bank's procurement guidelines and government regulations. These issues are being reviewed by the concerned government agencies and they are expected to be resolved soon.

Bhutan

Operational Strategy: The long-term objectives of Bank lending and technical assistance operations in Bhutan are to help strengthen administration, promote the development of physical and social infrastructure and assist the process of economic diversification through a gradual transformation of Bhutan's subsistence agriculture into more market-oriented agricultural production and development of selected export-oriented industries utilizing indigenous raw materials. These objectives take into account the present stage of development and economic potential. The Bank's institutional support includes the strengthening of key ministries such as the Ministries of Agriculture and Finance, and the setting up of a new DFI.

Loans and Technical Assistance: During 1987, the Bank approved a loan of \$3.3 million from ADF for the Urban Centers Sewerage Project for which the Danish International Development Agency (DANIDA) also provided grant co-financing of \$2.15 million. This compares with two loans amounting to \$8.8 million approved in 1986.

During the year, the Bank also approved two technical assistance projects totalling \$700,000 to help strengthen the institutional capacity of the Ministry of Agriculture and the National Urban Development Corporation. To date, Bank lending to Bhutan amounts to \$28 million in six loans and technical assistance amounts to \$7.2 million for 21 projects.

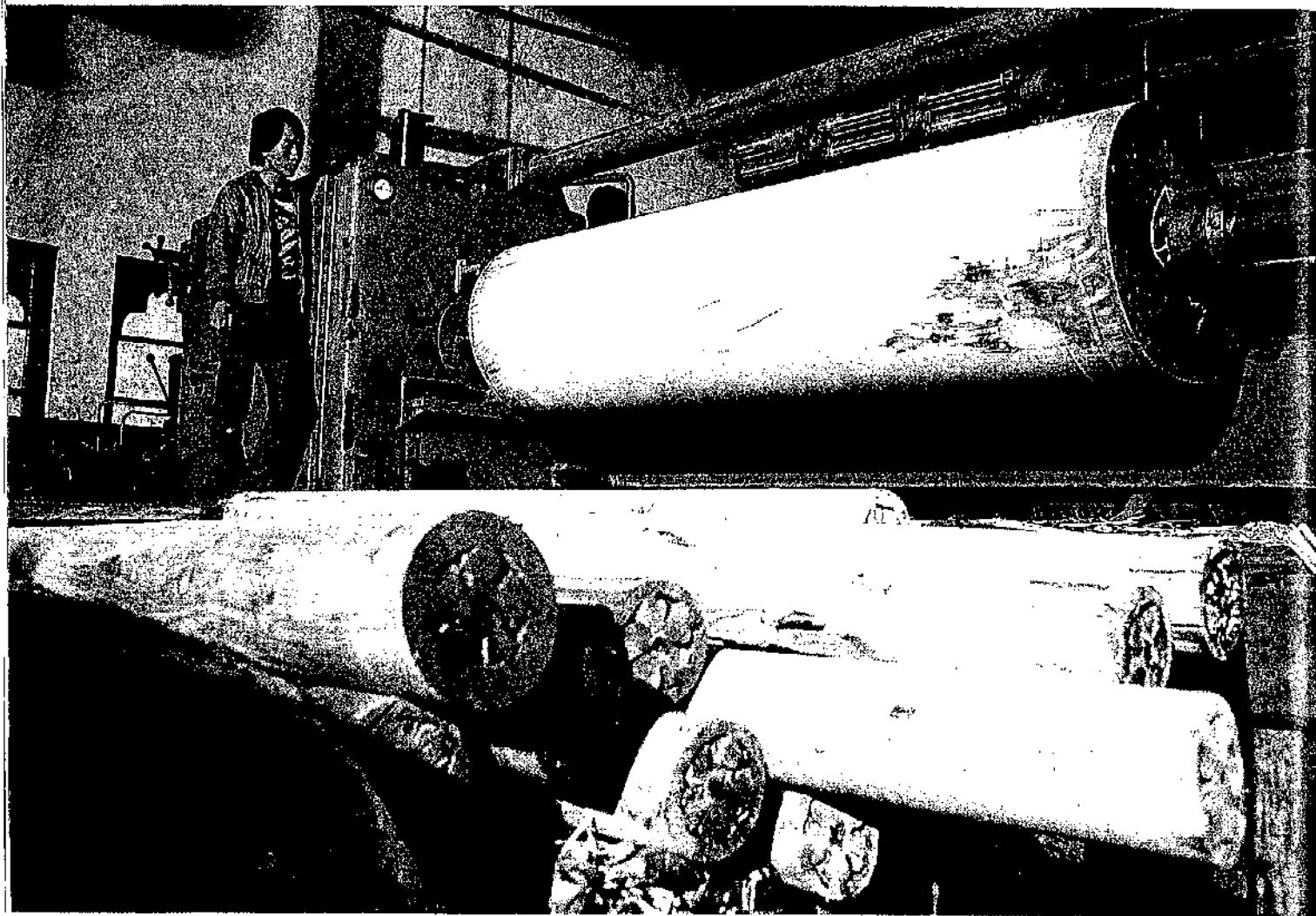
Project Implementation: All six loans approved for Bhutan are under administration. Disbursements amounted to \$3.2 million during 1987 compared with \$1.5 million in 1986. Cumulative disbursements of Bank loans at the end of 1987 amounted to \$6.3 million, or 18 per cent of the total amount of effective loans.

Projects are now being implemented in a satisfactory manner, except for the Second Multiproject, which is running behind schedule. In general, unfamiliarity of government officials with the Bank's procedures and shortage of manpower are major constraints on project implementation. To alleviate these constraints, the Bank has provided technical assistance to key agencies involved in development administration.

Cumulative Bank Lending to Bhutan

(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|-------------------------------|-----------------|------------------------------|-------|
| Multisector | 2 | 12.40 | 44.3 |
| Agriculture and Agro-Industry | 2 | 7.78 | 27.8 |
| Transport and Communications | 1 | 4.50 | 16.1 |
| Water Supply and Sanitation | 1 | 3.30 | 11.8 |
| Total | 6 | 27.98 | 100.0 |



A WOOD manufacturing operation, one of six subprojects to benefit from the Bank's \$5.1 million Multiproject loan and technical assistance to Bhutan.

Burma

Operational Strategy: In 1987, the Bank prepared a Strategy Study for Burma, on the basis of which the Bank's operational strategy is now expected to have two overall objectives: the promotion and diversification of export-oriented activities and the provision of a sound infrastructural base to support future developments in all sectors of the economy including private investment. Consistent with these objectives, Bank assistance is directed at providing appropriate support to ongoing government efforts to undertake structural adjustments to the economy. In this regard, Bank assistance is focused on the energy and agriculture sectors. Appropriate support for projects in the health, water supply and sanitation and transport and communications sectors as well as the financial sector is also provided by the Bank.

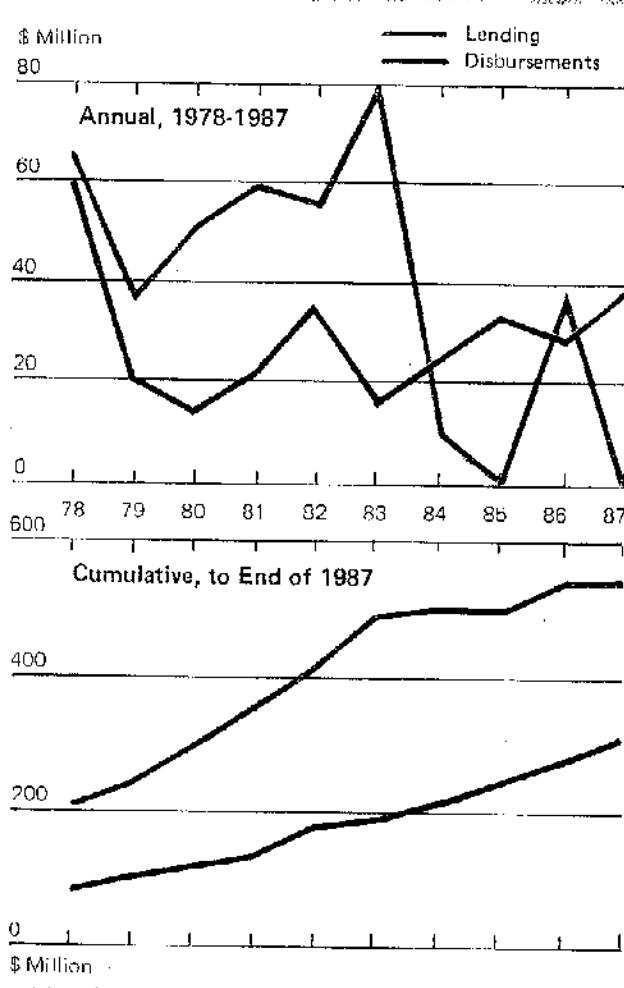
Loans and Technical Assistance: In 1987, the Bank provided two technical assistance grants for the preparation

Cumulative Bank Lending to Burma

(As of 31 December 1987)

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

Burma: Lending and Disbursements



of the Third Myanma Economic Bank Project and the Oil and Gas Development Project. In addition, the Bank provided advisory and operational technical assistance grants for a Prestressed Concrete Pipe Plant and for Institutional Strengthening for the Ministry of Energy. UNDP, with the Bank acting as Executing Agency, also provided co-financing to two technical assistance projects totalling \$650,000.

As of the end of 1987, the Bank had provided 32 loans to Burma totalling \$530.9 million, including 30 loans totalling \$524.3 million from ADF and two loans amounting to \$6.6 million from OCR. Technical assistance totalling \$10.7 million had been provided for 38 projects of which 15 resulted in Bank loans amounting to \$386.9 million. The agriculture sector accounted for about 60 per cent of total cumulative Bank lending to Burma.

Project Implementation: Of the 32 loans approved for Burma as of the end of 1987, 13 had been completely disbursed and 19 were under administration. One loan was closed during 1987. Disbursements totalled \$38 million in 1987 compared with \$28 million in 1986. Cumulative

disbursements of Bank loans at the end of 1987 amounted to \$310.9 million, or 56 per cent of the total amount of effective loans.

Notwithstanding the overall difficult economic situation the country is facing, adequate attention was paid during the year to the implementation of Bank-assisted projects in Burma. Efforts made by senior government and executing agency officials resulted in a disbursement level 35 per cent higher than in 1986. However, lengthy government procedures and requirements applicable to procurement and the acute shortage of local construction materials (diesel fuel, cement and steel) caused substantial delays in some projects.

China, People's Republic of

Operational Strategy: Noting the economic transition underway through reforms and adjustments of existing systems in the People's Republic of China (PRC), the Bank's operational strategy is aimed at supporting ongoing reforms through a two-pronged approach. On the one hand, it has a basic focus on the industry (including export-oriented agro-industry) and energy sectors with an eye on the infrastructure sector. On the other hand, the Bank is also helping to improve the institutional capability of relevant government agencies. In the PRC's goal of attaining the status of a middle-income country by the turn of the century, both the industry and energy sectors have important roles to play. Yet both sectors have a number of bottlenecks. The industry sector suffers from low productivity, backward technology and growing product obsolescence. The energy sector is characterized by a high energy/GNP ratio, inadequate power capacity generation and inefficient transmission. The Bank's strategy in the industry sector is to support the Government's aim of industrial modernization and in the energy sector is to promote energy conservation, capacity addition and efficient transmission. The Bank's involvement in the infrastructure sector will be on a selective basis and will aim at supporting the industry and energy sectors.

To help the Government shift from its traditional role of exercising direct administrative control over economic activities to relying more on indirect macroeconomic instruments, the Bank will also endeavor to strengthen the institutional capability of relevant government agencies. The aim is to help the agencies adjust to the new approaches of economic management.

Cumulative Bank Lending to People's Republic of China

(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|-------------------|-----------------|------------------------------|-------|
| Development Banks | 1 | 100.00 | 75.0 |
| Energy | 1 | 33.30 | 25.0 |
| Total | 2 | 133.30 | 100.0 |

ment and to enable them to use effectively new macroeconomic tools in addressing issues and evaluating economic programs and policies. Geographically, Bank operations initially will focus on the country's eastern region, which is the country's industrial and agricultural heartland.

Loans and Technical Assistance: The Bank began lending to PRC in 1987 with two loans amounting to \$133.3 million. The first loan, of \$100 million to the China Investment Bank (CIB), is aimed at financing technologically advanced machinery and equipment required for the modernization of medium-size and small-size industrial enterprises. The second loan of \$33.3 million for the Fuel Conversion Project supports the Government's policy of switching fuel for power generation to coal from oil so that oil can be spared for export earnings.

In 1987, the Bank also provided \$1.4 million in technical assistance for five projects. Of this, project preparatory technical assistance amounted to \$302,000 for the Lai-Wu Iron and Steel Mill Modernization and Expansion Project and the Hexian Pulp Mill Project. The remaining three advisory and operational technical assistance, one each for CIB, Huaneng Power Generation Corporation (HNPGC) and the People's Bank of China totalled \$1.1 million and are aimed at helping to strengthen their institutional capability. The technical assistance for CIB and HNPGC totalling \$750,000 were funded by UNDP and are administered by the Bank as Executing Agency.

Project Implementation: The Bank's first two loans to PRC are scheduled to become effective in early 1988. To lay the groundwork for the implementation of these projects, officials from the executing agencies of these projects have visited the Bank to familiarize themselves with the Bank's policies and procedures. One official attended the 13th Regional Seminar on Project Implementation Management held in November 1987. A briefing session for suppliers and contractors on the Bank's procurement procedures was also held in PRC during the year.

Fiji

Operational Strategy: The Bank supports the Government's long-term objectives of economic growth and employment generation. This will be achieved by focusing Bank lending and technical assistance activities on increasing productivity and diversifying the country's economic base as well as by developing supportive infrastructure. The Bank's strategy also emphasizes increasing the role of the private sector in economic development. Sectorally, Bank assistance will be directed at developing transportation facilities and the energy sector and lending to the private sector directly or indirectly through development finance institutions. After the political developments of 1987, Fiji's economy received a setback. The Bank's strategy will, therefore, also emphasize short-term recovery. Accordingly, in the energy sector, higher priority will be accorded to power distribution projects in order to facilitate the utilization of the available surplus hydropower.

Loans and Technical Assistance: No loans or technical assistance were approved to Fiji in 1987. Cumulatively, as of year-end, the Bank had approved eight loans amounting to \$60.5 million for eight projects. The energy sector accounted for about two-thirds of cumulative Bank lending to the country. In addition, technical assistance totalling \$2.36 million was provided for 16 projects of which seven were for project preparation and nine were advisory and operational in nature.

Cumulative Bank Lending to Fiji

(As of 31 December 1987)

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

Project Implementation: Of the eight loans approved for Fiji, five had been completely disbursed and three were under administration at the end of 1987. One loan was closed during 1987. Disbursements totalled \$2.9 million in 1987 compared with \$3.3 million in 1986. Cumulative disbursements of Bank loans at the end of 1987 amounted to \$48.1 million, or 80 per cent of the total amount of effective loans.

Implementation of Bank-financed projects has generally been satisfactory, although the most recently approved project — Sigatoka Valley Rural Development Project approved in May 1986 — is likely to be adversely affected by resource constraints due to post-coup developments.

India

Operational Strategy: The rapid industrialization of India's economy is one of the Government's most important objectives, and the Bank's operational strategy is to assist in this process. The Bank provides finance for projects aimed at improving the structure of the industrial sector, increasing its share of GDP, export earnings and employment, and making more efficient use of productive capacity. Priority is given to industries that can play a major role in the modernization of the industrial sector and in stimulating growth in other sectors, with particular emphasis on the private sector. Bank assistance is also aimed at the removal of bottlenecks to industrial development, especially in power, transportation and communications.

Cumulative Bank Lending to India

(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|--------------------------------|-----------------|------------------------------|-------|
| Transport and Communications | 2 | 277.60 | 43.1 |
| Development Banks | 2 | 200.00 | 31.1 |
| Energy | 1 | 150.00 | 23.3 |
| Industry and Non-Fuel Minerals | 1 | 16.00 | 2.5 |
| Total | 6 | 643.60 | 100.0 |

Loans and Technical Assistance: In 1987, the Bank made four loans from OCR, including one loan to the private sector without government guarantee, totalling \$393.6 million, bringing cumulative lending to India — which began in 1986 — to \$643.6 million. One loan of \$100 million was to the Industrial Development Bank of India (IDBI) for onlending via state financial corporations to small-scale and medium-scale industries in the private sector; this was the Bank's first-ever apex loan. The other loans were \$87.6 million for a project to improve container-handling facilities at Calcutta, Cochin and Madras; \$190 million for a project to augment rail freight capacity by the provision of electric locomotives, including technology transfer, and upgrading of facilities and equipment; and a \$16 million loan for a project to provide yarn production facilities. For the Ports Development Project, the Bank is financing \$19.7 million of local costs. Local cost financing, estimated at around \$30 million, is also being provided under the loan to IDBI — the first time that the Bank has done so for a DFI project.

The loan for yarn production facilities was to DCL Polyesters Ltd. which was also provided with an equity investment of \$3 million and a \$5 million complementary loan arranged by the Bank. In addition, the Industrial Credit and Investment Corporation of India (ICICI) was granted a line of equity of \$5 million for investments in private enterprises.

Project Implementation: Of the six loans approved for India by the end of 1987, all were under administration and four were awaiting loan effectiveness. Disbursements totalled \$11.6 million in 1987, which is 4.6 per cent of the total amount of effective loans.

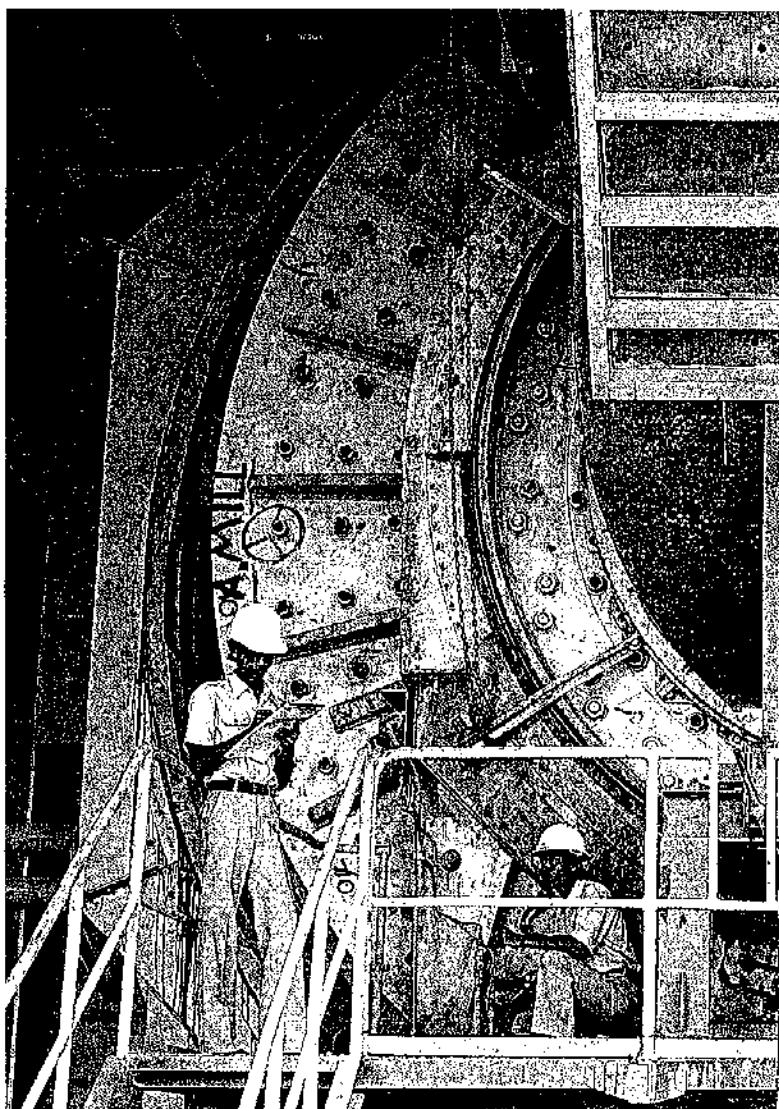
Utilization of the line of credit to ICICI and implementation of the North Madras Thermal Power Project, both approved in 1986, are on schedule. Implementation of the four projects approved in 1987 is scheduled to commence in early 1988.

Indonesia

Operational Strategy: The Bank's operational strategy, formulated in 1987, supports the efficient adjustments needed to transform an oil-dependent economy into one that is more

diversified and export-oriented, while promoting more labor-intensive development. Broadly, this strategy includes addressing policy issues on non-oil exports, continuing to support key agricultural subsectors and programs, forging an increasingly direct role for the Bank in the industrial sector and being selectively involved in the physical and social infrastructure projects needed to improve productivity and diversify energy-resource development.

On a sectoral basis, the Bank strategy in agriculture supports the Government's efforts to diversify the agricultural base and optimize resource use. In the energy sector, the Bank supports the Government's plan to reduce the country's dependence on oil by developing non-oil and renewable resources and to improve the operating efficiency of the National Power Utility. In the industrial sector, the Bank strategy supports resource-based and labor-intensive industries with good export potential, particularly the small and medium industries subsectors. Bank assistance to education and



HEAVY machinery is a component of the Baturaja Cement Project in South Sumatra, Indonesia, which the Bank assisted with a \$60 million loan.

| Cumulative Bank Lending to Indonesia (As of 31 December 1987) | | | |
|--|-----------------|------------------------------|-------|
| Sector | Number of Loans | Amount of Loans (\$ million) | % |
| Agriculture and Agro-Industry | 57 | 1,632.82 | 37.5 |
| Transport and Communications | 18 | 773.86 | 17.8 |
| Energy | 19 | 713.05 | 17.1 |
| Education | 11 | 404.00 | 9.3 |
| Industry and Non-Fuel Minerals | 6 | 269.70 | 6.2 |
| Urban Development | 5 | 241.85 | 5.5 |
| Water Supply and Sanitation | 5 | 127.20 | 2.9 |
| Development Banks | 2 | 90.00 | 2.1 |
| Health and Population | 1 | 41.60 | 1.0 |
| Others | 1 | 25.00 | 0.6 |
| Total | 125 | 4,349.08 | 100.0 |

Institutional development in Indonesia is of special significance in view of the severely limited availability of trained and skilled manpower. On a selective basis, Bank assistance is extended to support physical infrastructure, such as ports and roads, social infrastructure projects in urban development, water supply and health and population.

During 1987, the Bank opened an Indonesia Resident Office (IRO) in Jakarta on 13 July. IRO has already begun to have an impact on project administration and loan disbursements.

Loans and Technical Assistance: Bank lending to Indonesia totalled \$576 million in 1987, compared with \$319.1 million in 1986. Of the total, \$441 million was from OCR and \$135 million from ADF. In recognition of the country's resource constraints, the Bank provided ADF financing for the first time since mid-1979 for two blended loans, one in the irrigation and one in the industries subsectors. The latter was the first program loan in Indonesia and the first program loan approved under the Bank's new program lending policy. Overall, seven loans for five projects were approved in 1987. Local cost financing accounted for \$115.5 million, and in two cases the Bank financed 80 per cent of total project cost. Two projects involved co-financing amounting to \$47.5 million from bilateral and commercial sources.

Sectorally, the industry and road subsectors accounted for about 26 per cent each of Bank lending in 1987, followed by 21 per cent for irrigation, 17 per cent for power and 10 per cent for development banks. The policy-based program loan for non-oil export promotion is aimed at supporting Indonesia's efforts to enlarge and diversify non-oil exports and regain balance of payments and budget stability in the context of the steep decline in oil export earnings and structural

adjustment to longer-term resource depletion. The road project will provide for the maintenance of national and provincial roads and replacement of bridges in selected provinces, and the irrigation (sector) loan will contribute to the further development of irrigation in three provinces, including the introduction of efficient operation and maintenance and institution building. The power sector loan will provide for the reinforcement and extension of power distribution systems in about 40 major towns outside Java to reduce high energy losses and connect new consumers. The DFI loan will augment the foreign exchange resources of the country's largest development bank to meet credit requirements of industrial projects in the private sector.

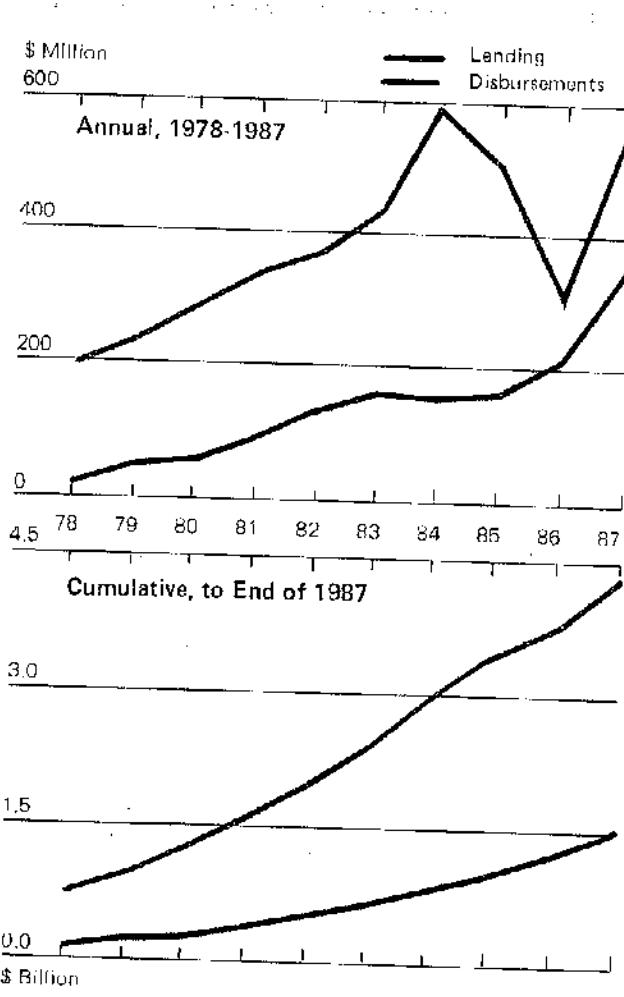
In 1987, the Bank also approved \$3.8 million in technical assistance for 13 projects, including \$300,000 co-financing for a project by the Government of Netherlands with the Bank acting as executing agency, compared with \$2.5 million for nine projects in 1986. Project preparatory technical assistance totalled \$2.4 million for eight projects, and advisory and operational technical assistance amounted to \$1.3 million for five projects. Seven of the projects were in the agricultural sector, two each in the transport and financial sectors, and one each in education and health and population. One technical assistance was co-financed under cost-sharing arrangements by a non-governmental organization, the Ford Foundation, for the amount of \$300,000.

As of the end of 1987, the Bank had approved 125 loans totalling \$4,349 million for 117 projects. Of these loans, 100 amounting to \$4,051.8 million were from OCR and 25 totaling \$297.3 million were from ADF. The Bank had also provided technical assistance totalling about \$26.8 million for 127 projects, of which 68 have resulted in Bank loans amounting to \$2,764.6 million. Bank lending activities have generally followed the Bank's operational strategy in Indonesia and the country's development plans, with agriculture accounting for more than 37 per cent of cumulative Bank lending, followed by social infrastructure (19 per cent), transport and communications (18 per cent) and energy (17 per cent).

Project Implementation: Of the 125 loans made to Indonesia, 59 had been closed and 66 were under administration at the end of 1987 of which six were awaiting effectiveness. Twelve loans were closed during 1987. Disbursements totalled \$352.4 million during the year compared with \$206.7 million in 1986. Cumulative disbursements of Bank loans at the end of the year amounted to \$1,508.8 million, or 42 per cent of the total amount of effective loans.

Project implementation during the year registered significant improvements. Three special financing facilities approved by the Bank in 1986 to assist the Government in overcoming local fund constraints had their positive impact on project implementation during the year. Further, the Special Team, established in BAPPENAS (Central Planning Agency) under the chairmanship of the Minister for Administrative Reforms in the middle of 1986, made strong efforts to speed up project implementation. In addition, measures undertaken by the Government at the suggestion of the Bank and other donors on matters relating to opening of letters of credit and preparation and submission of withdrawal applications had a favorable

Indonesia: Lending and Disbursements



impact on the accelerated use of loan proceeds. The IRO established an effective and cordial working relationship with the government authorities concerned and contributed significantly to the improved implementation results in Indonesia during the year. The Country Projects Review Meetings between the Bank and senior government officials continued in 1987 although at a reduced scale because of the establishment of IRO.

Korea, Republic of

Operational Strategy: During 1987, the Bank carried out a strategy study on the Republic of Korea which concluded that focus should continue on three major areas: balanced regional development, industrial restructuring and rationalization of energy use.

The Bank will support balanced regional development by financing physical and social infrastructure in rural areas, for example, roads, water supply and sewerage systems. These help promote a more equitable distribution of the benefits of

social and economic growth. In the area of industrial restructuring, the Bank will give priority to technology development (including support for public research and development institutes), manpower training and assistance to small-scale and medium-scale industries through investments in venture capital companies. Bank assistance for the energy sector supports the Government's efforts to promote energy conservation and to reduce the country's high dependence on imported oil through development of combined heat and power sources and pumped storage projects.

Loans and Technical Assistance: In 1987, the Bank approved three loans totalling \$133.2 million from OCR to the Republic of Korea compared with one loan of \$53 million in 1986.

Balanced regional development will be supported by the Fourth Road Improvement (Sector) loan, the Tenth Water Supply Project and the Fourth Sewage Treatment Project. The latter projects will provide water supply and sewerage systems



WORK on the Third Road Improvement Project in the Republic of Korea which was supported by a Bank loan of \$80 million.

In Taegu City, Jeongju City and 23 other towns and rural districts. The Bank's technical assistance program in the Republic of Korea in 1987 consisted of one advisory technical assistance grant of \$350,000 to help set up a Road Safety Program and prepare a Highway Capacity Manual.

By the end of 1987, the Bank had extended 77 loans totalling \$2,202.7 million to the Republic of Korea. Of these, 76 loans totalling \$2,199 million were from OCR and one loan of \$3.7 million was from ADF. The Bank made three direct equity investments and provided one line of equity totalling \$9.19 million. The Bank had also provided 32 technical assistance grants totalling \$4.7 million. Of these, six were for advisory and operational purposes (\$1.8 million) and 26 for the preparation of projects (\$2.9 million), 21 of which have resulted in 24 Bank loans amounting to \$872.4 million. Of the Bank's total lending to the Republic of Korea, two thirds has been in sectors directly supporting the country's industrialization efforts — industry, development banks, energy and transport. In recent years, the Government has increased investment in the social infrastructure sector. This change in emphasis is reflected in the Bank's lending since 1977, during which period about one third of its assistance has been for social infrastructure. The major objective of this assistance has been to support the efforts of the Government to improve living conditions in provincial and rural areas and thus promote balanced regional development. There has also been a rise in Bank lending to the energy sector to assist the country reduce its dependence on imported oil.

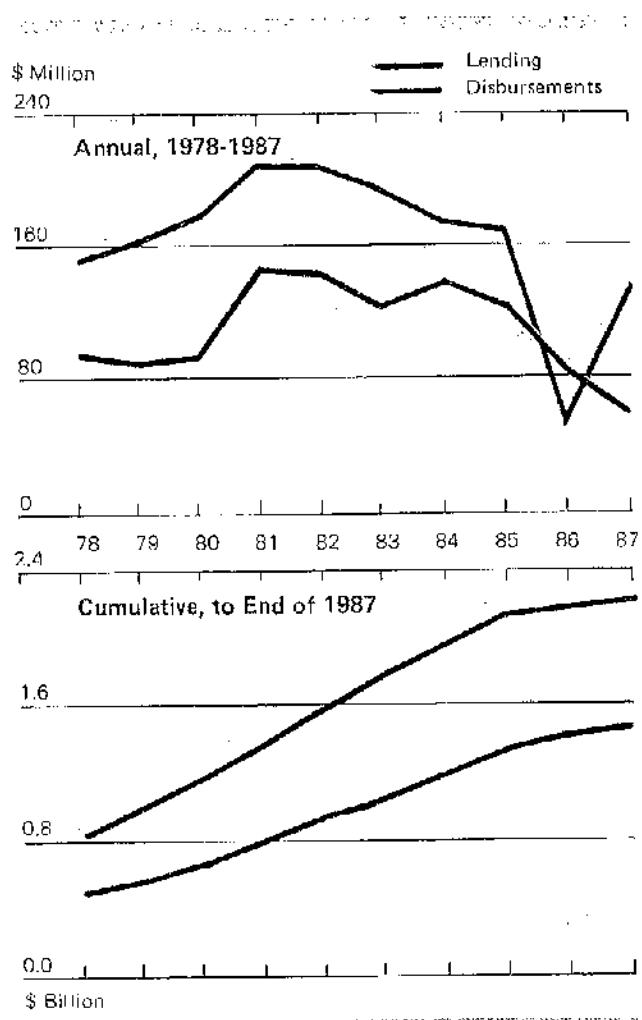
Project Implementation: Of the 77 loans approved by the Bank, 65 had been completely disbursed and 12 were under administration, of which three were awaiting effectiveness.

Cumulative Bank Lending to Republic of Korea
(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|--------------------------------|-----------------|------------------------------|-------|
| Development Banks | 20 | 695.00 ^a | 31.6 |
| Water Supply and Sanitation | 17 | 467.80 | 21.2 |
| Transport and Communications | 10 | 359.56 | 16.3 |
| Energy | 10 | 234.38 | 10.6 |
| Agriculture and Agro-Industry | 8 | 163.80 | 7.4 |
| Industry and Non-Fuel Minerals | 8 | 135.50 | 6.2 |
| Urban Development | 2 | 90.00 | 4.1 |
| Education | 2 | 56.70 | 2.6 |
| Total | 77 | 2,202.73 | 100.0 |

^a Adjusted to exclude \$100 million loan approved in 1985 to the Korea Long-Term Credit Bank which was withdrawn by the Government.

Republic of Korea: Lending and Disbursements



Due to the closing of nine loans during the year, total disbursement declined from \$82.6 million in 1986 to \$59.2 million in 1987. Cumulative disbursements at the end of the year totalled \$1,462.9 million, or 93.4 per cent of the total amount of effective loans.

Ongoing projects were progressing satisfactorily and no major problems were encountered. Changes in the scope of the Second Sewage Treatment Project were approved by the Bank. A request for the cancellation of \$4.7 million for the Southern Seoul District Heating Project was submitted to the Bank.

Lao PDR

Operational Strategy: The Bank's operational strategy in Lao PDR is aimed at developing the country's basic infrastructure in order to achieve better integration of the economy and to stimulate production and trade. It is also aimed at increasing foreign exchange earnings through the development of the country's more promising exports and/or

through the support of viable import-substitution activities. To achieve these objectives, Bank assistance is channelled towards developing road transport, hydropower resources, power transmission and distribution, and forestry and wood processing.

Loans and Technical Assistance: In 1987, the Bank approved two loans from ADF amounting to \$34.5 million for two projects in Lao PDR. One loan, for \$15.5 million, was for the Xeset Hydropower Project which involves a 45 MW run-of-river power station on the Xeset river for domestic electrification and for export of electrical energy to Thailand. This project was co-financed, on a grant basis, by the Swedish International Development Authority (SIDA) and UNDP in the amount of \$17 million equivalent and \$1.8 million, respectively. A second loan in the amount of \$19 million was for the Third Road Improvement Project which covers the rehabilitation and improvement of a 162-km road stretch from the capital of Vientiane to Vang Vieng. UNDP provided grant co-financing in the amount of \$1 million with the Bank acting as Executing Agency.

The Bank also extended two technical assistance grants totalling \$555,000 in 1987, one for the preparation of a Southern Roads Improvement Project and the other for road maintenance training.

To date the Bank has provided 15 loans for 14 projects amounting to \$106.6 million to Lao PDR, all from ADF. Technical assistance totalling \$11.8 million has been provided for 30 projects, of which 11 have resulted in Bank loans amounting to \$101.9 million. The sectoral distribution of cumulative Bank lending reflects Bank support for the development of infrastructure, especially road transport, power generation and distribution, and agriculture and agro-industry.

Project Implementation: Of the 15 loans approved to Lao PDR, seven had been completely disbursed and eight were under administration at the end of 1987, including two that were awaiting effectiveness. Disbursements totalled \$3.1 million during 1987 compared with \$5.8 million in 1986. Cumulative disbursements of Bank loans at the end of 1987 amounted to \$37.7 million, or 51.5 per cent of the total amount of effective loans.

Cumulative Bank Lending to Lao PDR

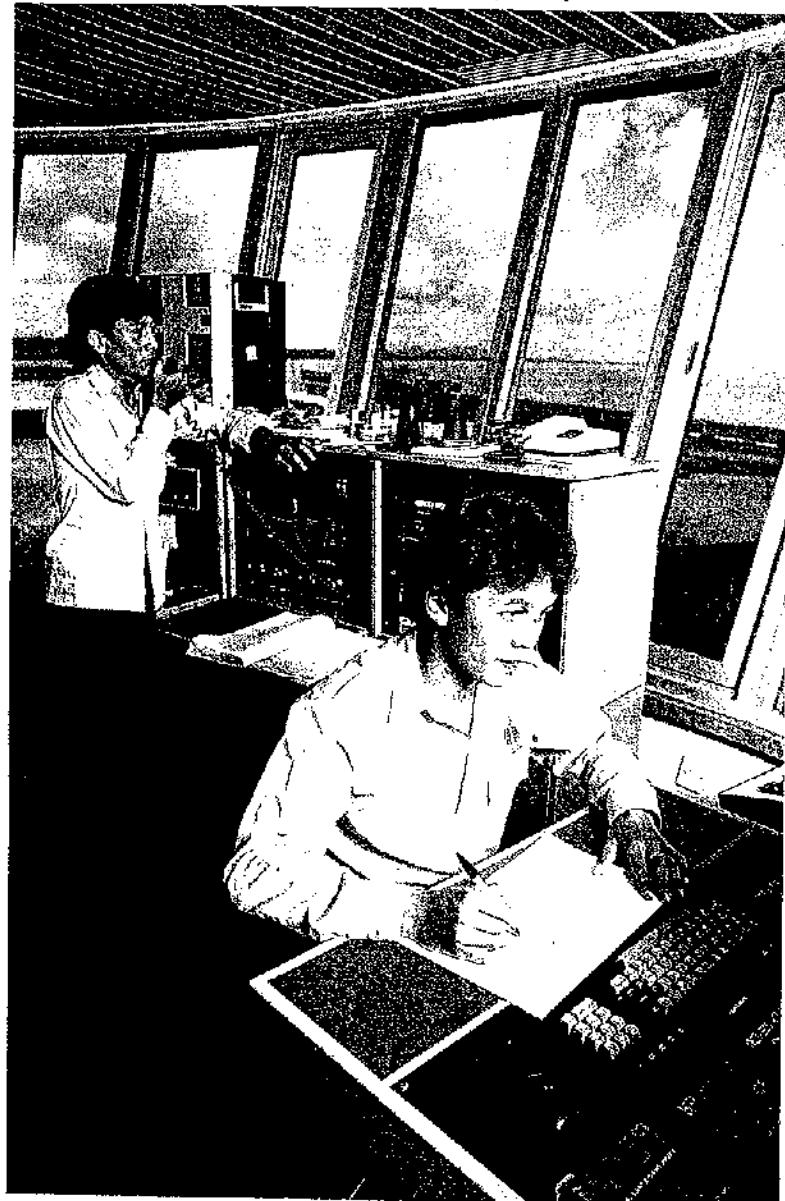
(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|-------------------------------|-----------------|------------------------------|-------|
| Transport and Communications | 3 | 39.00 | 36.6 |
| Energy | 6 | 31.82 | 29.8 |
| Agriculture and Agro-Industry | 5 | 29.82 | 28.0 |
| Water Supply and Sanitation | 1 | 6.00 | 5.6 |
| Total | 15 | 106.64 | 100.0 |

The Project Implementation Advisory Services Unit in the State Planning Committee which was established under a technical assistance grant from the Bank has functioned quite well in providing advisory services to executing agencies and in assisting the Government review its procurement rules and regulations.

Malaysia

Operational Strategy: During the year, the Bank's operational strategy for Malaysia was revised taking cognizance of the Government's recent reviews of its development policies



THE CONTROL tower at Bintulu Deepwater Port in Sarawak, East Malaysia. The project, which the Bank supported with a \$53.8 million loan, has facilitated handling of agricultural and industrial products and liquefied natural gas exports from the Bintulu region.

and strategies, and for the Bank to be able to continue to respond meaningfully to changing circumstances and needs in Malaysia. As a result of this review, greater emphasis is placed on economic growth, efficiency and productivity so as to ensure long-term structural adjustment, in line with the Government's emphasis on meeting objectives of the New Economic Policy.

The Bank is focusing on strengthening the capacity and performance of the strategic, resource-based sectors in Malaysia, notably industry, agriculture and agro-industrial development, together with support for the provision of necessary physical and social infrastructure with emphasis on technology upgradation, productivity and efficiency and a more vigorous role for the private sector.

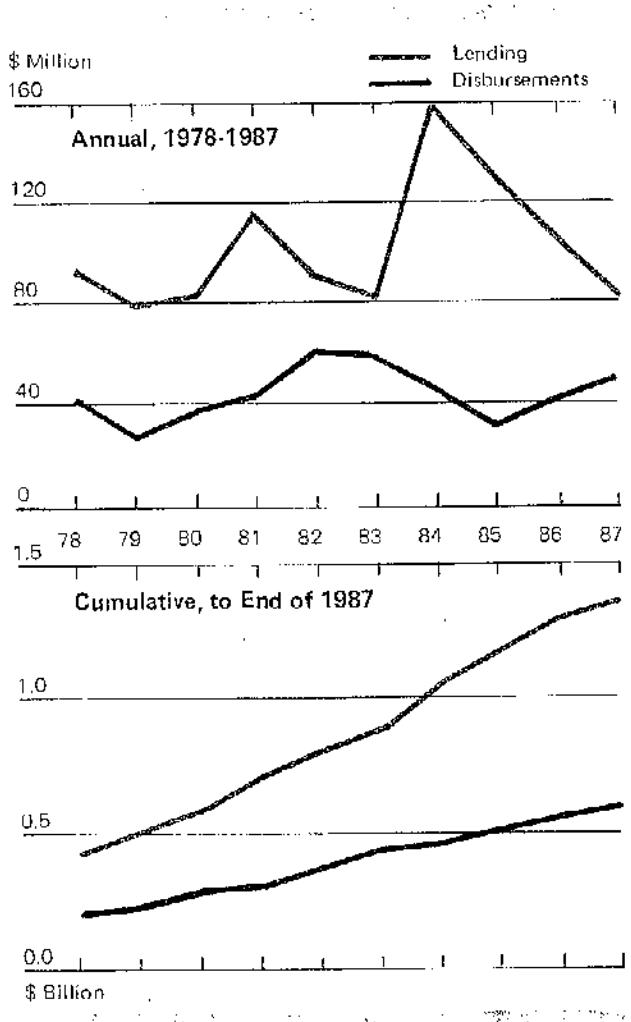
The Bank will continue to assist public sector agencies for the promotion and diversification of smallholder agriculture, entrepreneurship development and small-scale and medium-scale industries, and will explore innovative measures to assist the private sector more directly. Assistance for technical and vocational manpower development and training, research and development, and the strengthening of institutional capacity are to be provided.

In agriculture, Bank assistance will emphasize efficient diversification, productivity improvement and raising of farm incomes. Special attention will be given to the forestry and fisheries subsector resource management and development.

Bank assistance for the social and physical infrastructure sectors will be directed at ensuring greater financial accountability, efficient management, cost-recovery and an appropriate balance in expenditure between the maintenance of existing and the development of new facilities.

The Bank's support for the energy sector will continue, with some shift in focus, in the medium term to take into account changes in relative energy prices and the growth in supply and demand including growing regional needs.

Malaysia: Lending and Disbursements



Cumulative Bank Lending to Malaysia

(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|-------------------------------|-----------------|------------------------------|-------|
| Agriculture and Agro-Industry | 20 | 394.16 | 28.9 |
| Energy | 10 | 272.00 | 19.9 |
| Transport and Communications | 15 | 255.14 | 18.7 |
| Education | 3 | 146.80 | 10.7 |
| Water Supply and Sanitation | 9 | 114.11 | 8.4 |
| Urban Development | 3 | 91.20 | 6.7 |
| Health and Population | 2 | 76.53 | 5.6 |
| Development Banks | 1 | 15.00 | 1.1 |
| Total | 63 | 1,364.94 | 100.0 |

Loans and Technical Assistance: Bank lending to Malaysia in 1987 amounted to \$82.3 million from OCR for two projects, compared with \$105.2 million for two projects in 1986. One loan was in the education sector for the expansion of vocational training and the other loan was for fisheries research and development.

Four technical assistance grants totalling \$994,000 were approved in 1987, compared with five amounting to \$1.2 million in 1986. Advisory and operational technical assistance totalled \$319,000 for one project in the energy sector.

As of the end of 1987, the Bank had approved 63 loans for 61 projects totalling \$1,364.9 million. All but one loan (of \$3.3 million) were from OCR. In addition, technical assistance totalling \$8.4 million had been provided for 38 projects, of which 11 resulted in Bank loans amounting to \$319.6 million. The sectoral distribution of cumulative Bank lending to Malaysia reflects both the emphasis on physical infrastructure in less developed areas and the more recent thrust towards agriculture and social infrastructure development.

Project Implementation: At the end of 1987, of the 63 loans approved to Malaysia, 41 loans had been completely disbursed, of which two loans were closed in 1987. Twenty-two loans were under administration, three of which are awaiting effectiveness. Disbursements in 1987 totalled \$49 million as compared with \$40.7 million in 1986. Cumulative disbursements at the end of the year amounted to \$599.3 million, which is 62 per cent of the total amount of effective loans.

Most of the ongoing projects are progressing satisfactorily. However, in some cases, loan disbursement has been lagging far behind physical progress. Cancellation of loan amounts in six projects totalling \$49 million has been requested due to contract prices that were lower than previously estimated and also because of changes in project scope.

Maldives

Operational Strategy: The Bank's assistance program in Maldives has focused on power, transport and communications to support the directly productive investments made by the Government and the private sector. This emphasis is expected to continue but over the longer term project possibilities aimed at export development or efficient import substitution merit support.

Loans and Technical Assistance: In 1987, the Bank provided a loan of \$6.1 million from ADF for the Power System Development Project to augment generation capacity and improve transmission and distribution in Male'. The Bank also provided two technical assistance grants, one for \$350,000 for the institutional development of the Maldives Electricity Board and the other for \$260,000 for the preparation of a proposed Male' Port Development Project.

The Bank had previously provided two loans, both from ADF, to Maldives for the development of interisland transport (\$1 million in 1981) and a multiproject loan (\$2.4 million in 1984). The latter assisted five subprojects supporting ports, communications and power infrastructure. In addition, prior to 1987, the Bank had provided five technical assistance grants in the total amount of \$743,000 to prepare a feasibility study for the interisland transport project, to assist the Government in identifying and planning priority investment projects, to

prepare subprojects under the multiproject loan, to review Interisland transport operations and to prepare the power system development project.

Project Implementation: Disbursements totalled \$1.1 million during 1987, compared with \$0.5 million during 1986. One loan was closed during 1987. Cumulative disbursements of Bank loans at the end of 1987 amounted to \$2.4 million, or 62.2 per cent of the total amount of the effective loans. The Interisland Transportation Project was completed in 1987 while the Multiproject is progressing satisfactorily.

Nepal

Operational Strategy: The Bank's operational strategy for Nepal emphasizes: (i) improvements to agricultural productivity; (ii) containment of factors which threaten future agricultural productivity and ecological balance (principally deforestation); (iii) enhancement of industrial development; (iv) development of energy utilizing abundant water resources; and (v) development of supporting physical and social infrastructure. Given the weak institutional capacity of the country, institution-building efforts should continue to be supported by the Bank.

Cumulative Bank Lending to Nepal

(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|--------------------------------|-----------------|------------------------------|-------|
| Agriculture and Agro-Industry | 34 | 366.50 | 57.2 |
| Energy | 8 | 103.40 | 16.1 |
| Transport and Communications | 8 | 99.66 | 15.6 |
| Industry and Non-Fuel Minerals | 2 | 49.50 | 7.7 |
| Education | 2 | 12.20 | 1.9 |
| Water Supply and Sanitation | 1 | 9.60 | 1.5 |
| Total | 55 | 640.86 | 100.0 |

Cumulative Bank Lending to Maldives

(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|------------------------------|-----------------|------------------------------|-------|
| Energy | 1 | 6.10 | 64.3 |
| Multisector | 1 | 2.38 | 25.1 |
| Transport and Communications | 1 | 1.00 | 10.6 |
| Total | 3 | 9.48 | 100.0 |

Loans and Technical Assistance: During 1987, Bank lending to Nepal amounted to \$91.3 million for four loans from ADF, compared to \$51.2 million for three loans in 1986. All four loans approved in 1987 were in the agriculture sector. These projects were designed to provide agricultural credit; to produce paper by using locally available raw materials; to enhance farm income through promoting fruit cultivation in the Hills; and to increase foodgrain production by constructing irrigation facilities in the Terai.

The Bank also approved eight technical assistance projects amounting to \$4.5 million. Four of these involved UNDP



TRADITIONAL methods are used to build a modern airport terminal in Nepal. The Bank has supported the Tribhuvan International Airport Project with four loans totalling \$37.26 million.

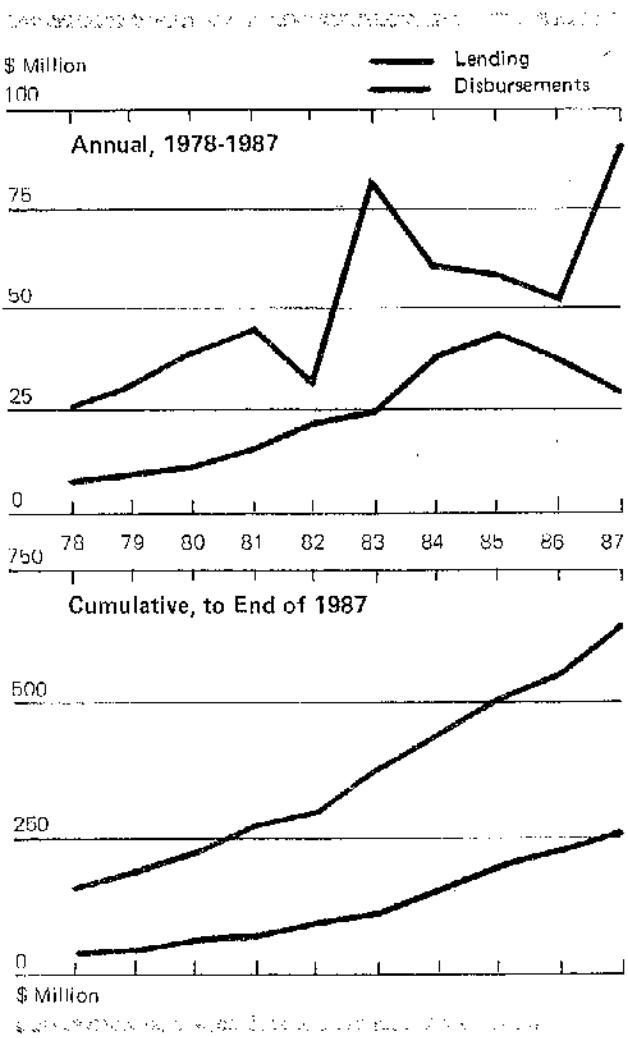
financing totalling \$2.9 million. Two projects, Program Budgeting and Project Monitoring System and Hill Fruit Development, were financed exclusively by UNDP and two, Institution Building of the Agricultural Development Bank of Nepal and Improving Government Financial Accounting and Auditing Procedures, were co-financed by UNDP and the Bank. The Government of Switzerland provided \$100,000 in co-financing with the Bank for the preparation of a Secondary Crops Development Project. In addition to these co-financed technical assistance projects, the Bank provided funds to prepare the second water supply sector loan and to assist the Government in carrying out key studies on irrigation service fees and cost recovery, and on the teacher education sector.

As of end-December 1987, the Bank had approved 55 loans totalling \$640.9 million for 46 projects in Nepal. With one exception, all loans were from ADF. In addition, technical assistance amounting to \$33.5 million for 87 projects had been provided or administered by the Bank. Of the 43 project preparatory technical assistance projects, 28 had resulted in Bank loans for projects totalling \$476.5 million. The Bank's cumulative lending to Nepal has been mainly directed to the agriculture, energy and transport sectors which together account for about 89 per cent of the Bank's total loan portfolio.

Project Implementation: Of the 55 loans approved to Nepal, 22 had been completely disbursed and 33 were under administration as of the end of 1987 including three that were awaiting effectiveness. Six loans were closed during the year. Disbursements in 1987 amounted to \$29.2 million compared with \$35.5 million in 1986. Cumulative disbursements of Bank loans at the end of the year totalled \$258.4 million or 40.6 per cent of the total amount of effective loans.

Project implementation in Nepal is generally slow and disbursements declined in 1987 for the second consecutive year. Among the problems affecting projects in Nepal are slow release of budgeted funds, delays in recruitment of consultants and procurement of goods and services and a shortage of adequately trained staff. However, in spite of these problems some projects progressed satisfactorily in 1987. The Government has taken a number of steps to improve project implementation, including development of a computerized program budgeting and project monitoring system, establishment of more clear-cut project priorities and improved donor coordination. At the request of the Government, the Bank conducted semi-annual Country Projects Review Meetings

Nepal: Lending and Disbursements



(CPRMs) with senior officials of the Government. In 1987, these CPRMs concentrated on devising procedures to accelerate the flow of budgeted local counterpart funds to the projects in order to help accelerate disbursements.

Pakistan

Operational Strategy: The Bank's operational strategy in Pakistan focuses on balanced growth and improved equity, to be achieved through appropriate structural change, improved economic efficiency and stronger development institutions. The Bank's primary commitments in Pakistan should remain with agriculture, energy and industry. The further development of social and other infrastructure also merit Bank attention as improvements in these sectors are a precondition for sustained long-term overall economic growth and structural change.



A NOMADIC tribesman with cattle near Quetta, Pakistan, is a beneficiary of the Baluchistan Livestock Development Project which the Bank has supported with a \$7.5 million concessional loan.

Cumulative Bank Lending to Pakistan

(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|--------------------------------|-----------------|------------------------------|-------|
| Agriculture and Agro-Industry | 33 | 1,320.85 | 35.0 |
| Energy | 31 | 1,269.67 | 33.7 |
| Development Banks | 18 | 562.00 | 17.6 |
| Transport and Communications | 5 | 176.60 | 4.7 |
| Industry and Non Fuel Minerals | 5 | 102.60 | 2.7 |
| Water Supply and Sanitation | 2 | 61.50 | 1.6 |
| Health and Population | 3 | 61.40 | 1.6 |
| Education | 3 | 59.80 | 1.6 |
| Urban Development and Housing | 1 | 55.20 | 1.5 |
| Total | 101 | 3,769.62 | 100.0 |

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

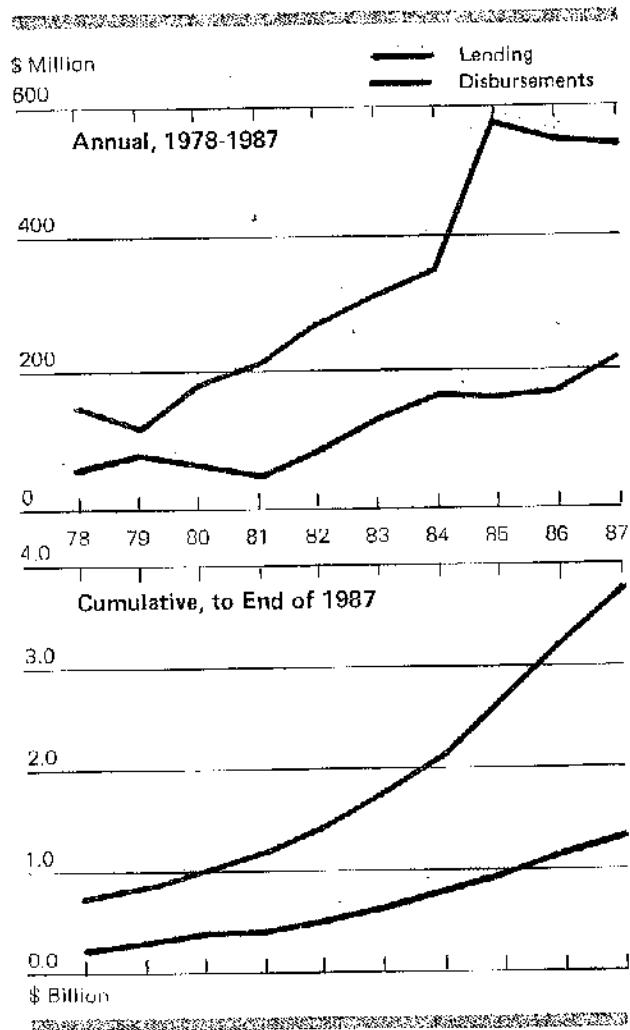
Loans and Technical Assistance: In 1987, Bank lending to Pakistan amounted to \$541.6 million (\$292.6 million from ADF and \$249 million from OCR) for 10 projects, compared with \$543.9 million for eight projects in 1986. Local cost financing accounted for \$174.3 million, or 32.2 per cent of total Bank lending to Pakistan during the year. Six of the 10 projects approved in 1987 involved co-financing totalling \$28.5 million with commercial banks and various donors including Canada, the International Fund for Agricultural Development, the United States Agency for International Development and the Overseas Development Administration of the United Kingdom.

Agriculture accounted for 43.8 per cent of the Bank's lending to Pakistan during 1987. The five loans in the agriculture

sector helped finance flood protection, irrigation, rural development, improvement of on-farm water management and expansion and improvement of the efficiency of the marketing system of fruit and vegetable. The Third Development Financing loan will provide foreign exchange resources to six selected participating financial institutions for sublending to finance the import of goods and services required by the private sector for the establishment or rehabilitation of industrial enterprises. Oil and Gas Development Project will increase the production of oil and gas so as to meet the growing energy demand and to reduce the country's dependence on imported energy. A loan without government guarantee will provide lease financing for the equipment needs of relatively small-size and medium-size enterprises in the private sector.

The Bank approved 14 technical assistance projects to Pakistan in 1987 totalling \$4.2 million (including \$1 million financed by UNDP and \$355,000 financed by the Government of Switzerland), compared with \$3.8 million for 14 projects in 1986. Project preparatory technical assistance amounted to \$1.9 million for nine projects and advisory and operational technical assistance amounted to \$2.3 million for

Pakistan: Lending and Disbursements



five projects. There were seven projects in the agriculture sector, three in the energy and two in the social infrastructure sectors and one each in the industry and non-fuel minerals and transport and communications sectors.

The Bank has so far provided 101 loans totalling \$3,769.6 million for 80 projects in Pakistan. Of these, 57 loans amounting to \$2,080.4 million (55 per cent) were from ADF and 44 loans amounting to \$1,689.2 million (45 per cent) from OCR. Technical assistance totalling \$18.6 million has been provided for 74 projects, of which 27 have resulted in Bank loans amounting to \$1,192.6 million. Agriculture accounted for 35 per cent of total cumulative lending to Pakistan, followed by energy with 34 per cent and industry and non-fuel minerals, including development banks, with 20 per cent.

Project Implementation: Of the 101 loans approved to Pakistan, 39 had been completely disbursed and 62 were under administration at the end of 1987 including 15 loans that were awaiting effectiveness. One loan was closed during 1987. Disbursements totalled \$218.9 million in 1987 as compared with \$167.2 million in 1986. Cumulative disbursements as of 31 December 1987 amounted to \$1,326.3 million, or 42 per cent of the total amount of effective loans.

Implementation and systematic monitoring of Bank-assisted projects received high priority in Pakistan during the year. This was reflected in the significant increase in disbursement during 1987 compared to the disbursement levels of the three preceding years. High-level dialogue with the Government on cross-sectoral project implementation issues and constraints as well as on project-specific implementation problems, continued within the institutional mechanism of semi-annual Country Projects Review Meetings (CPRMs) and the same proved to be productive as well as effective. The Government continued to attach great importance to the mechanism of CPRM and expressed satisfaction at the results it has so far achieved.

The Government's positive attitude in taking remedial actions to resolve implementation problems characterized the year's project implementation experience in Pakistan.

Papua New Guinea

Operational Strategy: Within the framework of the Government's development objectives of stimulating economic growth and maximizing income-earning opportunities, the Bank's operational strategy in PNG is geared primarily towards helping the country to: (i) promote growth of smallholder agriculture and small enterprises; (ii) strengthen local institutional capacity to plan, implement and monitor programs and projects; and (iii) build physical and social infrastructure, supportive of productive sectors. In 1987, the Bank made substantial progress in formulating its operational strategy, which was expected to be finalized in early 1988.

Loans and Technical Assistance: In 1987, the Bank provided two loans for one project in PNG amounting to \$10 million, of which \$5 million was from OCR and \$5 million from ADF. This compared with three loans totalling

\$49.6 million in 1986. The two loans in 1987 for the East New Britain Smallholder Development Project will be used to expand cocoa and copra production in East New Britain, thereby increasing the country's foreign exchange earnings, improving rural cash incomes and employment opportunities and accelerating development activities in the Province. The 1987 technical assistance program to PNG totalled \$376,000 for two projects. Of these, one technical assistance was for the preparation of a project for strengthening hospital services while the other one was for an advisory and operational technical assistance grant for the review of foreign aid management in the country.

At the end of 1987, the Bank had approved 28 loans to PNG totalling \$282.6 million for 21 projects. Of these loans, 13 amounting to \$142.2 million were from OCR and 15 totalling \$140.3 million from ADF. Technical assistance totalling about \$7 million had been provided for 37 projects, of which seven had resulted in Bank loans amounting to \$119.5 million. The transport and communications sector accounts for about 36 per cent of total cumulative Bank lending to PNG, followed by agriculture, 22 per cent, and energy, 12 per cent.

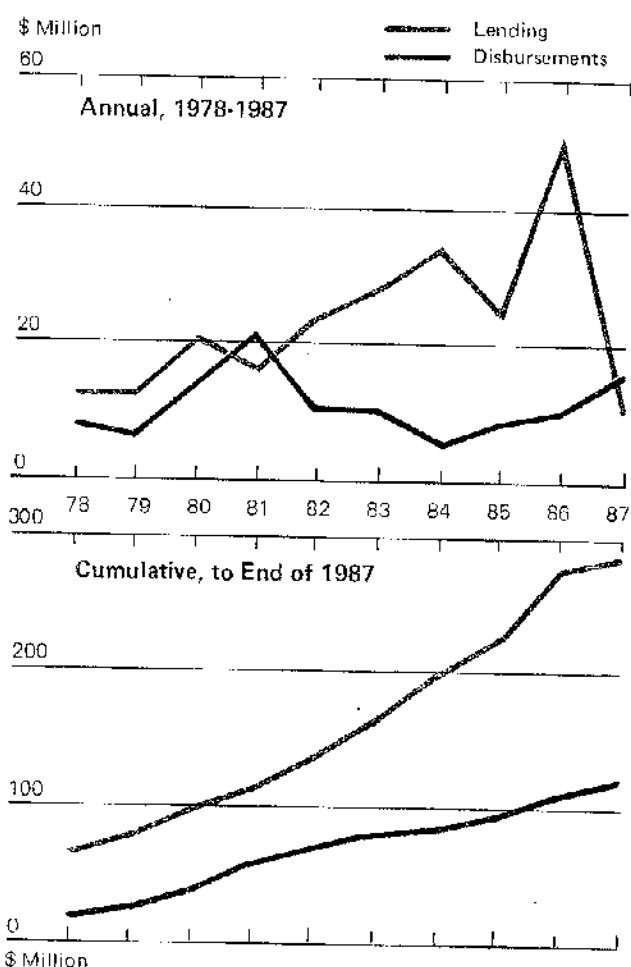
Project Implementation: By the end of 1987, 28 loans had been approved for Papua New Guinea, of which 10 had been completely disbursed, and 18 were under administration, including five that were awaiting effectiveness. One loan was closed during 1987. Disbursements totalled \$16.1 million in 1987, compared to \$10.2 million in 1986. Cumulative disbursements of Bank loans at the end of the year amounted to \$120.1 million, or 52.9 per cent of the total amount of effective loans.

Implementation of projects in the energy sector and the highway subsector has generally been satisfactory, while agricultural and social infrastructure projects have experienced difficulties mainly due to institutional weaknesses, insufficient budget allocations, and unfamiliarity with the Bank's guidelines and procedures. Delays in recruitment of staff and consultants

Cumulative Bank Lending to Papua New Guinea
(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|-------------------------------|-----------------|------------------------------|-------|
| Transport and Communications | 8 | 102.05 | 36.1 |
| Agriculture and Agro-Industry | 6 | 62.64 | 22.2 |
| Energy | 4 | 34.60 | 12.2 |
| Health and Population | 3 | 25.90 | 9.2 |
| Development Banks | 3 | 22.50 | 8.0 |
| Water Supply and Sanitation | 2 | 18.90 | 6.7 |
| Education | 2 | 16.00 | 5.6 |
| Total | 28 | 282.59 | 100.0 |

Papua New Guinea: Lending and Disbursements



have been experienced, which were aggravated by high turnover of key project personnel. Recently, the Government's efforts to reform and revitalize the economic management system of the country have affected project processing and implementation due to transitional difficulties. Bank staff have held discussions with the Government to help resolve some of the problems.

Philippines

Operational Strategy: The Bank's operational strategy in 1987 has been a continuation of the modified short-term strategy adopted in 1986 which largely focused on assisting the completion of high-priority ongoing Bank-financed projects and rehabilitation of existing infrastructure facilities. At the same time, the strategy also promotes, in line with the Government's development emphasis in the Medium-Term Philippine Development Plan (1987-1992), long-term social stability by supporting selected priority projects in key sectors such as agriculture, energy and infrastructure, that will con-

Cumulative Bank Lending to Philippines
(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|-------------------------------|-----------------|------------------------------|-------|
| Agriculture and Agro-Industry | 30 | 706.74 | 28.6 |
| Energy | 15 | 658.35 | 26.6 |
| Transport and Communications | 16 | 422.35 | 17.1 |
| Water Supply and Sanitation | 7 | 269.20 | 10.9 |
| Development Banks | 10 | 245.00 | 9.9 |
| Multisector | 3 | 126.70 | 5.1 |
| Education | 2 | 43.00 | 1.8 |
| Total | 83 | 2,471.34 | 100.0 |

tribute to more direct employment, income-generation, poverty alleviation and satisfaction of basic needs, particularly in rural areas. The Bank will continue to support further development of the agriculture sector, especially agro-industry, aquaculture, marine fisheries, forestry and livestock subsectors, including integrated area development projects. Bank assistance to physical infrastructure — in particular, roads, ports and telecommunications — will focus primarily on rehabilitation and improvement of existing facilities. Social infrastructure projects will also receive Bank support in order to meet the basic needs of the people by providing water supply, health services and education facilities. In the energy sector, the Bank will continue to address the improvements in operational efficiency and maintenance of existing facilities besides the development of power generation, transmission, distribution and other alternative energy development. A thorough assessment of the Bank's operational strategy in the Philippines is being conducted as part of the Bank's overall country strategy study over the medium term, and is expected to be finalized in early 1988.

Loans and Technical Assistance: In 1987, the Bank provided one project loan from OCR amounting to \$43.5 million to the Philippines. The loan for the Second Manila Port Project will be used to facilitate improvements in cargo handling productivity and thereby reduce cargo handling costs for port users, through rehabilitation of the North and South Harbors of Manila Port. This Project will be co-financed by the Government of Singapore in the amount of \$1.7 million.

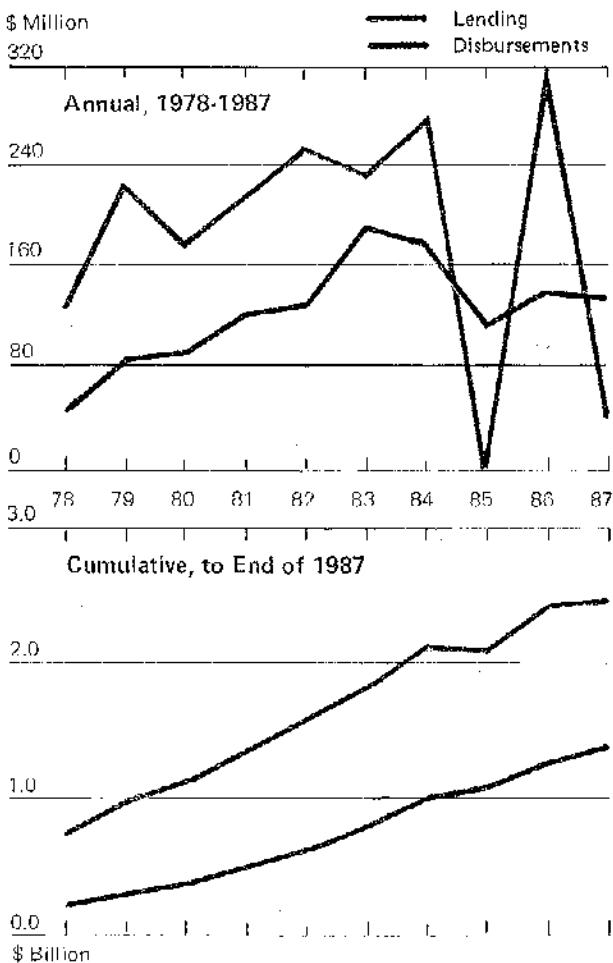
Technical assistance to support this Project was also provided by the Government of Singapore, which financed necessary training and improvements in management information systems.

The 1987 technical assistance program to the Philippines totalled about \$1.8 million for eight projects, of which four amounting to \$573,500 were for preparing projects and four were for institutional strengthening and advisory purposes

totalling \$1.3 million. The four project preparatory technical assistance grants were provided for subsectors such as sugar, education, ports and integrated area development. The advisory technical assistance projects were in the irrigation, fisheries, public investment planning and DFI subsectors.

At the end of 1987, the Bank had approved 83 loans totalling \$2,471.3 million to the Philippines for 75 projects, including an agricultural inputs program loan. Of these loans, 74 amounting to \$2,342 million were from OCR and nine, amounting to \$129.3 million, were from ADF. The Bank had also provided technical assistance totalling \$20.1 million for 86 projects, of which 31 have resulted in Bank loans amounting to \$1,096.4 million. Bank lending activities have generally followed its operational strategy for the Philippines which has been modified in response to the Government's focus in the Medium-Term Development Plan. Cumulative Bank lending to the Philippines at the end of 1987 had emphasized the agriculture sector which accounts for 28.6 per cent of total, followed by energy (26.6 per cent), transport and communications (17.1 per cent), water supply and sanitation (10.9 per

Philippines: Lending and Disbursements



cent), development banks (9.9 per cent), multisector (5.1 per cent) and education (1.8 per cent).

Project Implementation: Of the 83 loans approved for the Philippines (including one Special Assistance loan and two Special Project Implementation Assistance loans), 43 had been completely disbursed and 40 were under administration, including one that is awaiting effectivity. Eight loans were closed during the year. Disbursements totalled \$133 million during 1987 compared with \$138.6 million in 1986. Cumulative disbursements of Bank loans at the end of 1987 totalled \$1,375.7 million, or 65.4 per cent of the total amount of effective loans.

As in recent years, one of the major problems in project implementation in the Philippines has been the shortage of local currency funding due to budgetary constraints. In order to make up for these constraints, the second tranche of \$17 million and the third tranche of \$10.9 million under the two Special Project Implementation Assistance loans which were approved in 1986 were released in January and August, respectively. As a result of close monitoring and extensive dialogue conducted by the Bank and the Government, more than 98 per cent of the funds released was utilized by the end of November 1987. Consequently, the fourth and final tranche amounting to \$26 million was released in December 1987, thus completing the disbursement of the SPIA loans. The SPIA loans facilitated completion of 12 ongoing projects by the end of 1987 and four more projects are expected to be completed by 30 June 1988.

A number of measures have been taken at the Bank's initiative to solve other problems in project implementation, including establishing imprest accounts, increasing disbursement percentages under Bank loans and clarifying procedures for calculating escalation payments in civil works contracts. Procedures delegating greater authority to approve contracts to line ministries and public corporations have also been adopted. However, a number of factors affecting project implementation still persist such as cumbersome contract auditing procedures which result in delays in procurement, difficulties in securing rights-of-way and security-related problems in certain regions.

Sri Lanka

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

substitution constitute important components of a number of the Bank's pipeline projects.

Loans and Technical Assistance: In 1987, the Bank approved four loans totalling \$106.3 million from ADI to Sri Lanka, compared with four loans for \$102.3 million in 1986. Local cost financing amounted to \$17.2 million (about 16 per cent) of Bank lending to Sri Lanka in 1987 for three projects. A DFI loan also provides for Bank financing of a small proportion of local costs.

During 1987, the Bank loan for the Emergency Road Restoration Project was the first commitment by an external agency for the Government's reconstruction and rehabilita-



THIS irrigation canal is part of the Bowatteenna Power Project in Sri Lanka, designed to add 192 million kilowatts a year to the country's power supply. The project is assisted by a Bank loan of \$8 million.

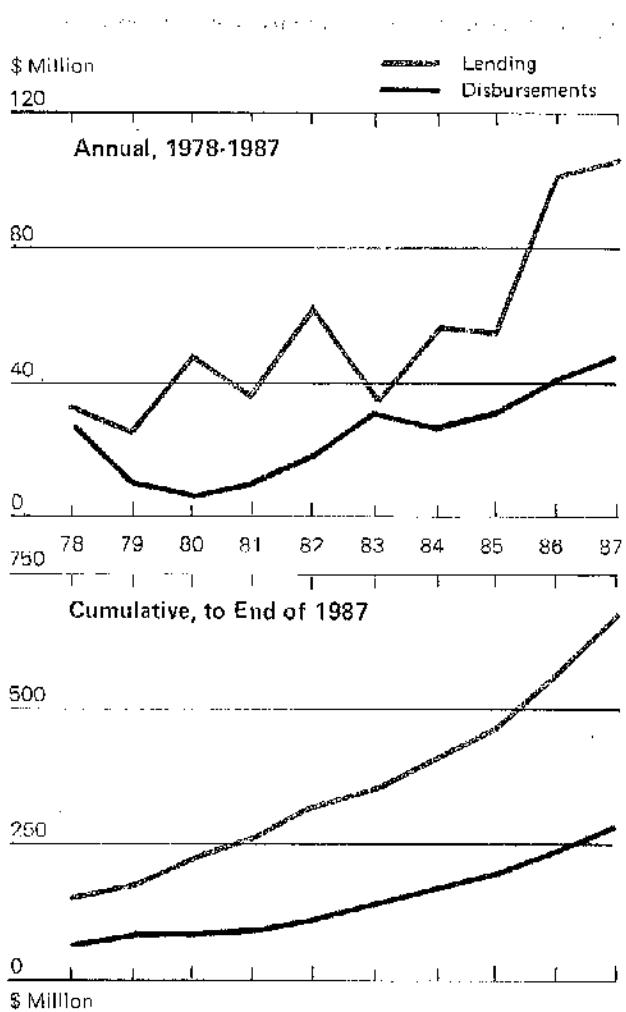
tion program following the Peace Accord of July 1987. Two other loans will rehabilitate facilities and improve institutions in the power distribution and roads sectors in the central and southern provinces. A fourth will provide term finance for small and medium industries through financial intermediaries.

In addition, the Bank provided two technical assistance grants for the preparation of a smallholder tea project and a third road project. The Bank approved five advisory and operational technical assistance grants for a rural credit review, a fisheries sector study, a study of irrigation management and crop diversification, support for the Administrative Reforms Committee and an institutional strategy study for the Lanka Electricity Company. The technical assistance provided by the Bank [excluding \$84,000 under a cost-sharing arrangement with the International Irrigation Management Institute (IIMI) and \$116,500 by the Food and Agriculture Organization (FAO)] totalled \$1.3 million.

As of the end of 1987, the Bank had provided 48 loans (including a Special Assistance loan) amounting to \$674.8 million for 42 projects in the country. Of these, six loans totalling \$14.1 million were from OCR and 42 loans amounting to \$660.6 million were from ADF. Technical assistance totalling \$9.7 million (including \$2.6 million financed by the Government of Switzerland, EEC and UNDP) had been approved for 54 projects, of which 24 had resulted in Bank loans amounting to \$432 million. The agriculture and agro-industry sector had accounted for 53 per cent of cumulative Bank lending to Sri Lanka.

Project Implementation: Of the 48 loans (including one Special Assistance loan) approved for Sri Lanka, 21 had been completely disbursed and 27 were under administration at the end of 1987, including four loans which were awaiting effectiveness. Three loans were closed during the year. Disbursements

Sri Lanka: Lending and Disbursements



Cumulative Bank Lending to Sri Lanka

(As of 31 December 1987)

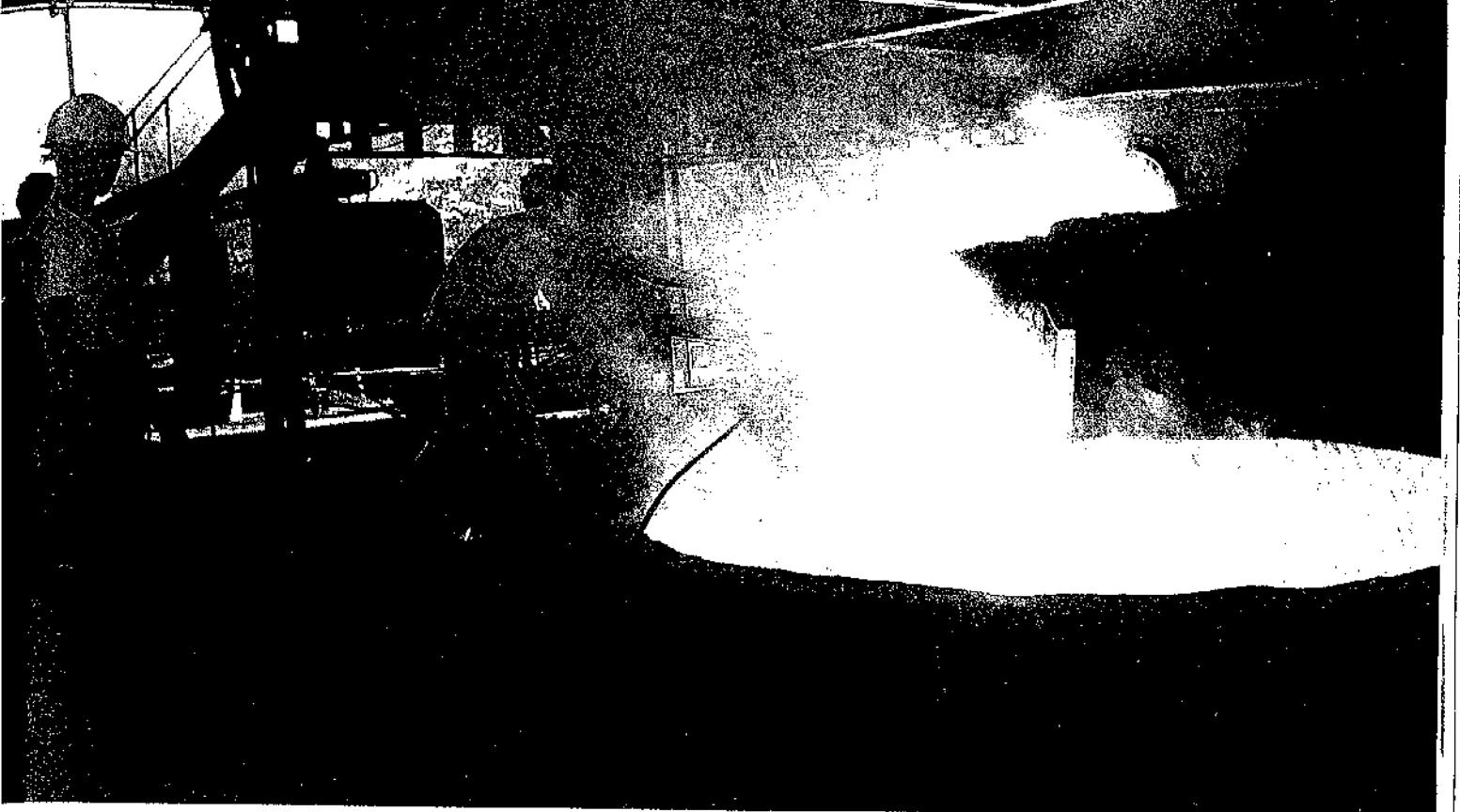
| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|--------------------------------|-----------------|------------------------------|-------|
| Agriculture and Agro Industry | 24 | 355.86 | 52.7 |
| Transport and Communications | 7 | 96.20 | 14.2 |
| Energy | 6 | 87.45 | 13.0 |
| Development Banks | 5 | 60.00 | 8.9 |
| Water Supply and Sanitation | 1 | 30.00 | 4.4 |
| Education | 1 | 16.10 | 2.4 |
| Multisector | 1 | 14.70 | 2.2 |
| Health and Population | 1 | 9.30 | 1.4 |
| Industry and Non-Fuel Minerals | 2 | 5.15 | 0.8 |
| Total | 48 | 674.76 | 100.0 |

totalled \$48.5 million in 1987 compared with \$40.3 million in 1986. Cumulative disbursements of Bank loans at the end of December 1987 amounted to \$286.1 million, or 48 per cent of the total amount of effective loans.

Contract awards and disbursement of loans showed marked improvement in 1987. Delays in implementation continue to occur in the agriculture and agro-industry sector, particularly fisheries and forestry. Two Country Projects Review Meetings were held in 1987 to discuss project implementation problems at the highest administrative level. Appropriate remedial measures are being considered for adoption.

Thailand

Operational Strategy: Based on the Operational Strategy Study for Thailand, initiated and largely completed during the year, the Bank is expected to continue to stress support for the Government's Sixth National Economic and Social Development Plan (1987-1991), with the broad objectives of achieving structural adjustments required for attain-



A MANGANESE refinery in Ratchaburi, Thailand, part of a private sector operation being assisted under a Bank line of credit to the Industrial Finance Corporation of Thailand (IFCT) for relending to medium industries. The Bank has extended six credit lines totalling \$140 million to IFCT.

ing higher economic growth in the context of public sector reform and changes in economic policy, including deregulation and the further liberalization of the economy. Thus, given the critical role of the energy sector in the Government's industrialization program, Bank operations will continue to improve the country's power base, with increasing emphasis on distribution to ensure maximum utilization of the existing generating capacity. Similarly, basic infrastructure, such as transport and communications, has been identified as a crucial area for the growing industrial sector, and the Bank will examine opportunities to assist in alleviating constraints in those sectors. In the agriculture sector, Bank operations expect to reflect the Government's growing concern about the promotion of agricultural diversification and the strengthening of agro-business, with particular attention to the lead role envisaged for the private sector and the development of export opportunities. In industry, Bank private sector operations will further pursue opportunities for direct equity investment and lending without government guarantee. In the social infrastructure sector, Bank assistance will be oriented toward projects aimed at developing and improving urban infrastructure both in the provinces and in metropolitan Bangkok, with particular reference to water supply.

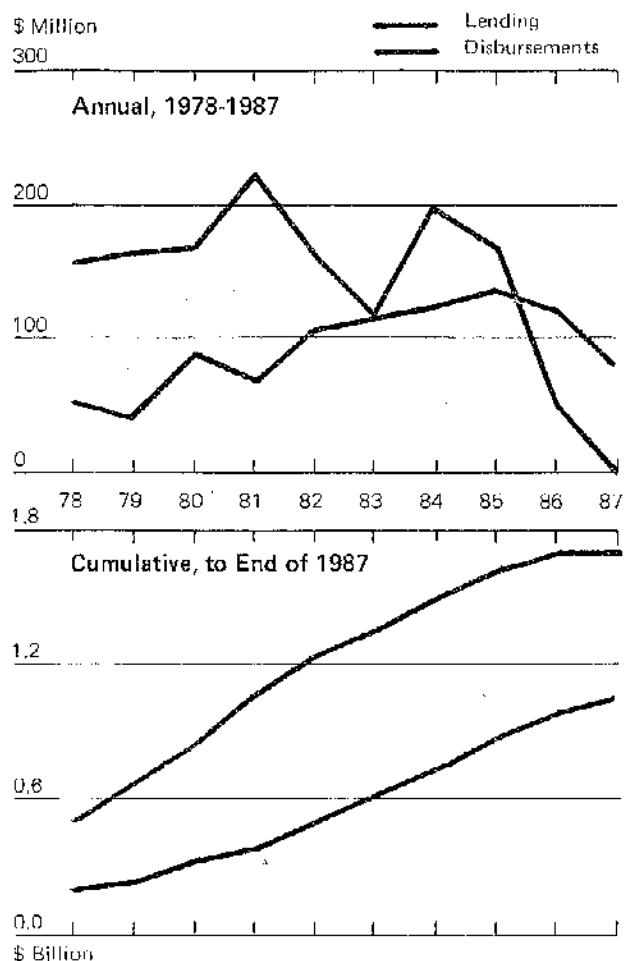
Loans and Technical Assistance: In 1987, Thailand did not borrow from the Bank for the first time since the beginning of Bank operations. This was due primarily to a combination of the increasing availability of both concessional bilateral funds and commercial financing and the Government's debt management policy on external borrowings.

However, the Bank did provide seven technical assistance grants. Technical assistance was provided to the Department of Highways for the preparation of a loan project tentatively scheduled for 1988. The Bank also approved supplementary financing for a previously approved technical assistance for the Agricultural Development Information Program. Advisory and operational technical assistance were provided to the

Cumulative Bank Lending to Thailand
(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|--------------------------------|-----------------|------------------------------|-------|
| Energy | 18 | 807.30 | 46.7 |
| Transport and Communications | 7 | 282.10 | 16.3 |
| Water Supply and Sanitation | 4 | 221.50 | 12.8 |
| Agriculture and Agro-Industry | 10 | 159.05 | 9.2 |
| Development Banks | 6 | 140.00 | 8.1 |
| Urban Development | 2 | 58.00 | 3.4 |
| Industry and Non-Fuel Minerals | 1 | 39.00 | 2.3 |
| Education | 3 | 21.40 | 1.2 |
| Total | 51 | 1,728.35 | 100.0 |

Thailand: Lending and Disbursements



Provincial Waterworks Authority for a water supply and sanitation project and for a study on control of non-revenue water in provincial water supply; to the Office of the Civil Service Commission for a government manpower planning and information system; to the sponsors of the Thai Agribusiness Venture Capital Company to study the concept of institutional venture capital in Thailand; and to the National Economic and Social Development Board for improvement of a short-term economic policy analysis.

As of the end of 1987, the Bank had approved 51 loans totalling \$1,728.4 million for 48 projects in Thailand. Of these loans, 45 amounting to \$1,656.3 million were from OCR. Technical assistance totalling \$11.6 million had been provided for 51 projects, of which 10 have resulted in 11 Bank loans amounting to \$344.6 million. The energy sector accounted for 46.7 per cent of cumulative lending to Thailand followed by the transport and communications sector with 16.3 per cent.

Project Implementation: Of the 51 loans approved to Thailand, 33 had been completely disbursed and 18 were

under administration during 1987. Three loans were closed during 1987. Disbursements totalled \$80.8 million during 1987 compared with \$114 million in 1986. Cumulative disbursements of Bank loans at the end of 1987 amounted to \$1,056.4 million, or 77 per cent of the total amount of effective loans.

Generally, Bank-assisted projects in Thailand are being implemented satisfactorily and, where problems appear, remedial measures are immediately taken by executing agencies. The high degree of professionalism and the extensive experience of local staff have helped minimize mistakes in project implementation. There was also close and effective interaction between Bank staff and projects staff during project administration missions.

Viet Nam, Socialist Republic of

Project Implementation: Of the 11 loans approved to Viet Nam, one was closed in 1987, bringing the total of closed loans to nine, and two have been suspended. Disbursements totalled \$0.093 million during the year compared with \$0.8 million in 1986. Cumulative disbursements of Bank loans at the end of 1987 amounted to \$25.4 million, or 100 per cent of the total amount of effective loans.

Smaller South Pacific Developing Member Countries¹

Operational Strategy: Recognizing the unique characteristics of the smaller South Pacific Developing Member Countries (SPDMCs), individually as well as a group, the Bank has adopted a flexible approach in its strategy and operating procedures. The Bank focuses on providing physical and social

Cumulative Bank Lending to Smaller South Pacific

Developing Member Countries¹

(As of 31 December 1987)

| Sector | Number of Loans | Amount of Loans (\$ million) | % |
|--------------------------------|-----------------|------------------------------|-------|
| Agriculture and Agro-Industry | 11 | 33.19 | 27.9 |
| Development Banks | 10 | 24.00 | 20.2 |
| Transport and Communications | 10 | 22.94 | 19.3 |
| Multisector | 8 | 19.23 | 16.2 |
| Energy | 6 | 17.46 | 14.7 |
| Water Supply and Sanitation | 1 | 1.65 | 1.4 |
| Industry and Non-Fuel Minerals | 1 | 0.37 | 0.3 |
| Total | 47 | 118.84 | 100.0 |

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

infrastructure facilities to support increased production, frequently in the form of multiproject loans covering several small projects in key sectors. In the energy sector, technical assistance is also being provided for developing the SPDMCs hydropower potential. Support is also being channelled through credit lines to national development banks for assisting productive activities in the private sector. In addition, the Bank emphasizes institution building through human resource development.

Since its establishment in 1984, the South Pacific Regional Office (SPRO) has assumed responsibility in formulating the Bank's operational strategy for Cook Islands, Kiribati, Solomon Islands, Tonga and Vanuatu and preparing country programs for them. SPRO has also administered DFI loans for most of the smaller SPDMCs and several projects in other sectors.

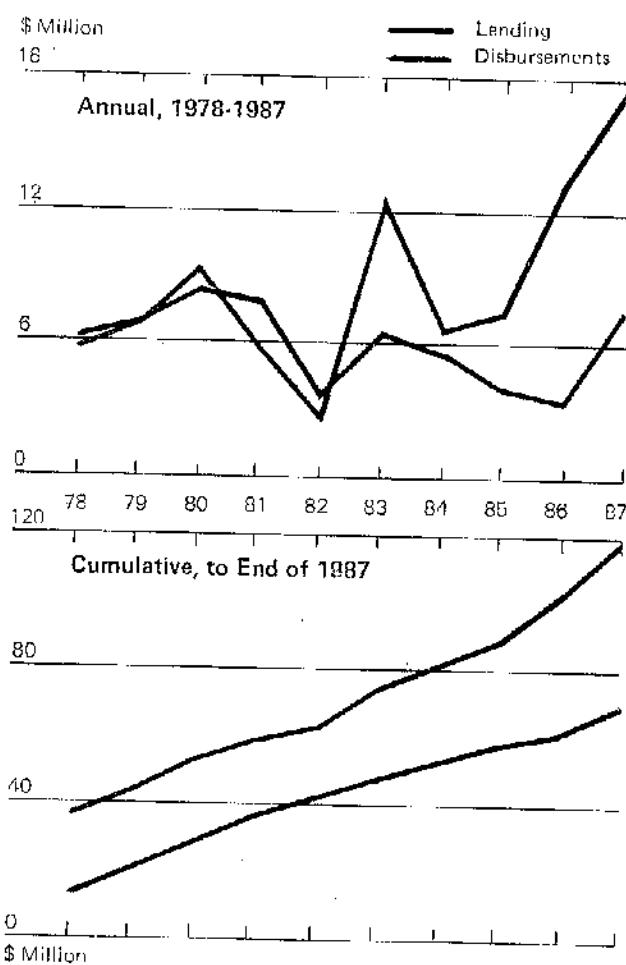
Loans and Technical Assistance: In 1987, the Bank approved two port project loans to Solomon Islands and Vanuatu, one fisheries loan to Solomon Islands and one multiproject loan to Cook Islands. The four loans amounted to \$17.8 million from ADF. The loans to Solomon Islands will provide for improvements to the fishing fleet, the construction of a cold storage facility for the National Fisheries Company and upgrading of the overseas wharf at Honiara Port. The loan to Vanuatu will provide for the construction of a new wharf and ancillary facilities at Santo Port. The multiproject loan for Cook Islands will provide for a number of small projects, primarily infrastructural. Cook Islands, Solomon Islands, Vanuatu and Western Samoa received 10 technical assistance grants totalling \$2.13 million, of which three were for project preparation and seven for advisory and institutional strengthening purposes.

At the end of 1987, the Bank had approved 47 loans amounting to \$118.8 million for 44 projects in the smaller SPDMCs. Technical assistance totalled \$13.7 million for 85 projects, of which 19 had resulted in Bank loans amounting to \$48.95 million. The agriculture and agro-industry sector and lending to DFIs accounted for almost one-half of the cumulative Bank lending to the smaller SPDMCs.

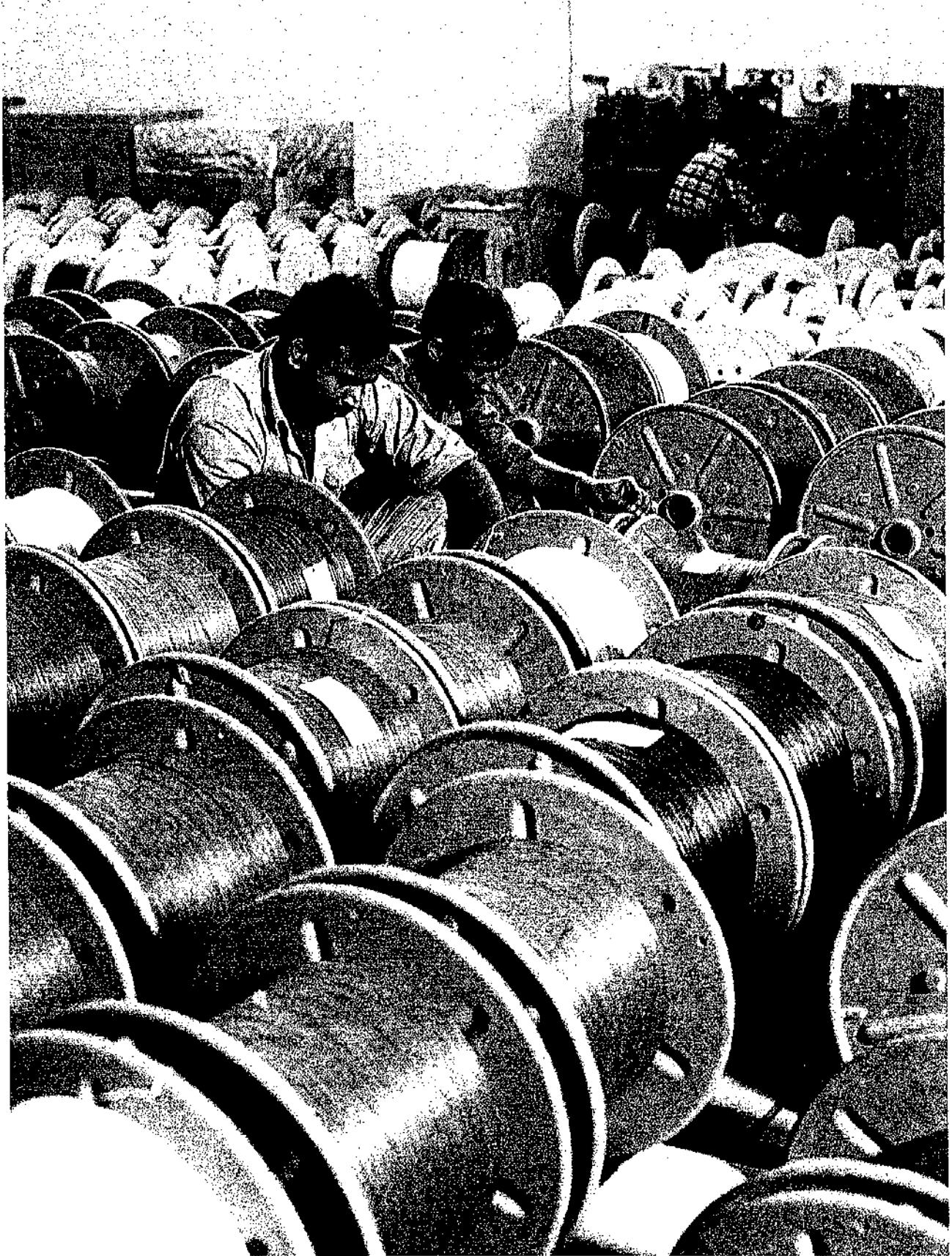
Project Implementation: Of the 47 loans (including one Special Assistance loan) approved for the smaller SPDMCs, 24 had been completely disbursed and 23 were under administration at the end of 1987, including three that were awaiting effectiveness. Disbursements totalled \$7.5 million in 1987 compared to \$3.5 million in 1986. Cumulative disbursements of Bank loans totalled \$69.2 million, or 62.1 per cent of the total amount of effective loans.

Project implementation problems encountered in the smaller SPDMCs are often related to geographical remoteness, the small size of countries, land acquisition problems and unavailability of skilled manpower. The Bank continues to ad-

Smaller SPDMCs: Lending and Disbursements



dress these problems by providing technical assistance to key institutions. Project managers of power projects from Kiribati, Solomon Islands and Western Samoa participated in a project implementation management seminar held in November 1987 in Manila. Furthermore, 25 officers of South Pacific DFIs took part in a development banking training program organized by the Association of Development Financing Institutions in the Pacific and the Bank at Port Vila, Vanuatu, from 12 October to 18 November. In the new scheme approved in July 1987 for rehabilitation assistance to SPDMCs affected by natural disasters (see page 44), due attention was also paid to project implementation aspects such as procurement and disbursement.



TELEPHONE cable factory in Pakistan, one beneficiary of Bank loans totalling \$110 million and a \$2 million line of equity for a Development Financing Project designed to promote industrial development.

PROJECT ADMINISTRATION

Project Administration

IN 1987, project administration was geared toward helping executing agencies expedite and improve the implementation of projects. This was done by taking prompt action on matters that were submitted to the Bank for review and approval; by close monitoring of the status and progress of individual projects, both within the Bank and in the field; by conducting policy dialogues with senior level government officials on broad implementation problems and issues in selected DMCs; and by conducting training programs for projects staff in various aspects of implementation activities.

Improved project administration, which was reflected in a speedier processing of implementation matters requiring Bank decisions, has been achieved through the efficient functioning of the Project Administration Units in the Agriculture and Infrastructure Departments and the corresponding project administration organization in the Industry and Development Banks Department and the reorganization of the Agriculture Departments on a regional basis which has promoted a more country-specific approach to project administration. It was the result of greater and more effective collaboration between departments/offices involved in project administration. There was also an increased delegation of authority given to project managers with respect to procurement cases, thereby cutting the time required for approving draft prequalification and tender documents, prequalification of contractors and award of contracts. To strengthen the project administration capabilities of Bank staff, seminars on procurement operations and engagement of consultants were conducted; handbooks entitled "Guide to Bank Staff on the Engagement of Consultants" and "Guide on Pre-Qualification of Civil Works Contractors" were distributed; revised project administration instructions were issued; the Loan and Financial Information System was expanded to meet new requirements; and work was started on the revision of the Project Administration Manual and Handbook on Procurement.

Efficient monitoring of individual projects was reinforced by the monthly and quarterly Project Administration Committee meetings. In these meetings, Management and Bank staff analyzed project performance in terms of physical ac-

complishments and other indicators, reviewed the classification of projects and identified problems and issues in the so-called unsatisfactory projects, and formulated appropriate measures to improve project implementation and administration. These internal actions were supplemented by project administration missions carried out in the field, of which there were 408 in 1987 covering 530 projects. The increased emphasis on project supervision is reflected in the higher number of missions devoted for this purpose in 1987 as compared to the 354 missions in 1986. The establishment of an Indonesia Resident Office (IRO) in Jakarta was also a significant step in improving implementation in a major borrowing country. Like the Bangladesh Resident Office and the South Pacific Regional Office, IRO plays an important role in providing supplementary on-site support to the project supervision work of the Project Divisions in the Bank.

Within the framework of the Country Project Review Meetings, which were started in 1983, policy dialogues were conducted during the year with the Governments of Bangladesh, Indonesia, Nepal, Pakistan and Sri Lanka. These meetings dealt with project implementation problems and constraints which were common to a large number of projects in the countries concerned such as shortage of local counterpart funds, bureaucratic procedures and requirements, government regulations that are in conflict with the Bank's guidelines and a lack of coordination among ministries/departments or other agencies involved in implementation. Other problems encountered were delays in loan effectiveness, low demand for subloans under DFI and agricultural credits, failure to comply with financial covenants, institutional and managerial bottlenecks and technical problems. The importance of these policy dialogues was widely acknowledged by the governments concerned and steps have already been taken to implement some of the measures that have been proposed in such meetings.

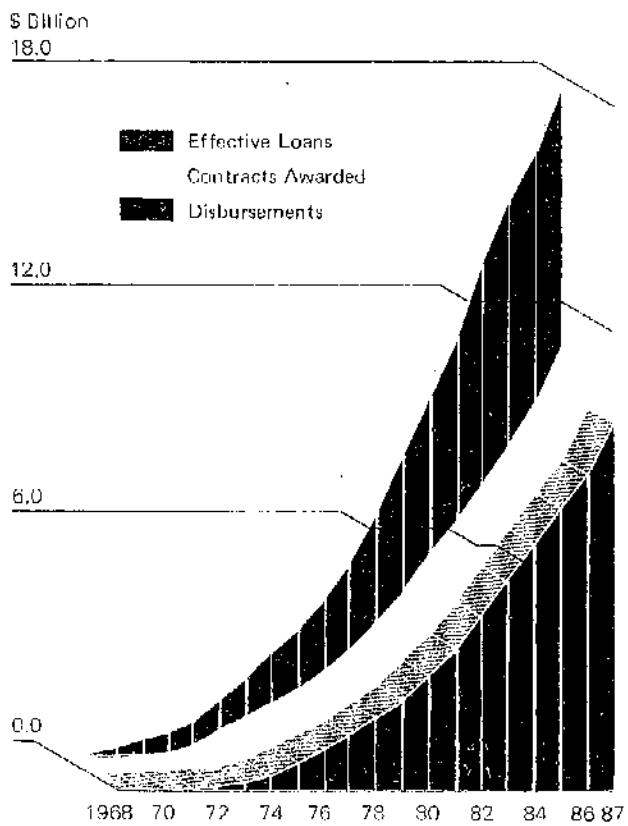
Training continued to be an important element of the Bank's program to develop skills in project implementation. In order to upgrade the management capabilities of project managers, three regional seminars on project implementation management, organized on a sectoral basis, were conducted in 1987. In addition, five country seminars on procurement and five on uses of consultants were held in Malaysia, Nepal, Pakistan,

Papua New Guinea, Sri Lanka and Thailand to enhance knowledge and skills of projects staff in procuring goods and consulting services. Sample bidding documents for civil works contracts were also made available to executing agencies.

Another important aspect of the learning process was the assistance given to suppliers and consultants in broadening their participation in international competition. This was done through the business opportunities and procurement information seminars conducted in Belgium, People's Republic of China, Denmark, Italy, Netherlands, Thailand, United Kingdom and United States as well as through seminars on development of domestic consultants conducted in India, Malaysia and Thailand. Briefings were also held for consultants, trade missions and other business-oriented groups that visited the Bank.

There were 60 consulting firms and 29 individual consultants engaged by borrowers for loan-financed projects while 53 consulting firms and 171 individual consultants were employed by the Bank for technical assistance projects. The net value of procurement contracts awarded for all projects amounted to \$1,440.1 million in 1987, of which \$869.8 million was against ordinary capital resources (OCR) loans and \$570.3 million against loans under the Asian Development Fund (ADF). This brought cumulative procurement to \$10,883.2 million or 61 per cent of effective loans.

Contracts Awarded and Disbursements to End of 1987



Loan Disbursements

Loan disbursements in 1987 totalled \$1,232 million, an increase of 20 per cent from the near-stagnant levels of the previous three years.

Ordinary capital resources loan disbursements rose by 13 per cent to \$693 million from \$612 million in 1986, reversing the trend of recent years. The establishment of the IRO, well-coordinated project implementation by the Government of Indonesia (including the operations of a Special Team in BAPPENAS, the Central Planning Agency), the timely utilization of special financing facilities for Bank-assisted projects in Indonesia and the Philippines, sustained monitoring of projects implementation and project-sector-specific implementation performances in Pakistan were among the factors which contributed to better OCR disbursement.

Disbursements under ADF loans increased by 31 per cent to \$539 million from \$412 million in 1986. The increase, in line with a trend since 1983, resulted from improved project implementation performance in Bangladesh and Pakistan and was also aided by the types and sectors of financing provided to ADF-eligible borrowers.

To foster better appreciation of its disbursement procedures and practices among DMC officials involved in project implementation, the Bank in 1987 conducted a number of seminars and workshops in several DMCs. In addition, the Bank continued to allow increasing use of special disbursement procedures such as Statements of Expenditures and Imprest Accounts to facilitate improved flow of funds to the DMCs.

Projects Completed

Fifty-two projects were completed in 1987, bringing the total number completed to 389 or 49 per cent of the 793 projects approved as of 31 December 1987. Compared with 1986, when 35 projects were completed, project completion rose significantly in 1987 reflecting improved project administration by the Bank and improved implementation performance on the part of executing agencies. Examples of projects successfully completed in 1987 are the Tulungagung Drainage Project in Indonesia, the Vocational Education Project in Malaysia, the Fourth Power Project in Nepal and the Fifth Industrial Finance Corporation Project in Thailand.

Forty-two Project Completion Reports (PCRs) were completed in 1987. As of the end of 1987, a total of 277 PCRs had been circulated to the Board of Directors.

Project Benefit Monitoring and Evaluation

During 1987, the Bank's project benefit monitoring and evaluation (PBME) program continued along previously-established lines. An Operations Manual Section, issued in March 1987, presented a clear description of the scope, purpose and general procedures for all sectors where PBME is applied. A technical manual for projects in the Irrigation sec-



BANK staff discussing information systems planning at the Bank's Manila Headquarters (left) and Environment Specialists at work in the Philippines (right).

tor was issued in July and drafts of similar manuals were prepared for the water supply and roads and highways sectors.

Benchmark information about beneficiaries was prepared and used during the preparation of feasibility studies for about one-third of the projects appraised by the Agriculture Departments during 1987. Also, benchmark information which contains a social and institutional profile of beneficiary groups is now commonly used as a data base for increasing the participation of these groups in implementing irrigation projects. At the end of 1987, benchmark information which could help in preparing impact evaluations of completed projects had been or was being prepared for 110 out of 132 ongoing projects being administered by the Agriculture Departments and the Infrastructure Department.

Executing agencies for irrigation projects in Indonesia, Philippines and Sri Lanka made progress in establishing project benefit monitoring systems which are part of the agen-

cies' management information system. Arrangements for this type of project benefit monitoring were also included in the Second On Farm Water Management Project in Pakistan. Such monitoring systems can provide long-term benefits by enabling the agency to improve the operation of facilities constructed with assistance from project loans. However, the establishment of these systems is a long-term proposition (at least five years) and their development needs to be integrated with the development/upgrading of procedures used by the agency to manage its operations.

Concerned projects divisions are now better equipped to monitor and follow up on the implementation of PBME provisions in each project. This results from the establishment of a monitoring system which was implemented in the Agriculture Departments during 1987 and was extended to include the Infrastructure Department in early 1988.



CONSTRUCTION staff in front of an irrigation canal which is part of the Wadaslintang Multipurpose Project in Indonesia. Designed to provide year-round irrigation, drainage and flood control facilities for some 90,000 smallholder farmers in Central Java, the project is supported by a Bank loan of \$87.7 million.

POST-EVALUATION

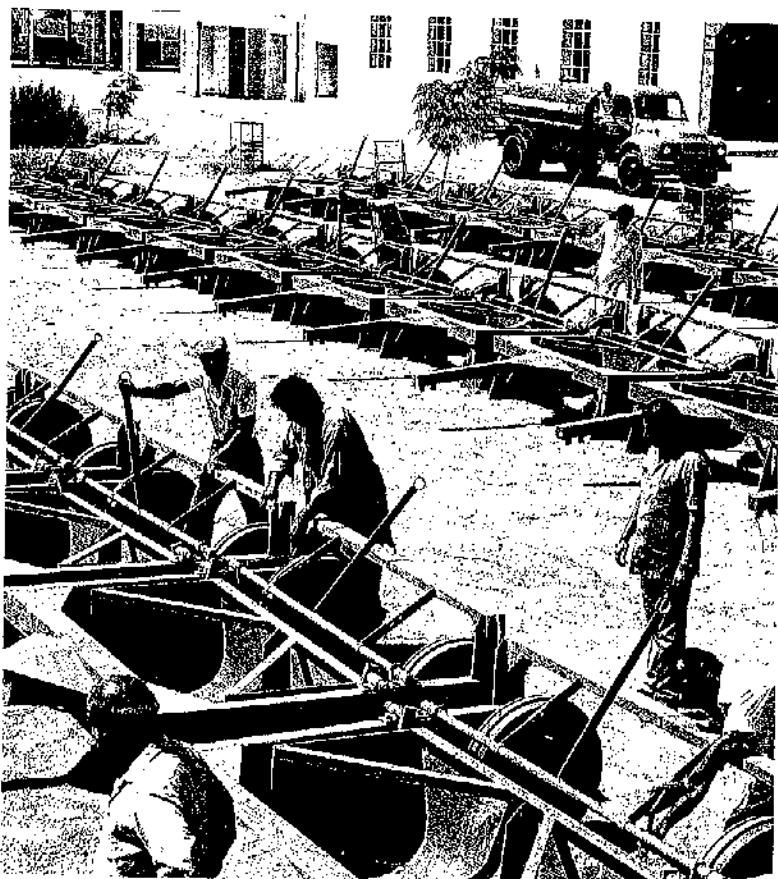
THE success of development management depends not only on how well projects are prepared and implemented but also on how well the steps of the project cycle are integrated through the process of post-evaluation. An important part of the Bank's work, therefore, is its evaluation system which provides for learning from experience. Post-evaluation aims to provide a systematic, comprehensive and independent review of Bank operations. As well as helping improve the design and conduct of future Bank activities, post-evaluation enables the Bank to account to member governments for the effectiveness of its assistance. The evaluation function in the Bank is the responsibility of the Post-Evaluation Office (PEO), which reports directly to the President.

During 1987, 38 Project Performance Audit Reports (PPARs) covering the experience of 40 projects (including four program loans) were circulated, raising the total number of PPARs prepared to date to 238 (covering 252 projects). Most of the 40 audited projects were appraised in the 1970s and all but one were approved between 1971 and 1981. About 93 per cent of these projects were completed between 1984 and 1986. In total, they represent some \$958 million in Bank loans and nearly \$2.5 billion in overall investment.

In terms of country grouping, 42 per cent of the projects audited (or 17) were in Group A, 33 per cent in Group B and the remaining 25 per cent in Group C countries. In terms of sector grouping, 35 per cent (or 14) were in agriculture, 60 per cent in infrastructure, and 5 per cent in the development finance institution (DFI) sector. The uneven spread reflects the pattern of project completion. The 24 infrastructure projects audited in 1987 include nine in the energy sector, five in water supply, four in transport and communications, four in education and two in urban development. The share of projects audited in Group B countries more than doubled to 52 per cent in 1987 from 24 per cent in 1986, the share of Group A countries fell to 23 per cent from 42 per cent and that of Group C countries declined to 25 per cent from 34 per cent in the same period.

In terms of overall results, the performance of this year's group of projects shows that 20 projects or 50 per cent were assessed at the time of post-evaluation as being generally successful in meeting their main objectives while 17 projects or 43 per cent were assessed as partly successful and 7 per cent

as unsuccessful. This compares with 67 per cent assessed as successful and 33 per cent as partly successful in 1986. The decrease in the proportion of generally and partly successful projects is due mainly to the larger number of projects directly producing primary commodities or indirectly saving energy which were audited during 1987, many of which were adversely affected by the decline in primary commodity prices in world markets.



MACHINERY used for land leveling in the South Rohri Fresh Groundwater Irrigation Project near Hyderabad, Pakistan. Supported by a Bank loan of \$33 million, the project is aimed at increasing agricultural production and creating jobs.



FISHING trawlers in Burma. The Bank has approved loans totalling \$33.7 million for marine fisheries development through rehabilitating and expanding the country's fishing fleet and improving its fishing gear and infrastructure facilities.

The successful projects are fairly evenly distributed by country group with 47 per cent in Group A, 54 per cent Group B and 50 per cent Group C. However, by sector, development bank projects were the most successful this year with 100 per cent, compared with 50 per cent for agriculture and 46 per cent for infrastructure. Twelve of the partly successful projects and one of the unsuccessful projects were in the infrastructure sector with the remaining five partly successful and two unsuccessful projects being in agriculture.

The unfavorable external and internal economic environment of the early 1980s explains to a considerable extent the relatively large number of projects with less than satisfactory outcomes. Other factors contributing to project performance include deficiencies in project design, institutional and administrative constraints among many borrowers and distortions in sectoral and economy wide policies. The adjustments to development priorities and therefore to budgetary allocations which many countries had to make, due to various external factors, particularly the decline in commodity prices, was also a contributing factor. Such adjustment measures also

had implications for the timely completion of development projects which were under implementation.

To date, the Bank has post-evaluated six program loans totalling \$270 million in actual total investment. Of the four program loans post-evaluated this year, the largest was the Agricultural Inputs Program in the Philippines of \$130 million which accounted for nearly half of the total of all program loans. Five of the six program loans were made to Group A countries, with Burma being a three-time recipient, and one to a Group B country. All but one — the Petroleum Refining Industry Program (Burma) for \$5 million — were successful. The successful programs were all aimed at crop intensification and funded more than 730,000 mt of fertilizer to increase farm production and crop yields. Experience from these programs provides further evidence of the importance of adequately addressing pertinent sector and operational issues during program formulation and close monitoring of program design, progress and related developments during implementation.

Since 1982 PEO has undertaken intensive analysis of par-

ticular issues on subjects of broader relevance to the Bank's operations, practices and procedures than are frequently raised by PPARs. These studies are of two main types: Special Studies and Impact Evaluation Studies.

A Study on Compliance with Special Loan Covenants was completed and an Impact Evaluation Study on DFI Lending to Small-Scale and Medium-Scale Industry (SMI) Development in the Republic of Korea was also undertaken and completed during 1987.

The Study on Compliance with Special Loan Covenants drew on findings from 176 completed projects audited up to the end of 1985. The Study recommended: (i) a more selective use of special covenants; (ii) improvements in project preparation and design including the formulation of covenants; and (iii) encouraging more active borrower-Bank dialogue. In addition, certain administrative steps could also be considered to facilitate better monitoring and timely action in cases of non-compliance with covenants.

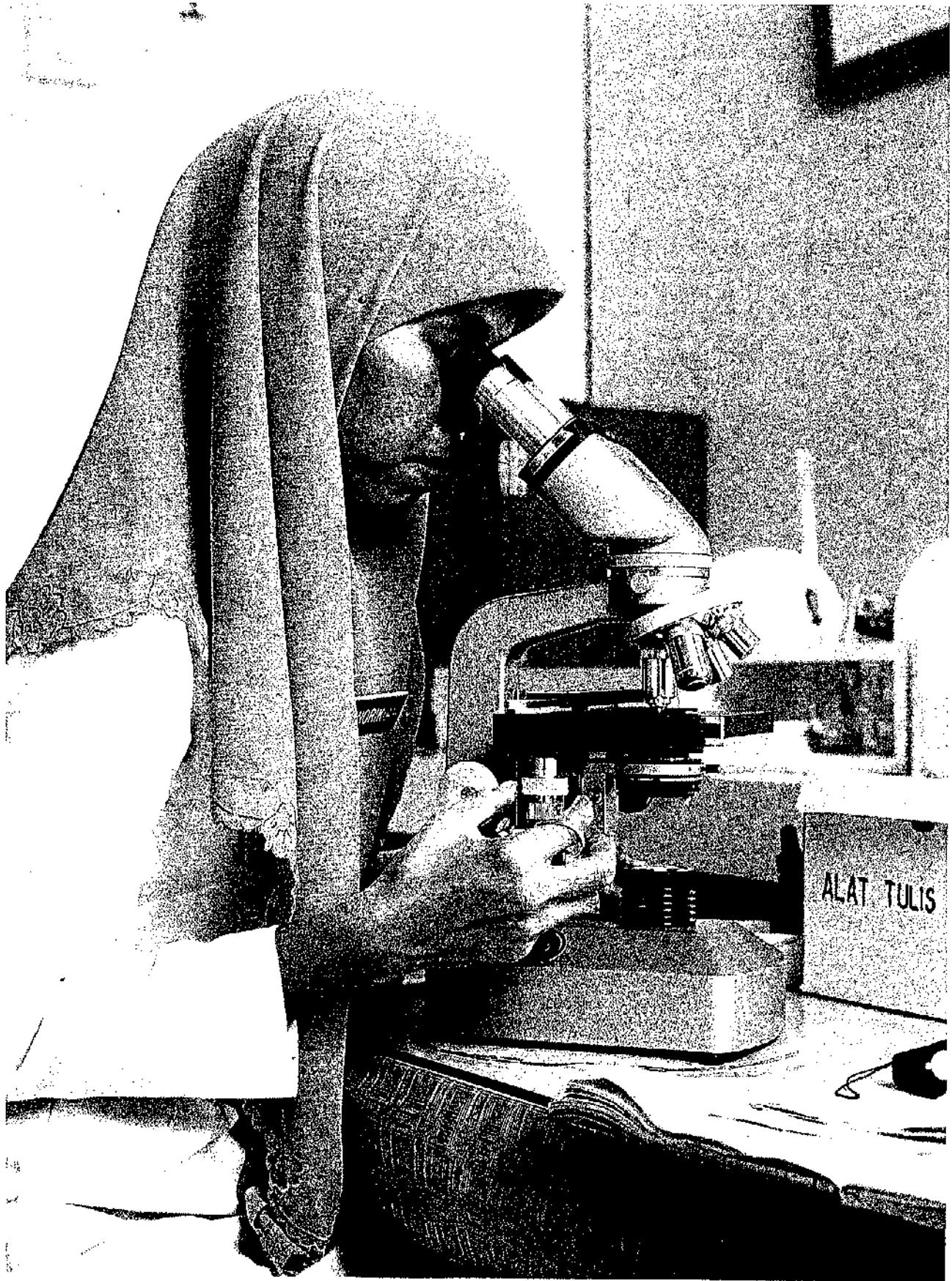
The Impact Evaluation Study on DFI Lending to Small-Scale and Medium-Scale Industry Development in the Republic of Korea identified a number of important findings which would also be of relevance to DFI lending to the SMI sector in other DMCs. These include: (i) attainment of greater operational autonomy by the DFIs; (ii) delegation of authority to, and expansion of, DFI branches to enhance resource mobilization and subproject processing and supervision; (iii) initiation of a thorough credit rating system with emphasis on the subborrower's management capability which has proved to be an effective instrument in overcoming the difficulties

generally associated with market analysis in the SMI sector; and (iv) increased involvement of research organizations for technology development of SMIs.

The Ninth Review of Post-Evaluation Reports and Sixth Report of Selected Post-Evaluation Findings — summarizing and listing, respectively, the results of post-evaluation studies made during 1986 — were circulated to the Board of Directors in February and April 1987, before the Bank's Annual Meeting.

The PEO continues to be closely associated with processing activities for new loans and technical assistance projects, so that the experience and findings from audited projects can be taken fully into account in the formulation of new projects. Toward this end, PEO's computerized data base for post-evaluation findings was further expanded and improved during the year. Nineteen country reports, summarizing audit findings in individual countries, were circulated to the operational departments as part of the measures to improve dissemination of such information within the Bank.

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



A LABORATORY technician analyzes a blood sample in a health center constructed under a Health and Population Project in Malaysia. Aimed at providing primary health care, including family planning services and basic hospital facilities, the project is assisted by a Bank loan of \$25.8 million.

ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Financial Policies

The review of the Bank's financial policies, started by the Board of Directors in 1986, was continued in 1987. In the review, the Board undertook a series of studies on the Bank's income and liquidity policies and its loan charges. The findings of the studies were approved by the Board in September. In accordance with these findings, the Bank will continue to maintain the adequacy of its net income by ensuring that its interest-coverage ratio does not fall substantially below 1.25 in the long run, while the minimum target for the Bank's reserve:loan ratio will be set within the range of 20 per cent to 25 per cent. In setting the targets for these indicators, the Bank will ensure that such targets would not result in a perceptible basic negative trend in the Bank's long term net income.

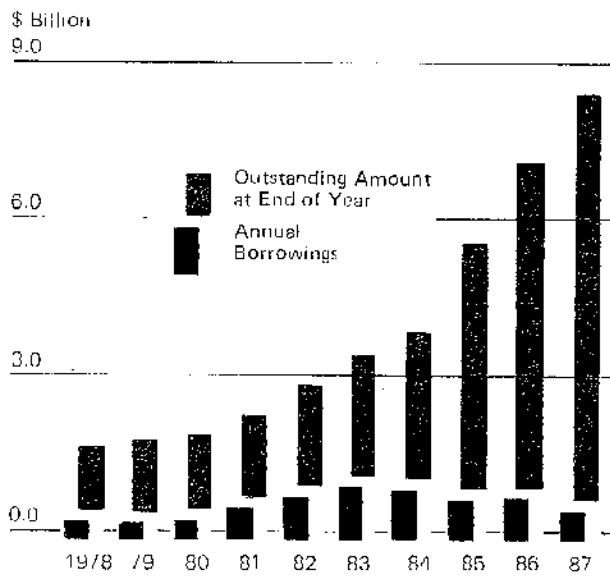
As regards the Bank's loan charges, the Board approved certain reductions which will provide significant cost savings to borrowing member countries. The variable spread, which is added to the average cost of a pool of Bank borrowings in determining the pool-based variable lending rate, was reduced from 0.50 per cent per annum to 0.40 per cent per annum, effective 1 January 1988. There was also a change in the method for computing the commitment charge on new loans. Before the change, the commitment charge of 0.75 per cent per annum was levied on the full undisbursed balance of the loan. Under the new method, however, for loans approved on or after 1 July 1987, the commitment charge, which was retained at 0.75 per cent per annum, is levied on the following increasing portions of the loan amount (less cumulative disbursements): 15 per cent in the first year, 45 per cent in the second year, 85 per cent in the third year and 100 per cent in the fourth year and beyond. This change is effectively equivalent to a straight reduction in the commitment charge from 0.75 per cent per annum to 0.50 per cent per annum. In making these reductions in the Bank's loan charges, the Board sought to balance the interests of borrowers with the requirement to preserve and protect the Bank's essential financial ratios.

Variable Lending Rate

The Bank's variable lending rate was reduced twice during the year reflecting the relatively low cost of funds borrowed in 1986 and 1987, the appreciation of major currencies against the US dollar and the effect of the Bank's liability management program. The rate, which had been set at 7.65 per cent per annum on 1 July 1986 when the variable lending rate system came into operation, was reduced on 1 January 1987 to 7.36 per cent per annum for the first half of 1987, and was further reduced on 1 July 1987 to 7.03 per cent per annum for the second half of the year.¹

¹ The rate for the first half of 1988 is 6.59 per cent per annum.

Borrowings: 1978-1987



Borrowings

The Bank made five borrowings in 1987 equivalent in total to \$537 million. Details of the year's borrowings are shown in the table on page 170.

In response to a larger-than-expected rise in liquidity during the year, brought about mainly by increased loan prepayments and cancellations and the appreciation of major currencies against the US dollar, some borrowings originally included in the 1987 borrowing program were not undertaken. In addition, the amount prepaid under the Bank's liability management program was increased to \$797 million. Consequently, the 1987 borrowing and liability management programs had the combined effect of reducing liquidity by \$260 million.

In view of the cutback in the borrowing program, the Bank undertook only one borrowing (a public bond issue) in each of the German, Japanese and Swiss capital markets. The bond

issue in the Federal Republic of Germany, in November, was for DM200 million, that in Japan, in February, was for ¥ 30 billion, and that in Switzerland, also in February, was for SwF150 million.

A public offering of £ 50 million was made in the Euro-sterling market in June. This was the Bank's first borrowing in that market. Proceeds of the issue were swapped into yen.

In May, the Bank entered into an agreement for a private placement of Kuwaiti dinar bonds amounting to KD11.5 million. The proceeds of the borrowing were used for refunding an earlier issue in Kuwaiti dinars which was prepaid.

The average maturity of the year's borrowings, weighted by amount, was 10.93 years compared with the average maturity in 1986 of 14.40 years. At the end of 1987, the average life of outstanding borrowings was 7.88 years. After swaps, the average cost of the 1987 borrowings, weighted by the amount of each borrowing, was 5.63 per cent per annum.



SIGNING of documents in Tokyo for the Bank's ¥30 billion bond issue in February 1987. Seated (from left to right) are Katsuhisa Yamada, Senior Managing Director of Yamaichi Securities Company, Limited; ADB Deputy Treasurer Yukiji Miyazaki; and Tatsuo Yoshida, Managing Director of The Industrial Bank of Japan, Limited.

Capitalization

The capital stock is defined in the Bank's Articles of Agreement in terms of United States dollars of the weight and fineness in effect on 31 January 1966. Since the coming into effect of the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) on 1 April 1978, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the value of the Bank's capital stock has been expressed in terms of the SDR on the basis that each share has the value of SDR10,000. The mutual obligations of each member and the Bank with respect to maintenance of value of currency holdings have also been measured by the same standard, but settlement of such obligations has been held in abeyance. For purposes of the financial statements, the SDR has been translated into current United States dollars at the rate computed by the IMF. As of 31 December 1987, the rate was \$1.41866 per SDR. Further information on the Bank's current practice regarding valuation of capital and maintenance of value is given in Notes A and F of the Notes to Financial Statements of Ordinary Capital Resources, OCR-7.

During 1987, Bank staff began a fresh examination of the question of the future valuation of the Bank's capital and the related question of maintenance of value obligations. At year-end it was anticipated that the results of this examination, which would take into account the decision reached on similar questions at the International Bank for Reconstruction and Development (IBRD), would be submitted to the Board of Directors in about March or April 1988.

The third general capital increase (GCI III), approved by Governors' Resolution No. 158 in April 1983, consisted of an additional 754,750 shares in the Bank's authorized capital stock. At the 31 December 1987 exchange rate of \$1.41866 per SDR, the total amount authorized was \$10,707.3 million (SDR7,547.5 million). By 31 May 1986, the extended final date for subscription, GCI III subscriptions had been made by a total of 39 member countries. The total amount subscribed (at the 31 December 1987 exchange rates) was \$10,490.1 million (SDR7,394.4 million). At the end of 1987, the United States' payments for both its fifth instalment and the shortfall in its third instalment were still awaited.¹

Resolution No. 174, authorized by the Board of Governors in September 1985, provided for an additional 29,520 shares to be made available for special increases in the capital subscriptions (SCIs) of Finland, France, Italy, Netherlands and Switzerland. During the first quarter of 1987, the SCIs of Italy and the Netherlands totalling \$181.4 million (SDR127.9 million) became effective. Consequently, by 31 March 1987, the extended final date for subscription, all five member countries authorized for SCIs under the Resolution had subscribed to their entitlements.

At the end of 1987, the Bank's authorized capital stock amounted to \$22,986.9 million (SDR16,203.3 million). The subscribed capital stock stood at \$22,769.7 million (SDR16,050.1 million).

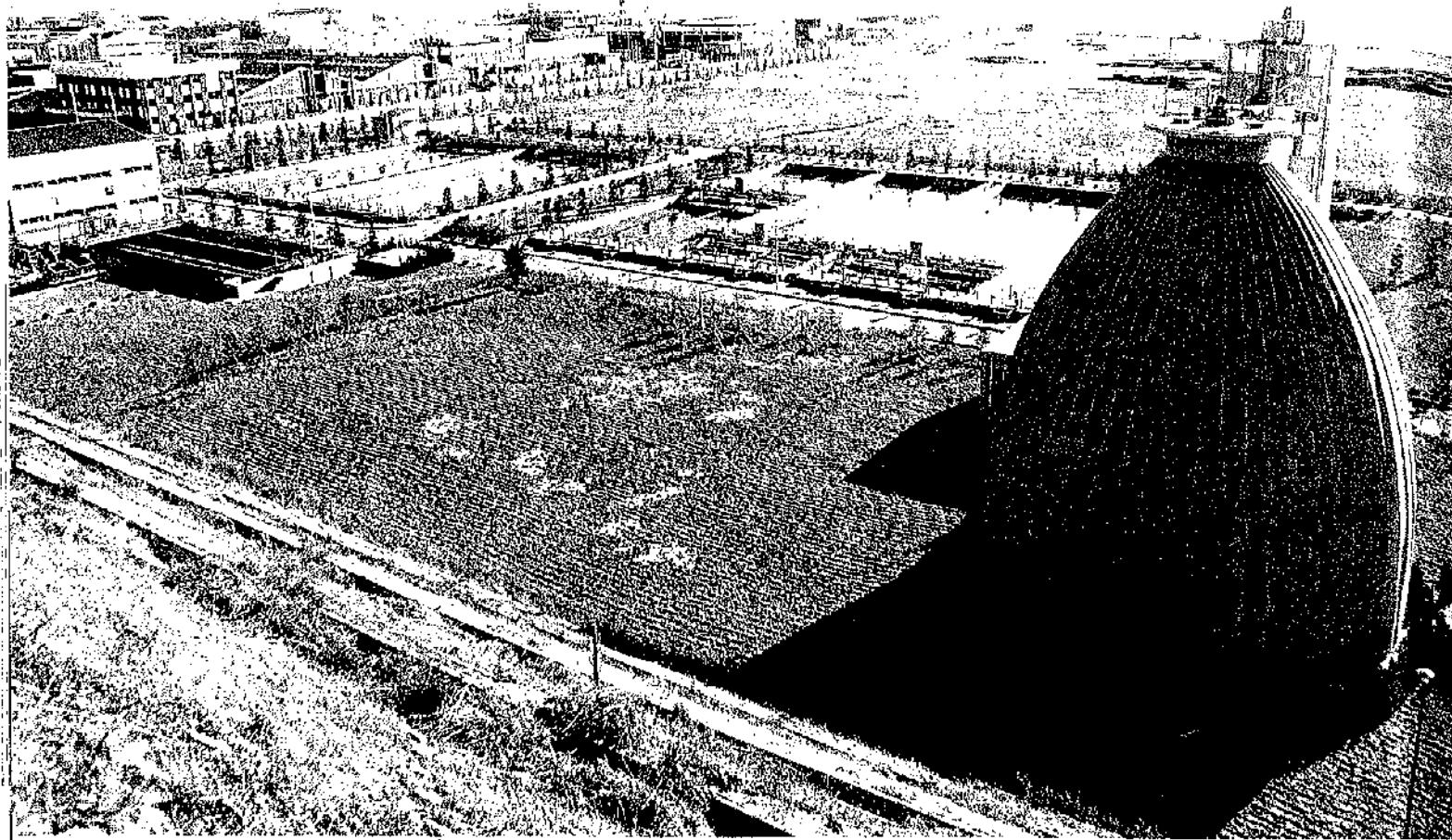
¹ These payments were received in February 1988, thereby enabling the United States' subscription to be fully restored.



TUNNEL excavation for the Tulungagung Drainage Project in one of the poorest and most heavily populated areas of Java, Indonesia, which the Bank is supporting with a \$99 million loan and technical assistance.

Future Resource Requirements

In May 1986, the Board of Governors, recognizing the need for a study of the Bank's future resource requirements to finance its ordinary operations, adopted Resolution No. 179 requesting the Board of Directors to undertake such a study and to report its findings and recommendations to the Board of Governors for consideration and action. A report review-



A VIEW of one of the sewage treatment plants financed by the Bank in the Republic of Korea. The Bank has provided loans totalling \$153.3 million for sewage treatment in the country.

ing progress of the study was approved by the Board of Directors in April 1987 for submission to the Board of Governors. The report was considered by the Board of Governors at the Twentieth Annual Meeting. Proposed papers referred to in the report, on the Bank's net income targets and the possible scope for reductions in its loan charges and on its projected OCR operations during the period 1987-95, were considered by the Board of Directors in 1987. A further report of the Board of Directors on progress of the study has been submitted to the Board of Governors for consideration at the Twenty-First Annual Meeting, and a number of working papers on related matters will be considered by the Board of Directors during 1988.

Investments

At the end of 1987, the Bank's OCR investments were denominated in 22 currencies and amounted to the equivalent of \$4,618 million (\$4,170 million at the end of 1986). Of the total investments, 59 per cent (83 per cent at the end of 1986) was held in securities issued or guaranteed by member governments and obligations of other multilateral development banks. The remainder was invested in deposits and other bank in-

struments in member countries. The realized rate of return on the Bank's OCR investments over the year was 8.06 per cent, compared with 9.52 per cent in 1986.

Loan Disbursements and Repayments

Disbursements from ordinary capital resources during 1987 amounted to \$693 million, bringing the cumulative disbursements from this source to \$6,785 million up to the end of 1987. Repayments during the year from loans held by the Bank amounted to \$440 million. As of end December 1987, cumulative loan repayments reached \$1,918 million. This consisted of \$1,901 million on loans held by the Bank and \$17 million on portions sold to participants.

Exchange Risk Pooling System

The amount of undisbursed loans covered under the system increased to \$5,966 million, or 98.39 per cent of total undisbursed loans as of 31 December 1987. Loans outstanding under the system increased to \$2,433 million, or 49.98 per cent of the total outstanding loans as of 31 December 1987.

INCOME AND EXPENSES—ORDINARY CAPITAL RESOURCES
(amounts in \$ million)

| | 1986 Actual | 1987 Budget | 1987 Actual | 1988 Budget |
|--|----------------|----------------|----------------|----------------|
| 1. Total Income | <u>875.0</u> | <u>920.4</u> | <u>976.2</u> | <u>913.6</u> |
| 2. Less Expenses Charged to Ordinary Capital Resources: | | | | |
| a. Interest and Other Financial Expenses | 535.2 | 585.3 | 619.0 | 543.9 |
| b. Administrative Expenses ^a | 45.5 | 59.9 | 45.6 | 57.5 |
| c. Services to Member Countries | 7.2 | 6.0 | 4.7 | 6.0 |
| T O T A L | <u>587.9</u> | <u>651.2</u> | <u>669.3</u> | <u>607.4</u> |
| 3. Net Income | <u>287.1</u> | <u>269.2</u> | <u>306.9</u> | <u>306.2</u> |

Note: Figures may not add due to rounding.

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

Income and Expenses

The Bank's total income in 1987 was \$976 million, an increase of \$101 million, or 11.6 per cent, over total income in 1986. Income from loans rose by \$106 million and income from other sources increased by \$2 million while income from investments dropped by \$7 million.

Total expenses in 1987 were \$669 million, an increase of \$81 million, or 13.8 per cent over total expenses in 1986. Financial expenses increased by \$84 million while services to member countries decreased by \$3 million.

Net income in 1987 rose to \$307 million from \$287 million in 1986.

Reserves

The Bank's Ordinary Reserve rose from \$1,373 million in 1986 to \$1,602 million in 1987. The increase was due to the transfer of \$287 million net income for the year ended 31 December 1986, which was partly offset by a net charge of \$58 million resulting from the restatement of the Bank's capital stock in terms of SDR.

In accordance with Resolution No. 163 adopted by the Board of Governors in March 1984, no commission has been charged on outstanding ordinary operations loans since the beginning of 1986. Consequently, the Special Reserve remained unchanged during 1987 at \$177 million.



SAMPLES of teaching aids and equipment produced under the Educational Equipment Development Project in Bangladesh assisted by a concessional Bank loan of \$6 million.

SPECIAL FUNDS: ASIAN DEVELOPMENT FUND AND TECHNICAL ASSISTANCE SPECIAL FUND

Asian Development Fund

Replenishment of ADF and TASF (ADF V)

THE replenishment of the Asian Development Fund and the Technical Assistance Special Fund (ADF V) was authorized by Governors' Resolution No. 182 in October 1986. The replenishment, amounting in total to \$3.6 billion (at the exchange rates specified in the Resolution), is intended to finance the Bank's concessional lending program over the four-year period 1987-90, while \$72 million is to be set aside and allocated to the Technical Assistance Special Fund (TASF) for technical assistance to poorer DMCs and for regional technical assistance. ADF V came into effect in May 1987 when the Bank had received from developed member countries unqualified Instruments of Contribution in excess of the minimum trigger for effectiveness of \$1,800 million specified in the Resolution.

At the end of 1987, ADF V Instruments of Contribution had been received from 14 member countries for a total amount of \$2,393 million. Thirteen of these countries, namely, Belgium, Denmark, Finland, France, Federal Republic of Germany, Hong Kong, Indonesia, Japan, Republic of Korea, New Zealand, Sweden, Switzerland and United Kingdom, had deposited unqualified Instruments of Contribution.¹ Canada had deposited an Instrument of Contribution containing a qualification, as permitted by the Resolution, that all instalment payments except the first would be subject to budgetary appropriations. Pursuant to the Resolution, the first tranches of all 14 contributions were available to the Bank for operational commitments. From the first instalment payment of each contribution an amount, in proportion to the amount of the contribution, was set aside and allocated to TASF in accordance with the Resolution. The Resolution envisages that the second tranches of the unqualified contributions would become available for operational commitments on 1 January 1988. The "trigger" arrangements specified in the Resolution

require countries making a qualified contribution to deposit their Instrument of Contribution by 1 January 1988, for the second tranches of others to be released by that date. However, the United States, which intends to make a qualified contribution, while receiving authorization for its contribution, has not received the necessary appropriation of funds. Accordingly, its Instrument has not been deposited and the second tranches have not yet been released.

Third ADF Replenishment (ADF IV)

The third ADF replenishment (ADF IV) was authorized by Governors' Resolution No. 154 in July 1982 to finance the Bank's concessional lending program over the four-year period 1983-1986. The total amount authorized was \$3,214 million (at the exchange rates specified in the Resolution). All 21 ADF IV donor countries contributed to the replenishment. In addition, France and New Zealand made additional contributions totalling \$17 million, while Spain, shortly after becoming a member of the Bank in February 1986, deposited a contribution commitment equivalent to \$25 million (at the end-December 1984 exchange rates).

The ADF IV Instruments of Contribution deposited by Canada and the United States both contain a qualification that payment of their contribution instalments is subject to budgetary appropriations. By the end of 1986, Canada had made available all four tranches of its contribution in full, while the United States had made available its first three tranches and \$57.1 million, or 43.93 per cent, of its fourth tranche. Pursuant to the ADF IV "trigger" arrangements, therefore, the fourth tranches of the unqualified ADF IV contributions stood released to the extent of 43.93 per cent. Australia, Belgium and Norway, however, had voluntarily released their fourth tranches in full. There were no changes to this position during 1987.¹

¹ Unqualified Instruments of Contribution were received from Austria, Netherlands and Norway in early 1988.

¹ A further \$28 million (21.54 per cent) of the United States ADF IV fourth tranche became available in February 1988, thereby triggering the release of a further 21.54 per cent of the unqualified ADF IV fourth tranches that had not previously been released in full.



VANILLA curing at a cooperative curing center in Vava'u, Tonga. Vanilla development is one of the subprojects supported under the Bank's \$1.68 million concessional loan for the Second Multiproject in Tonga.

Availability and Utilization of ADF Resources

After allowing for a provision against exchange rate fluctuations, the net resources available for loan commitments at the beginning of 1987 amounted to about \$784 million. During the year the Bank received ADF V first tranches totalling \$841 million (at the 31 December 1987 exchange rates), of which \$774 million was for ADF and \$67 million was allocated to TASF. A further \$39 million accrued to ADF by way of net income. Moreover, resources increased significantly during the year as a result of the appreciation of most contribution currencies against the US dollar. Including changes in value in terms of the US dollar, the increase in total ADF resources was about \$2,436 million, bringing total resources at the end of 1987 to \$10,201 million, as shown in the table

on page 171. As a result of this increase, the Bank had adequate resources for completing its ADF lending program for the year. ADF loan approvals in 1987 totalled SDR745 million, or the equivalent of \$958 million at the exchange rates applicable at the time of loan negotiation. After taking account of repayments, cancellations and exchange rate adjustments, cumulative net loan commitments increased to \$8,590 million at 31 December 1987, leaving a balance of uncommitted resources at that date of \$1,611 million. After allowing for a provision of about \$558 million for exchange rate fluctuations, the net resources available for further loan commitments at the end of the year were about \$1,053 million.

Disbursements from ADF resources during 1987 amounted to \$539 million, bringing total cumulative disbursements to \$2,923 million. ADF loan repayments during the year amounted to \$25.1 million, while cumulative repayments up to 31 December 1987 amounted to \$137.2 million.

ADF Revenue and Expenses

Excess of revenue over expenses (net income) of ADF for 1987 amounted to \$39 million, bringing accumulated surplus at the end of the year to \$285 million.

At the end of 1987, the Bank's investments of ADF resources were denominated in 18 currencies and amounted to the equivalent of \$676 million (\$618 million at the end of 1986). Of the total investments, 21 per cent (28 per cent at the end of 1986) was held in securities issued or guaranteed by member governments. The balance was invested in deposits and other bank instruments in member countries. The realized rate of return on ADF Investments over the year was 7.67 per cent compared with 8.66 per cent in 1986.

REVENUE AND EXPENSES AND ACCUMULATED SURPLUS — ASIAN DEVELOPMENT FUND (amounts in \$ million)

| | 1986 | 1987 |
|--|--------|--------|
| 1. Total Revenue | 77.1 | 85.0 |
| 2. Administrative Expenses | (40.6) | (45.6) |
| 3. Excess of Revenue over Expenses Net Income | 36.5 | 39.4 |
| 4. Accumulated Surplus at Beginning of the Year | 209.4 | 245.9 |
| 5. Accumulated Surplus at End of the Year | 245.9 | 285.3 |

Technical Assistance Special Fund

As of 31 December 1987, the Technical Assistance Special Fund portion relating to ADF V Instruments of Contribution received during the year amounted to \$67.4 million (\$47.3 million at the exchange rates specified in Resolution No. 182). Of this amount, \$8.6 million had been utilized.

Further direct voluntary contributions to TASF totalling \$0.7 million were made during the year by three member countries. The contributions were as follows:

| Member Country | Amount | US\$ Equivalent (As of 31 December 1987) |
|--------------------|---------------|---|
| India | Rs 4,000,000 | 306,400 |
| Korea, Republic of | US\$ 300,000 | 300,000 |
| Pakistan | PRs 1,050,000 | 60,157 |

The contribution from the Republic of Korea is fully utilized and may be used to finance the costs of services and facilities from all member countries. The contributions from India and Pakistan are available to finance the costs of services and facilities from the respective contributor countries and other developing member countries.

As of 31 December 1987, total direct voluntary contributions to TASF amounted to the equivalent of \$84 million, of which \$81.9 million had been utilized.



BANK staff meeting with a consultant at the Bangladesh Resident Office (top left) and at work at the South Pacific Regional Office (top right). Official opening of the Indonesia Resident Office in July by Dr. Ali Wardhana, then Coordinating Minister for Economy, Finance and Industry, as Bank President Masao Fujiuku looks on (above).

ADMINISTRATION

Vice-President

THE Board of Directors, acting on the recommendation of the President, reappointed Mr. S. Stanley Katz as a Vice-President of the Bank for a two-year term effective on 1 April 1988.

Staff

The Bank's staff at the end of 1987 totalled 1,605 from 39 member countries: 597 professional staff and 1,008 supporting staff. During the year, there were 38 professional staff appointments and 36 terminations of appointment. Among supporting staff, 64 were appointed, 40 resigned and one was promoted to professional staff.

Five young professionals joined the Bank in 1987. They will replace the 1986 intake who will progress to regular professional positions during 1988. Five young professionals are proposed to be recruited in 1988.

Taking into account comparative salary levels and cost of living considerations, salaries for professional and supporting staff were reviewed and adjusted upwards during 1987. For professional staff, a general salary increase of 5 per cent was effected and the modified dependency allowance of \$950, which was introduced in 1985, was discontinued. Supporting staff salaries were also raised by 5 per cent and dependency allowances increased.

The Bank's separation payments package was reviewed and its terms enhanced to facilitate action in cases of staff whose early separation from service is deemed in the interest of the Bank. Under these arrangements, several staff were replaced during the year with new staff with skills more suited to current requirements. These efforts will continue in 1988.

For the first time, a formal grievance procedure with an Appeals Committee was established in consultation with the Staff Association. The Committee enables staff to seek review/redress of individual grievances in relation to Bank decisions concerning the terms and conditions of their employment.

The Housing Loan Program for supporting staff, which was approved by the Board of Directors in September 1986 and is aimed at providing its staff members with the means to secure housing of a suitable standard, became operational in April 1987.

The Staff Retirement Plan was improved by: (i) maintaining the value of pensions with reference to cost of living associated with the different currencies in which pensions are paid; (ii) increasing the rate of the pension accrual rate to 2.75 per cent from 2.5 per cent of the highest average remuneration for each year of service; and (iii) reducing the service requirement for entitlement to a pension to three years from five years.

The new Headquarters building project has been delayed. The new building is expected to be completed and occupied during the first half of 1989.

Organization

The reorganization of Country Department (CD), Agriculture Department (AGD) and Irrigation and Rural Development Department (IRDD), endorsed by the Board in November 1986, was effected in February 1987. Under the new organization, the responsibilities and staff of CD have been restructured into two Programs Departments, East and West, and the combined responsibilities and staff of AGD and IRDU likewise restructured into two Agriculture Departments, East and West.

In order to give formal recognition to the importance given by the Bank to environmental planning and management, an Environment Unit attached to the Office of the Director, Infrastructure Department, was established, effective 1 May.

A review of the Bangladesh Resident Office (BRO) was undertaken in May to assess its performance and the experience gained since 1984 when an interim review of its operations was made. Following Board approval in November 1986, the Bank's Indonesia Resident Office (IRO) was set up and inaugurated in July.

An internal Task Force was set up in May to develop a systematic approach to analyzing the Bank's future staff com-

position and requirements. This is aimed at providing an analytical framework which can serve as basis for assessing future staff requirements both in terms of number and type of expertise, consistent with various levels and types of future Bank activities. The Task Force is expected to finalize its report in early 1988.

Internal Audit

The Internal Audit Office (IAO) reviews the adequacy and effectiveness of controls, systems and procedures relating to financial, accounting, administrative, data processing and project administration matters. It provides an independent and objective evaluation and identifies means of improving the efficiency and economy of activities and the use of resources. IAO reports to the President and the Audit Committee of the Board.

In 1987, IAO reviewed audit-related issues in some South Pacific Developing Member Countries and conducted an audit of the South Pacific Regional Office. It also undertook post-implementation reviews of a number of computerized systems and participated in the development of computer systems and subsystems by the Office of Computer Services. In working with the Bank's external auditors, IAO provided integrated assistance to encompass, in rotation, portions of their overall

audit coverage. In addition, IAO coordinated the audit of consultants' contracts and reviewed the audit reports submitted to the Bank. The results of audits and recommendations were conveyed to Management and concerned Heads of Departments and Offices for information and appropriate action.

Computer and Office Automation Program

During 1987, new systems were implemented to facilitate on-site economic analysis of agricultural projects, enable on-line access to project post-evaluation data, locate Bank visitors, monitor the status of internal Bank procurement activities, report and account for commissary sales, track the schedules and arrangements made for annual meeting delegates and administer Bank borrowings transactions.

A comprehensive review of existing systems and analysis of future needs was conducted to create a strategic system development plan consistent with the overall direction of the Bank.

The Board of Directors approved a capital expenditure program to replace the Bank's mid-range mainframe computers with a large-scale IBM 3090 computer. It also approved funds to upgrade equipment and software used to interface with the SWIFT electronic fund transfer network and to install a Portfolio Investment Trading System.

Budget

Internal Administrative Expenses for 1987 amounted to \$89.547 million against the original Budget of \$94.242 million,¹ representing 95 per cent utilization of the latter. The under-utilization of \$4.695 million, or 5 per cent, against the original Budget is due mainly to savings arising from lower-than-budgeted expenses for the Board of Directors, staff benefits, staff relocation, consultant services, business travel, representation, other administrative expenses and non-use of the general contingency.

A budget of \$98.446 million, which is summarized in Appendix 1, is provided for Internal Administrative Expenses in 1988. This represents an increase of \$8.899 million, or 10 per cent, over actual expenses in 1987. The increase is for: (i) the full-year effect of improvements in salary and benefits and the establishment of the Indonesia Resident Office in 1987; (ii) additional staff, consultant services, business travel and other overhead expenses in support of the Bank's operations in 1988; (iii) provisions for prospective price escalations; and (iv) provision for general contingency.

Commitments for Services to Member Countries in 1987 amounted to \$25.971 million, representing almost full utilization of the original Budget and an increase of 8 per cent over actual commitments in 1986. A provision of \$30 million is budgeted for new commitments in 1988, representing an increase of 16 per cent over the actual commitments in 1987.

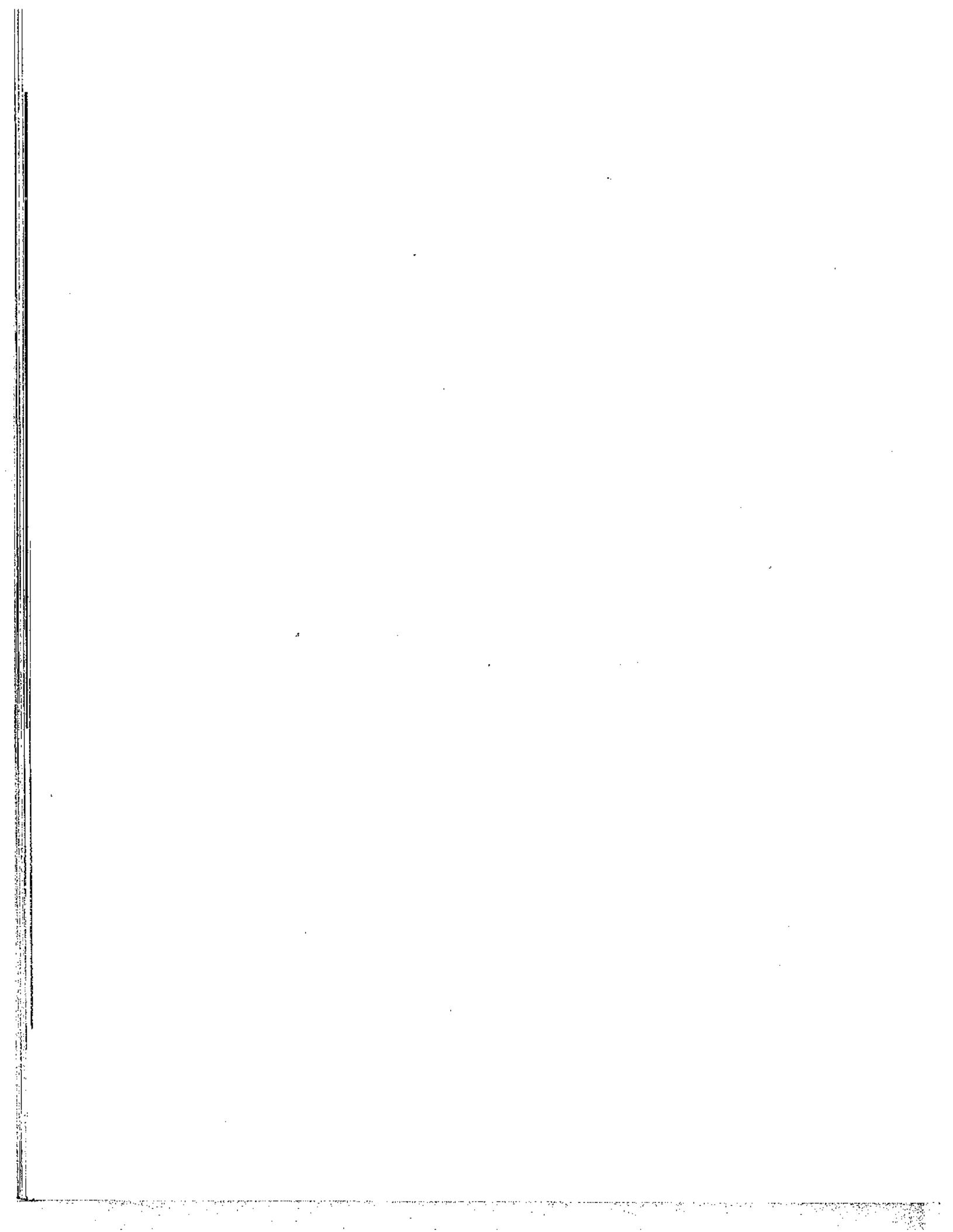


FOUNDATION work for the container storage yard of the Manila International Container Terminal in the Philippines which the Bank is supporting with a loan amounting to \$17.75 million.

¹ Due to the lower general salary increase than was assumed for professional staff in 1986, the 1987 Budget was adjusted downwards by \$805,000 to \$93.437 million.

FINANCIAL STATEMENTS AND OPINIONS OF INDEPENDENT AUDITORS

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OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

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

OCR-1 Balance Sheet, 31 December 1987 and 31 December 1986

OCR-2 Statement of Income and Expenses for the Years Ended
31 December 1987 and 31 December 1986

OCR-3 Statement of Changes in Financial Position for the Years
Ended 31 December 1987 and 31 December 1986

OCR-4 Summary Statement of Loans, 31 December 1987
and 31 December 1986

OCR-5 Summary Statement of Borrowings, 31 December 1987
and 31 December 1986

OCR-6 Statement of Subscriptions to Capital Stock and Voting
Power, 31 December 1987

OCR-7 Notes to Financial Statements, 31 December 1987
and 31 December 1986

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

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Ordinary Capital Resources at 31 December 1987 and 31 December 1986 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins + Sells

26 February 1988

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

BALANCE SHEET

31 December 1987 and 31 December 1986

Expressed in Thousands of United States Dollars (Note A)

| | ASSETS | |
|--|---------------------|---------------------|
| | 1987 | 1986 |
| DUE FROM BANKS (Note B) | \$ 137,961 | \$ 88,577 |
| INVESTMENTS (Notes C and H) | | |
| Government and government guaranteed obligations | \$2,705,529 | \$3,441,511 |
| Time deposits and other obligations of banks | <u>1,912,630</u> | <u>4,618,159</u> |
| | <u>1,912,630</u> | <u>728,283</u> |
| | <u>4,618,159</u> | <u>4,169,794</u> |
| LOANS OUTSTANDING (OCR-4) | 7,678,492 | 5,997,904 |
| EQUITY INVESTMENTS | 7,106 | 2,150 |
| ACCRUED INCOME | | |
| On investments | 71,605 | 83,174 |
| On loans | <u>199,204</u> | <u>270,809</u> |
| | <u>199,204</u> | <u>157,011</u> |
| | <u>270,809</u> | <u>240,185</u> |
| RECEIVABLE FROM MEMBERS | | |
| Non-negotiable, non-interest-bearing demand obligations (Notes B and E) | 441,673 | 401,214 |
| Amounts required to maintain value of currency holdings (Note F) | 1,356 | 1,370 |
| Subscription instalments (Note E) | <u>18,414</u> | <u>461,443</u> |
| | <u>18,414</u> | <u>6,602</u> |
| | <u>461,443</u> | <u>409,186</u> |
| OTHER ASSETS | | |
| Notional amounts required to maintain value of currency holdings (Note F) | 440,444 | 274,291 |
| Unamortized issuance costs of borrowings | 86,953 | 82,949 |
| Property, furniture and equipment (net of accumulated depreciation of \$3,288—1987, \$3,861—1986) (Note A) | 85,504 | 45,723 |
| Administration charge receivable from the Asian Development Fund (Note G) | 19,502 | 14,495 |
| Miscellaneous | <u>37,061</u> | <u>669,464</u> |
| | <u>37,061</u> | <u>29,322</u> |
| | <u>669,464</u> | <u>446,780</u> |
| TOTALS | \$13,843,434 | \$11,354,576 |

See notes to financial statements (OCR-7).

LIABILITIES, CAPITAL AND RESERVES

| | 1987 | 1986 |
|---|-------------------|-------------------|
| BORROWINGS (OCR-5) | \$ 8,443,663 | \$ 7,103,949 |
| ACCRUED INTEREST ON BORROWINGS | 228,014 | 199,929 |
| ACCOUNTS PAYABLE AND OTHER LIABILITIES | | |
| Notional amounts required to maintain value of currency holdings (Note F) | \$ 222,488 | \$ 124,995 |
| Miscellaneous (Note D) | <u>209,945</u> | <u>82,116</u> |
| | 432,433 | 207,111 |
| CAPITAL AND RESERVES | | |
| Capital Stock (OCR-6) (Notes A and C) | | |
| Authorized | | |
| (SDR 16,203,270,000 — 1987, SDR 16,075,390,000 — 1986) | | |
| Subscribed | | |
| (SDR 16,050,140,000 — 1987, SDR 15,922,260,000 — 1986) | 22,769,692 | 19,475,949 |
| Less — "callable" shares subscribed | <u>20,017,307</u> | <u>17,121,577</u> |
| "Paid-in" shares subscribed | 2,752,385 | 2,354,372 |
| Less — subscription instalments not due | <u>136,943</u> | <u>260,392</u> |
| Subscription instalments matured | 2,615,442 | 2,093,980 |
| Less — capital transferred to the Asian Development Fund (Note I) | <u>67,542</u> | <u>58,236</u> |
| | 2,547,900 | 2,035,744 |
| Advance payments on subscriptions (Note E) | 34 | 3,600 |
| Accumulated translation adjustments (Note A) | 106,438 | (32,287) |
| Ordinary Reserve (Note J) | 1,601,542 | 1,372,922 |
| Special Reserve (Note H) | 176,547 | 176,547 |
| Net Income (OCR-2) (Note J) | <u>306,863</u> | <u>4,739,324</u> |
| | <u>287,061</u> | 3,843,587 |
| TOTALS | \$13,843,434 | \$11,354,576 |

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1987 and 31 December 1986

Expressed in Thousands of United States Dollars (Note A)

| | 1987 | 1986 |
|---|------------------|------------------|
| INCOME | | |
| From loans: | | |
| Interest | \$579,604 | \$472,753 |
| Commitment charge | 35,054 | 35,595 |
| From investments (Note C) | 354,191 | 361,514 |
| From other sources - net | <u>7,342</u> | <u>5,167</u> |
| TOTAL INCOME | \$976,191 | \$875,029 |
| EXPENSES | | |
| Interest and other financial expenses (Notes A and G) | 619,051 | 535,259 |
| Administrative expenses (Notes G and K) | 45,596 | 45,496 |
| Services to member countries (Note L) | <u>4,681</u> | <u>7,213</u> |
| TOTAL EXPENSES | 669,328 | 587,968 |
| NET INCOME | \$306,863 | \$287,061 |

See notes to financial statements (OCR-7)

ASIAN DEVELOPMENT BANK -- ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1987 and 31 December 1986

Expressed in Thousands of United States Dollars (Note A)

| | 1987 | 1986 |
|---|-------------------------|-------------------------|
| FUNDS WERE PROVIDED BY | | |
| Operations: | | |
| Net income | \$ 306,863 | \$ 287,061 |
| Items not requiring or providing current funds: | | |
| Accrued interest and other expenses | 33,731 | 44,064 |
| Accrued income including interest and commitment charges added to loans | (76,649) | (96,847) |
| Administration charge (Note G) | (45,597) | (40,621) |
| Other -- net | 77,876 | 58,674 |
| Funds provided by operations | <u>296,224</u> | <u>252,331</u> |
| Borrowings: | | |
| Net proceeds of new borrowings | \$ 526,952 | \$ 829,388 |
| Increase in borrowings as a result of currency revaluations | 1,637,901 | 1,259,850 |
| Adjustment of currency swaps as a result of currency revaluations | 104,675 | 50,842 |
| Bonds purchased for redemption and borrowings redeemed | (896,211) | 1,373,317 |
| | <u>(896,211)</u> | <u>(581,357)</u> |
| | <u>1,373,317</u> | <u>1,558,723</u> |
| Capital: | | |
| Matured subscriptions | 141,998 | 148,957 |
| Increase in matured and paid capital subscriptions due to substitution of the SDR for the 1966 dollar as the unit of value | 364,086 | 208,233 |
| Demand obligations of members encashed | 42,611 | 37,047 |
| Net maintenance of value adjustments | (68,646) | (63,841) |
| Demand obligations of members received | (44,434) | (58,863) |
| Increase in capital set-aside and transferred to Asian Development Fund due to substitution of the SDR for the 1966 dollar as the unit of value | (9,306) | 426,309 |
| | <u>(9,306)</u> | <u>(5,941)</u> |
| | <u>426,309</u> | <u>265,592</u> |
| Net translation adjustments | 138,725 | 69,158 |
| Administration charge collected | 40,590 | 36,270 |
| Other -- net | 4,813 | (16,951) |
| | <u>138,725</u> | <u>69,158</u> |
| | <u>40,590</u> | <u>36,270</u> |
| | <u>4,813</u> | <u>(16,951)</u> |
| Totals | <u>2,279,978</u> | <u>2,165,123</u> |
| FUNDS WERE UTILIZED FOR | | |
| Loans: | | |
| Loans disbursed | 646,815 | 573,466 |
| Increase in loans disbursed and outstanding as a result of currency revaluations | 1,587,955 | 1,123,694 |
| Loans collected | (600,207) | 1,634,563 |
| | <u>(600,207)</u> | <u>(276,694)</u> |
| | <u>1,634,563</u> | <u>1,420,466</u> |
| Net charge to Ordinary Reserve due to substitution of the SDR for the 1966 dollar as the unit of value (Note J) | 58,441 | 33,511 |
| Increase in other assets as a result of currency revaluations | 48,347 | 27,564 |
| Property, furniture and equipment acquired | 40,878 | 17,096 |
| | <u>40,878</u> | <u>17,096</u> |
| Totals | <u>1,782,229</u> | <u>1,498,637</u> |
| INCREASE IN DUE FROM BANKS AND INVESTMENTS | | |
| | \$ 497,749 | \$ 666,486 |

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF LOANS

31 December 1987 and 31 December 1986

Expressed in Thousands of United States Dollars (Note A)

| Borrowers/Guarantors ¹ | Loans Outstanding ² | Undisbursed Balances of Effective Loans | Loans Not Yet Effective | Total Loans | Percent of Total Loans |
|------------------------------------|-----------------------------------|---|-------------------------------|----------------------------|---------------------------|
| Bangladesh | \$ 1,894 | \$ — | \$ — | \$ 1,894 | 0.02 |
| Burma | 4,841 | 73 | — | 4,914 | 0.04 |
| China, People's Republic of | — | — | 133,300 | 133,300 | 1.22 |
| Fiji | 38,127 | 11,873 | — | 50,000 | 0.46 |
| India | 11,580 | 238,420 | 397,005 | 647,005 | 5.92 |
| Indonesia | 1,194,410 | 2,014,633 | 406,000 | 3,615,043 | 33.07 |
| Korea, Republic of | 786,805 | 157,137 | 133,200 | 1,077,142 | 9.86 |
| Malaysia | 451,397 | 367,906 | 136,800 | 956,103 | 8.75 |
| Pakistan | 459,600 | 694,327 | 249,253 | 1,403,180 | 12.84 |
| Papua New Guinea | 43,456 | 47,690 | 38,650 | 129,796 | 1.19 |
| Philippines | 1,034,187 | 694,399 | 43,500 | 1,772,086 | 16.21 |
| Singapore | 52,758 | — | — | 52,758 | 0.48 |
| Taipei, China | 16,724 | — | — | 16,724 | 0.15 |
| Thailand | 769,913 | 299,191 | — | 1,069,104 | 9.78 |
| Viet Nam | 993 | — | — | 993 | 0.01 |
| TOTALS - 31 December 1987 | 4,866,685 | 4,525,649 | 1,537,708 | 10,930,042 | 100.00 |
| Adjustments in US\$ equivalents | 2,811,807 ³ | — | — | 2,811,807 ³ | |
| BALANCES - 31 December 1987 | <u>\$7,678,492</u> | <u>\$4,525,649</u> | <u>\$1,537,708</u> | <u>\$13,741,849</u> | |
| TOTALS - 31 December 1986 | \$4,613,425 | \$4,551,615 | \$1,318,292 | \$10,483,332 | |
| Adjustments in US\$ equivalents | 1,384,479 ³ | — | — | 1,384,479 ³ | |
| BALANCES - 31 December 1986 | <u>\$5,997,904</u> | <u>\$4,551,615</u> | <u>\$1,318,292</u> | <u>\$11,867,811</u> | |

See notes to financial statements (OCR-1).

1. Loans other than those made directly to a member or to its central bank have been guaranteed by the member with exception of loans to the private sector amounting to \$29,094 (\$11,602 - 1986). Certain loans to the private sector are denominated in specific currencies. The undisbursed portions of such loans are translated into United States dollars at the applicable exchange rates as of the end of the reporting period. Disbursements are translated into United States dollars at the applicable exchange rates as of the respective dates of disbursements.

2. The interest rates charged on loans outstanding range from 6.875% per annum to 11.00% per annum. Amounts outstanding on loans made under the Variable Interest Rate System totalled \$190,489 (\$28,568-1986).

MATURITY OF EFFECTIVE LOANS

| Twelve Months Ending 31 December | Amounts | Five Years | | Amounts |
|-------------------------------------|-----------|--------------------|--|------------------------|
| | | Ending 31 December | | |
| 1988 | \$311,827 | 1997 | | 2,530,155 |
| 1989 | 338,940 | 2002 | | 2,675,165 |
| 1990 | 379,131 | 2007 | | 1,688,930 |
| 1991 | 411,268 | 2012 | | 669,975 |
| 1992 | 448,103 | 2016 | | 17,320 |
| | | Undetermined | | 2,733,324 ⁴ |
| | | Total | | \$12,204,141 |

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

| Currency | 1987 | 1986 | Currency | 1987 | 1986 |
|--------------------|-----------|-----------|----------------------|-------------|-------------|
| Australian dollar | \$ 8,191 | \$ 12,186 | Malaysian ringgit | 24,202 | 23,416 |
| Austrian schilling | 28,581 | 35,721 | Netherlands guilder | 17,276 | 18,412 |
| Belgian franc | 150 | 136 | New Zealand dollar | 7,603 | 5,516 |
| Canadian dollar | 857 | 1,629 | Norwegian krone | 1,102 | 1,333 |
| Danish krone | 60 | 49 | Pound sterling | 1,247 | 1,430 |
| Deutsche mark | 1,353,932 | 1,327,930 | Singapore dollar | 1,306 | 1,917 |
| French franc | 297 | 414 | Swedish krona | 286 | 402 |
| Hong Kong dollar | 1,133 | 1,147 | Swiss franc | 2,272,793 | 1,577,894 |
| Italian lira | 1 | 17 | Thailand baht | 2,227 | — |
| Japanese yen | 3,738,522 | 2,736,294 | United States dollar | 217,690 | 250,977 |
| Kuwaiti dinar | 1,036 | 1,084 | Totals | \$7,678,492 | \$5,997,904 |

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

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

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF BORROWINGS

31 December 1987 and 31 December 1986

Expressed in Thousands of United States Dollars (Note A)

| Currency | Balance 31 December 1986 | Changes During the Year Ended 31 December 1987 | | |
|---|------------------------------|--|--|--|
| | | Borrowings | Repayments and Sinking Fund and Other Purchases | Translation and Other ¹ Adjustments |
| Austrian schilling | \$ 36,470 | \$ — | \$ — | \$ 7,974 |
| Deutsche mark | 1,468,467 | 123,183 | 229,435 | 306,454 |
| Italian lira | 740 | — | 834 | 94 |
| Japanese yen | 2,829,116 | 194,805 | 357,832 | 827,567 |
| Kuwaiti dinar | 36,752 ² | 40,387 | 46,628 | 3,569 |
| Luxembourg franc | 990 | — | 1,072 | 82 |
| Netherlands guilder | 479,014 | — | 1,209 | 111,506 |
| Pound sterling | 145,238 | 80,492 | — | 52,188 |
| Swiss franc | 1,310,164 ¹ | 97,529 | 244,348 | 339,482 |
| United States dollar | <u>827,994^{1,3}</u> | — | 14,853 | 50,788 |
| Principal amounts outstanding | 7,135,245 | 536,396 | 896,211 | 1,699,804 |
| Unamortized discounts and premiums on interest- bearing bonds and notes | (31,296) | (275) | — | — |
| TOTALS | <u>\$7,103,949</u> | <u>\$536,121</u> | <u>\$896,211</u> | <u>\$1,699,804</u> |

MATURITY OF

| Twelve Months Ending 31 December | Amounts |
|-------------------------------------|------------|
| 1988 | \$ 778,124 |
| 1989 | 372,614 |
| 1990 | 203,179 |
| 1991 | 340,893 |
| 1992 | 1,000,037 |

See notes to financial statements (OCR-7).

- 1 Balance outstanding at 31 December 1987 includes the total amount of \$456,104 (\$390,982 – 1986) for the Ten-Year US Dollar Zero Coupon Notes of 1982, the Twenty-Year US Dollar Zero Coupon Bonds of 1984 and the Thirty-Year Swiss Franc Zero Coupon Bonds of 1986 (principal amounts at maturity: \$398,000, \$993,000 and SwF 500 million, respectively). Amortisation of the original discount at issuance by the Interest method is shown as an "Other Adjustment".
- 2 The weighted average effective interest rates are computed on the principal outstanding amounts, taking into consideration discounts and premiums and the effect of currency swaps. For uniformity and consistency, annual effective interest rates for bonds with annual payment dates have been converted into semi-annual equivalents.

| Balance 31 December 1987 | Weighted Average Effective Interest Rates ^{2,3} | | Due for Redemption |
|-----------------------------|---|-------|-----------------------|
| | 1987 | 1986 | |
| \$ 44,444 | 8.18% | 8.18% | 1988 |
| 1,668,669 ³ | 7.62 | 7.98 | 1988-1997 |
| — | — | 7.22 | |
| 3,493,756 | 6.90 | 7.45 | 1988-2006 |
| 34,080 | 7.24 | 12.59 | 1988-1991 |
| — | — | 6.64 | |
| 589,311 ³ | 8.13 | 8.42 | 1988-2000 |
| 277,918 ³ | 9.35 | 11.76 | 1997-2009 |
| 1,503,127 ¹ | 5.78 | 6.09 | 1988-2016 |
| 863,929 ^{1,3} | 9.57 | 10.05 | 1988-2004 |
| | | | |
| 8,475,234 | 7.29 | 7.79 | |
| | | | |
| [31,571) | | | |
| <u>\$8,443,663</u> | | | |

BORROWINGS OUTSTANDING

| Five Years Ending 31 December | Amounts |
|----------------------------------|--------------------|
| 1997 | 3,952,575 |
| 2002 | 1,306,918 |
| 2007 | 1,193,160 |
| 2012 | 262,590 |
| 2017 | 391,236 |
| Total | <u>\$9,801,326</u> |

3 Balance includes borrowings which have been swapped for other currencies as follows:

| Currency | Original Amounts Swapped Out | Original Amounts Swapped In | Effective Interest Rates | |
|----------------------|------------------------------------|-----------------------------------|--------------------------|----------------|
| | | | Before Swapping | After Swapping |
| Deutsche mark | DM 200.1 million | SwF 164.4 million | 8.00% | 6.50% |
| Kuwaiti dinar | KD 15 million | \$50,835 | 10.43 | 12.59 |
| Netherlands guilder | fl200.1 million | SwF 145.9 million | 8.01 | 6.14 |
| Pound sterling | £ 50 million | ¥ 11.7 billion | 9.33 | 4.60 |
| United States dollar | \$ 84,657 | SwF 183.1 million | 11.97 | 5.83 |
| United States dollar | \$100,000 | SwF 200.1 million | 8.17 | 5.18 |
| United States dollar | \$100,000 | SwF 184.8 million | 8.02 | 4.88 |
| United States dollar | \$100,000 | SwF 146.0 million | 10.97 | 6.15 |

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

31 December 1987

Expressed in Thousands of United States Dollars (Note A)

| MEMBERS | SUBSCRIBED CAPITAL | | | | | VOTING POWER | |
|---------------------------|--------------------|-------------------|---------------------|---------------------|--------------------|------------------|-------------------|
| | Number of Shares | Per Cent of Total | Par Value of Shares | | | Number of Votes | Per Cent of Total |
| | | | Total | Callable | Paid-In | | |
| REGIONAL | | | | | | | |
| Afghanistan | 1,195 | 0.075 | \$ 16,953 | \$ 11,534 | \$ 5,419 | 9,732 | 0.485 |
| Australia | 102,370 | 6.378 | 1,452,282 | 1,277,915 | 174,367 | 110,907 | 5.528 |
| Bangladesh | 18,064 | 1.126 | 256,267 | 225,496 | 30,771 | 26,601 | 1.326 |
| Bhutan | 110 | 0.007 | 1,561 | 1,263 | 298 | 8,647 | 0.431 |
| Burma | 9,635 | 0.600 | 136,688 | 120,274 | 16,414 | 18,172 | 0.906 |
| Cambodia | 875 | 0.055 | 12,413 | 8,441 | 3,972 | 9,412 | 0.469 |
| China, People's Rep. of | 114,000 | 7.103 | 1,617,272 | 1,423,044 | 194,228 | 122,537 | 6.108 |
| Cook Islands | 47 | 0.003 | 667 | 596 | 71 | 8,584 | 0.428 |
| Fiji | 1,203 | 0.075 | 17,066 | 15,009 | 2,057 | 9,740 | 0.485 |
| Hong Kong | 9,635 | 0.600 | 136,688 | 120,274 | 16,414 | 18,172 | 0.906 |
| India | 112,005 | 6.979 | 1,588,970 | 1,398,203 | 190,767 | 120,542 | 6.008 |
| Indonesia | 96,350 | 6.003 | 1,366,879 | 1,202,783 | 164,096 | 104,887 | 5.228 |
| Japan | 240,875 | 15.008 | 3,417,197 | 3,006,935 | 410,262 | 249,412 | 12.432 |
| Kiribati | 71 | 0.004 | 1,007 | 879 | 128 | 8,608 | 0.429 |
| Korea, Rep. of | 89,123 | 5.553 | 1,264,352 | 1,112,570 | 151,782 | 97,660 | 4.868 |
| Laos | 246 | 0.015 | 3,490 | 2,809 | 681 | 8,783 | 0.438 |
| Malaysia | 48,175 | 3.002 | 683,439 | 601,384 | 82,055 | 56,712 | 2.827 |
| Maldives | 71 | 0.004 | 1,007 | 879 | 128 | 8,608 | 0.429 |
| Nepal | 2,601 | 0.162 | 36,899 | 32,459 | 4,440 | 11,138 | 0.555 |
| New Zealand | 27,170 | 1.693 | 385,450 | 339,173 | 46,277 | 35,707 | 1.780 |
| Pakistan | 38,540 | 2.401 | 546,762 | 481,110 | 65,642 | 47,077 | 2.346 |
| Papua New Guinea | 1,660 | 0.103 | 23,550 | 20,741 | 2,809 | 10,197 | 0.508 |
| Philippines | 42,152 | 2.626 | 597,994 | 526,210 | 71,784 | 50,689 | 2.527 |
| Singapore | 6,020 | 0.375 | 85,403 | 75,146 | 10,257 | 14,557 | 0.726 |
| Solomon Islands | 118 | 0.007 | 1,674 | 1,475 | 199 | 8,655 | 0.431 |
| Sri Lanka | 10,260 | 0.639 | 145,555 | 128,077 | 17,478 | 18,797 | 0.937 |
| Taipei, China | 19,270 | 1.201 | 273,376 | 240,562 | 32,814 | 27,807 | 1.386 |
| Thailand | 24,087 | 1.501 | 341,713 | 300,685 | 41,028 | 32,624 | 1.626 |
| Tonga | 71 | 0.004 | 1,007 | 879 | 128 | 8,608 | 0.429 |
| Vanuatu | 118 | 0.007 | 1,674 | 1,475 | 199 | 8,655 | 0.431 |
| Viet Nam | 6,038 | 0.376 | 85,659 | 67,727 | 17,932 | 14,575 | 0.726 |
| Western Samoa | 58 | 0.004 | 823 | 667 | 156 | 8,595 | 0.428 |
| Total Regional | 1,022,213 | 63.689 | 14,501,727 | 12,746,674 | 1,755,053 | 1,295,397 | 64.567 |
| NON-REGIONAL | | | | | | | |
| Austria | 6,020 | 0.375 | 85,403 | 75,146 | 10,257 | 14,557 | 0.726 |
| Belgium | 6,020 | 0.375 | 85,403 | 75,146 | 10,257 | 14,557 | 0.726 |
| Canada | 92,543 | 5.766 | 1,312,871 | 1,155,258 | 157,613 | 101,080 | 5.038 |
| Denmark | 6,020 | 0.375 | 85,403 | 75,146 | 10,257 | 14,557 | 0.726 |
| Finland | 6,020 | 0.375 | 85,403 | 75,146 | 10,257 | 14,557 | 0.726 |
| France | 41,178 | 2.566 | 584,176 | 514,038 | 70,138 | 49,715 | 2.478 |
| Germany, Fed. Rep. of | 76,534 | 4.768 | 1,085,758 | 955,397 | 130,361 | 85,071 | 4.240 |
| Italy | 31,975 | 1.992 | 453,617 | 399,154 | 54,463 | 40,512 | 2.019 |
| Netherlands | 18,147 | 1.131 | 257,444 | 226,546 | 30,898 | 26,684 | 1.330 |
| Norway | 6,020 | 0.375 | 85,403 | 75,146 | 10,257 | 14,557 | 0.726 |
| Spain | 6,020 | 0.375 | 85,403 | 75,146 | 10,257 | 14,557 | 0.726 |
| Sweden | 2,408 | 0.150 | 34,162 | 28,785 | 5,377 | 10,945 | 0.546 |
| Switzerland | 10,325 | 0.643 | 146,477 | 128,886 | 17,591 | 18,862 | 0.940 |
| United Kingdom | 36,131 | 2.251 | 512,576 | 451,049 | 61,527 | 44,668 | 2.226 |
| United States | 237,440 | 14.794 | 3,368,166 | 2,960,644 | 407,822 | 245,977 | 12.260 |
| Total Non-Regional | 582,801 | 36.311 | 8,267,965 | 7,270,633 | 997,332 | 710,856 | 35.433 |
| TOTALS | 1,605,014 | 100.000 | \$22,769,692 | \$20,017,307 | \$2,752,385 | 2,006,253 | 100.000 |

See notes to financial statements (OCR-7).

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1987 and 31 December 1986

CONTINUED

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

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

Valuation of Capital Stock

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

As of 31 December 1987, the value of the SDR in terms of the current United States dollar was \$1.41866 (\$1.22319 — 1986) giving a value for each share of the Bank's capital equivalent to \$14,186.60 (\$12,231.90 — 1986). However, the Bank could decide to fix the value of each share at \$12,063.50 based on the 31 March 1978 par value of the United States dollar in terms of gold. If the capital stock as of 31 December 1987 had been valued in terms of \$12,063.50 per share, the net maintenance of value obligations would have been \$142,545,000 payable to members (\$94,454,000 receivable from members — 1986) instead of \$219,312,000 (\$150,666,000 — 1986) receivable from members.

Translation of Currencies

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments other than those relating to maintenance of value of currency holdings (see Notes F and J), are charged or credited to "Accumulated translation adjustments". Ex-

change gains or losses on currency transactions among functional currencies are included in income. Currency swaps made in connection with borrowings are hedged by forward exchange commitments, and accordingly do not result in any net exchange gain or loss.

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Loans

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

Prior to 1 July 1986, the lending rate of the Bank was based on a fixed lending rate system under which loans carried interest rates fixed at the time of loan approval for the entire life of the loans. The rate from 1 January 1986 to 30 June 1986 was 9.65% per annum. Effective 1 July 1986, the Bank adopted a pool-based variable lending rate system for those loans approved on or after that date plus certain others at the option of the borrowers. Under the system the lending rate is adjusted on 1 January and 1 July of each year and is determined by adding a spread, 0.50% per annum (reduced to 0.40% per annum as of 1 January 1988), to the average cost of outstanding Bank borrowings included in the pool. The rate adopted on 1 July 1987 was 7.03% per annum.

Equity Investments

Equity investments are reported at cost.

Property, Furniture and Equipment

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

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1987 and 31 December 1986

To meet the Bank's need for future office accommodations, the Bank has purchased parcels of land in Metropolitan Manila at the original cost of \$10,052,000 and has awarded a contract for the construction of a new headquarters building. Other costs capitalized in connection with this project, including interest (see Note G), totalled \$69,555,000 as of 31 December 1987 (\$31,623,000 — 1986). Outstanding commitments related to the project aggregate approximately \$73,210,000.

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

Restatement of Certain Amounts

Certain 1986 amounts have been restated to conform to 1987 classifications.

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

In accordance with Article 24, paragraph 2(i) of the Charter, the use by the Bank or by any recipient from the Bank of certain currencies may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 28 developing member countries, cash in banks and demand obligations totalling \$80,095,000 (\$51,489,000 — 1986) and \$259,528,000 (\$239,056,000 — 1986), respectively, may be, but are not currently so restricted.

In accordance with Article 24, paragraphs 2(ii) and (iii) of the Charter, two members have restricted the use by the Bank or by any recipient from the Bank of their currencies to payments for goods or services produced in their territories. Cash in banks and demand obligations totalling \$28,000 (\$39,000 — 1986) and \$6,247,000 (\$4,459,000 — 1986), respectively, have been so restricted.

NOTE C — INVESTMENTS

As of 31 December 1987, the market value of investments was \$4,618,293,000 (\$4,245,236,000 — 1986), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$1,787,455,000 (\$1,082,213,000 — 1986). During the year ended 31 December 1987, sales of investments resulted in a net gain of \$18,458,000 (\$38,017,000 — 1986). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each quarter, including realized gains and losses, was 8.06% (9.52% — 1986).

NOTE D — BORROWINGS AND CURRENCY SWAPS

The Bank enters into currency swap agreements in which proceeds of a borrowing are converted into a different currency and simultaneously a forward exchange contract is executed providing for a schedule of future exchanges of the two currencies in order to recover the currency converted. Net payables of \$167,873,000 (\$53,198,000 — 1986) resulting from exchange rate movements are included in miscellaneous liabilities.

NOTE E — CAPITAL STOCK

The authorized capital stock of the Bank consists of 1,620,327 shares (1,607,539 — 1986), of which 1,605,014 shares (1,592,226 — 1986) have been subscribed by members. Of the subscribed shares, 1,411,001 (1,399,748 — 1986) are "callable" and 194,013 (192,478 — 1986) are "paid-in". The "callable" share capital is subject to call by the Bank only as and when required to meet the Bank's obligations incurred on borrowings or on guarantees. The "paid-in" share capital is payable or has been paid in instalments, partly in convertible currencies and partly in the currency of the subscribing member. In accordance with Article 6, paragraph 3 of the Charter, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations.

As of 31 December 1987, all matured instalments amounting to \$2,615,442,000 (\$2,093,980,000 — 1986) were received except \$18,414,000 (\$6,602,000 — 1986). Instalments not due aggregating \$136,943,000 (\$260,392,000 — 1986) are receivable as follows:

| | <u>1987</u> | <u>1986</u> |
|------|--------------|---------------|
| 1987 | | \$151,706,000 |
| 1988 | \$72,685,000 | 57,976,000 |
| 1989 | 64,258,000 | 50,710,000 |

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

NOTE F — MAINTENANCE OF VALUE OF CURRENCY HOLDINGS

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

Since 1 April 1978, inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain. The notional amounts as of 31 December 1987 consisting of receivables of \$440,444,000 (\$274,291,000 — 1986) and payables of \$222,488,000 (\$124,995,000 — 1986) represent (a) the increase of

\$361,857,000 (\$56,212,000 — 1986) in amounts required to maintain the value of such currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar during the period from 1 April 1978 to 31 December 1987 offset by (b) the net increase of \$143,901,000 (and the decrease of \$93,084,000 — 1986) in the value of currency holdings in relation to the United States dollar, the Bank's unit of account, during the same period.

NOTE G — INCOME AND EXPENSES

Total interest expense incurred amounted to \$536,821,000 (\$476,079,000 — 1986). Of this amount \$3,657,000 (\$2,478,000 — 1986) was capitalized as a part of the cost of the new headquarters building.

Other financial expenses include charges of \$19,383,000 (\$4,826,000 — 1986) which represent the difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity.

Administrative expenses (other than those appertaining directly to ordinary operations and special operations) for the year ended 31 December 1987 have been apportioned between ordinary capital resources and the Asian Development Fund according to the number of loans and equity investments approved for the year. Of the total administrative expenses of \$91,193,000 (\$86,117,000 — 1986), \$45,597,000 (\$40,621,000 — 1986) has accordingly been charged to the Asian Development Fund.

NOTE H — SPECIAL RESERVE

In accordance with Articles 16 and 17 of the Charter, the Bank charged a commission on the outstanding amount of loans made by it from the ordinary capital resources prior to 28 March 1984 and an amount equivalent to such commissions was appropriated to a Special Reserve. The commission charged on such loans was discontinued after 1985. Special Reserve assets consist of government and government guaranteed obligations and are included under the heading "INVESTMENTS".

NOTE I — CAPITAL TRANSFERRED TO ASIAN DEVELOPMENT FUND

Pursuant to the provisions of Article 19, paragraph 1(l) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973 to be used as a part of the Special Funds of the Bank. The resources so set aside, amounting to \$67,542,000 as of 31 December 1987 (\$58,236,000 — 1986) expressed in terms of the SDR on the basis of \$1.41866 (\$1.22319 — 1986) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar — see Note A), were allocated and transferred to the Asian Development Fund.

NOTE J — ORDINARY RESERVE AND NET INCOME

Under the provisions of Article 40 of the Charter, the Board of Governors shall determine annually what part of the net income

shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. Net income for the year ended 31 December 1986 was allocated to the Ordinary Reserve.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Note A) resulted in a net charge of \$58,441,000 to the Ordinary Reserve during the year ended 31 December 1987 (\$33,511,000 — 1986). That charge is the increase in the value of the matured and paid capital subscriptions caused by the change during the period in the value of the SDR in relation to the United States dollar not allocated to members as notional maintenance of value adjustments in accordance with resolutions of the Board of Directors.

NOTE K — STAFF RETIREMENT PLAN

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

Participants are required to contribute 9 1/3% of their remuneration to the Plan and may also make voluntary contributions. The Bank has contributed amounts equal to 18 2/3% of the participants' remuneration. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions. For the year ended 31 December 1987, the amount contributed by the Bank was \$7,713,000 (\$7,128,000 — 1986).

The actuarial present value of vested and non-vested accumulated plan benefits as of 30 September 1987, the date of the last actuarial valuation, totalled \$76,729,000 (\$59,533,000 — 1986) and \$5,550,000 (\$3,224,000 — 1986), respectively. Net assets available for benefits totalled \$177,477,000 as of 30 September 1987 (\$133,075,000 — 1986). The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8%.

NOTE L — SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for grant-financed technical assistance projects and programs totalled approximately \$38,733,000 as of 31 December 1987 (\$38,444,000 — 1986). Ordinary capital resources income is used for these commitments if Technical Assistance Special Fund resources are not available. When technical assistance provided as a grant leads to a Bank loan, the amount of the grant exceeding \$150,000 will be refinanced under the loan. Refinanced amounts of \$99,000 were charged to loans and credited to income of ordinary capital resources during the year ended 31 December 1987 (\$1,000 — 1986).

Deloitte Haskins + Sells

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New York 10036

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

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

ADF-1 Balance Sheet, 31 December 1987 and
31 December 1986

ADF-2 Statement of Operations and Accumulated Surplus
for the Years Ended 31 December 1987
and 31 December 1986

ADF-3 Statement of Changes in Financial Position for the Years
Ended 31 December 1987 and 31 December 1986

ADF-4 Summary Statement of Loans, 31 December 1987 and
31 December 1986

ADF-5 Statement of Resources, 31 December 1987

ADF-6 Notes to Financial Statements, 31 December 1987 and
31 December 1986

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

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Asian Development Fund at 31 December 1987 and 31 December 1986 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins + Sells

26 February 1988

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1987 and 31 December 1986

Expressed in Thousands of United States Dollars (Note B)

| <u>ASSETS</u> | 1987 | | 1986 | |
|---|-------------|--------------|-------------|-------------|
| DUE FROM BANKS | \$ 5,721 | | \$ 3,627 | |
| INVESTMENTS (Note C) | | | | |
| Government and government guaranteed obligations | \$ 142,981 | | \$ 173,929 | |
| Time deposits and other obligations of banks | 532,645 | 675,626 | 443,744 | 617,673 |
| LOANS OUTSTANDING (ADF-4) | | 3,912,513 | | 2,750,733 |
| ACCRUED REVENUE | | | | |
| On Investments | 4,147 | | 4,866 | |
| On loans | 12,980 | 17,127 | 9,107 | 13,973 |
| NOTES OF CONTRIBUTORs | | | | |
| Non-negotiable, non-interest-bearing notes | | 6,084,870 | | 4,705,021 |
| RECEIVABLE FROM CONTRIBUTORs | | | | |
| (ADF-5) | | 17,274 | | 3,495 |
| OTHER ASSETS | | 20,769 | | 7,910 |
| TOTALS | | \$10,733,900 | | \$8,102,432 |
| <u>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</u> | | | | |
| ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL | | | | |
| RESOURCES (Note D) | \$ 19,502 | | \$ 14,495 | |
| ACCOUNTS PAYABLE TO TECHNICAL ASSISTANCE | | | | |
| SPECIAL FUND AND OTHER LIABILITIES (Note A) | | 30,874 | | 5,046 |
| UNEXPENDED BALANCES AND CAPITAL | | | | |
| Amounts available for loan commitments (ADF-5) | | | | |
| Contributed Resources | \$9,758,171 | | \$7,428,080 | |
| Set-Aside Resources (Note E) | 67,542 | | 58,236 | |
| Other Resources | 5,080 | | 5,080 | |
| | 9,830,793 | | 7,491,396 | |
| Advance payments on contributions (ADF 5) | 482,608 | | 318,383 | |
| Accumulated translation adjustments (Note B) | 84,847 | | 27,244 | |
| Accumulated surplus (ADF-2) | 285,276 | 10,683,524 | 245,868 | 8,082,891 |
| TOTALS | | \$10,733,900 | | \$8,102,432 |

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS****For the Years Ended 31 December 1987 and 31 December 1986**

Expressed in Thousands of United States Dollars (Note B)

| | 1987 | 1986 |
|---|------------------|------------------|
| REVENUE | | |
| From investments (Note C) | \$ 49,412 | \$ 49,344 |
| From loans | 35,024 | 27,116 |
| From other sources — net | <u>578</u> | <u>609</u> |
| TOTAL REVENUE | 85,014 | 77,069 |
| EXPENSES | | |
| Administrative expenses (Note D) | <u>45,606</u> | <u>40,641</u> |
| EXCESS OF REVENUE OVER EXPENSES — | | |
| NET INCOME | 39,408 | 36,428 |
| ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR | 245,868 | 209,440 |
| ACCUMULATED SURPLUS AT END OF THE YEAR | \$285,276 | \$245,868 |

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1987 and 31 December 1986

Expressed in Thousands of United States Dollars (Note B)

| | 1987 | 1986 |
|---|-------------|------------|
| FUNDS WERE PROVIDED BY | | |
| Operations: | | |
| Excess of revenue over expenses — net income ¹ | \$ 39,408 | \$ 36,428 |
| Items not requiring or providing current funds: | | |
| Administration charge (Note D) | 45,597 | 40,621 |
| Accrued revenue including interest added to loans | (4,517) | (3,489) |
| Funds provided by operations | 80,488 | 73,560 |
| Contributions: | | |
| Contributions drawn ¹ | \$ 733,245 | \$ 896,782 |
| Increase in contributions drawn as a result of currency revaluations | 1,747,292 | 1,033,522 |
| Notes of contributors encashed | 414,772 | 451,955 |
| Notes of contributors received | (753,315) | (895,952) |
| Increase in notes of contributors as a result of currency revaluations | (1,041,306) | 1,100,688 |
| Net translation adjustments | 57,603 | 844,107 |
| Increase in Set-Aside Resources due to substitution of the SDR for the 1966 dollar as the unit of value | 9,306 | 35,177 |
| Increase in accounts payable to the Technical Assistance Special Fund | 22,205 | 5,941 |
| Totals | 1,270,290 | 958,785 |
| FUNDS WERE UTILIZED FOR | | |
| Loans: | | |
| Loans disbursed | 537,264 | 411,456 |
| Increase in loans disbursed and outstanding as a result of currency revaluations | 651,125 | 359,687 |
| Loans collected | (27,972) | 1,160,417 |
| Administration charge paid | 40,590 | 36,270 |
| Other — net | 9,236 | 904 |
| Totals | 1,210,243 | 786,826 |
| INCREASE IN DUE FROM BANKS AND INVESTMENTS | | |
| | \$ 60,047 | \$171,959 |

See notes to financial statements (ADF-6).

¹ Includes advance payments on contributions of \$70,176 (\$269,846 — 1986).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

31 December 1987 and 31 December 1986

Expressed in Thousands of United States Dollars (Note B)

| Borrowers/Guarantors ¹ | Loans Outstanding ² | Undisbursed Balances of Effective Loans ³ | Loans Not Yet Effective ³ | Total Loans | Percent of Total Loans |
|------------------------------------|--------------------------------|--|--------------------------------------|------------------------------|------------------------|
| Afghanistan | \$ 23,867 | \$ 46,154 | \$ 20,100 | \$ 90,121 | 1.21 |
| Bangladesh | 822,791 | 1,171,920 | 312,460 | 2,307,171 | 30.91 |
| Bhutan | 6,278 | 28,623 | — | 34,901 | 0.47 |
| Burma | 299,550 | 241,080 | — | 540,630 | 7.24 |
| Cambodia | 643 | 1,027 ⁴ | — | 1,670 | 0.02 |
| Cook Islands | 2,471 | 29 | 3,050 | 5,550 | 0.07 |
| Indonesia | 134,480 | 67,783 | 66,091 | 268,354 | 3.60 |
| Kiribati | 1,571 | 456 | — | 2,027 | 0.03 |
| Korea, Republic of | 1,118 | — | — | 1,118 | 0.02 |
| Laos | 34,152 | 35,469 | 38,003 | 107,624 | 1.44 |
| Malaysia | 1,592 | — | — | 1,592 | 0.02 |
| Maldives | 2,401 | 1,462 | 6,719 | 10,582 | 0.14 |
| Nepal | 236,340 | 378,582 | 74,460 | 689,382 | 9.24 |
| Pakistan | 662,832 | 1,142,584 | 414,224 | 2,219,640 | 29.74 |
| Papua New Guinea | 63,379 | 59,100 | 25,275 | 147,754 | 1.98 |
| Philippines | 96,023 | 32,565 | — | 128,588 | 1.72 |
| Singapore | 1,764 | — | — | 1,764 | 0.02 |
| Solomon Islands | 19,683 | 15,989 | 6,007 | 41,679 | 0.56 |
| Sri Lanka | 256,928 | 310,402 | 117,090 | 684,420 | 9.17 |
| Thailand | 55,880 | 15,546 | — | 71,426 | 0.96 |
| Tonga | 7,660 | 3,619 | — | 11,279 | 0.15 |
| Vanuatu | 1,876 | 4,229 | 6,313 | 12,418 | 0.17 |
| Viet Nam | 20,461 | — | 13,000 | 33,461 | 0.45 |
| Western Samoa | 32,127 | 17,869 | — | 49,996 | 0.67 |
| TOTALS — 31 December 1987 | 2,785,867 | 3,574,488 | 1,102,792 | 7,463,147 | 100.00 |
| Adjustments in US\$ equivalents | <u>1,126,646⁵</u> | — | — | <u>1,126,646⁵</u> | |
| BALANCES — 31 December 1987 | <u>\$3,912,513</u> | <u>\$3,574,488</u> | <u>\$1,102,792</u> | <u>\$8,589,793</u> | |
| TOTALS — 31 December 1986 | \$2,272,848 | \$3,089,383 | \$ 738,206 | \$6,099,937 | |
| Adjustments in US\$ equivalents | <u>478,385⁵</u> | — | — | <u>478,385⁵</u> | |
| BALANCES — 31 December 1986 | <u>\$2,750,733</u> | <u>\$3,089,383</u> | <u>\$ 738,206</u> | <u>\$6,578,322</u> | |

See notes to financial statements (ADF 6).

- 1 Loans other than those made directly to a member or its central bank have been guaranteed by the member with the exception of one private sector loan in 1987 amounting to \$2,766 equivalent.
- 2 The Bank levies a service charge on all Special Funds loans approved after 21 March 1971 at the rate of 1% per annum. On loans approved prior to 21 March 1974, the Bank charges interest (including a service fee of 3/4 of 1%) ranging from 1% per annum to 3% per annum.
- 3 Loans negotiated after 1 January 1983 are denominated in Special Drawing Rights (SDR) for the purpose of commitment. Loans negotiated before that date were denominated in current United States dollars. The disbursed portions of SDR loans have been translated into United States dollars at the applicable exchange rates as of the dates of disbursements. The undisbursed portions are translated into United States dollars at the applicable exchange rates as of the end of a reporting period.

MATURITY OF EFFECTIVE LOANS

| <u>Twelve Months Ending 31 December</u> | <u>Amounts</u> | <u>Five Years Ending 31 December</u> | <u>Amounts</u> |
|---|----------------|--|------------------------------|
| 1988 | \$36,227 | 1997 | 555,791 |
| 1989 | 41,033 | 2002 | 811,262 |
| 1990 | 48,119 | 2007 | 1,085,830 |
| 1991 | 58,180 | 2012 | 1,242,118 |
| 1992 | 66,726 | 2017 | 1,192,009 |
| | | 2022 | 922,497 |
| | | 2027 | 294,454 |
| | | Undetermined | <u>1,132,755⁶</u> |
| | | Total | <u>\$7,487,001</u> |

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

| <u>Currency</u> | <u>1987</u> | <u>1986</u> | <u>Currency</u> | <u>1987</u> | <u>1986</u> |
|--------------------|-------------|-------------|----------------------|--------------------|--------------------|
| Australian dollar | \$ 67,891 | \$ 49,747 | Japanese yen | 2,288,449 | 1,550,336 |
| Austrian schilling | 24,571 | 13,842 | Netherlands guilder | 87,168 | 53,687 |
| Belgian franc | 25,778 | 15,699 | New Zealand dollar | 4,487 | 3,426 |
| Canadian dollar | 175,809 | 122,714 | Norwegian krone | 12,211 | 7,002 |
| Danish krone | 19,847 | 13,436 | Pound sterling | 115,724 | 68,109 |
| Deutsche mark | 280,421 | 194,964 | Spanish peseta | 715 | — |
| Finnish markka | 14,110 | 5,507 | Swedish krona | 18,882 | 11,048 |
| French franc | 61,725 | 36,987 | Swiss franc | 56,289 | 39,397 |
| Italian lira | 54,219 | 36,551 | United States dollar | 604,217 | 528,281 |
| | | | Totals | <u>\$3,912,513</u> | <u>\$2,750,733</u> |

¹ Pending consultation with the government concerning its intentions with respect to the project being financed, the Bank has suspended further disbursement of the loan.

⁵ These amounts represent adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans and repayable to the Bank in such currencies.

⁶ Represents translation adjustments and undisbursed amounts which have not been allocated to specific maturities.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1987

Expressed in Thousands of United States Dollars (Note B)

| | Amounts Committed During 1987 | Cumulative Amounts Committed | Amounts Not Yet Available for Loan Com- mitments | Amounts Available for Loan Commitments | Amounts Received | Amounts Receivable |
|--|-------------------------------------|------------------------------------|--|---|------------------------------|-----------------------|
| CONTRIBUTED RESOURCES¹ | | | | | | |
| Australia | \$ — | \$ 264,969 | \$ — | \$ 264,969 | \$ 264,969 | \$ — |
| Austria | — | 77,908 | 6,160 | 71,718 | 71,748 | — |
| Belgium | 40,962 | 110,115 | 31,349 | 78,766 | 78,766 | — |
| Canada | 316,454 | 817,587 | 242,184 | 575,403 | 575,403 | — |
| Denmark | 44,601 | 108,850 | 39,324 | 69,526 | 69,526 | — |
| Finland | 37,607 | 85,654 | 32,897 | 52,757 | 50,838 | 1,919 |
| France | 251,116 | 546,126 | 221,060 | 325,066 | 325,066 | — |
| Germany, Fed. Rep. of | 294,428 | 968,770 | 260,335 | 708,435 | 693,540 | 14,895 |
| Hong Kong | 980 | 1,980 | 890 | 1,090 | 1,090 | — |
| Indonesia | 1,960 | 4,960 | 1,921 | 3,039 | 2,579 | 460 |
| Italy | — | 228,897 | 20,476 | 208,421 | 208,421 | — |
| Japan | 1,976,148 | 7,153,817 | 1,835,388 | 5,318,429 | 5,318,429 | — |
| Korea, Republic of | 4,900 | 8,400 | 4,241 | 4,159 | 4,159 | — |
| Netherlands | — | 217,734 | 15,853 | 201,881 | 201,881 | — |
| New Zealand | 17,716 | 31,602 | 14,296 | 17,306 | 17,306 | — |
| Norway | — | 45,012 | — | 45,012 | 45,012 | — |
| Spain | — | 39,771 | 5,575 | 34,196 | 34,196 | — |
| Sweden | 61,275 | 132,467 | 52,940 | 79,527 | 79,527 | — |
| Switzerland | 67,215 | 199,154 | 60,171 | 138,983 | 138,983 | — |
| Taipei, China | — | 2,000 | 280 | 1,720 | 1,720 | — |
| United Kingdom | 174,389 | 487,966 | 152,334 | 335,632 | 335,632 | — |
| United States | — | 1,295,000 ² | 72,894 | 1,222,106 | 1,222,106 | — |
| Totals | 3,289,751 | 12,828,739 | 3,070,568 | 9,758,171 | 9,740,897³ | 17,274 |
| SET-ASIDE RESOURCES (Note E) | | | | | | |
| OTHER RESOURCES | | | | | | |
| TOTALS | \$3,289,751 | \$12,901,361 | \$3,070,568 | \$9,830,793 | \$9,813,519 | \$17,274 |

See notes to financial statements (ADF-6).

1 Amounts are adjusted for exchange rate changes and do not necessarily correspond to the initial ADF contributions by individual countries.

2 Includes \$72,691 representing the balance of the fourth tranche of the United States' contribution to the third AUF replenishment (ADF IV) for which the necessary internal procedures had not been completed as of 31 December 1987.

3 Excludes \$482,608 equivalent representing advance payments from various donor countries not available for loan commitments as of 31 December 1987.

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1987 and 31 December 1986

CONTINUED

NOTE A — GENERAL

The Asian Development Fund (the Fund) was established on 28 June 1974 to carry out more effectively the special operations of the Bank by providing resources on concessional terms.

The resources of the Fund have been subsequently augmented by four replenishments, the most recent of which was in May 1987 in a total amount equivalent to US\$3,600,000,000 to cover the operational requirements for the four years ending 31 December 1990. Approximately 2% of this amount (an aggregate amount equivalent to \$72,000,000) is to be allocated to the Technical Assistance Special Fund.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

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

Translation of Currencies

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

translation adjustments" are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in revenue.

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Loans

Concessional loans of the Fund have been extended to certain developing member countries, bear only a service charge and require repayment over periods ranging from 35 to 40 years. The Fund requires Borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed. The Fund has not suffered any loan losses to date and follows a policy of not taking part in debt rescheduling agreements.

Contributions

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

NOTE C — INVESTMENTS

As of 31 December 1987, the market value of investments was \$676,833,000 (\$620,199,000 — 1986). Including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$540,142,000 (\$508,664,000 — 1986). During the year ended 31 December 1987, sales of investments resulted in a net gain of \$121,000 (\$890,000 — 1986). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each quarter, including realized gains and losses, was 7.67% (8.66% — 1986).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND**NOTES TO FINANCIAL STATEMENTS****31 December 1987 and 31 December 1986**

**NOTE D — ADMINISTRATIVE EXPENSES AND
ADMINISTRATION CHARGE**

Administrative expenses include an administration charge amounting to \$45,597,000 (\$40,621,000 — 1986). The charge represents an apportionment of all administrative expenses of the Bank (other than those appertaining directly to ordinary operations and special operations) based on the number of loans and equity investments approved for the year.

NOTE E — SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(i) of the Articles of Agreement Establishing the Bank, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973, to be used as a part of the Special Funds of the Bank. The capital so set aside was allocated and transferred from the Ordinary Capital Resources to the Fund as Set-Aside Resources.

The capital stock of the Bank is defined in Article 4, paragraph 1 "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1987, the value of the SDR in terms of the current United States dollar was \$1.41866 (\$1.22319 — 1986). On this basis, Set-Aside Resources amounted to \$67,542,000 (\$58,236,000 — 1986). If the capital stock of the Bank as of 31 December 1987 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

Deloitte Haskins+Sells

1114 Avenue of the Americas
New York 10036

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

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

TASF-1 Balance Sheet, 31 December 1987 and 31 December 1986

TASF-2 Statement of Operations and Unexpended Balances for the
Years Ended 31 December 1987 and 31 December 1986

TASF-3 Statement of Changes in Financial Position for the Years
Ended 31 December 1987 and 31 December 1986

TASF-4 Statement of Contributed Resources, 31 December 1987

TASF-5 Summary Statement of Services to Member Countries for the
Year Ended 31 December 1987

TASF-6 Notes to Financial Statements, 31 December 1987 and
31 December 1986

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

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Technical Assistance Special Fund at 31 December 1987 and 31 December 1986 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins + Sells

26 February 1988

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND**BALANCE SHEET****31 December 1987 and 31 December 1986**

Expressed in Thousands of United States Dollars (Note A)

| | <u>1987</u> | 1986 |
|---|-----------------|-----------------|
| ASSETS | | |
| DUE FROM BANKS | \$ 2,946 | \$ 508 |
| INVESTMENTS (Note B) | | |
| Government and government guaranteed obligations | 1,540 | — |
| Time deposits and other obligations of banks | 21,343 | 15,017 |
| ACCRUED REVENUE | 134 | 94 |
| RECEIVABLE FROM CONTRIBUTOR(S) (TASF-4) | 30,627 | 254 |
| ACCOUNTS RECEIVABLE FROM ASIAN DEVELOPMENT FUND AND OTHERS | 25,352 | 2,595 |
| TOTALS | \$81,942 | \$18,468 |
| LIABILITIES AND UNEXPENDED BALANCES | | |
| ACCOUNTS PAYABLE TO ORDINARY CAPITAL, RESOURCES AND OTHERS | \$19,704 | \$12,827 |
| UNEXPENDED BALANCES (TASF 2) (Note C) | 62,238 | 5,641 |
| TOTALS | \$81,942 | \$18,468 |

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND**STATEMENT OF OPERATIONS AND UNEXPENDED BALANCES****For the Years Ended 31 December 1987 and 31 December 1986**

Expressed in Thousands of United States Dollars (Note A)

| | 1987 | 1986 |
|--|----------|----------|
| CONTRIBUTIONS COMMITTED (TASF-4) | \$68,029 | \$ 4,364 |
| REVENUE | | |
| From investments (Note B) | \$ 1,032 | \$ 1,047 |
| From other sources — net (Note D) | 646 | 236 |
| Totals | 1,678 | 1,333 |
| EXPENSES | | |
| Services to member countries (TASF-5) (Note D) | 15,354 | 10,728 |
| Administrative expenses | 9 | 9 |
| | 15,363 | 10,737 |
| CONTRIBUTIONS AND REVENUE IN EXCESS OF (LESS THAN) EXPENSES | 54,344 | (5,040) |
| EXCHANGE GAIN -- net (Note A) | 2,253 | 2,414 |
| INCREASE (DECREASE) IN UNEXPENDED BALANCES | 56,597 | (2,626) |
| UNEXPENDED BALANCES AT BEGINNING OF THE YEAR | 5,641 | 8,267 |
| UNEXPENDED BALANCES AT END OF THE YEAR | \$62,238 | \$ 5,641 |

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1987 and 31 December 1986

Expressed in Thousands of United States Dollars (Note A)

| | 1987 | 1986 |
|--|----------------|--------------|
| FUNDS WERE PROVIDED BY | | |
| Contributions: | | |
| Contributions drawn | \$33,928 | \$ 5,091 |
| Increase in contributions drawn as a result of currency revaluations | <u>5,210</u> | <u>1,579</u> |
| | 39,138 | 6,670 |
| Increase in accounts payable to Ordinary Capital Resources | <u>4,354</u> | 385 |
| Totals | <u>43,492</u> | <u>7,055</u> |
| FUNDS WERE UTILIZED FOR | | |
| Operations: | | |
| (Increase) Decrease in unexpended balances | (56,597) | 2,626 |
| Items not providing or (requiring) current funds: | | |
| Accrued contributions committed | 69,511 | 5,903 |
| Accrued revenue | 40 | (57) |
| Accrued expenses | <u>(2,673)</u> | <u>586</u> |
| | 10,281 | 9,058 |
| Increase in accounts receivable from the Asian Development Fund | 22,205 | — |
| Other — net | <u>702</u> | <u>459</u> |
| Totals | <u>33,188</u> | <u>9,517</u> |
| INCREASE (DECREASE) IN DUE FROM BANKS AND INVESTMENTS | | |
| | \$10,304 | \$(2,462) |

See notes to financial statements (TASF 6).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CONTRIBUTED RESOURCES

31 December 1987

Expressed in Thousands of United States Dollars (Note A)

| Contributors | Contributions Committed During 1987 | Cumulative Contributions Committed | Cumulative Amounts Received | Amounts Receivable |
|--|---|--|-----------------------------------|-----------------------|
| Direct Voluntary Contributions | | | | |
| Australia | \$ — | \$ 2,484 | \$ 2,484 | \$ — |
| Austria | — | 158 | 158 | — |
| Bangladesh | — | 47 | 47 | — |
| Belgium | — | 1,420 | 1,420 | — |
| Canada | — | 3,346 | 3,346 | — |
| Denmark | — | 1,963 | 1,963 | — |
| Finland | — | 237 | 237 | — |
| France | — | 1,704 | 1,704 | — |
| Germany, Federal Republic of | — | 3,325 | 3,325 | — |
| Hong Kong | — | 100 | 100 | — |
| India | 306 | 1,835 | 1,681 | 154 |
| Indonesia | | 250 | 250 | — |
| Italy | — | 774 | 774 | — |
| Japan | — | 47,777 | 47,777 | — |
| Korea, Republic of | 300 | 1,750 | 1,750 | — |
| Malaysia | — | 910 | 910 | — |
| Netherlands | | 1,368 | 1,182 | 186 |
| New Zealand | — | 1,096 | 1,096 | — |
| Norway | — | 3,342 | 3,342 | — |
| Pakistan | 60 | 625 | 625 | — |
| Singapore | — | 100 | 100 | — |
| Spain | — | 199 | 199 | — |
| Sri Lanka | — | 6 | 6 | — |
| Sweden | — | 867 | 867 | — |
| Switzerland | — | 1,035 | 1,035 | — |
| Taipei, China | — | 200 | 200 | — |
| United Kingdom | — | 5,617 | 5,617 | — |
| United States | — | 1,500 | 1,500 | — |
| Totals | 666 | 84,035 | 83,695 | 340 |
| Transfer to the Asian Development Fund | — | (400) | (400) | — |
| First Regularized TASF Replenishment (Note C) | 67,363 | 67,363 | 37,076 | 30,287 |
| TOTALS | \$68,029 | \$150,998 | \$120,371 | \$30,627 |

See notes to financial statements (TASF-b).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

SUMMARY STATEMENT OF SERVICES TO MEMBER COUNTRIES

For the Year Ended 31 December 1987

Expressed in Thousands of United States Dollars (Note A)

| Recipients | Project Preparation | Project Implementation/ Advisory | Totals |
|-----------------------------|---------------------|-------------------------------------|-----------------|
| Bangladesh | \$ 145 | \$ 242 | \$ 387 |
| Bhutan | 189 | 380 | 569 |
| Burma | 67 | 110 | 177 |
| China, People's Republic of | 72 | — | 72 |
| Fiji | 2 | 20 | 22 |
| Indonesia | 131 | 581 | 712 |
| Kiribati | 6 | 199 | 205 |
| Korea, Republic of | 64 | — | 64 |
| Laos | | 584 | 584 |
| Malaysia | (94) | 52 | (42) |
| Maldives | 170 | 18 | 188 |
| Nepal | 638 | 996 | 1,634 |
| Pakistan | 1,022 | 421 | 1,443 |
| Papua New Guinea | 299 | 356 | 655 |
| Philippines | 63 | 47 | 110 |
| Solomon Islands | 250 | 230 | 480 |
| Sri Lanka | 631 | 113 | 744 |
| Thailand | 110 | 494 | 604 |
| Tonga | — | 162 | 162 |
| Vanuatu | 126 | 209 | 335 |
| Western Samoa | 102 | 636 | 738 |
| Totals | \$8,993 | \$5,850 | 9,843 |
| Regional Activities | | | 5,511 |
| TOTAL | | | \$15,354 |

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1987 and 31 December 1986

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currency and Reporting Currency.

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

Translation of Currencies

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

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Contributions

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

NOTE B – INVESTMENTS

As of 31 December 1987, the market value of investments was \$22,884,000 (\$15,017,000 — 1986), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$21,343,000 (\$15,017,000 — 1986). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each quarter was 6.29% (8.13% — 1986).

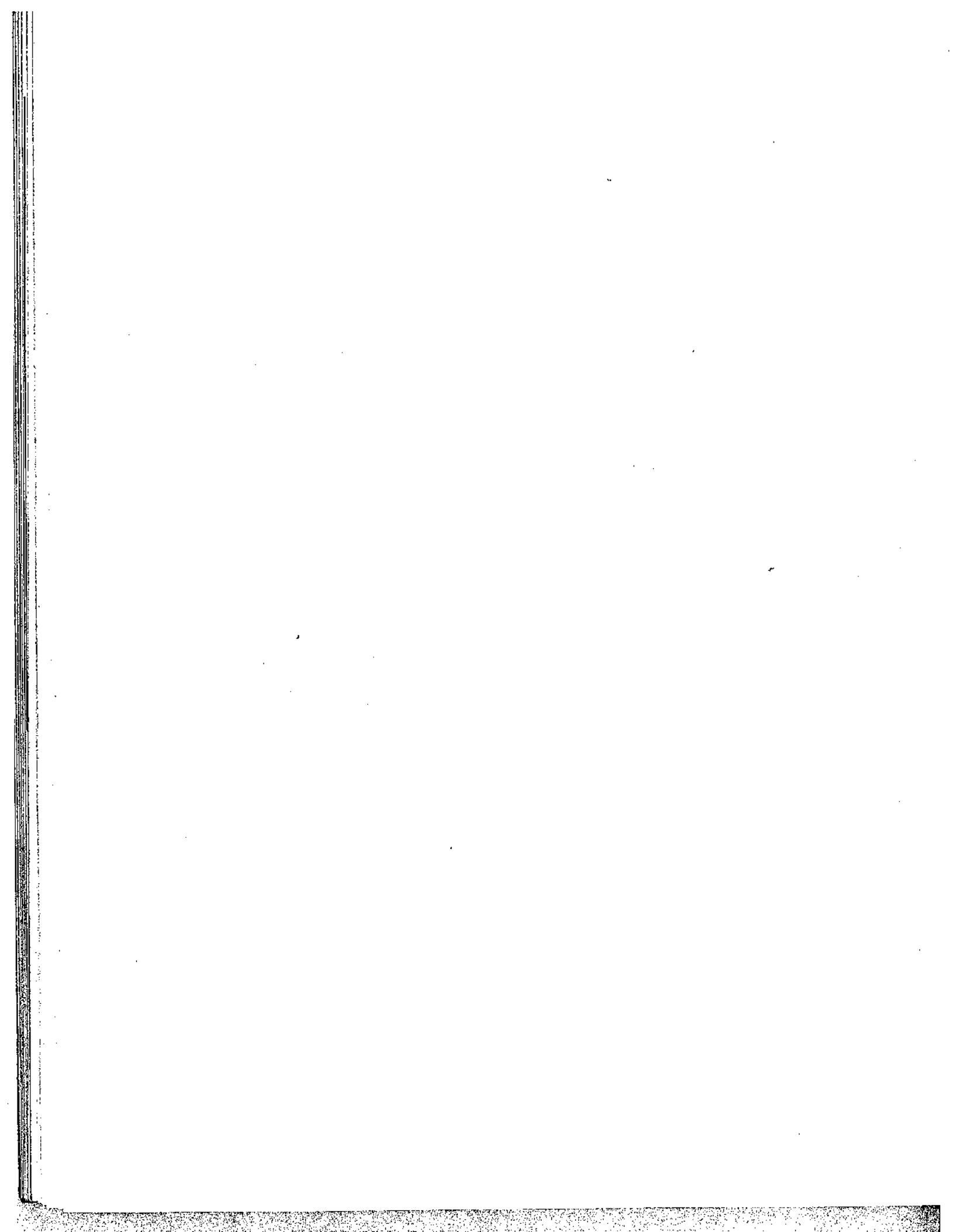
NOTE C – FUNDING

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

On 1 October 1986, the Board of Governors, in authorizing a \$3,600,000,000 replenishment of the Asian Development Fund, provided for an allocation to the TASF in an aggregate amount equivalent to \$72,000,000 (First Regularized TASF Replenishment) to be used during 1987-1990 for technical assistance to poorer developing members and for regional technical assistance. This replenishment became effective in May 1987.

NOTE D – SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for grant-financed technical assistance projects and programs totalled approximately \$38,733,000 as of 31 December 1987 (\$38,141,000 — 1986). Technical Assistance Special Fund resources are used for these commitments where available and any balance is financed from Ordinary Capital Resources income. When technical assistance provided as a grant leads to a Bank loan, the amount of the grant exceeding \$150,000 will be refinanced under the loan. Refinanced amounts of \$644,000 were charged to loans and credited to revenue from other sources of the TASF during the year ended 31 December 1987 (\$285,000 -- 1986).



STATISTICAL ANNEX

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ECONOMIC DATA OF DMCs

TABLE 1
ESTIMATED RATE OF REAL GDP GROWTH, 1977-1987 AND
PER CAPITA GNP, 1986 OF SELECTED DMCs

| Country | Rate of Real GDP Growth (%) | | | | Per Capita GNP ^a in Current \$ |
|--|-------------------------------|------|-------------|-------------|--|
| | Annual Average (1977-1984) | | 1985 (2) | 1986 (3) | |
| | (1) | (4) | (5) | (5) | |
| NICs | 8.0 | 3.6 | 10.5 | 11.4 | |
| Hong Kong | 9.1 | -0.1 | 11.2 | 13.6 | 6,720 ^c |
| Korea, Rep. of | 7.4 | 5.4 | 11.7 | 11.2 | 2,370 |
| Singapore | 8.6 | -1.6 | 1.8 | 8.8 | 7,410 |
| Taipei, China | 8.2 | 4.3 | 10.6 | 11.2 | 3,750 |
| SOUTHEAST ASIA | 6.1 | 0.8 | 2.6 | 4.6 | |
| Indonesia | 6.6 | 2.3 | 3.2 | 3.5 | 500 |
| Malaysia | 7.3 | -1.0 | 1.2 | 4.7 | 1,860 |
| Philippines | 3.1 | -4.4 | 1.1 | 4.6 | 570 |
| Thailand | 6.4 | 3.2 | 3.4 | 6.6 | 810 |
| SOUTH ASIA | 4.9 | 6.1 | 4.7 | 2.4 | |
| Bangladesh ^d | 3.6 | 3.7 | 4.7 | 4.0 | 160 |
| Burma ^e | 6.0 | 4.3 | 3.7 | 3.0 | 200 |
| India ^f | 4.7 | 6.1 | 4.4 | 1.5 | 270 |
| Nepal ^d | 3.1 | 3.0 | 4.0 | 2.3 | 160 |
| Pakistan ^d | 6.3 | 8.0 | 7.5 | 7.7 | 350 |
| Sri Lanka | 5.5 | 5.0 | 4.3 | 3.1 | 400 |
| CHINA, PEOPLE'S REP. OF | 8.8 | 13.1 | 7.9 | 9.3 | 280 |
| SOUTH PACIFIC | 2.1 | 1.4 | 4.7 | -1.4 | |
| Fiji | 3.2 | -4.8 | 9.2 | -11.2 | 1,800 |
| Papua New Guinea | 1.6 | 4.6 | 3.4 | 2.9 | 690 |
| Solomon Islands | 5.5 | -9.0 | -8.7 | 1.0 | 540 |
| Western Samoa | -2.3 | 2.5 | 1.0 | 1.2 | 680 |
| Average (All DMCs) ^f | 6.9 | 6.5 | 6.6 | 6.8 | |
| Average (Without China, People's Rep. of) ^f | 6.2 | 3.9 | 6.0 | 5.8 | |

a World Bank Atlas Methodology, 1984-1986 base period, except for Taipei,China; values rounded to the nearest ten.

b Preliminary estimates.

c Refers to per capita GDP.

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

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

f Weights are proportional to GDP in US dollars in 1986.

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

World Bank, 10 October 1987 for column (5), except for Taipei,China which was taken from country source.

TABLE 2
RICE (PADDY) PRODUCTION OF SELECTED DMCs, 1984-1987^a
(Million metric tons)

| Country | 1984 | 1985 | 1986 | 1987 ^b | Annual Growth Rate (%) | | |
|-------------------------|----------------|----------------|----------------|-------------------|------------------------|------------|-------------------|
| | | | | | 1985 | 1986 | 1987 ^b |
| NICs | 10.908 | 10.800 | 10.800 | 10.600 | -1.0 | — | -1.9 |
| Korea, Rep. of | 7.970 | 7.800 | 7.800 | 7.600 | -2.1 | — | -2.6 |
| Taipei, China | 2.938 | 3.000 | 3.000 | 3.000 | 2.1 | — | — |
| SOUTHEAST ASIA | 67.813 | 70.375 | 68.995 | 67.500 | 3.8 | -2.0 | -2.2 |
| Indonesia | 38.136 | 39.025 | 39.400 | 39.600 | 2.3 | 1.0 | 0.5 |
| Malaysia | 1.572 | 1.950 | 1.895 | 1.900 | 24.0 | -2.8 | 0.3 |
| Philippines | 8.200 | 9.100 | 9.000 | 8.500 | 11.0 | -1.1 | -5.6 |
| Thailand | 19.905 | 20.300 | 18.700 | 17.500 | 2.0 | -7.9 | -6.4 |
| SOUTH ASIA | 134.812 | 143.544 | 139.370 | 123.210 | 6.5 | -2.9 | -11.6 |
| Afghanistan | 0.480 | 0.480 | 0.454 | 0.450 | — | -5.4 | -0.9 |
| Bangladesh | 21.930 | 22.500 | 23.100 | 20.700 | 2.6 | 2.7 | -10.4 |
| Bhutan | 0.061 | 0.062 | 0.063 | 0.060 | 1.6 | 1.6 | -4.8 |
| Burma | 14.255 | 14.300 | 15.200 | 15.000 | 0.3 | 6.3 | -1.3 |
| India | 87.990 | 96.300 | 90.000 | 77.000 | 9.4 | -6.5 | -14.4 |
| Nepal | 2.709 | 2.804 | 2.845 | 2.800 | 3.5 | 1.5 | -1.6 |
| Pakistan | 4.973 | 4.437 | 5.200 | 4.700 | -10.8 | 17.2 | -9.6 |
| Sri Lanka | 2.414 | 2.661 | 2.508 | 2.500 | 10.2 | -5.7 | -0.3 |
| CHINA, PEOPLE'S REP. OF | 178.255 | 168.479 | 175.000 | 177.000 | -5.5 | 3.9 | 1.1 |
| SOUTH PACIFIC | 0.029 | 0.027 | 0.027 | 0.027 | -6.9 | — | — |
| Fiji | 0.022 | 0.022 | 0.022 | 0.022 | — | — | — |
| Papua New Guinea | 0.000 | 0.000 | 0.000 | 0.000 | 0.0 | 0.0 | 0.0 |
| Solomon Islands | 0.007 | 0.005 | 0.005 | 0.005 | -28.6 | — | — |
| TOTAL | 391.817 | 393.225 | 394.192 | 378.337 | 0.4 | 0.2 | -4.0 |

— magnitude zero.

0.0 magnitude less than half of the unit employed.

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

b Preliminary estimates.

Sources: FAO, *Production Yearbook 1986*.

FAO, *Food Outlook*, December 1987.

TABLE 3
WHEAT AND COARSE GRAIN PRODUCTION OF SELECTED DMCs, 1984-1987^a
(Million metric tons)

| Country | 1984 | 1985 | 1986 | 1987 ^b | Annual Growth Rate (%) | | |
|---------------------------------------|----------------|----------------|----------------|-------------------|------------------------|------------|-------------------|
| | | | | | 1985 | 1986 | 1987 ^b |
| WHEAT | 149.111 | 146.541 | 153.683 | 151.633 | -1.7 | 4.9 | -1.3 |
| NICs | 0.019 | 0.013 | 0.012 | 0.012 | -31.6 | -7.7 | |
| Korea, Rep. of Taipei, China | 0.017 | 0.011 | 0.010 | 0.010 | -35.3 | -9.1 | |
| 0.002 | 0.002 | 0.002 | 0.002 | | — | — | |
| SOUTH ASIA | 61.277 | 60.718 | 65.171 | 62.621 | -0.9 | 7.3 | -3.9 |
| Afghanistan | 2.850 | 2.700 | 2.500 | 2.700 | -5.3 | -7.4 | 8.0 |
| Bangladesh | 1.211 | 1.464 | 1.026 | 1.100 | 20.9 | -29.9 | 7.2 |
| Bhutan | 0.010 | 0.011 | 0.011 | 0.011 | 10.0 | — | |
| Burma | 0.214 | 0.206 | 0.234 | 0.200 | -3.7 | 13.6 | -14.5 |
| India | 45.476 | 44.100 | 46.900 | 46.000 | -3.0 | 6.3 | -1.9 |
| Nepal | 0.634 | 0.534 | 0.600 | 0.610 | -15.8 | 12.4 | 1.7 |
| Pakistan | 10.882 | 11.703 | 13.900 | 12.000 | 7.5 | 18.8 | -13.7 |
| CHINA, PEOPLE'S REP. OF | 87.815 | 85.810 | 88.500 | 89.000 | -2.3 | 3.1 | 0.6 |
| COARSE GRAIN ^c | 146.203 | 129.150 | 135.518 | 130.139 | -11.7 | 4.9 | 4.0 |
| NICs | 9.826 | 11.066 | 9.629 | 7.510 | 12.6 | -13.0 | -22.0 |
| Korea, Rep. of Thailand | 1.000 | 0.832 | 0.713 | 0.713 | -16.8 | -14.3 | |
| 8.826 | 10.234 | 8.797 | 6.797 | 16.0 | -14.0 | -22.7 | |
| SOUTHEAST ASIA | 18.263 | 16.452 | 19.422 | 18.722 | -9.9 | 18.1 | -3.6 |
| Indonesia | 10.581 | 8.630 | 11.167 | 10.567 | -18.4 | 29.4 | -5.4 |
| Philippines | 7.682 | 7.822 | 8.255 | 8.155 | 1.8 | 5.5 | -1.2 |
| SOUTH ASIA | 44.704 | 37.832 | 41.467 | 37.907 | -15.4 | 9.6 | -8.6 |
| Afghanistan | 0.799 | 0.810 | 0.750 | 0.740 | 1.4 | -7.4 | -1.3 |
| Bangladesh | 0.100 | 0.100 | 0.100 | 0.100 | — | — | |
| Burma | 0.401 | 0.500 | 0.500 | 0.600 | 24.7 | — | 20.0 |
| India | 39.856 | 32.990 | 36.700 | 33.000 | -17.2 | 11.2 | -10.1 |
| Nepal | 0.820 | 0.823 | 0.750 | 0.800 | 0.4 | -8.9 | 6.7 |
| Pakistan | 2.728 | 2.609 | 2.667 | 2.667 | -4.4 | 2.2 | |
| CHINA, PEOPLE'S REP. OF | 73.410 | 63.800 | 65.000 | 66.000 | -13.1 | 1.9 | 1.5 |
| TOTAL GRAIN (DMCs)^d | 687.131 | 668.916 | 683.393 | 660.109 | -2.7 | 2.2 | -3.4 |

— magnitude zero

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

b Preliminary estimates.

c Includes maize.

d Includes paddy, wheat and coarse grain.

Sources: FAO, *Production Yearbook 1986*.

FAO, *Food Outlook*, December 1987.

TABLE 4
OIL PRODUCTION AND IMPORTS OF SELECTED DMCs, 1985-1987

| Country | Crude Petroleum Production ('000 mt) | | | | Petroleum & Petroleum Products Imports (\$ million) | | | |
|----------------------------|---|----------------|-------------------|-----------------------|---|---------------|-------------------|-----------------------|
| | 1985 | 1986 | 1987 ^a | % Increase 1987/86 | 1985 | 1986 | 1987 ^a | % Increase 1987/86 |
| | | | | | | | | |
| NICs | 118 | 105 | 137 | 30.5 | 18,720 | 11,940 | 14,182 | 18.8 |
| Hong Kong | — | — | — | — | 1,115 | 859 | 926 | 7.8 |
| Korea, Rep. of | — | — | — | — | 6,144 | 3,841 | 4,569 | 19.0 |
| Singapore | — | — | — | — | 7,736 | 5,046 | 5,943 | 17.8 |
| Taipei, China | 118 | 105 | 137 | 30.5 | 3,725 | 2,194 | 2,744 | 25.1 |
| SOUTHEAST ASIA | 81,498 | 87,776 | 83,094 | -5.3 | 6,013 | 3,560 | 4,507 | 26.6 |
| Indonesia | 58,821 | 62,572 | 60,200 | -3.8 | 979 | 489 | 710 | 45.2 |
| Malaysia | 21,246 | 23,858 | 21,700 | -9.0 | 1,499 | 925 | 947 | 2.4 |
| Philippines | 394 | 343 | 360 | 5.0 | 1,453 | 921 | 1,150 | 24.9 |
| Thailand | 1,037 | 1,003 | 834 | -16.8 | 2,082 | 1,225 | 1,700 | 38.8 |
| SOUTH ASIA | 33,279 | 34,999 | 33,860 | -3.3 | 6,495 | 3,528 | 4,520 | 28.1 |
| Bangladesh | — | — | — | — | 346 | 212 | 242 | 14.2 |
| Burma | 1,708 | 1,800 | 1,600 | -11.1 | ... | ... | ... | ... |
| India | 29,860 | 31,157 | 30,310 | -2.7 | 4,244 | 2,291 | 3,030 | 32.3 |
| Nepal | — | — | — | — | 50 | 50 | 48 | 4.0 |
| Pakistan | 1,711 | 2,042 | 1,950 | -4.5 | 1,451 | 750 | 900 | 20.0 |
| Sri Lanka | — | — | — | — | 404 | 225 | 300 | 33.3 |
| CHINA, PEOPLE'S REP. OF | 124,900 | 130,690 | 140,450 | 7.5 | ... | ... | ... | ... |
| SOUTH PACIFIC | — | — | — | — | 281 | 189 | 260 | 37.6 |
| Fiji | — | — | — | — | 97 | 70 | 80 | 14.3 |
| Papua New Guinea | — | — | — | — | 153 | 93 | 150 | 61.3 |
| Solomon Islands | — | — | — | — | 14 | 12 | 13 | 8.3 |
| Tonga | — | — | — | — | 5 | 5 | 5 | — |
| Vanuatu | — | — | — | — | 6 | 5 | 8 | 60.0 |
| Western Samoa | — | — | — | — | 6 | 4 | 4 | — |
| TOTAL (Reporting) | 239,795 | 253,570 | 257,541 | 1.6 | 31,509 | 19,217 | 23,469 | 22.1 |

... data not available.

— magnitude zero.

^a Preliminary estimates.

Sources: Country sources.

TABLE 5
CHANGES IN CONSUMER PRICES OF SELECTED DMCs, 1985-1987^a
(Per cent)

| Country | 1985 | 1986 | 1987 ^b |
|--------------------------------------|------------|------------|-------------------|
| NICs | | | |
| Hong Kong | 1.6 | 1.6 | 2.7 |
| Korea, Rep. of | 3.2 | 2.8 | 5.5 |
| Singapore | 2.5 | 2.4 | 3.6 |
| Taipei, China ^c | 0.5 | -1.4 | 0.5 |
| | -0.2 | 0.7 | 0.4 |
| SOUTHEAST ASIA | 6.1 | 5.0 | 6.0 |
| Indonesia | 3.9 | 8.2 | 9.3 |
| Malaysia | 0.3 | 0.7 | 1.1 |
| Philippines | 20.7 | 5.3 | 6.8 |
| Thailand | 3.2 | 1.7 | 2.6 |
| SOUTH ASIA | 5.8 | 8.3 | 8.7 |
| Bangladesh | 10.7 | 11.0 | 10.6 |
| Burma | 6.8 | 8.0 | 19.0 |
| India ^c | 5.6 | 8.7 | 8.8 |
| Nepal | 8.1 | 19.0 | 11.0 |
| Pakistan ^c | 5.8 | 3.7 | 5.0 |
| Sri Lanka | 1.5 | 8.0 | 7.7 |
| CHINA, PEOPLE'S REP. OF ^c | 8.8 | 6.0 | 7.2 |
| SOUTH PACIFIC | 3.7 | 5.6 | 5.2 |
| Cook Islands | 12.6 | 9.5 | 7.0 |
| Fiji ^c | 4.4 | 1.8 | 7.1 |
| Kiribati | 4.5 | 6.0 | 6.2 |
| Papua New Guinea | 2.9 | 6.9 | 3.9 |
| Solomon Islands | 9.5 | 13.6 | 13.5 |
| Tonga | 5.3 | 35.7 | 1.9 |
| Vanuatu | 1.1 | 4.8 | 14.8 |
| Western Samoa | 9.1 | 5.7 | 4.6 |
| Weighted Average^d | 5.7 | 5.5 | 6.4 |

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

b Preliminary estimates.

c Data refer to average of all cities.

d Weights are proportional to GDP in US dollars in 1986.

Sources: Country sources.

IMF, *International Financial Statistics*, February 1988.

TABLE 6
FOREIGN TRADE OF SELECTED DMCs, 1984-1987
 (\$ million)

| Country | Exports (fob) | | | | Imports (cif) | | | | Balance of Trade | | | |
|----------------------------|----------------|----------------|----------------|-------------------|----------------|----------------|----------------|-------------------|------------------|----------------|---------------|-------------------|
| | 1984 | 1985 | 1986 | 1987 ^a | 1984 | 1985 | 1986 | 1987 ^a | 1984 | 1985 | 1986 | 1987 ^a |
| NICs | 112,093 | 113,995 | 132,439 | 177,907 | 109,821 | 107,220 | 116,623 | 156,473 | 2,272 | 6,775 | 15,816 | 21,434 |
| Hong Kong | 28,324 | 30,183 | 35,438 | 48,476 | 28,571 | 29,704 | 35,364 | 48,465 | -247 | 479 | 74 | 11 |
| Korea, Rep. of | 29,245 | 30,283 | 34,715 | 47,281 | 30,631 | 31,136 | 31,584 | 41,020 | -1,386 | -853 | 3,131 | 6,261 |
| Singapore | 24,068 | 22,806 | 22,497 | 28,616 | 28,660 | 26,278 | 25,510 | 32,486 | -4,592 | -3,472 | -3,013 | -3,870 |
| Taipei, China | 30,456 | 30,723 | 39,789 | 53,534 | 21,959 | 20,102 | 24,165 | 34,502 | 8,497 | 10,621 | 15,624 | 19,032 |
| SOUTHEAST ASIA | 51,179 | 45,604 | 42,313 | 51,477 | 44,742 | 37,262 | 36,251 | 44,743 | 6,437 | 8,342 | 6,062 | 6,734 |
| Indonesia | 21,888 | 18,587 | 14,805 | 16,780 | 13,882 | 10,262 | 10,718 | 12,415 | 8,006 | 8,325 | 4,087 | 4,365 |
| Malaysia | 16,490 | 15,311 | 13,838 | 17,930 | 14,049 | 12,259 | 10,816 | 12,694 | 2,441 | 3,052 | 3,022 | 5,236 |
| Philippines | 5,391 | 4,629 | 4,841 | 5,220 | 6,428 | 5,445 | 5,394 | 6,380 | -1,037 | -816 | -553 | -1,160 |
| Thailand | 7,410 | 7,077 | 8,829 | 11,547 | 10,383 | 9,296 | 9,323 | 13,254 | -2,973 | -2,219 | -494 | 1,707 |
| SOUTH ASIA | 14,970 | 13,769 | 15,295 | 18,650 | 26,729 | 26,784 | 26,489 | 27,824 | -11,759 | -13,015 | -11,194 | -9,174 |
| Bangladesh | 931 | 999 | 880 | 1,112 | 2,825 | 2,772 | 2,702 | 2,346 | -1,894 | -1,773 | -1,822 | -1,234 |
| Burma | 435 | 526 | 300 | 260 | 672 | 688 | 600 | 550 | -237 | -162 | -300 | -290 |
| India | 9,445 | 8,003 | 9,352 | 11,660 | 15,067 | 14,879 | 15,330 | 16,400 | -5,622 | -6,876 | -5,978 | -4,740 |
| Maldives | 18 | 26 | 29 | 29 | 52 | 58 | 60 | 58 | -34 | -32 | -31 | -29 |
| Nepal | 128 | 160 | 142 | 154 | 416 | 453 | 459 | 530 | -288 | -293 | -317 | -376 |
| Pakistan | 2,558 | 2,740 | 3,384 | 4,060 | 5,853 | 5,890 | 5,374 | 5,870 | -3,295 | -3,150 | -1,990 | -1,810 |
| Sri Lanka | 1,455 | 1,315 | 1,208 | 1,375 | 1,844 | 2,044 | 1,964 | 2,070 | -389 | -729 | -756 | -695 |
| CHINA, PEOPLE'S REP. OF | 26,139 | 27,350 | 30,942 | 34,100 | 27,410 | 42,252 | 42,904 | 37,800 | -1,271 | -14,902 | -11,962 | 3,700 |
| SOUTH PACIFIC | 1,265 | 1,208 | 1,333 | 1,365 | 1,903 | 1,675 | 1,776 | 1,982 | -638 | -467 | -443 | -617 |
| Cook Islands | 4 | 4 | 4 | 4 | 21 | 21 | 22 | 20 | -17 | -17 | -18 | 16 |
| Fiji | 183 | 165 | 214 | 260 | 526 | 441 | 439 | 420 | -343 | -276 | -225 | -160 |
| Kiribati | 11 | 4 | 2 | 3 | 18 | 15 | 14 | 20 | -7 | -11 | -12 | -17 |
| Papua New Guinea | 901 | 913 | 1,014 | 1,000 | 1,115 | 967 | 1,037 | 1,265 | -214 | -54 | -23 | 265 |
| Solomon Islands | 93 | 70 | 66 | 64 | 66 | 69 | 120 | 75 | 27 | 1 | -54 | -11 |
| Tonga | 9 | 5 | 5 | 5 | 39 | 41 | 39 | 44 | -30 | -36 | -34 | -39 |
| Vanuatu | 44 | 31 | 17 | 18 | 67 | 70 | 58 | 72 | -23 | -39 | -41 | 54 |
| Western Samoa | 20 | 16 | 11 | 11 | 51 | 51 | 47 | 66 | -31 | -35 | -36 | -55 |
| TOTAL | 205,646 | 201,926 | 222,322 | 283,499 | 210,605 | 215,193 | 224,043 | 268,822 | -4,959 | -13,267 | -1,721 | 14,677 |

a Preliminary estimates

Sources: Country sources.

[IMF, International Financial Statistics, February 1988.]

TABLE 7
INTERNATIONAL RESERVES AND RATIO OF RESERVES
TO IMPORTS OF SELECTED DMCs, 1984-1987

| Country | International Reserves ^a (\$ million) | | | | Ratio to Imports ^b (months) | | | |
|------------------------------|---|-----------------|----------------------|-------------------|---|------------|------------|-------------------|
| | 1984 | 1985 | 1986 | 1987 ^c | 1984 | 1985 | 1986 | 1987 ^c |
| NICs | 34,524.2 | 44,095.0 | 68,586.1 | 102,485.4 | 5.1 | 6.8 | 10.1 | 11.4 |
| Korea, Rep. of | 7,629.2 | 7,729.4 | 8,025.1 | 9,463.9 | 3.0 | 3.0 | 3.0 | 2.8 |
| Singapore | 10,416.0 | 12,846.6 | 12,939.0 | 13,580.3 | 4.4 | 5.9 | 6.1 | 5.0 |
| Taipei, China | 16,479.0 | 23,519.0 | 47,622.0 | 79,441.2 | 9.0 | 14.0 | 23.6 | 27.6 |
| SOUTHEAST ASIA | 13,102.0 | 15,001.0 | 17,841.0 | 21,794.0 | 3.5 | 4.8 | 5.9 | 5.8 |
| Indonesia | 5,720.0 | 5,880.0 | 5,411.0 | 6,697.0 | 4.9 | 6.9 | 6.1 | 6.5 |
| Malaysia | 3,803.0 | 5,002.0 | 6,127.0 | 7,872.0 | 3.2 | 4.9 | 6.8 | 7.4 |
| Philippines | 890.0 | 1,116.0 | 2,527.0 | 2,014.0 | 1.7 | 2.5 | 5.6 | 3.8 |
| Thailand | 2,689.0 | 3,003.0 | 3,776.0 | 5,211.0 | 3.1 | 3.9 | 4.9 | 4.7 |
| SOUTH ASIA | 8,780.8 | 8,951.4 | 8,684.9 | 8,888.0 | 3.9 | 4.0 | 3.9 | 3.8 |
| Bangladesh | 405.7 | 349.4 | 425.9 | 865.7 | 1.7 | 1.5 | 1.9 | 4.4 |
| Burma | 70.7 | 43.6 | 43.9 | 39.7 | 1.3 | 0.8 | 0.9 | 0.9 |
| India | 6,026.0 | 6,623.0 | 6,396.0 ^d | 6,153.0 | 4.8 | 5.3 | 5.0 | 4.5 |
| Nepal | 88.4 | 62.4 | 93.1 | 160.6 | 2.6 | 1.7 | 2.4 | 3.6 |
| Pakistan | 1,668.0 | 1,412.0 | 1,363.0 | 1,361.0 | 3.4 | 2.9 | 3.0 | 2.8 |
| Sri Lanka | 522.0 | 461.0 | 363.0 | 308.0 | 3.4 | 2.7 | 2.2 | 1.8 |
| CHINA, PEOPLE'S REP. OF | 17,801.0 | 13,214.0 | 11,994.0 | 16,783.0 | 7.8 | 3.8 | 3.4 | 5.3 |
| SOUTH PACIFIC | 712.4 | 746.2 | 768.4 | 692.5 | 4.7 | 5.7 | 5.4 | 4.4 |
| Fiji | 117.8 | 131.3 | 171.5 | 112.4 | 2.7 | 3.6 | 4.7 | 3.2 |
| Kiribati ^e | 73.5 | 93.7 | 90.0 | 90.0 | 49.0 | 75.0 | 77.1 | 54.0 |
| Papua New Guinea | 446.9 | 453.5 | 436.5 | 395.8 | 4.8 | 5.6 | 5.1 | 3.8 |
| Solomon Islands ^d | 44.7 | 35.6 | 29.6 | 36.8 | 8.1 | 6.2 | 3.0 | 5.9 |
| Tonga ^e | 18.9 | 18.1 | 17.0 | 24.1 | 5.8 | 5.3 | 5.2 | 6.6 |
| Western Samoa ^d | 10.6 | 14.0 | 23.8 | 33.4 | 2.5 | 3.3 | 6.1 | 6.1 |
| TOTAL | 74,920.4 | 82,007.6 | 107,874.4 | 150,642.9 | 4.9 | 5.3 | 6.9 | 8.2 |

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

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

c Singapore is as of June; Papua New Guinea is as of August; India is as of September; People's Rep. of China is as of October; Rep. of Korea, Indonesia, Malaysia, Nepal and Fiji are as of November; Taipei, China, Philippines, Thailand, Bangladesh, Burma, Pakistan, Sri Lanka, Kiribati, Solomon Islands, Tonga and Western Samoa are as of December.

d Refers to total reserves minus gold.

e Foreign exchange holdings only.

Sources: IMF, *International Financial Statistics*, February 1988.

Country sources for Kiribati, Taipei, China and Tonga.

TABLE 8
DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCE GAP
AS PERCENTAGE OF GDP OF SELECTED DMCs, 1984-1986
(Per cent)

| Country | Gross Domestic Savings as Percentage of GDP | | | Gross Capital Formation as Percentage of GDP | | | Resource Gap as Percentage of GDP | | |
|-------------------------|--|------|------|---|------|------|--------------------------------------|-------|-------|
| | 1984 | 1985 | 1986 | 1984 | 1985 | 1986 | 1984 | 1985 | 1986 |
| NICs | | | | | | | | | |
| Hong Kong | 28.9 | 27.3 | 27.9 | 24.7 | 21.7 | 23.3 | -4.2 | -5.6 | -4.6 |
| Korea, Rep. of | 30.5 | 31.1 | 34.7 | 30.8 | 30.0 | 28.8 | 0.3 | -1.1 | -5.9 |
| Singapore | 45.3 | 40.6 | 38.9 | 49.0 | 42.5 | 38.2 | 3.7 | 1.9 | -0.7 |
| Taipei, China | 33.0 | 32.3 | 37.1 | 21.5 | 17.9 | 16.2 | -11.5 | -14.4 | -20.9 |
| SOUTHEAST ASIA | | | | | | | | | |
| Indonesia | 30.5 | 28.3 | 24.3 | 25.5 | 26.4 | 26.2 | -5.0 | -1.9 | 1.9 |
| Malaysia | 35.5 | 32.7 | 31.5 | 33.6 | 27.5 | 25.1 | -1.9 | -5.2 | -6.4 |
| Philippines | 14.3 | 15.0 | 18.5 | 17.0 | 14.0 | 13.2 | 2.7 | -1.0 | -5.3 |
| Thailand | 19.2 | 17.9 | 20.4 | 23.9 | 23.5 | 20.8 | 4.7 | 5.6 | 0.4 |
| SOUTH ASIA | | | | | | | | | |
| Bangladesh (FY) | 1.1 | 2.3 | 2.4 | 12.2 | 12.5 | 11.8 | 11.1 | 10.2 | 9.4 |
| Burma (FY) | 11.6 | 11.1 | 12.7 | 15.1 | 15.1 | 15.4 | 3.5 | 4.0 | 2.7 |
| India (FY) | 19.5 | 22.0 | 21.7 | 21.0 | 24.4 | 23.4 | 1.5 | 2.4 | 1.7 |
| Nepal (FY) | 10.3 | 11.2 | 9.9 | 19.4 | 20.7 | 20.7 | 9.1 | 9.5 | 10.8 |
| Pakistan (FY) | 6.4 | 5.0 | 7.1 | 17.0 | 16.8 | 16.7 | 10.6 | 11.8 | 9.6 |
| Sri Lanka | 16.3 | 11.2 | 10.2 | 22.4 | 25.7 | 22.9 | 6.1 | 14.5 | 12.7 |
| CHINA, PEOPLE'S REP. OF | 34.5 | 34.7 | 35.8 | 33.8 | 38.8 | 38.5 | -0.7 | 4.1 | 2.7 |
| SOUTH PACIFIC | | | | | | | | | |
| Papua New Guinea | 10.8 | 7.7 | 12.0 | 28.4 | 22.0 | 24.4 | 17.6 | 14.3 | 12.4 |

Sources: Country sources.

TABLE 9
TOTAL NET FLOWS OF RESOURCES^a TO DMCs, 1984-1986
(\$ million)

| Country | Concessional Flows (ODA) | | | Non-Concessional Flows ^b | | | Total Flows | | |
|-------------------------|--------------------------|----------------|----------------|-------------------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| | 1984 | 1985 | 1986 | 1984 | 1985 | 1986 | 1984 | 1985 | 1986 |
| NICs | 23.6 | 26.1 | 20.8 | 4,493.3 | -319.0 | -1,808.2 | 4,516.9 | -292.9 | -1,787.4 |
| Hong Kong | 13.8 | 20.5 | 18.5 | 1,260.2 | -1,219.4 | 1,621.0 | 1,274.0 | -1,198.9 | 1,602.5 |
| Korea, Rep. of | -36.6 | -8.6 | -17.3 | 2,014.7 | 1,624.8 | 437.2 | 1,978.1 | 1,616.2 | 419.9 |
| Singapore | 41.0 | 23.9 | 29.7 | 1,297.5 | -216.1 | -151.5 | 1,338.5 | -192.2 | -121.8 |
| Taipei, China | 5.4 | -9.7 | -10.1 | -79.1 | -508.3 | -472.9 | -73.7 | -518.0 | -483.0 |
| SOUTHEAST ASIA | 1,870.4 | 1,799.5 | 2,356.1 | 5,290.4 | 1,773.3 | 1,018.2 | 7,160.8 | 3,572.8 | 3,374.3 |
| Indonesia | 672.7 | 603.2 | 711.2 | 2,650.1 | 1,220.2 | 944.1 | 3,322.8 | 1,823.4 | 1,655.3 |
| Malaysia | 326.6 | 229.2 | 192.8 | 1,093.4 | 5.0 | -143.8 | 1,420.0 | 234.2 | 49.0 |
| Philippines | 397.0 | 486.2 | 955.8 | 548.9 | 149.0 | 162.6 | 945.9 | 635.2 | 1,118.4 |
| Thailand | 474.1 | 480.9 | 496.3 | 998.0 | 399.1 | 55.3 | 1,472.1 | 880.0 | 551.6 |
| SOUTH ASIA | 4,462.5 | 4,540.0 | 5,812.7 | 802.5 | 1,114.8 | 1,704.1 | 5,265.0 | 5,654.8 | 7,516.8 |
| Afghanistan | 6.7 | 16.8 | 2.3 | -1.1 | -22.7 | 0.2 | 5.6 | -5.9 | 2.5 |
| Bangladesh | 1,200.3 | 1,151.3 | 1,455.7 | 49.8 | -31.6 | -26.1 | 1,250.1 | 1,119.7 | 1,429.6 |
| Bhutan | 17.9 | 24.1 | 40.0 | — | — | 0.1 | 17.9 | 24.1 | 40.1 |
| Burma | 274.8 | 355.7 | 415.7 | 51.1 | 1.0 | -1.9 | 325.9 | 356.7 | 413.8 |
| India | 1,609.3 | 1,526.8 | 2,059.2 | 542.2 | 933.0 | 1,702.9 | 2,151.5 | 2,459.8 | 3,762.1 |
| Maldives | 5.6 | 9.2 | 16.3 | -0.1 | -0.8 | 0.3 | 5.5 | 8.4 | 16.6 |
| Nepal | 198.3 | 236.3 | 300.9 | 3.2 | 10.0 | 29.9 | 201.5 | 246.3 | 330.8 |
| Pakistan | 683.0 | 735.2 | 951.9 | -18.4 | 125.5 | 21.8 | 664.6 | 860.7 | 973.7 |
| Sri Lanka | 466.6 | 484.6 | 570.7 | 175.8 | 100.4 | -23.1 | 642.4 | 585.0 | 547.6 |
| CHINA, PEOPLE'S RPP. OF | 798.2 | 940.0 | 1,133.9 | 149.0 | 1,368.7 | 2,353.9 | 947.2 | 2,308.7 | 3,487.8 |
| INDOCHINA | 160.9 | 163.9 | 207.9 | -0.7 | 11.5 | 1.2 | 160.2 | 175.4 | 209.1 |
| Cambodia | 16.9 | 12.9 | 13.2 | -2.1 | — | 0.3 | 14.8 | 12.9 | 13.5 |
| Lao PDR | 34.1 | 37.0 | 48.2 | 1.1 | 27.1 | 0.2 | 35.2 | 64.1 | 48.4 |
| Viet Nam | 109.9 | 114.0 | 146.5 | 0.3 | -15.6 | 0.7 | 110.2 | 98.4 | 147.2 |
| SOUTH PACIFIC | 452.9 | 388.1 | 438.9 | 219.1 | 83.3 | -89.6 | 672.0 | 471.4 | 349.3 |
| Cook Islands | 8.1 | 9.7 | 26.4 | -0.5 | 0.9 | 0.9 | 7.6 | 10.6 | 27.3 |
| Fiji | 31.3 | 31.9 | 42.5 | 0.6 | -9.4 | 4.7 | 31.9 | 22.5 | 47.2 |
| Kiribati | 11.9 | 12.0 | 13.4 | -0.5 | 0.0 | 0.4 | 11.4 | 12.0 | 13.8 |
| Papua New Guinea | 321.8 | 258.9 | 263.6 | 199.2 | 72.9 | -43.6 | 521.0 | 331.8 | 220.0 |
| Solomon Islands | 19.4 | 20.8 | 30.2 | 6.1 | 1.2 | 1.5 | 25.5 | 22.0 | 31.7 |
| Tonga | 15.7 | 13.6 | 15.1 | — | — | — | 15.7 | 13.6 | 15.1 |
| Vanuatu | 24.5 | 21.8 | 24.4 | 20.8 | 16.7 | -53.1 | 45.3 | 38.5 | 28.7 |
| Western Samoa | 20.2 | 19.4 | 23.3 | -6.6 | 1.0 | -0.4 | 13.6 | 20.4 | 22.9 |
| TOTAL | 7,768.5 | 7,857.6 | 9,970.3 | 10,953.6 | 4,032.6 | 3,179.6 | 18,722.1 | 11,890.2 | 13,149.9 |

— magnitude zero.

a Net flows imply total flows minus repayments of principal.

b Including bilateral and multilateral non-concessional flows and private flows.

Source: OECD, *Geographical Distribution of Financial Flows to Developing Countries, 1983/1986*.

TABLE 10
EXTERNAL PUBLIC DEBT AND DEBT-SERVICE RATIO
OF SELECTED DMCs, 1984-1986
(\$ million)

| Country | Debt Outstanding ^a | | | Service Payments | | | Debt-Service Ratio ^b (%) | | |
|-------------------------|-------------------------------|------------------|------------------|------------------|-----------------|-----------------|-------------------------------------|-------------|-------------|
| | 1984 | 1985 | 1986 | 1984 | 1985 | 1986 | 1984 | 1985 | 1986 |
| NICs | 32,749.4 | 35,911.4 | 34,938.8 | 7,330.6 | 7,719.9 | 9,894.7 | 5.5 | 5.8 | 6.3 |
| Hong Kong | 270.3 | 306.0 | 303.6 | 52.9 | 71.4 | 81.8 | 0.2 | 0.2 | 0.2 |
| Korea, Rep. of | 24,934.8 | 28,910.9 | 29,107.6 | 4,692.2 | 5,138.9 | 6,995.7 | 13.9 | 15.5 | 16.7 |
| Singapore | 1,904.8 | 1,790.8 | 2,120.1 | 317.3 | 721.8 | 420.3 | 1.0 | 2.4 | 1.4 |
| Taipei, China | 5,639.5 | 4,903.7 | 3,407.5 | 2,268.2 | 1,787.8 | 2,396.9 | 6.9 | 5.4 | 5.5 |
| SOUTHEAST ASIA | 55,275.7 | 65,171.3 | 79,510.3 | 7,249.2 | 11,195.6 | 10,183.7 | 12.2 | 20.0 | 19.7 |
| Indonesia | 22,782.4 | 26,654.6 | 31,901.2 | 3,257.1 | 4,017.7 | 4,431.7 | 14.7 | 19.9 | 29.3 |
| Malaysia | 13,318.8 | 15,095.6 | 16,758.8 | 1,628.5 | 4,419.9 | 2,227.9 | 8.5 | 24.9 | 13.7 |
| Philippines | 11,633.8 | 13,584.2 | 19,827.7 | 1,113.9 | 1,258.5 | 1,581.3 | 13.9 | 15.9 | 18.3 |
| Thailand | 7,540.7 | 9,836.9 | 11,022.6 | 1,249.7 | 1,499.5 | 1,942.8 | 12.0 | 14.7 | 16.7 |
| SOUTH ASIA | 43,817.2 | 51,027.2 | 58,843.2 | 2,884.4 | 3,512.1 | 4,597.9 | 14.5 | 17.3 | 20.7 |
| Bangladesh | 5,152.7 | 5,997.8 | 7,281.7 | 170.6 | 220.8 | 271.0 | 15.5 | 17.6 | 25.1 |
| Burma | 2,249.6 | 2,952.4 | 3,664.5 | 160.5 | 196.4 | 246.7 | 10.1 | 46.3 | 55.4 |
| India | 23,502.5 | 27,866.8 | 31,913.4 | 1,397.0 | 1,779.0 | 2,696.3 | 11.1 | 13.5 | 18.1 |
| Maldives | 50.7 | 52.1 | 59.8 | 14.7 | 7.9 | 12.9 | 17.4 | 8.7 | 12.0 |
| Nepal | 445.0 | 561.4 | 711.1 | 10.9 | 16.4 | 30.6 | 3.9 | 5.3 | 9.2 |
| Pakistan | 10,006.8 | 10,734.9 | 11,764.5 | 928.9 | 1,061.7 | 1,062.6 | 25.5 | 31.2 | 26.8 |
| Sri Lanka | 2,409.9 | 2,861.8 | 3,448.2 | 201.8 | 229.9 | 277.8 | 11.2 | 14.1 | 19.2 |
| CHINA, PEOPLE'S REP. OF | 6,700.0 | 10,148.4 | 17,192.5 | 1,680.1 | 2,068.8 | 2,381.6 | 5.8 | 7.0 | 7.9 |
| SOUTH PACIFIC | 1,389.4 | 1,491.7 | 1,583.2 | 196.0 | 194.9 | 217.2 | 11.0 | 11.1 | 11.3 |
| Fiji | 289.7 | 302.2 | 293.1 | 51.6 | 55.5 | 56.0 | 9.8 | 10.6 | 10.0 |
| Papua New Guinea | 989.7 | 1,061.1 | 1,147.0 | 138.2 | 130.9 | 148.9 | 13.4 | 12.6 | 12.4 |
| Solomon Islands | 39.3 | 55.8 | 68.8 | 0.9 | 2.3 | 5.3 | 0.8 | 2.6 | 6.7 |
| Vanuatu | 5.2 | 6.9 | 8.9 | 0.6 | 0.6 | 1.1 | 0.7 | 0.7 | 2.1 |
| Western Samoa | 65.5 | 65.7 | 65.4 | 4.7 | 5.6 | 5.9 | 17.0 | 21.0 | 24.0 |
| TOTAL | 139,931.7 | 163,750.0 | 192,068.0 | 19,340.3 | 24,691.3 | 27,275.1 | 8.0 | 10.3 | 10.3 |

a Disbursed only.

b Debt service payments as a percentage of exports of goods and all services including workers' remittances.

Sources: World Bank, 8 December 1987 and country sources.

BANK OPERATIONAL DATA

LOAN APPROVALS IN 1987 AND TOTAL PROJECT COSTS

(amounts in \$ million)

| Country/Project | Ordinary Capital Resources | Asian Development Fund | Total Project Cost ^a |
|---|----------------------------|------------------------|---------------------------------|
| BANGLADESH | | | |
| Agricultural Inputs Program | | 51.70 | 65.00 |
| Road Improvement | | 137.50 | 171.90 |
| Brahmaputra Basin Gas Transmission and Distribution | | 74.00 | 104.00 |
| Padma Textile Mills Ltd. ^b | | 2.50 | 13.80 |
| BHUTAN | | | |
| Urban Centers Sewerage | — | 3.30 | 6.30 |
| CHINA, PEOPLE'S REPUBLIC OF | | | |
| China Investment Bank | 100.00 | — | 250.00 |
| Fuel Conversion | 33.30 | — | 60.60 |
| COOK ISLANDS | | | |
| Second Multiproject Loan | — | 2.75 | 3.43 |
| INDIA | | | |
| Ports Development | 87.60 | — | 130.00 |
| Small and Medium-Scale Industries | 100.00 | — | 250.00 |
| Railways | 190.00 | — | 400.00 |
| Polyester Filament Yarn ^b | 16.00 | — | 113.20 |
| INDONESIA | | | |
| Second Bank Pembangunan Indonesia | 60.00 | — | 150.00 |
| Power XIX (Sector) | 96.00 | — | 189.00 |
| Third Irrigation Sector | 60.00 | 60.00 | 150.00 |
| Ninth Road (Maintenance) Sector | 150.00 | — | 187.50 |
| Non-Oil Export Promotion Program | 75.00 | 75.00 | 375.00 |
| KOREA, REPUBLIC OF | | | |
| Fourth Sewage Treatment | 22.80 | — | 104.88 |
| Tenth Water Supply | 10.40 | — | 38.80 |
| Fourth Road Improvement (Sector) | 100.00 | — | 285.50 |
| LAO PDR | | | |
| Keset Hydropower | — | 15.50 | 39.90 |
| Third Road Improvement | — | 19.00 | 23.75 |
| MALAYSIA | | | |
| Third Vocational Education | 68.80 | — | 171.91 |
| Fisheries Research and Development | 13.50 | — | 21.80 |
| MALDIVES | | | |
| Power System Development | — | 6.10 | 7.13 |

^a Total cost of credit lines and program loans is estimated.

^b Private sector loan without government guarantee.

| Country/Project | Ordinary Capital Resources | Asian Development Fund | Total Project Cost^a |
|---|---|---------------------------------------|---|
| NEPAL | | | |
| Fifth Agricultural Credit | — | 24.00 | 60.00 |
| East Rapti Irrigation | — | 30.40 | 38.00 |
| Hill Fruit Development | — | 11.79 | 17.84 |
| Nepal Paper Mill | — | 25.10 | 38.30 |
| PAKISTAN | | | |
| Fruit and Vegetable Marketing | — | 22.20 | 34.30 |
| Indus Right Bank Pipeline | | | |
| Capacity Expansion | 29.00 | — | 100.20 |
| Flood Protection Sector | — | 115.00 | 160.40 |
| Chitral Area Development | — | 23.50 | 39.13 |
| Third Health | — | 30.40 | 37.20 |
| Oil and Gas Development | 43.00 | — | 96.50 |
| Third Development Financing | 175.00 | 25.00 | 500.00 |
| Second On-Farm Water Management | — | 28.50 | 55.16 |
| Chashma Right Bank Irrigation (Stage II) | — | 48.00 | 60.20 |
| Pakistan Industrial Leasing Corporation Limited ^b | 2.00 | — | 5.00 |
| PAPUA NEW GUINEA | | | |
| East New Britain Smallholder Development | 5.00 | 5.00 | 16.70 |
| PHILIPPINES | | | |
| Second Manila Port | 43.50 | | 86.69 |
| SOLOMON ISLANDS | | | |
| Second Honiara Port | — | 4.00 | 5.52 |
| Second Fisheries Development | — | 5.30 | 6.60 |
| SRI LANKA | | | |
| Second Road Improvement | — | 36.50 | 45.65 |
| Secondary Towns Power Distribution II | — | 34.80 | 47.90 |
| Emergency Road Restoration | — | 20.00 | 25.00 |
| Small and Medium Industries | — | 15.00 | 37.50 |
| VANUATU | | | |
| Santo Port | — | 5.75 | 7.18 |
| GRAND TOTAL | 1,480.90 | 957.59 | 4,834.37 |

LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS, 1986, 1987, 1968-1987^a
 (amounts in \$ million)

| Country | 1986 | | |
|-----------------------------|-----------------|--------------------|-----------------|
| | OCR | ADF | Total |
| Afghanistan, Dem. Rep. of | — | — | |
| Bangladesh | — | 88.36 ^c | 88.36 |
| Bhutan | — | 8.80 | 8.80 |
| Burma | — | 35.00 | 35.00 |
| Cambodia | — | — | — |
| China, People's Republic of | — | — | |
| Cook Islands | — | — | |
| Fiji | 4.40 | — | 4.40 |
| Hong Kong | — | — | |
| India | 250.00 | — | 250.00 |
| Indonesia | 319.10 | — | 319.10 |
| Kiribati | — | 0.70 | 0.70 |
| Korea, Rep. of | 53.00 | — | 53.00 |
| Lao PDR | — | 12.00 | 12.00 |
| Malaysia | 105.23 | — | 105.23 |
| Maldives | — | — | — |
| Nepal | — | 51.25 | 51.25 |
| Pakistan | 285.00 | 258.90 | 543.90 |
| Papua New Guinea | 33.65 | 15.90 | 49.55 |
| Philippines | 266.80 | 50.00 | 316.80 |
| Singapore | — | — | — |
| Solomon Islands | — | 4.21 | 4.21 |
| Sri Lanka | — | 102.30 | 102.30 |
| Taipei, China | — | — | — |
| Thailand | 50.97 | — | 50.97 |
| Tonga | — | 3.00 | 3.00 |
| Vanuatu | — | — | — |
| Viet Nam, Soc. Rep. of | — | — | — |
| Western Samoa | — | 5.40 | 5.40 |
| T O T A L | 1,368.15 | 635.82 | 2,003.97 |

a Includes loans to private sector without government guarantee.

b Cumulative total may not add up due to rounding.

c Adjusted to reflect additional Bank financing of \$2.65 million due to change in financing arrangements of the Second Agriculture Project (Bangladesh).

d Adjusted to reflect the withdrawal of the \$100 million loan to the Sixth Korea Long-Term Credit Bank which was approved in 1985.

| 1987 | | | 1968-1987 ^b | | | |
|-----------------|---------------|-----------------|------------------------|-----------------|------------------|---------------|
| OCR | ADF | Total | OCR | ADF | Total | % |
| — | — | — | — | 95.10 | 95.10 | 0.41 |
| — | 265.70 | 265.70 | 11.40 | 2,181.29 | 2,192.69 | 10.04 |
| — | 3.30 | 3.30 | — | 27.98 | 27.98 | 0.13 |
| — | — | — | 6.60 | 524.26 | 530.86 | 2.43 |
| — | — | — | — | 1.67 | 1.67 | 0.01 |
| 133.30 | — | 133.30 | 133.30 | — | 133.30 | 0.61 |
| — | 2.75 | 2.75 | — | 5.25 | 5.25 | 0.02 |
| — | — | — | 60.50 | — | 60.50 | 0.28 |
| — | — | — | 101.50 | — | 101.50 | 0.47 |
| 393.60 | — | 393.60 | 643.60 | — | 643.60 | 2.95 |
| 441.00 | 135.00 | 576.00 | 4,051.80 | 297.28 | 4,349.08 | 19.92 |
| — | — | — | — | 3.00 | 3.00 | 0.01 |
| 133.20 | — | 133.20 | 2,199.03 ^d | 3.70 | 2,202.73 | 10.09 |
| — | 34.50 | 34.50 | — | 106.64 | 106.64 | 0.49 |
| 82.30 | — | 82.30 | 1,361.64 | 3.30 | 1,364.94 | 6.25 |
| — | 6.10 | 6.10 | — | 9.48 | 9.48 | 0.04 |
| — | 91.29 | 91.29 | 2.00 | 638.86 | 640.86 | 2.94 |
| 249.00 | 292.60 | 541.60 | 1,689.17 | 2,080.45 | 3,769.62 | 17.27 |
| 5.00 | 5.00 | 10.00 | 142.25 | 140.34 | 282.59 | 1.29 |
| 43.50 | — | 43.50 | 2,342.04 | 129.30 | 2,471.34 | 11.32 |
| — | — | — | 178.08 | 3.00 | 181.08 | 0.83 |
| — | 9.30 | 9.30 | — | 38.11 | 38.11 | 0.17 |
| — | 106.30 | 106.30 | 14.13 | 660.63 | 674.76 | 3.09 |
| — | — | — | 100.39 | — | 100.39 | 0.46 |
| — | — | — | 1,656.25 | 72.10 | 1,728.35 | 7.92 |
| — | — | — | — | 11.25 | 11.25 | 0.05 |
| — | 5.75 | 5.75 | — | 10.85 | 10.85 | 0.05 |
| — | — | — | 3.93 | 40.67 | 44.60 | 0.20 |
| — | — | — | — | 50.37 | 50.37 | 0.23 |
| 1,480.90 | 957.59 | 2,438.49 | 14,697.61 | 7,134.88 | 21,832.49 | 100.00 |

CO-FINANCING ARRANGEMENTS, 1987

(amounts in \$ million)

| Project | Country | Bank Loan | | Amount of Co-Financing | Sources of Co-Financing |
|--|-----------------------------|-----------|--------------|------------------------|-------------------------------------|
| | | OCR | ADF | | |
| Power Transmission and Distribution ^a | Bangladesh | — | 82.00 | 18.05 | Federal Republic of Germany |
| Padma Textile Mills Ltd. | Bangladesh | — | 2.50 0.68 | 2.50 0.68 | United Kingdom Suppliers' Credit |
| Road Improvement | Bangladesh | — | 137.50 | 1.20 | UNDP |
| Urban Centers Sewerage | Bhutan | — | 3.30 | 2.15 | Denmark |
| China Investment Bank | China, People's Republic of | 100.00 | — | 0.40 | UNDP |
| Fuel Conversion | China, People's Republic of | 33.30 | — | 0.35 | UNDP ^b |
| Railways | India | 190.00 | — | 110.00 | Eximbank of Japan |
| Polyesters Filament Yarn | India | 16.00 | — | 5.00 | SBI Capital Markets Ltd. |
| Third Irrigation Sector | Indonesia | 60.00 | 60.00 | 7.50 | Netherlands |
| Power XVIII | Indonesia ^b | — | — | 11.00 | Federal Republic of Germany |
| Power XIX (Sector) | Indonesia | 96.00 | — | 40.00 | Eximbank of Japan/ Commercial Banks |
| Third Road Improvement | Lao PDR | — | 19.00 | 1.13 | UNDP |
| Xeset Hydropower | Lao PDR | — | 15.50 | 17.04 1.76 | Sweden UNDP |
| Fifth Agricultural Credit | Nepal | — | 24.00 | 0.20 | UNDP |

a Bank loan was approved by the Bank in 1983.

b Additional co-financing. Bank loan was approved in 1983 for which co-financing from commercial banks had previously been arranged.

c Additional co-financing. Bank loan was approved in 1986 for which co-financing from official sources (World Bank, Czechoslovakia and USAID) had previously been arranged.

d Additional co-financing. Bank loan was approved in 1981 for which co-financing from OPEC Fund and Norway had previously been arranged. Bank will administer the Norwegian until contribution of \$2.5 million.

e Under umbrella co-financing arrangement.

f Additional co-financing. Bank loan was approved in 1985 for which co-financing from OECF (Japan) had previously been arranged.

| Project | Country | Bank Loan | | Amount of Co-Financing | Sources of Co-Financing |
|--|-------------|---------------|---------------|------------------------|---------------------------------|
| | | OCR | ADF | | |
| Hill Fruit Development | Nepal | — | 11.79 | 1.04 | UNDP |
| WAPDA Tenth Power Sector ^e | Pakistan | — | — | 175.00 | Federal Republic of Germany |
| Fruit and Vegetable Marketing | Pakistan | — | 22.20 | 1.00 | UNDP |
| Flood Protection Sector | Pakistan | — | 115.00 | 0.20 | United States of America |
| Third Health | Pakistan | — | 30.40 | 3.70 | United Kingdom (ODA) |
| Oil and Gas Development | Pakistan | 43.00 | — | 7.30 | Mitsui Finance Asia Limited |
| | | | | 0.20 | Canada |
| Indus Right Bank Pipeline Capacity Expansion | Pakistan | 29.00 | — | 5.00 | Yasuda Trust & Banking Co. Ltd. |
| Chitral Area Development | Pakistan | — | 23.50 | 11.10 | IFAD |
| Rural Electrification ^d | Philippines | — | — | 2.50 | Norway |
| Second Manila Port | Philippines | 43.50 | — | 1.70 | Singapore |
| Small and Medium Industries | Sri Lanka | — | 15.00 | 15.00 | IDA |
| Second Road Improvement | Sri Lanka | — | 36.50 | 0.15 | UNDP ^e |
| Third Bangkok Water Supply ^f | Thailand | — | — | 11.60 44.00 | OECF, Japan Commercial Banks |
| T O T A L | | 610.80 | 598.19 | 498.45 | |

LOAN APPROVALS BY SECTOR, 1986, 1987, 1968-1987^a
 (amounts in \$ million)

| Sector | 1986 | | | | | | TOTAL % |
|--------------------------------|-----------|-----------------|-----------|---------------------|------------------|-----------------|---------------|
| | OCR | | ADF | | No. ^b | Amount | |
| | No. | Amount | No. | Amount | No. ^b | Amount | |
| Agriculture and Agro-Industry | 10 | 394.27 | 14 | 430.56 ^c | 21 | 824.83 | 41.16 |
| Energy | 6 | 504.55 | 3 | 10.31 | 9 | 514.86 | 25.69 |
| Industry and Non-Fuel Minerals | 3 | 110.00 | — | — | 3 | 110.00 | 5.49 |
| Transport and Communications | 2 | 122.00 | 4 | 56.75 | 6 | 178.75 | 8.92 |
| Social Infrastructure | 5 | 187.33 | 2 | 85.20 | 7 | 272.53 | 13.60 |
| Multisector | 1 | 50.00 | 2 | 53.00 | 2 | 103.00 | 5.14 |
| TOTAL | 27 | 1,368.15 | 25 | 635.82 | 48 | 2,003.97 | 100.00 |

a Includes loans to private sector without government guarantee.

b A project which is financed from both sources is counted as one project.

c Adjusted to reflect additional Bank financing of \$2.65 million to the Second Aquaculture Development (Bangladesh) due to change in financing arrangements.

d Adjusted to reflect the withdrawal of the \$100 million loan to the Sixth Korea Long-Term Credit Bank which was approved in 1985.

| 1987 | | | | | | | 1968-1987 | | | | | | |
|-----------|-----------------|-----------|---------------|------------------|-----------------|---------------|-----------------|-----------------------|------------|-----------------|------------------|------------------|---------------|
| OCR | | ADF | | TOTAL | | | OCR | | ADF | | TOTAL | | |
| No. | Amount | No. | Amount | No. ^b | Amount | % | No. | Amount | No. | Amount | No. ^b | Amount | % |
| 3 | 78.50 | 13 | 450.49 | 14 | 528.99 | 21.69 | 116 | 3,054.37 | 191 | 3,651.18 | 279 | 6,705.55 | 30.71 |
| 4 | 201.30 | 4 | 130.40 | 8 | 331.70 | 13.60 | 100 | 3,870.00 | 66 | 1,348.85 | 145 | 5,218.85 | 23.90 |
| 7 | 528.00 | 4 | 117.50 | 9 | 645.50 | 26.47 | 84 ^d | 2,434.57 ^d | 42 | 667.77 | 116 | 3,102.34 | 14.21 |
| 5 | 571.10 | 6 | 222.75 | 11 | 793.85 | 32.56 | 85 | 2,650.53 | 47 | 689.91 | 121 | 3,340.44 | 15.30 |
| 3 | 102.00 | 2 | 33.70 | 5 | 135.70 | 5.57 | 86 | 2,586.44 | 42 | 678.46 | 120 | 3,264.90 | 14.96 |
| — | — | 1 | 2.75 | 1 | 2.75 | 0.11 | 3 | 101.70 | 13 | 98.71 | 12 | 200.41 | 0.92 |
| 22 | 1,480.90 | 30 | 957.59 | 48 | 2,438.49 | 100.00 | 474 | 14,697.61 | 401 | 7,134.88 | 793 | 21,832.49 | 100.00 |

LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968-1970 - 1985-1987
 (amounts in \$ million)

| | Total Lending ^a | Agriculture and Agro-Industry | Energy | Industry and Non-Fuel Minerals | Transport and Communications | Social Infrastructure | Multi-sector |
|--------------------------------|----------------------------|-------------------------------|----------|--------------------------------|------------------------------|-----------------------|--------------|
| Average during | | | | | | | |
| 1968-1970 | 128.44 | 25.02 | 15.38 | 49.34 | 30.87 | 7.83 | 0.00 |
| 1969-1971 | 199.25 | 40.80 | 50.56 | 56.32 | 43.20 | 8.37 | 0.00 |
| 1970-1972 | 271.92 | 42.65 | 89.90 | 51.72 | 58.42 | 29.23 | 0.00 |
| 1971-1973 | 330.53 | 52.17 | 106.38 | 52.58 | 78.92 | 40.49 | 0.00 |
| 1972-1974 | 428.42 | 80.37 | 114.44 | 81.77 | 91.35 | 60.49 | 0.00 |
| 1973-1975 | 543.16 | 151.38 | 125.11 | 113.93 | 96.02 | 56.72 | 0.00 |
| 1974-1976 | 661.30 | 193.57 | 141.17 | 151.57 | 109.87 | 65.12 | 0.00 |
| 1975-1977 | 774.22 | 236.23 | 170.47 | 152.12 | 131.38 | 84.02 | 0.00 |
| 1976-1978 | 940.36 | 257.86 | 202.50 | 203.32 | 150.23 | 126.45 | 0.00 |
| 1977-1979 | 1,098.92 | 328.09 | 264.03 | 191.56 | 132.98 | 181.87 | 0.40 |
| 1978-1980 | 1,282.01 | 396.74 | 318.98 | 190.83 | 158.78 | 215.95 | 0.73 |
| 1979-1981 | 1,454.96 | 473.69 | 395.94 | 169.13 | 136.88 | 278.02 | 1.29 |
| 1980-1982 | 1,598.97 | 543.60 | 443.03 | 171.63 | 184.41 | 255.35 | 0.89 |
| 1981-1983 | 1,751.46 | 589.95 | 465.85 | 227.23 | 131.77 | 319.90 | 16.76 |
| 1982-1984 | 1,937.03 | 662.09 | 561.38 | 172.90 | 234.70 | 278.17 | 27.79 |
| 1983-1985 | 1,978.52 | 641.47 | 487.38 | 165.60 | 252.23 | 401.57 | 30.26 |
| 1984-1986 | 2,015.44 | 714.10 | 508.75 | 102.27 | 289.98 | 351.94 | 48.39 |
| 1985-1987 | 2,083.51 | 637.76 | 363.75 | 299.43 | 427.53 | 317.31 | 37.72 |
| Cumulative (1968-1987) | 21,832.49 | 6,705.55 | 5,218.85 | 3,102.34 | 3,340.44 | 3,264.90 | 200.41 |
| Percentage Distribution | | | | | | | |
| 1968-1970 | 100.00 | 19.48 | 11.98 | 38.41 | 24.03 | 6.10 | 0.00 |
| 1969-1971 | 100.00 | 20.48 | 25.37 | 28.27 | 21.68 | 4.20 | 0.00 |
| 1970-1972 | 100.00 | 15.69 | 33.06 | 19.02 | 21.48 | 10.75 | 0.00 |
| 1971-1973 | 100.00 | 15.78 | 32.18 | 15.91 | 23.88 | 12.25 | 0.00 |
| 1972-1974 | 100.00 | 18.76 | 26.71 | 19.09 | 21.32 | 14.12 | 0.00 |
| 1973-1975 | 100.00 | 27.87 | 23.03 | 20.98 | 17.68 | 10.44 | 0.00 |
| 1974-1976 | 100.00 | 29.27 | 21.35 | 22.92 | 16.61 | 9.85 | 0.00 |
| 1975-1977 | 100.00 | 30.51 | 22.02 | 19.65 | 16.97 | 10.85 | 0.00 |
| 1976-1978 | 100.00 | 27.42 | 21.53 | 21.62 | 15.98 | 13.45 | 0.00 |
| 1977-1979 | 100.00 | 29.85 | 24.03 | 17.43 | 12.10 | 16.55 | 0.04 |
| 1978-1980 | 100.00 | 30.95 | 24.88 | 14.89 | 12.38 | 16.84 | 0.06 |
| 1979-1981 | 100.00 | 32.56 | 27.21 | 11.62 | 9.41 | 19.11 | 0.09 |
| 1980-1982 | 100.00 | 34.00 | 27.71 | 10.73 | 11.53 | 15.97 | 0.06 |
| 1981-1983 | 100.00 | 33.68 | 26.60 | 12.97 | 7.52 | 18.27 | 0.96 |
| 1982-1984 | 100.00 | 34.18 | 28.98 | 8.93 | 12.12 | 14.36 | 1.43 |
| 1983-1985 | 100.00 | 32.42 | 24.63 | 8.37 | 12.75 | 20.30 | 1.53 |
| 1984-1986 | 100.00 | 35.43 | 25.24 | 5.08 | 14.39 | 17.46 | 2.40 |
| 1985-1987 | 100.00 | 30.61 | 17.46 | 14.37 | 20.52 | 15.23 | 1.81 |
| Cumulative (1968-1987) | 100.00 | 30.71 | 23.90 | 14.21 | 15.30 | 14.96 | 0.92 |

a Total column may not tally due to rounding.

CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS,^a 1968-1987
 (amounts in \$ million)

| Year | Cumulative Effective Loans | | Cumulative Contracts Awarded | | Cumulative Disbursements | |
|------|-------------------------------|---------------------|---------------------------------|--|-----------------------------|--|
| | No. ^b | Amount ^c | Amount | Percentage of Cumulative Effective Loans | Amount ^d | Percentage of Cumulative Effective Loans |
| 1968 | 4 | 20 | 4.5 ^e | 22 | 1.8 | 9 |
| 1969 | 13 | 67 | 13.5 ^e | 20 | 9.3 | 14 |
| 1970 | 28 | 137 | 54.4 ^f | 40 | 26.4 | 19 |
| 1971 | 67 | 404 | 115.0 | 28 | 75.1 | 19 |
| 1972 | 93 | 696 | 271.5 | 39 | 136.2 | 20 |
| 1973 | 130 | 998 | 453.2 | 45 | 282.7 | 28 |
| 1974 | 187 | 1,612 | 836.1 | 52 | 470.2 | 29 |
| 1975 | 221 | 2,052 | 1,150.2 | 56 | 832.1 | 40 |
| 1976 | 264 | 2,846 | 1,505.9 | 53 | 1,158.7 | 41 |
| 1977 | 294 | 3,461 | 1,862.0 | 54 | 1,514.9 | 44 |
| 1978 | 340 | 4,289 | 2,432.8 | 57 | 1,977.1 | 46 |
| 1979 | 391 | 5,274 | 2,941.5 | 56 | 2,463.4 | 47 |
| 1980 | 451 | 6,592 | 3,820.4 | 58 | 3,042.4 | 46 |
| 1981 | 510 | 7,953 | 4,503.6 | 57 | 3,709.5 | 47 |
| 1982 | 570 | 9,672 | 5,570.7 | 58 | 4,504.6 | 47 |
| 1983 | 621 | 11,100 | 6,296.3 | 57 | 5,441.5 | 49 |
| 1984 | 675 | 13,027 | 7,299.8 | 56 | 6,442.0 | 49 |
| 1985 | 727 ^g | 14,793 | 8,279.0 | 56 | 7,452.1 | 50 |
| 1986 | 771 | 16,135 | 9,443.1 | 59 | 8,476.4 | 53 |
| 1987 | 815 | 17,807 | 10,883.2 | 61 | 9,707.8 | 55 |

a After the signing of the loan agreement, certain requirements must be complied with for the loan to become effective.

b For years 1980 and 1981, includes one fully cancelled and seven refinanced loans.

c Net of cancellations and amount transferred to subsequent loans.

d Includes interest and other charges financed during construction.

e Figures for 1968 and 1969 are based on Bank's Monthly Statement of Loans as no Quarterly Procurement Statistics were prepared during those years.

f Figures from 1970 onwards are based on Quarterly Procurement Statistics of the Bank.

g Number of loans adjusted from 1985 Annual Report to reflect Loan Nos. 624/625-TON and 646/647-SOL as single loans.

**NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION,
PCRs CIRCULATED, PROJECTS COMPLETED AND LOANS CLOSED IN 1987
(As of 31 December 1987)**

| Country | Cumulative No. of Loans Approved ^a | Cumulative No. of Effective Loans | Cumulative No. of Projects Approved ^b | Cumulative No. of Blended Loans | Cumulative No. of Supplementary Loans |
|---------------------------|--|--|---|--|--|
| Afghanistan, Dem. Rep. of | 9 | 8 | 8 | — | 1 |
| Bangladesh | 73 | 68 | 66 | 3 | 3 |
| Bhutan | 6 | 6 | 6 | — | — |
| Burma | 32 | 32 | 28 | 2 | 2 |
| Cambodia | 1 | 1 | 1 | — | — |
| China, People's Rep. of | 2 | — | 2 | — | — |
| Cook Islands | 3 | 2 | 3 | — | — |
| Fiji | 8 | 8 | 8 | — | — |
| Hong Kong | 5 | 5 | 5 | — | — |
| India | 6 | 2 | 6 | — | — |
| Indonesia | 125 | 119 | 117 | 5 | 2 |
| Kiribati | 3 | 3 | 3 | — | — |
| Korea, Rep. of | 77 | 74 | 77 | — | — |
| Lao PDR | 15 | 13 | 14 | — | 1 |
| Malaysia | 63 | 60 | 61 | 1 | 1 |
| Maldives | 3 | 2 | 3 | — | — |
| Nepal | 55 | 52 | 46 | 1 | 8 |
| Pakistan | 101 | 86 | 80 | 17 | 5 |
| Papua New Guinea | 28 | 23 | 21 | 7 | — |
| Philippines | 83 | 82 | 75 | 4 | 2 |
| Singapore | 14 | 14 | 14 | — | — |
| Solomon Islands | 11 | 10 | 11 | — | — |
| Sri Lanka | 48 | 44 | 42 | 1 | 4 |
| Taipei, China | 12 | 12 | 12 | — | — |
| Thailand | 51 | 51 | 48 | 2 | 1 |
| Tonga | 7 | 7 | 7 | — | — |
| Vanuatu | 4 | 3 | 4 | — | — |
| Viet Nam | 11 | 9 | 9 | 2 | 2 |
| Western Samoa | 19 | 19 | 16 | — | — |
| TOTAL | 875 | 815 | 793 | 45 | 32 |

a Includes Special Assistance loans and private sector loans, but excludes the loans withdrawn by borrowers before loan signing.

b Excludes Special Assistance loans but includes private sector loans.

c Includes projects/loans which have been approved but still awaiting effectiveness.

d Prior to 1979, PCRs were approved by Management and not circulated to the Board.

e Projects which were physically completed in 1987.

| Cumulative No. of Co-Financed Projects | No. of Projects Under Administration As of 31/12/87 ^c | No. of Loans Under Administration As of 31/12/87 ^c | Cumulative No. of PCRs Circulated/ Prepared ^d | No. of Projects Completed in 1987 ^e | No. of Loans Closed in 1987 |
|---|---|--|---|---|--------------------------------------|
| 2 | 8 | 9 | — | — | — |
| 31 | 43 | 44 | 21 | 4 | 4 |
| 4 | 6 | 6 | — | — | — |
| 12 | 17 | 19 | 9 | 1 | 1 |
| — | 1 | 1 | — | — | — |
| 2 | 2 | 2 | — | — | — |
| — | 2 | 2 | 1 | 1 | — |
| 3 | 3 | 3 | 3 | 1 | 1 |
| — | — | — | 5 | — | — |
| 2 | 6 | 6 | — | — | — |
| 24 | 63 | 66 | 36 | 9 | 12 |
| 1 | 2 | 2 | — | — | — |
| 8 | 12 | 12 | 43 | 5 | 9 |
| 9 | 8 | 8 | 4 | — | — |
| 9 | 22 | 22 | 22 | 3 | 2 |
| 1 | 2 | 2 | — | 1 | 1 |
| 23 | 31 | 33 | 13 | 2 | 6 |
| 37 | 51 | 62 | 22 | 7 | 1 |
| 2 | 12 | 18 | 7 | — | 1 |
| 21 | 36 | 40 | 26 | 9 | 8 |
| 2 | — | — | 7 | — | — |
| 5 | 6 | 6 | 5 | — | — |
| 13 | 27 | 27 | 11 | 2 | 3 |
| — | — | — | 1 | — | — |
| 20 | 17 | 18 | 22 | 6 | 3 |
| 2 | 3 | 3 | 5 | — | — |
| 2 | 4 | 4 | — | — | — |
| — | 2 | 2 | 5 | — | 1 |
| 7 | 5 | 6 | 9 | 1 | — |
| <hr/> | | | | | |
| 242 | 394 | 423 | 277 | 52 | 53 |

AMOUNTS OF LOANS APPROVED, CONTRACTS AWARDED AND DISBURSEMENTS

(As of 31 December 1987)

(amounts in \$ million)

| Country | Cumulative Loan Amount Approved ^a | Cumulative Net Effective Loans | Contracts Awarded in 1987 ^b |
|---------------------------|---|-----------------------------------|---|
| Afghanistan, Dem. Rep. of | 95.10 | 74.05 | — |
| Bangladesh | 2,192.69 | 2,015.62 | 170,800 |
| Bhutan | 27.98 | 34.90 | 5,303 |
| Burma | 530.86 | 552.10 | 29,727 |
| Cambodia | 1.67 | 1.67 | — |
| China, People's Rep. of | 133.30 | — | — |
| Cook Islands | 5.25 | 2.49 | 0,166 |
| Fiji | 60.50 | 59.96 | 2,554 |
| Hong Kong | 101.50 | 94.50 | — |
| India | 643.60 | 250.00 | 91,810 |
| Indonesia | 4,349.08 | 3,591.24 | 393,766 |
| Kiribati | 3.00 | 2.03 | 0,799 |
| Korea, Rep. of | 2,202.73 | 1,620.00 | 25,779 |
| Lao PDR | 106.64 | 73.14 | 3,311 |
| Malaysia | 1,364.94 | 967.16 | 66,346 |
| Maldives | 9.48 | 3.86 | 0,331 |
| Nepal | 610.86 | 636.94 | 40,380 |
| Pakistan | 3,769.62 | 3,162.24 | 314,337 |
| Papua New Guinea | 282.59 | 226.85 | 27,501 |
| Philippines | 2,471.34 | 2,102.70 | 92,392 |
| Singapore | 181.08 | 144.44 | — |
| Solomon Islands | 38.11 | 35.74 | 6,150 |
| Sri Lanka | 674.76 | 596.54 | 59,855 |
| Taipei, China | 100.39 | 91.14 | — |
| Thailand | 1,728.35 | 1,371.12 | 103,221 |
| Tonga | 11.25 | 11.63 | 0,783 |
| Vanuatu | 10.85 | 6.11 | 1,126 |
| Viet Nam | 44.60 | 25.43 | -0,003 |
| Western Samoa | 50.38 | 53.39 | 3,692 |
| T O T A L | 21,832.50 | 17,806.99 | 1,440,126 |

a Includes Special Assistance loans and private sector loans but excludes three loans withdrawn before loan signing.

b Figures obtained from Procurement Statistics.

c Total amount of contracts exceeded total effective loans but excess was not financed by the Bank.

| Cumulative Contracts Awarded As of 31/12/87 ^b | % of Cumulative Contracts Awarded to Cumulative Net Effective Loans | Disbursements in 1987 | Cumulative Disbursements As of 31/12/87 | % of Cumulative Disbursements to Cumulative Net Effective Loans |
|--|---|-----------------------|---|---|
| 34.213 | 46.20 | -- | 27.90 | 37.68 |
| 1,011.127 | 50.16 | 177.05 | 843.70 | 41.86 |
| 9.279 | 26.59 | 3.20 | 6.28 | 17.99 |
| 351.773 | 63.72 | 37.96 | 310.95 | 56.32 |
| 1.577 | 94.43 | -- | 0.64 | 38.32 |
| -- | -- | -- | -- | -- |
| 1.630 | 65.46 | 0.17 | 2.47 | 99.20 |
| 48.364 | 80.66 | 2.92 | 48.08 | 80.19 |
| 102.462 ^c | 108.43 | -- | 94.50 | 100.00 |
| 91.810 | 36.72 | 11.58 | 11.58 | 4.63 |
| 1,749.567 | 48.72 | 352.40 | 1,508.82 | 42.01 |
| 1.404 | 69.16 | 0.89 | 1.58 | 77.83 |
| 1,514.431 | 93.48 | 59.17 | 1,462.86 | 93.35 |
| 12.414 | 57.99 | 3.12 | 37.67 | 51.50 |
| 695.351 | 71.90 | 48.95 | 599.26 | 61.96 |
| 2.571 | 66.61 | 1.07 | 2.40 | 62.18 |
| 313.695 | 49.25 | 29.19 | 258.36 | 40.56 |
| 1,547.604 | 48.94 | 218.93 | 1,326.31 | 41.94 |
| 158.896 | 70.04 | 16.06 | 120.06 | 52.92 |
| 1,351.715 | 64.28 | 132.97 | 1,375.74 | 65.43 |
| 130.217 | 90.15 | -- | 144.44 | 100.00 |
| 23.398 | 65.47 | 2.98 | 19.75 | 55.26 |
| 338.831 | 56.80 | 48.46 | 286.14 | 47.97 |
| 90.278 | 99.05 | -- | 91.14 | 100.00 |
| 1,194.476 | 87.12 | 80.80 | 1,056.38 | 77.04 |
| 8.699 | 74.80 | 0.68 | 8.01 | 68.87 |
| 2.110 | 34.53 | 1.04 | 1.87 | 30.61 |
| 27.963 ^c | 109.96 | 0.09 | 25.42 | 99.96 |
| 37.347 | 69.95 | 1.79 | 35.52 | 66.53 |
| 10,883.202 | 61.11 | 1,231.47 | 9,707.83 | 54.52 |

CUMULATIVE CONTRACTS AWARDED AS A RESULT OF BANK OPERATIONS
 (As of 31 December 1987)

ORDINARY CAPITAL RESOURCES

(Net of Adjustments)^a

(amounts in \$ million)

| Country of Procurement ^b | Goods, Related Services & Civil Works | % Distribution | Consulting Services | % Distribution | Total Contracts Awarded | % Distribution |
|-------------------------------------|---------------------------------------|----------------|---------------------|----------------|-------------------------|----------------|
| Afghanistan, Dem. Rep. of | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Australia | 92.575 | 1.33 | 11.453 | 2.58 | 104.028 | 1.40 |
| Austria | 57.370 | 0.82 | 1.548 | 0.35 | 58.918 | 0.79 |
| Bangladesh | 0.083 | 0.00 | 0.091 | 0.02 | 0.174 | 0.00 |
| Belgium | 32.676 | 0.47 | 0.476 | 0.11 | 33.152 | 0.45 |
| Bhutan | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Burma | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Canada | 78.635 | 1.13 | 26.992 | 6.08 | 105.627 | 1.42 |
| China, People's Rep. of | 6.227 | 0.09 | 0.000 | 0.00 | 6.227 | 0.08 |
| Cook Islands | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Denmark | 16.884 | 0.24 | 12.985 | 2.92 | 29.869 | 0.40 |
| Fiji | 13.274 | 0.19 | 0.000 | 0.00 | 13.284 | 0.18 |
| Finland | 3.206 | 0.05 | 1.000 | 0.22 | 4.206 | 0.06 |
| France | 163.915 | 2.35 | 18.016 | 4.06 | 181.931 | 2.45 |
| Germany, Fed. Rep. of | 359.130 | 5.15 | 22.240 | 5.01 | 381.370 | 5.14 |
| Hong Kong | 93.254 | 1.34 | 1.525 | 0.34 | 94.779 | 1.28 |
| India | 127.179 | 1.82 | 3.434 | 0.77 | 130.613 | 1.76 |
| Indonesia | 677.312 | 9.71 | 40.919 | 9.21 | 718.231 | 9.68 |
| Italy | 115.656 | 1.66 | 21.888 | 4.93 | 137.544 | 1.85 |
| Japan | 1,750.482 | 25.09 | 51.852 | 11.67 | 1,802.334 | 24.29 |
| Korea, Rep. of | 1,026.894 | 14.72 | 15.767 | 3.55 | 1,042.661 | 14.05 |
| Lao PDR | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Luxembourg | 0.035 | 0.00 | 0.000 | 0.00 | 0.035 | 0.00 |
| Malaysia | 346.489 | 4.97 | 3.074 | 0.69 | 349.563 | 4.71 |
| Maldives | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Nepal | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Netherlands | 71.879 | 1.03 | 11.741 | 2.64 | 83.620 | 1.13 |
| New Zealand | 24.013 | 0.34 | 6.176 | 1.39 | 30.189 | 0.41 |
| Norway | 3.070 | 0.04 | 0.835 | 0.19 | 3.905 | 0.05 |
| Pakistan | 40.888 | 0.59 | 0.134 | 0.03 | 41.022 | 0.55 |
| Papua New Guinea | 23.846 | 0.34 | 0.396 | 0.09 | 24.242 | 0.33 |
| Philippines | 470.399 | 6.74 | 7.221 | 1.63 | 477.620 | 6.44 |
| Singapore | 88.994 | 1.27 | 1.048 | 0.24 | 90.012 | 1.21 |
| Solomon Islands | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Spain | 0.168 | 0.00 | 0.000 | 0.00 | 0.168 | 0.00 |
| Sri Lanka | 0.041 | 0.00 | 0.107 | 0.02 | 0.148 | 0.00 |
| Sweden | 36.373 | 0.52 | 0.579 | 0.13 | 36.962 | 0.50 |
| Switzerland | 104.045 | 1.49 | 22.465 | 5.06 | 126.510 | 1.71 |
| Taipei, China | 107.984 | 1.55 | 10.803 | 2.43 | 118.787 | 1.60 |
| Thailand | 396.800 | 5.69 | 0.291 | 0.07 | 397.091 | 5.35 |
| United Kingdom | 194.913 | 2.79 | 43.726 | 9.84 | 238.639 | 3.22 |
| United States | 452.165 | 6.48 | 105.391 | 23.73 | 557.556 | 7.51 |
| Vanuatu | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Viet Nam | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Western Samoa | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| T O T A L | 6,976.854 | 100.00 | 444.173 | 100.00 | 7,421.047 | 100.00 |

a. Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

b. As of January 1987, the amounts previously listed separately as "Undetermined" (Local Expenditures and Foreign Exchange Content of Contracts) are included in the statistics of each borrowing country as procurement from that borrowing country.

CUMULATIVE CONTRACTS AWARDED AS A RESULT OF BANK OPERATIONS
 (As of 31 December 1987)

ASIAN DEVELOPMENT FUND

(Net of Adjustments)^a

(amounts in \$ million)

| Country of Procurement ^b | Goods, Related Services & Civil Works | % Distribution | Consulting Services | % Distribution | Total Contracts Awarded | % Distribution |
|-------------------------------------|---------------------------------------|----------------|---------------------|----------------|-------------------------|----------------|
| Afghanistan, Dem. Rep. of | 8,991 | 0.28 | 0.000 | 0.00 | 8,991 | 0.26 |
| Australia | 40,166 | 1.24 | 8,141 | 3.85 | 48,307 | 1.40 |
| Austria | 11,191 | 0.34 | 0.000 | 0.00 | 11,191 | 0.32 |
| Bangladesh | 193,946 | 5.97 | 1,702 | 0.81 | 195,648 | 5.65 |
| Belgium | 17,530 | 0.54 | 0.075 | 0.04 | 17,605 | 0.51 |
| Bhutan | 0.345 | 0.01 | 0.000 | 0.00 | 0.345 | 0.01 |
| Burma | 18,636 | 0.57 | 0.000 | 0.00 | 18,636 | 0.54 |
| Canada | 15,367 | 0.47 | 18,418 | 8.71 | 33,785 | 0.98 |
| China, People's Rep. of | 15,285 | 0.47 | 0.000 | 0.00 | 15,285 | 0.44 |
| Cook Islands | 1,048 | 0.03 | 0.000 | 0.00 | 1,048 | 0.03 |
| Denmark | 19,999 | 0.62 | 0.377 | 0.18 | 20,376 | 0.59 |
| Fiji | 1,652 | 0.05 | 0.000 | 0.00 | 1,652 | 0.05 |
| Finland | 1,622 | 0.05 | 2,081 | 0.98 | 3,703 | 0.11 |
| France | 47,543 | 1.46 | 5,001 | 2.37 | 52,544 | 1.52 |
| Germany, Fed. Rep. of | 185,642 | 5.71 | 11,194 | 5.30 | 196,836 | 5.69 |
| Hong Kong | 22,112 | 0.68 | 0.000 | 0.00 | 22,112 | 0.61 |
| India | 174,461 | 5.37 | 14,725 | 6.97 | 189,186 | 5.46 |
| Indonesia | 45,559 | 1.40 | 2,797 | 1.32 | 48,356 | 1.40 |
| Italy | 91,256 | 2.81 | 2,795 | 1.32 | 94,051 | 2.72 |
| Japan | 805,326 | 24.77 | 32,114 | 15.20 | 837,440 | 24.19 |
| Kiribati | 0.055 | 0.00 | 0.000 | 0.00 | 0.055 | 0.00 |
| Korea, Rep. of | 220,114 | 6.77 | 5,888 | 2.79 | 226,002 | 6.53 |
| Lao PDR | 1,836 | 0.06 | 0.000 | 0.00 | 1,836 | 0.05 |
| Luxembourg | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Malaysia | 7,533 | 0.23 | 1,491 | 0.71 | 9,024 | 0.26 |
| Maldives | 0.425 | 0.01 | 0.000 | 0.00 | 0.425 | 0.01 |
| Nepal | 73,447 | 2.26 | 1,259 | 0.60 | 74,706 | 2.16 |
| Netherlands | 38,638 | 1.19 | 5,341 | 2.53 | 43,979 | 1.27 |
| New Zealand | 22,544 | 0.69 | 4,520 | 2.14 | 27,064 | 0.78 |
| Norway | 32,841 | 1.01 | 0,903 | 0.43 | 33,744 | 0.97 |
| Pakistan | 170,454 | 5.24 | 2,545 | 1.20 | 172,999 | 5.00 |
| Papua New Guinea | 45,305 | 1.39 | 0,651 | 0.31 | 45,956 | 1.33 |
| Philippines | 75,908 | 2.34 | 4,770 | 2.26 | 80,678 | 2.33 |
| Singapore | 69,617 | 2.14 | 0,167 | 0.08 | 69,784 | 2.02 |
| Solomon Islands | 7,980 | 0.25 | 0,158 | 0.07 | 8,138 | 0.24 |
| Spain | 0,085 | 0.00 | 0.000 | 0.00 | 0,085 | 0.00 |
| Sri Lanka | 90,812 | 2.79 | 0,492 | 0.23 | 91,304 | 2.64 |
| Sweden | 45,919 | 1.41 | 0,098 | 0.05 | 46,017 | 1.33 |
| Switzerland | 87,273 | 2.68 | 10,244 | 4.85 | 97,517 | 2.82 |
| Taipei, China | 10,215 | 0.31 | 0,088 | 0.04 | 10,303 | 0.30 |
| Thailand | 67,480 | 2.08 | 0,134 | 0.06 | 67,614 | 1.95 |
| Tonga | 3,833 | 0.12 | -0,191 | -0.09 | 3,642 | 0.11 |
| United Kingdom | 203,925 | 6.27 | 42,008 | 19.88 | 245,933 | 7.10 |
| United States | 246,267 | 7.58 | 31,244 | 14.78 | 277,511 | 8.02 |
| Vanuatu | 0,439 | 0.01 | 0.000 | 0.00 | 0,439 | 0.01 |
| Viet Nam | 1,977 | 0.06 | 0.000 | 0.00 | 1,977 | 0.06 |
| Western Samoa | 8,236 | 0.25 | 0,110 | 0.05 | 8,346 | 0.24 |
| T O T A L | 3,250,835 | 100.00 | 211,340 | 100.00 | 3,462,175 | 100.00 |

Note: Negative figures indicate that there was a decrease in the total value of contracts awarded during the period due to any combination of: (i) change in currency translation rates; (ii) cancellation of contract; and (iii) reduction of contract amount.

a Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

b As of January 1987, the amounts previously listed separately as "Undetermined" (Local Expenditures and Foreign Exchange Content of Contracts) are included in the statistics of each borrowing country as procurement from that borrowing country.

CUMULATIVE CONTRACTS AWARDED AS A RESULT OF BANK OPERATIONS
 (As of 31 December 1987)

ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED
 (Net of Adjustments)^a

(amounts in \$ million)

| Country of Procurement ^b | Goods, Related Services & Civil Works | % Distribution | Consulting Services | % Distribution | Total Contracts Awarded | % Distribution |
|-------------------------------------|---------------------------------------|----------------|---------------------|----------------|-------------------------|----------------|
| Afghanistan, Dem. Rep. of | 8,991 | 0.09 | 0.000 | 0.00 | 8,991 | 0.08 |
| Australia | 132,741 | 1.30 | 19,594 | 2.99 | 152,335 | 1.40 |
| Austria | 68,561 | 0.67 | 1,548 | 0.24 | 70,109 | 0.64 |
| Bangladesh | 194,029 | 1.90 | 1,793 | 0.27 | 195,822 | 1.80 |
| Belgium | 50,206 | 0.49 | 0,551 | 0.08 | 50,757 | 0.47 |
| Bhutan | 0,345 | 0.00 | 0,000 | 0.00 | 0,345 | 0.00 |
| Burma | 18,636 | 0.18 | 0,000 | 0.00 | 18,636 | 0.17 |
| Canada | 94,002 | 0.92 | 45,410 | 6.93 | 139,412 | 1.28 |
| China, People's Rep. of | 21,512 | 0.21 | 0,000 | 0.00 | 21,512 | 0.20 |
| Cook Islands | 1,048 | 0.01 | 0,000 | 0.00 | 1,048 | 0.01 |
| Denmark | 36,883 | 0.36 | 13,362 | 2.04 | 50,245 | 0.46 |
| Fiji | 14,926 | 0.15 | 0,000 | 0.00 | 14,926 | 0.14 |
| Finland | 4,828 | 0.05 | 3,081 | 0.47 | 7,909 | 0.07 |
| France | 211,458 | 2.07 | 23,017 | 3.51 | 234,475 | 2.15 |
| Germany, Fed. Rep. of | 544,772 | 5.33 | 33,434 | 5.10 | 578,206 | 5.31 |
| Hong Kong | 115,366 | 1.13 | 1,525 | 0.23 | 116,891 | 1.07 |
| India | 301,640 | 2.95 | 18,159 | 2.77 | 319,799 | 2.94 |
| Indonesia | 722,871 | 7.07 | 43,716 | 6.67 | 766,587 | 7.04 |
| Italy | 206,912 | 2.02 | 24,683 | 3.77 | 231,595 | 2.13 |
| Japan | 2,555,808 | 24.99 | 83,966 | 12.81 | 2,639,774 | 24.26 |
| Kiribati | 0,055 | 0.00 | 0,000 | 0.00 | 0,055 | 0.00 |
| Korea, Rep. of | 1,247,008 | 12.19 | 21,655 | 3.30 | 1,268,663 | 11.66 |
| Lao PDR | 1,836 | 0.02 | 0,000 | 0.00 | 1,836 | 0.02 |
| Luxembourg | 0,035 | 0.00 | 0,000 | 0.00 | 0,035 | 0.00 |
| Malaysia | 354,022 | 3.46 | 4,565 | 0.70 | 358,587 | 3.29 |
| Maldives | 0,425 | 0.00 | 0,000 | 0.00 | 0,425 | 0.00 |
| Nepal | 73,447 | 0.72 | 1,259 | 0.19 | 74,706 | 0.69 |
| Netherlands | 110,517 | 1.08 | 17,082 | 2.61 | 127,599 | 1.17 |
| New Zealand | 46,557 | 0.46 | 10,696 | 1.63 | 57,253 | 0.53 |
| Norway | 35,911 | 0.35 | 1,738 | 0.27 | 37,649 | 0.35 |
| Pakistan | 211,342 | 2.07 | 2,679 | 0.41 | 214,021 | 1.97 |
| Papua New Guinea | 69,151 | 0.68 | 1,047 | 0.16 | 70,198 | 0.65 |
| Philippines | 516,307 | 5.34 | 11,991 | 1.83 | 558,298 | 5.13 |
| Singapore | 158,611 | 1.55 | 1,215 | 0.19 | 159,826 | 1.47 |
| Solomon Islands | 7,980 | 0.08 | 0,158 | 0.02 | 8,138 | 0.07 |
| Spain | 0,253 | 0.00 | 0,000 | 0.00 | 0,253 | 0.00 |
| Sri Lanka | 90,853 | 0.89 | 0,599 | 0.09 | 91,452 | 0.84 |
| Sweden | 82,292 | 0.80 | 0,677 | 0.10 | 82,969 | 0.76 |
| Switzerland | 191,318 | 1.87 | 32,709 | 4.99 | 224,027 | 2.06 |
| Taipei, China | 118,199 | 1.16 | 10,891 | 1.66 | 129,090 | 1.19 |
| Thailand | 461,280 | 4.54 | 0,425 | 0.06 | 464,705 | 4.27 |
| Tonga | 3,833 | 0.04 | -0,191 | -0.03 | 3,642 | 0.03 |
| United Kingdom | 398,838 | 3.90 | 85,734 | 13.08 | 484,572 | 4.45 |
| United States | 698,432 | 6.83 | 136,635 | 20.84 | 835,067 | 7.67 |
| Vanuatu | 0,439 | 0.00 | 0,000 | 0.00 | 0,439 | 0.00 |
| Viet Nam | 1,977 | 0.02 | 0,000 | 0.00 | 1,977 | 0.02 |
| Western Samoa | 8,236 | 0.08 | 0,110 | 0.02 | 8,346 | 0.08 |
| TOTAL | 10,227.689 | 100.00 | 655.513 | 100.00 | 10,883.202 | 100.00 |

a Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

b As of January 1987, the amounts previously listed separately as "Undetermined" (Local Expenditures and Foreign Exchange Content of Contracts) are included in the statistics of each borrowing country as procurement from that borrowing country.

CONTRACTS AWARDED AS A RESULT OF BANK OPERATIONS IN 1987

ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED

(Net of Adjustments)^a

(amounts in \$ million)

| Country of Procurement ^b | Goods, Related Services & Civil Works | Consulting Services During the Period | | Total Contracts Awarded | | % Distribution |
|-------------------------------------|---------------------------------------|---------------------------------------|----------------|-------------------------|------------------|----------------|
| | | % Distribution | % Distribution | Total Contracts Awarded | % | |
| Afghanistan, Dem. Rep. of | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Australia | 14.952 | 1.10 | 1.472 | 1.85 | 16.424 | 1.14 |
| Austria | 4.169 | 0.31 | 0.000 | 0.00 | 4.169 | 0.29 |
| Bangladesh | 51.350 | 3.77 | 0.246 | 0.31 | 51.596 | 3.58 |
| Belgium | 8.342 | 0.61 | 0.001 | 0.00 | 8.343 | 0.58 |
| Bhutan | 0.276 | 0.02 | 0.000 | 0.00 | 0.276 | 0.02 |
| Burma | 0.553 | -0.04 | 0.000 | 0.00 | -0.553 | -0.04 |
| Canada | 9.103 | 0.67 | 5.121 | 6.45 | 14.224 | 0.99 |
| China, People's Rep. of | 21.470 | 1.58 | 0.000 | 0.00 | 21.470 | 1.49 |
| Cook Islands | 0.019 | 0.00 | 0.000 | 0.00 | 0.019 | 0.00 |
| Denmark | 1.640 | 0.12 | 2.300 | 2.90 | 3.940 | 0.27 |
| Fiji | 0.158 | 0.01 | 0.000 | 0.00 | 0.158 | 0.01 |
| Finland | 0.849 | 0.06 | -0.008 | -0.01 | 0.841 | 0.06 |
| France | 33.019 | 2.43 | 5.297 | 6.67 | 38.316 | 2.66 |
| Germany, Fed. Rep. of | 55.293 | 4.06 | 3.541 | 4.46 | 58.834 | 4.09 |
| Hong Kong | 7.197 | 0.53 | 0.000 | 0.00 | 7.197 | 0.50 |
| India | 85.533 | 6.29 | -0.048 | -0.06 | 85.485 | 5.94 |
| Indonesia | 267.410 | 19.65 | 9.468 | 11.92 | 276.878 | 19.23 |
| Italy | 18.338 | 1.35 | 1.286 | 1.62 | 19.624 | 1.36 |
| Japan | 204.245 | 15.01 | 8.526 | 10.74 | 212.771 | 14.77 |
| Kiribati | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Korea, Rep. of | 152.835 | 11.23 | 3.880 | 4.89 | 156.715 | 10.88 |
| Lao PDR | 0.631 | 0.05 | 0.000 | 0.00 | 0.631 | 0.04 |
| Luxembourg | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Malaysia | 62.515 | 4.59 | 0.034 | 0.04 | 62.549 | 4.34 |
| Maldives | -0.004 | 0.00 | 0.000 | 0.00 | -0.004 | 0.00 |
| Nepal | 15.457 | 1.14 | 0.480 | 0.60 | 15.937 | 1.11 |
| Netherlands | 5.824 | 0.43 | 2.126 | 2.68 | 7.950 | 0.55 |
| New Zealand | 2.281 | 0.17 | 1.208 | 1.52 | 3.489 | 0.24 |
| Norway | 32.196 | 2.37 | 0.039 | 0.05 | 32.235 | 2.24 |
| Pakistan | 65.920 | 4.84 | 1.819 | 2.29 | 67.739 | 4.70 |
| Papua New Guinea | 12.663 | 0.93 | 0.533 | 0.67 | 13.196 | 0.92 |
| Philippines | 43.643 | 3.21 | 1.463 | 1.84 | 45.106 | 3.13 |
| Singapore | 17.718 | 1.30 | 0.002 | 0.00 | 17.720 | 1.23 |
| Solomon Islands | 1.077 | 0.08 | 0.012 | 0.02 | 1.089 | 0.08 |
| Spain | 0.116 | 0.01 | 0.000 | 0.00 | 0.116 | 0.01 |
| Sri Lanka | 14.578 | 1.07 | 0.049 | 0.06 | 14.627 | 1.02 |
| Sweden | 8.445 | 0.62 | 0.371 | 0.47 | 8.816 | 0.61 |
| Switzerland | 28.128 | 2.07 | 3.223 | 4.06 | 31.351 | 2.18 |
| Taipei, China | 6.054 | 0.44 | 0.278 | 0.35 | 6.332 | 0.44 |
| Thailand | 28.953 | 2.13 | 0.000 | 0.00 | 28.953 | 2.01 |
| Tonga | 0.217 | 0.02 | 0.000 | 0.00 | 0.217 | 0.02 |
| United Kingdom | 38.479 | 2.83 | 13.497 | 17.00 | 51.976 | 3.61 |
| United States | 38.905 | 2.86 | 13.197 | 16.62 | 52.102 | 3.62 |
| Vanuatu | 0.167 | 0.01 | 0.000 | 0.00 | 0.167 | 0.01 |
| Viet Nam | 0.000 | 0.00 | 0.000 | 0.00 | -0.001 | 0.00 |
| Western Samoa | 1.106 | 0.08 | 0.000 | 0.00 | 1.106 | 0.08 |
| T O T A L | 1,360.713 | 100.00 | 79.413 | 100.00 | 1,440.126 | 100.00 |

Note: Negative figures indicate that there was a decrease in the total value of contracts awarded during the period due to any combination of: (i) change in currency translation rates; (ii) cancellation of contract; and (iii) reduction of contract amount.

a Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

b As of January 1987, the amounts previously listed separately as "Undetermined" (Local Expenditures and Foreign Exchange Content of Contracts) are included in the statistics of each borrowing country as procurement from that borrowing country.

CUMULATIVE CONTRACTS AWARDED AS A RESULT OF BANK OPERATIONS
 (As of 31 December 1987)

TECHNICAL ASSISTANCE OPERATIONS
 (Net of Adjustments)^a

(amounts in \$ million)

| Country of Procurement | Bank's Own Resources | % Distribution | Administered Trust Funds ^b | % Distribution | Total Procurement | % Distribution |
|-----------------------------|----------------------|----------------|---------------------------------------|----------------|-------------------|----------------|
| Australia | 12.647 | 8.22 | 5.417 | 8.07 | 18.064 | 8.17 |
| Austria | 0.066 | 0.04 | 0.000 | 0.00 | 0.066 | 0.03 |
| Bangladesh | 0.596 | 0.39 | 0.437 | 0.65 | 1.033 | 0.47 |
| Belgium | 0.764 | 0.50 | 0.136 | 0.20 | 0.900 | 0.41 |
| Burma | 0.021 | 0.01 | 0.000 | 0.00 | 0.021 | 0.01 |
| Canada | 9.537 | 6.20 | 2.904 | 4.33 | 12.441 | 5.63 |
| China, People's Rep. of | 0.011 | 0.00 | 0.000 | 0.00 | 0.011 | 0.00 |
| Cook Islands | 0.002 | 0.00 | 0.000 | 0.00 | 0.002 | 0.00 |
| Denmark | 3.463 | 2.25 | 0.989 | 1.47 | 4.452 | 2.01 |
| Fiji | 0.131 | 0.09 | 0.000 | 0.00 | 0.131 | 0.00 |
| Finland | 1.719 | 1.12 | 1.021 | 1.52 | 2.740 | 1.24 |
| France | 4.206 | 2.73 | 4.079 | 6.08 | 8.285 | 3.75 |
| Germany, Fed. Rep. of | 3.895 | 2.53 | 2.844 | 4.24 | 6.739 | 3.05 |
| Hong Kong | 0.788 | 0.51 | 0.011 | 0.02 | 0.799 | 0.36 |
| India | 7.380 | 4.79 | 3.083 | 4.60 | 10.463 | 4.73 |
| Indonesia | 0.937 | 0.61 | 0.000 | 0.00 | 0.937 | 0.42 |
| Italy | 2.060 | 1.34 | 0.644 | 0.96 | 2.704 | 1.22 |
| Japan | 8.863 | 5.76 | 3.112 | 4.64 | 11.975 | 5.42 |
| Korea, Rep. of | 1.250 | 0.81 | 0.899 | 1.34 | 2.149 | 0.97 |
| Malaysia | 0.998 | 0.65 | 0.000 | 0.00 | 0.998 | 0.45 |
| Nepal | 0.243 | 0.16 | 0.221 | 0.33 | 0.464 | 0.21 |
| Netherlands | 4.812 | 3.13 | 1.352 | 2.02 | 6.164 | 2.79 |
| New Zealand | 6.952 | 4.52 | 0.743 | 1.11 | 7.695 | 3.48 |
| Norway | 1.331 | 0.86 | 0.411 | 0.61 | 1.742 | 0.79 |
| Pakistan | 1.591 | 1.03 | 0.000 | 0.00 | 1.591 | 0.72 |
| Papua New Guinea | 0.271 | 0.18 | 0.000 | 0.00 | 0.271 | 0.12 |
| Philippines | 8.733 | 5.67 | 3.871 | 5.77 | 12.607 | 5.70 |
| Singapore | 1.688 | 1.10 | 0.000 | 0.00 | 1.688 | 0.76 |
| Sri Lanka | 1.023 | 0.66 | 0.266 | 0.40 | 1.289 | 0.58 |
| Sweden | 1.235 | 0.80 | 0.583 | 0.87 | 1.818 | 0.82 |
| Switzerland | 2.303 | 1.50 | 3.047 | 4.54 | 5.350 | 2.42 |
| Taipei, China | 0.239 | 0.16 | 0.068 | 0.10 | 0.307 | 0.14 |
| Thailand | 0.775 | 0.50 | 1.294 | 1.93 | 2.069 | 0.94 |
| Tonga | 0.029 | 0.02 | 0.000 | 0.00 | 0.029 | 0.01 |
| United Kingdom | 28.408 | 15.21 | 13.824 | 20.61 | 37.232 | 16.85 |
| United States | 31.770 | 20.64 | 11.538 | 17.20 | 43.308 | 19.59 |
| Viet Nam | 0.003 | 0.00 | 0.000 | 0.00 | 0.003 | 0.00 |
| Western Samoa | 0.095 | 0.06 | 0.000 | 0.00 | 0.095 | 0.04 |
| International Organizations | 8.101 | 5.26 | 4.289 | 6.39 | 12.390 | 5.61 |
| T O T A L | 153.936 | 100.00 | 67.086 | 100.00 | 221.022 | 100.00 |

a Net of adjustments implies actual expenses which may be more or less than the committed amounts.

b Trust Funds are provided by other external agencies and administered by the Bank.

CONTRACTS AWARDED AS A RESULT OF BANK OPERATIONS, 1985-1987

TECHNICAL ASSISTANCE OPERATIONS

(Net of Adjustments)^a

(amounts in \$ million)

| Country of Procurement | 1985 | | 1986 | | 1987 | |
|-----------------------------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|
| | Amount | Per cent | Amount | Per cent | Amount | Per cent |
| Afghanistan, Dem. Rep. of | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Australia | 1.957 | 8.27 | 1.844 | 5.82 | 4.606 | 13.05 |
| Austria | 0.008 | 0.03 | 0.000 | 0.00 | 0.000 | 0.00 |
| Bangladesh | 0.054 | 0.23 | 0.106 | 0.33 | 0.534 | 1.51 |
| Belgium | 0.067 | 0.28 | 0.019 | 0.06 | 0.000 | 0.00 |
| Bhutan | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Burma | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Canada | 1.460 | 6.17 | 2.286 | 7.21 | 0.437 | 1.24 |
| China, People's Rep. of | 0.000 | 0.00 | 0.006 | 0.02 | 0.005 | 0.01 |
| Cook Islands | 0.000 | 0.00 | 0.000 | 0.00 | 0.002 | 0.01 |
| Denmark | 0.248 | 1.05 | 0.889 | 2.81 | 0.696 | 1.97 |
| Fiji | 0.000 | 0.00 | 0.130 | 0.41 | 0.000 | 0.00 |
| Finland | 0.328 | 1.39 | 0.963 | 3.04 | 0.509 | 1.44 |
| France | 0.948 | 4.01 | 0.539 | 1.70 | 2.231 | 6.32 |
| Germany, Fed. Rep. of | 0.648 | 2.74 | 0.431 | 1.36 | 0.692 | 1.96 |
| Hong Kong | 0.288 | 1.22 | 0.089 | 0.28 | 0.165 | 0.47 |
| India | 0.477 | 2.02 | 2.171 | 6.85 | 0.735 | 2.08 |
| Indonesia | 0.000 | 0.00 | 0.161 | 0.51 | 0.512 | 1.45 |
| Italy | 0.230 | 0.97 | 0.399 | 1.26 | 0.025 | 0.07 |
| Japan | 1.200 | 5.07 | 0.501 | 1.58 | 0.436 | 1.23 |
| Kiribati | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Korea, Rep. of | 0.393 | 1.66 | 0.457 | 1.44 | 0.220 | 0.62 |
| Lao PDR | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Malaysia | 0.042 | 0.18 | 0.310 | 0.98 | 0.058 | 0.16 |
| Maldives | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Nepal | 0.024 | 0.10 | 0.025 | 0.08 | 0.197 | 0.56 |
| Netherlands | 1.200 | 5.07 | 0.810 | 2.56 | 1.039 | 2.94 |
| New Zealand | 1.147 | 4.85 | 0.875 | 2.76 | 1.928 | 5.46 |
| Norway | 0.027 | 0.11 | 0.061 | 0.19 | 0.257 | 0.73 |
| Pakistan | 0.228 | 0.96 | 0.235 | 0.74 | 0.165 | 0.47 |
| Papua New Guinea | 0.000 | 0.00 | 0.014 | 0.04 | 0.005 | 0.01 |
| Philippines | 1.027 | 4.34 | 1.527 | 4.82 | 2.886 | 8.17 |
| Singapore | 0.058 | 0.25 | 1.183 | 3.73 | 0.123 | 0.35 |
| Solomon Islands | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Spain | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Sri Lanka | 0.002 | 0.01 | 0.089 | 0.28 | 0.105 | 0.30 |
| Sweden | 0.026 | 0.11 | 0.048 | 0.15 | 0.509 | 1.44 |
| Switzerland | 0.460 | 1.94 | 0.598 | 1.89 | 1.440 | 4.08 |
| Taipei, China | 0.000 | 0.00 | 0.039 | 0.12 | 0.003 | 0.01 |
| Thailand | 0.070 | 0.30 | 0.350 | 1.10 | 1.400 | 3.97 |
| Tonga | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| United Kingdom | 5.041 | 21.30 | 6.109 | 19.28 | 4.982 | 14.11 |
| United States | 4.839 | 20.45 | 6.014 | 18.98 | 6.041 | 17.11 |
| Vanuatu | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Viet Nam | 0.000 | 0.00 | 0.000 | 0.00 | 0.000 | 0.00 |
| Western Samoa | 0.000 | 0.00 | 0.005 | 0.02 | 0.077 | 0.22 |
| International Organizations | 1.165 | 4.92 | 2.410 | 7.60 | 2.284 | 6.47 |
| T O T A L | 23.662 | 100.00 | 31.693 | 100.00 | 35.304 | 100.00 |

a Net of adjustments implies actual expenses which may be more or less than the committed amounts.

TECHNICAL ASSISTANCE APPROVALS, 1987
(amounts in \$ thousand)

| Country/Project | Project Preparatory | Advisory and Operational |
|---|------------------------|-----------------------------|
| BANGLADESH | | |
| Secondary Science Education Sector | — | 2,020.0 ^a |
| Third Natural Gas Development | 230.0 ^a | — |
| Limestone Development Program | 350.0 ^a | — |
| District Towns Sanitary Drainage Study (Supplementary) | 29.0 | — |
| Sylhet Oil Field Development | 75.0 | — |
| Mongla Port | 399.0 ^a | — |
| Institutional Support for Road and Road Transport Development | — | 1,200.0 ^a |
| Second Rubber Development | 329.0 ^b | — |
| Dhaka Environmental Infrastructure | 75.0 | — |
| Post-Secondary Science Education | 150.0 | — |
| Implementation of an Action Program to Rehabilitate BSB and BSRS | — | 1,725.0 ^a |
| BHUTAN | | |
| Urban Centers Sewerage | — | 350.0 |
| Institutional Support to the Ministry of Agriculture and Its Operational Departments | — | 350.0 |
| BURMA | | |
| Advisory Services for Prestressed Concrete Pipe Plant | — | 75.0 |
| Provision of Production and Modernization Inputs for Existing Industrial Enterprises in Priority Sectors - Myanma Economic Bank III | 75.0 | — |
| Institutional Strengthening Within the Ministry of Energy | — | 600.0 ^c |
| Oil and Gas Development | 500.0 ^d | — |
| CHINA, PEOPLE'S REPUBLIC OF | | |
| Lai-Wu Iron and Steel Mill Modernization and Expansion | 227.0 | — |
| China Investment Bank | — | 400.0 ^a |
| Hessian Pulp Mill | 75.0 | — |
| Institution Development of the People's Bank of China | — | 350.0 |
| Institutional Development of HNPC | — | 350.0 ^a |
| COOK ISLANDS | | |
| Second Multiproject | — | 288.0 |
| INDONESIA | | |
| Preparation of a Road Maintenance (Sector) | 75.0 | — |
| Marine Sciences Education | 350.0 | — |
| Fisheries Sector Economy | — | 455.0 |
| Financial Sector Review | — | 90.0 |
| Telang and Saleh Drainage Improvement | 650.0 ^e | — |
| West Java Nucleus Estate Smallholder Tea Rehabilitation | 260.0 | — |
| Agricultural Projects Management Workshop | — | 90.0 |
| Nusa Tenggara Accelerated Agricultural Development | 340.0 | — |
| Study of the Recovery Process | — | 90.0 |
| Local Roads Improvement | 150.0 | — |
| Second Health and Population | 335.0 | — |

a To be financed by UNDP with the Bank acting as Executing Agency.

b Of this amount, \$175,000 is to be financed by the Government of Norway with the Bank acting as Executing Agency.

c Of this amount, \$300,000 is to be financed by UNDP with the Bank acting as Executing Agency.

d Of this amount, \$350,000 is to be financed by UNDP with the Bank acting as Executing Agency.

e Of this amount, \$300,000 is to be financed by the Government of Netherlands with the Bank acting as Executing Agency.

CONTINUED

| Country/Project | Project Preparatory | Advisory and Operational |
|--|---------------------|--------------------------|
| Efficient Irrigation Management and System Transfer | — | 600.0 ^a |
| Rattan Plantation Development | 285.0 | — |
| KOREA, REPUBLIC OF | | |
| Road Safety Program and Preparation of Highway Capacity Manual | — | 350.0 |
| LAO PDR | | |
| Southern Roads Improvement | 330.0 | — |
| Xeset Hydropower | | 1,760.0 ^b |
| Road Maintenance Training | — | 225.0 |
| Implementation of the Third Road Improvement | — | 1,000.0 ^b |
| MALAYSIA | | |
| Privatization of the Sabah Gas Utilization Project | — | 319.0 |
| Fisheries Sector Development | 75.0 | — |
| Mini-Hydropower Studies in Sabah and Sarawak | 250.0 | — |
| Development of Selected Urban Centers | 350.0 | — |
| MALDIVES | | |
| Male' Port Development | 260.0 | — |
| Institutional Improvements of MEB | — | 350.0 |
| NEPAL | | |
| Improving the Program Budgeting and Project Monitoring System | — | 1,501.0 ^b |
| Institution-Building of ADBN | — | 580.0 ^c |
| Second Water Supply Sector | 250.0 | — |
| Teacher Education | — | 350.0 |
| Secondary Crops Development | 250.0 ^d | — |
| Improving Government Financial Accounting and Auditing Procedures | — | 400.0 ^c |
| Hill Fruit Development | — | 1,040.0 ^b |
| Implementation of Cost Recovery in Government Irrigation Schemes | | 135.0 |
| PAKISTAN | | |
| Second On-Farm Water Management (Supplementary) | 89.0 | — |
| Karachi Electric Supply Corporation Power Expansion | 75.0 | — |
| Pakistan Venture Capital Limited | 60.0 | — |
| Strengthening Chick-Pea Research in Collaboration with ICRISAT, Phase II | — | 350.0 |
| Technical Services for the Office of the Directorate General (GAS) | | 266.0 |
| Khushab Salinity Control and Reclamation | 215.0 | — |
| Southern Gas Transmission and Distribution | 350.0 | — |
| Primary Education (Girls) | 150.0 | — |
| Health Manpower and Training Plan | — | 383.0 |
| Fruit and Vegetable Export Marketing Study | — | 350.0 |
| Fruit and Vegetable Marketing | | 1,000.0 ^b |
| Swabi Salinity Control and Reclamation | 505.0 ^e | — |
| Oil Terminal | 350.0 | — |
| Livestock Sector | 75.0 | — |

^a In addition, IIMI and Ford Foundation will provide \$70,000 and \$300,000, respectively, on a cost-sharing basis.^b To be financed by UNDP with the Bank acting as Executing Agency.^c Of this amount, \$200,000 is to be financed by UNDP with the Bank acting as Executing Agency.^d Of this amount, \$100,000 is to be financed by the Government of Switzerland with the Bank acting as Executing Agency.^e Of this amount, \$355,000 is to be financed by the Government of Switzerland with the Bank acting as Executing Agency.

TECHNICAL ASSISTANCE APPROVALS, 1987
 (amounts in \$ thousand)

| Country/Project | Project Preparatory | Advisory and Operational |
|---|------------------------|-----------------------------|
| PAPUA NEW GUINEA | | |
| Hospital Services | 304.0 | — |
| Review of Foreign Aid Management | — | 72.0 |
| PHILIPPINES | | |
| Second Manila Port | 75.0 | — |
| Study on Irrigation Management for Diversified Crops (Phase II) | — | 350.0 ^a |
| Agricultural Technology Education | 75.0 | — |
| Feasibility Study for Establishing a Mutual Fund | — | 75.0 |
| Study on the Formulation and Monitoring of the Public Investment Program | — | 552.0 |
| Sugar Sector Rationalization | 348.5 | — |
| Fisheries Sector Development Program | — | 284.0 |
| Sorsogon Integrated Area Development (Update) | 75.0 | — |
| SOLOMON ISLANDS | | |
| Formulation and Monitoring of Development Projects | — | 331.0 |
| Second Honiara Port Advisory Services | — | 225.0 |
| Komarindi Hydropower | 350.0 | — |
| Feasibility Study on Establishment of Cannery Plant | 150.0 | — |
| Improving the Management Information System in National Fisheries Development, Ltd. | — | 235.0 |
| Rehabilitation of Sasape Marina Limited | — | 74.0 |
| SRI LANKA | | |
| Rural Credit Review | — | 177.5 ^b |
| Study of Irrigation Management and Crop Diversification | — | 350.0 ^c |
| Fisheries Sector Study | — | 175.0 ^d |
| Support for the Administrative Reforms Committee | — | 60.0 |
| Smallholder Tea | 150.0 ^e | — |
| Third Road Improvement | 150.0 | — |
| Institutional Strategy Study of I.ECO | — | 230.0 |
| THAILAND | | |
| Second Highway Sector | 75.0 | — |
| Water Supply and Sanitation Sector Profile | — | 75.0 |
| Study of Thal Agri-Business Venture Capital Company | — | 40.0 |
| Government Manpower Planning and Information System | — | 350.0 |
| Study on Control of Non-Revenue Water in Provincial Water Supplies | — | 340.0 |
| Agricultural Development Information Program (Supplementary) | — | 40.0 ^f |
| Improvement of Short-Term Economic Policy Analysis | — | 75.0 |
| VANUATU | | |
| Energy Planning and Institutional Support (Supplementary) | — | 4.8 |
| Institutional Strengthening of Public Works Department | — | 325.0 |
| WESTERN SAMOA | | |
| Second Multiproject | 150.0 | — |
| TOTAL | 10,495.5 | 23,832.3 |

^a In addition, IIMI will provide \$50,000 under a cost-sharing arrangement.

^b In addition, FAO/IC will provide \$177,500 under a cost-sharing arrangement.

^c In addition, IIMI will provide \$84,000 under a cost-sharing arrangement.

^d In addition, FAO/IC will provide \$175,000 under a cost-sharing arrangement.

^e In addition, FAO/IC will provide \$64,000 under a cost-sharing arrangement.

^f To be financed by the Government of Switzerland with the Bank acting as Executing Agency.

REGIONAL ACTIVITIES, 1987

| | Amount (\$ thousand) |
|---|-------------------------|
| A Course on Planning and Management of Irrigation Schemes | 55.00 ^a |
| International Jute Organization for the Collection, Conservation, Characterization and Exchange of Germplasm of Jute, Kenaf and Mesta | 350.00 |
| Regional Program on Equity Investment Analysis | 75.00 |
| Study on Forestry Education in the South Pacific Region | 35.00 |
| Development of Domestic Consultant Services in DMCs | 120.00 |
| ADB Development Round Table on the Role of the Public Sector in Development | 100.00 |
| Review of Education | 75.00 |
| Statistical Manpower Training in the South Pacific | 320.00 |
| Assessment of Trained Manpower Needs for Agricultural Development in Selected Countries in South Asia | 350.00 |
| Policy Study of Human Resources in Relation to Development | 300.00 |
| Regional Seminar on the Use of Rural Health Services (Supplementary) | 15.00 |
| ADFIAP-ADB Symposium on Financial Control, Accounting and Auditing Practices of Development Finance Institutions | 195.00 |
| International Center for Living Aquatic Resources Management for Research on Rice-Fish Farming Systems | 350.00 ^b |
| Symposium/Workshop on County Development Strategies for the Bank's SPDMCs | 75.00 |
| Regional Study and Workshop for Improving Power Plant Maintenance Management | 330.00 |
| Regional Study on the Role of Women in Rural Industries | 180.00 ^c |
| Regional Study on the Effects of Container Shipping Patterns on Port Development | 350.00 |
| Preparation of the Asian Electric Power Utilities Data Book 1987 | 90.00 |
| Regional Workshop on Leasing | 75.00 |
| Fisheries Sector Development Strategies Study for South Pacific DMCs | 350.00 |
| Regional Training Program in Vegetable Production and Research (Phase II) | 850.00 ^d |
| Regional Workshop on Planning and Management of Agricultural Research in the South Pacific | 75.00 |
| ASEAN Energy Analysis | 50.00 |
| ADB/IDA Energy Data Workshop | 75.00 |
| Regional Symposium on Venture Capital Financing in Asian and Pacific Region | 140.00 |
| ADFIAP-ADB Program on Development Banking for the Pacific Region | 150.00 |
| Regional Training Center in Community Forestry | 350.00 ^e |
| Regional Program on Management Development for DFIs in Asia (1987) | 135.00 |
| Regional Technical Assistance for the World Non Governmental Organization Symposium | 20.00 |
| Technical Assistance to IRRI for the Development of Rice Varieties Tolerant to Problem Soil Conditions | 500.00 ^f |
| Study of Small and Medium-Scale Manufacturing Industries | 211.00 |
| Seminars on Business Opportunities under Projects Financed by the ADB | 66.00 |
| Study of the Role of the Bank in the 1990s | 350.00 |
| ADB/IFC Symposium on Foreign Direct Investment in the Asian and Pacific Region | 100.00 |
| 1988 Regional Seminars for Users of Consulting Services | 80.00 |
| EWC/IDB/ADB Conference on Comparative Development Experiences in Asia and Latin America | 40.00 |
| International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) for Strengthening Grain Legume Research in South Asia | 350.00 |
| 17th Pacific Trade and Development (PAFTAD) Conference on the Challenge of Technological Change to Pacific Trade and Development | 20.00 |
| Training Course on Remote Sensing and Information Technology | 140.00 ^g |
| T O T A L | 7,492.00 |

a In addition, IRRI and EDI will provide \$20,700 and \$50,000, respectively, under a cost-sharing arrangement.

b In addition, ICLARM, IRRI and CLSU will provide \$114,600, \$20,000 and \$27,800, respectively, under a cost-sharing arrangement.

c In addition, CIRDAP will provide \$20,000 under a cost-sharing arrangement.

d Of this amount, \$500,000 is to be financed by the Government of Switzerland with the Bank acting as Executing Agency.

e To be financed by the Government of Switzerland with the Bank acting as Executing Agency.

f In addition, IRRI will provide \$687,500 under a cost-sharing arrangement.

g In addition, the European Space Agency will provide \$40,000 under a cost-sharing arrangement.

**GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS BY COUNTRY AND REGIONAL ACTIVITIES,^a
1986, 1987, 1967-1987
(amounts in \$ thousand)**

| Country | No. | 1986 | | | % |
|-----------------------------|----------------|-------------------|-----------------------|------------------|---------------|
| | | Bank Financing | Other Sources | Total | |
| Afghanistan, Dem. Rep. of | — | — | — | — | — |
| Bangladesh | 5 ^b | 200.00 | 1,545.00 ^b | 1,745.00 | 4.85 |
| Bhutan | 7 | 790.00 | 2,800.00 | 3,590.00 | 9.98 |
| Burma | 2 | 150.00 | 680.00 | 830.00 | 2.31 |
| Cambodia | — | — | — | — | — |
| China, People's Republic of | 1 | 75.00 | — | 75.00 | 0.21 |
| Cook Islands | — | — | — | — | — |
| Fiji | 2 | 417.50 | — | 417.50 | 1.16 |
| Indonesia | 9 | 2,538.00 | — | 2,538.00 | 7.05 |
| Kiribati | 1 | 60.00 | — | 60.00 | 0.17 |
| Korea, Republic of | 3 | 233.85 | — | 233.85 | 0.65 |
| Lao PDR | 4 | 734.00 | 1,800.00 | 2,534.00 | 7.04 |
| Malaysia | 5 | 1,195.00 | — | 1,195.00 | 3.32 |
| Maldives | 1 | 60.00 | — | 60.00 | 0.17 |
| Nepal | 9 | 1,685.00 | 1,085.00 | 2,770.00 | 7.70 |
| Pakistan | 14 | 2,756.55 | 960.00 | 3,716.55 | 10.33 |
| Papua New Guinea | 6 | 1,369.00 | — | 1,369.00 | 3.81 |
| Philippines | 8 | 1,448.00 | 1,050.00 | 2,498.00 | 6.94 |
| Singapore | — | — | — | — | — |
| Solomon Islands | 4 | 611.00 | — | 611.00 | 1.70 |
| Sri Lanka | 6 | 1,294.00 | 800.00 | 2,094.00 | 5.82 |
| Taipei, China | — | — | — | — | — |
| Thailand | 6 | 795.00 | 95.00 | 890.00 | 2.47 |
| Tonga | 2 | 381.00 | — | 381.00 | 1.06 |
| Vanuatu | 3 | 435.00 | — | 435.00 | 1.21 |
| Viet Nam | — | — | — | — | — |
| Western Samoa | 2 | 510.00 | — | 510.00 | 1.42 |
| Sub-Total | 100 | 17,737.90 | 10,815.00 | 28,552.90 | 79.37 |
| Regional | 33 | 6,250.40 | 1,170.00 | 7,420.40 | 20.63 |
| TOTAL | 133 | 23,988.30 | 11,985.00 | 35,973.30 | 100.00 |

^a Excluding technical assistance financed under loans, which are included in the Bank's loan data.

^b Adjusted to exclude \$2.65 million UNDP financing of the Second Aquaculture Development Project (Bangladesh) due to change in financing arrangements.

| 1987 | | | | | 1967-1987 | | |
|------------|-------------------|------------------|------------------|---------------|--------------|-------------------|---------------|
| No. | Bank Financing | Other Sources | Total | % | No. | Total Amount | % |
| — | — | — | — | — | 15 | 2,465.70 | 0.88 |
| 11 | 479.00 | 6,103.00 | 6,582.00 | 15.74 | 93 | 42,607.32 | 15.17 |
| 2 | 700.00 | — | 700.00 | 1.67 | 21 | 7,175.00 | 2.55 |
| 4 | 600.00 | 650.00 | 1,250.00 | 2.99 | 38 | 10,716.00 | 3.82 |
| — | — | — | — | — | 2 | 111.00 | 0.04 |
| 5 | 652.00 | 750.00 | 1,402.00 | 3.35 | 6 | 1,477.00 | 0.53 |
| 1 | 288.00 | — | 288.00 | 0.69 | 3 | 449.00 | 0.16 |
| — | — | — | — | — | 16 | 2,361.50 | 0.84 |
| 13 | 3,470.00 | 300.00 | 3,770.00 | 9.01 | 127 | 26,834.27 | 9.56 |
| — | — | — | — | — | 7 | 1,125.00 | 0.40 |
| 1 | 350.00 | — | 350.00 | 0.84 | 32 | 1,660.15 | 1.66 |
| 4 | 555.00 | 2,760.00 | 3,315.00 | 7.93 | 30 | 11,812.78 | 4.21 |
| 4 | 994.00 | — | 994.00 | 2.38 | 38 | 8,356.00 | 2.97 |
| 2 | 610.00 | — | 610.00 | 1.46 | 7 | 1,353.00 | 0.48 |
| 8 | 1,465.00 | 3,041.00 | 4,506.00 | 10.77 | 87 | 33,492.70 | 11.93 |
| 14 | 2,863.00 | 1,355.00 | 4,218.00 | 10.09 | 74 | 18,602.15 | 6.62 |
| 2 | 376.00 | — | 376.00 | 0.90 | 37 | 6,997.60 | 2.49 |
| 8 | 1,834.50 | — | 1,834.50 | 4.39 | 86 | 20,067.90 | 7.15 |
| — | — | — | — | — | 2 | 577.42 | 0.20 |
| 6 | 1,365.00 | — | 1,365.00 | 3.26 | 28 | 4,434.34 | 1.58 |
| 7 | 1,292.50 | — | 1,292.50 | 3.09 | 54 | 9,720.00 | 3.46 |
| — | — | — | — | — | 1 | 100.00 | 0.04 |
| 7 | 955.00 | 40.00 | 995.00 | 2.38 | 51 | 11,619.60 | 4.14 |
| — | — | — | — | — | 10 | 1,466.00 | 0.52 |
| 2 | 329.76 | — | 329.76 | 0.79 | 11 | 1,961.76 | 0.70 |
| — | — | — | — | — | 11 | 1,110.60 | 0.40 |
| 1 | 150.00 | — | 150.00 | 0.36 | 26 | 4,240.50 | 1.51 |
| 102 | 19,328.76 | 14,999.00 | 34,327.76 | 82.09 | 913 | 235,894.29 | 84.01 |
| 39 | 6,642.00 | 850.00 | 7,492.00 | 17.91 | 266 | 44,888.33 | 15.99 |
| 141 | 25,970.76 | 15,849.00 | 41,819.76 | 100.00 | 1,179 | 280,782.62 | 100.00 |

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS BY SECTOR,^a 1986, 1987, 1967-1987
 (amounts in \$ thousand)

| Sector | 1986 | | | 1987 | | | 1967-1987 | | |
|--------------------------------|-----------------|------------------------|---------------|------------|------------------|---------------|------------|-------------------|---------------|
| | No. | Amount | % | No. | Amount | % | No. | Amount | % |
| Agriculture and Agro-Industry | 38 ^b | 14,204.55 ^b | 49.75 | 35 | 10,547.00 | 30.72 | 419 | 119,527.67 | 50.67 |
| Energy | 13 | 2,664.00 | 9.33 | 15 | 5,709.76 | 16.63 | 118 | 33,506.60 | 14.21 |
| Industry and Non-Fuel Minerals | 8 | 1,011.00 | 3.54 | 10 | 3,442.00 | 10.03 | 78 | 15,021.50 | 6.37 |
| Transport and Communications | 19 | 6,701.50 | 23.47 | 15 | 5,189.00 | 15.12 | 120 | 29,733.55 | 12.60 |
| Social Infrastructure | 15 | 2,667.85 | 9.34 | 17 | 5,661.00 | 16.49 | 139 | 29,005.27 | 12.30 |
| Multisector | 2 | 281.00 | 0.99 | 2 | 438.00 | 1.28 | 10 | 1,989.00 | 0.84 |
| Others | 5 | 1,023.00 | 3.58 | 8 | 3,341.00 | 9.73 | 29 | 7,110.70 | 3.01 |
| TOTAL | 100 | 28,552.90 | 100.00 | 102 | 34,927.76 | 100.00 | 913 | 235,894.29 | 100.00 |

a Excluding technical assistance financed under loans which are included in the Bank's loan data

b Adjusted to exclude \$2.65 million UNDP financing of the Second Aquaculture Development Project (Bangladesh) due to change in financing arrangements.

1987 LOANS THAT RESULTED FROM EARLIER BANK TECHNICAL ASSISTANCE

(amounts in \$ million)

| Country/Project | Year of T/A Approval | Amount of T/A | Total Project Cost | Amount of Bank Financing | | | Amount of Co-Financing | Amount of Government Financing |
|---|----------------------|--------------------|--------------------|--------------------------|-----------------|---------------|------------------------|--------------------------------|
| | | | | OCR | ADF | Total | | |
| BANGLADESH | | | | | | | | |
| Road Improvement | 1984) | 0.591 | 171.90 | — | 137.50 | 137.50 | — | 34.40 |
| Brabmaputra Basin Gas Transmission and Distribution | 1985) | 1.580 ^a | | | | | | |
| Urban Centers Sewerage | 1983 | 0.150 | 6.30 | — | 3.30 | 3.30 | 2.15 | 0.85 |
| BIJUTAN | | | | | | | | |
| Ninth Road (Maintenance) Sector | 1987 | 0.075 | 187.50 | 150.00 | — | 150.00 | — | 37.50 |
| Third Irrigation Sector | 1986 | 0.075 | 150.0 | 60.00 | 60.00 | 120.00 | 7.50 | 22.50 |
| KOREA, REPUBLIC OF | | | | | | | | |
| Tenth Water Supply | 1986 | 0.084 | 38.80 | 10.40 | — | 10.40 | — | 28.40 |
| Fourth Road Improvement (Sector) | 1986 | 0.075 | 285.50 | 100.00 | — | 100.00 | — | 185.50 |
| LAO PDR | | | | | | | | |
| Xeset Hydropower | 1980) | 0.246 | 39.90 | — | 15.50 | 15.50 | 18.80 | 5.60 |
| Third Road Improvement | 1984) | 1.000 ^b | | | | | | |
| Third Road Improvement | 1984 | 0.250 | 23.75 | — | 19.00 | 19.00 | 1.13 | 3.62 |
| MALAYSIA | | | | | | | | |
| Fisheries Research and Development | 1984) | 0.245 | 21.80 | 13.50 | — | 13.50 | — | 8.30 |
| Power System Development | 1987) | 0.075 | | | | | | |
| MAIDIVES | | | | | | | | |
| Power System Development | 1986 | 0.060 | 7.13 | — | 6.10 | 6.10 | — | 1.03 |
| NEPAL | | | | | | | | |
| East Rapti Irrigation | 1985 | 0.350 | 38.00 | — | 30.40 | 30.40 | — | 7.60 |
| Hill Fruit Development | 1985 | 0.250 | 17.84 | — | 11.79 | 11.79 | 1.04 | 1.86 |
| Nepal Paper Mill | 1981 | 0.200 | 38.30 | — | 25.10 | 25.10 | — | 13.20 |
| PAKISTAN | | | | | | | | |
| Oil and Gas Development | 1985) | 0.275 | 96.50 | 43.00 | — | 43.00 | 7.50 | 46.00 |
| | 1986) | 0.075 | | | | | | |
| Flood Protection Sector | 1986 | 0.300 | 160.40 | — | 115.00 | 115.00 | 0.20 | 45.20 |
| Third Health | 1986 | 0.236 | 37.20 | — | 30.40 | 30.40 | 3.70 | 3.10 |
| Fruit and Vegetable Marketing | 1984 | 0.230 | 34.30 | — | 22.20 | 22.20 | 1.00 | 1.90 |
| Second On-Farm Water Management | 1986 | 0.239 | 55.16 | — | 28.50 | 28.50 | — | 7.00 |
| Chashma Right Bank Irrigation (Stage II) | 1986 | 0.285 | 60.20 | — | 48.00 | 48.00 | — | 12.20 |
| Indus Right Bank Pipeline Capacity Expansion | 1986 | 0.075 | 100.20 | 29.00 | — | 29.00 | 5.00 | 66.20 |
| PAPUA NEW GUINEA | | | | | | | | |
| East New Britain Smallholder Development | 1984 | 0.350 ^c | 16.70 | 5.00 | 5.00 | 10.00 | — | 6.70 |
| PHILIPPINES | | | | | | | | |
| Second Manila Port | 1987 | 0.075 | 86.60 | 43.50 | — | 43.50 | 1.70 | 35.59 |
| SOLOMON ISLANDS | | | | | | | | |
| Second Honlara Port | 1986 | 0.075 | 5.52 | — | 4.00 | 4.00 | | 1.52 |
| SRI LANKA | | | | | | | | |
| Second Road Improvement | 1986 | 0.360 | 45.65 | — | 36.50 | 36.50 | 0.15 | 9.00 |
| TOTAL | | | | 7.946 | 1,829.24 | 454.40 | 672.29 | 1,126.69 |
| | | | | | | | 51.07 | 614.77 |

^a Financed by UNDP with the Bank acting as Executing Agency.

^b Technical Assistance Loan.

^c Financed by the Government of Switzerland with the Bank acting as Executing Agency.

NET FLOW OF RESOURCES^a TO DMCs (OCR)

(amounts in \$ million)

| DMC | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 |
|--------------------|-------------|-------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Bangladesh | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4.77 | 0.06 | 0.53 | -0.33 |
| Burma | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.01 | 0.04 | 0.82 |
| Fiji | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.17 | 1.30 | 2.69 | 1.33 |
| Hong Kong | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 16.69 | -0.67 | -0.02 |
| India | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Indonesia | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.66 | 2.31 | 10.85 |
| Korea, Republic of | 1.11 | 3.70 | 4.30 | 11.64 | 6.90 | 35.33 | 35.17 | 72.63 | 47.65 |
| Malaysia | 0.00 | -0.02 | 0.39 | 3.43 | 5.02 | 6.38 | 8.01 | 15.34 | 38.43 |
| Nepal | 0.00 | 0.00 | 0.00 | 0.00 | 0.06 | 0.07 | 1.25 | 0.02 | -0.24 |
| Pakistan | 0.00 | 0.00 | 4.48 | 4.74 | 1.07 | -2.71 | 12.43 | 56.33 | 6.61 |
| Papua New Guinea | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Philippines | 0.00 | 0.26 | 1.34 | 0.69 | 3.22 | 5.87 | 19.99 | 37.75 | 35.10 |
| Singapore | 0.00 | 0.00 | 0.82 | 0.18 | 5.34 | 16.32 | 11.81 | 13.11 | 1.90 |
| Sri Lanka | 0.00 | 0.39 | 1.47 | 1.91 | 1.32 | 0.90 | 0.44 | -0.47 | 0.60 |
| Taipei, China | 0.00 | 0.06 | -0.01 | 15.10 | 14.67 | 26.63 | 6.19 | -4.27 | -7.97 |
| Thailand | 0.70 | 2.58 | 1.43 | 2.13 | 0.93 | 3.71 | 13.49 | 31.88 | 37.45 |
| Viet Nam | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.09 | 0.00 |
| T O T A L | 1.81 | 6.97 | 14.22 | 39.81 | 38.52 | 97.42 | 126.58 | 227.31 | 172.16 |

a Net transfer of resources defined as Disbursements less Repayments and Interest/Charges Received.

Note: Excludes Private Sector operations. Totals may not tally due to rounding.

| 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|----------------|----------------|
| -0.48 | -1.06 | 1.08 | -0.09 | -0.73 | -1.20 | -1.01 | -0.96 | -0.87 | -0.89 | -0.88 |
| 0.82 | 3.02 | -0.20 | 0.20 | -0.57 | -0.61 | -0.55 | -0.59 | -0.60 | -0.71 | -0.77 |
| -0.34 | -0.73 | 5.08 | 7.21 | 0.05 | 1.42 | 3.34 | 4.54 | -2.49 | -2.15 | -3.42 |
| -3.72 | -0.87 | 10.21 | 8.36 | 0.53 | 1.97 | -1.90 | -7.05 | -9.33 | -10.87 | -43.24 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 10.77 |
| 13.56 | 6.90 | 35.17 | 36.64 | 61.77 | 91.45 | 110.17 | 91.13 | 74.08 | 72.15 | 148.62 |
| 43.95 | 36.21 | 15.04 | 5.49 | 50.00 | 37.38 | 7.41 | 12.64 | -19.76 | -87.01 | -232.69 |
| 57.30 | 18.86 | 3.32 | 9.47 | 10.20 | 27.58 | 20.85 | -0.80 | -18.38 | -26.39 | -30.23 |
| -0.27 | 0.32 | -0.33 | -0.33 | -0.32 | -0.31 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 19.38 | 25.78 | 37.41 | 3.93 | -3.61 | -1.54 | 13.26 | 11.43 | 8.37 | -11.64 | -23.11 |
| 0.00 | 2.56 | 2.80 | 5.19 | 3.29 | 4.98 | -1.26 | -0.58 | 1.51 | 4.43 | 4.40 |
| 15.01 | 21.31 | 40.19 | 45.70 | 73.79 | 61.45 | 113.71 | 84.97 | 6.56 | -31.03 | -76.38 |
| -6.36 | -6.95 | 8.69 | 1.65 | 3.84 | 2.35 | 1.85 | -6.43 | -11.76 | -15.16 | -16.46 |
| -0.30 | -0.63 | -1.80 | -1.87 | -1.84 | -1.79 | -1.66 | -1.46 | -1.07 | -0.64 | 0.00 |
| -9.87 | -12.15 | 11.77 | -11.15 | -9.17 | -7.68 | -7.21 | -6.97 | -7.01 | -7.55 | -7.75 |
| 20.70 | 26.93 | 8.31 | 52.25 | 29.93 | 56.67 | 48.27 | 51.96 | 45.46 | -11.50 | -88.20 |
| -0.00 | 0.06 | 0.10 | 0.56 | 0.81 | -0.09 | -0.18 | -0.18 | -0.17 | -0.10 | -0.21 |
| 149.33 | 118.78 | 141.58 | 163.23 | 210.31 | 272.03 | 305.09 | 231.64 | 64.56 | -129.06 | -359.54 |

NET FLOW OF RESOURCES^a TO DMCs (ADF)
 (amounts in \$ million)

| DMC | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 |
|---------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Afghanistan, Dem. Rep. of | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.23 | 0.27 | 2.47 | 1.20 |
| Bangladesh | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 16.43 | 3.44 |
| Bhutan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Burma | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2.98 | 5.26 |
| Cambodia | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.63 | 0.00 |
| Cook Islands | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Indonesia | 0.00 | 0.08 | 0.72 | 0.72 | 3.90 | 15.36 | 10.12 | 17.04 | 21.71 |
| Kiribati | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Korea, Republic of | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 0.06 | 0.66 | 1.69 |
| Lao PDR | 0.00 | 0.00 | 0.00 | 0.46 | 0.09 | 1.74 | 0.90 | 2.46 | 0.32 |
| Malaysia | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.80 | 0.83 | 0.76 | 0.24 |
| Maldives | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Nepal | 0.00 | 0.00 | 0.11 | 1.00 | 1.19 | 2.79 | 3.21 | 3.56 | 6.23 |
| Pakistan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2.65 | 16.20 | 6.39 |
| Papua New Guinea | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.35 | 0.30 | 0.49 | 3.57 |
| Philippines | 0.00 | 0.00 | 0.07 | 1.48 | 0.21 | 0.67 | 4.27 | 0.41 | 1.79 |
| Singapore | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.11 | 0.28 | 0.54 | 1.24 |
| Solomon Islands | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sri Lanka | 0.00 | 0.00 | 0.00 | 0.63 | 2.19 | 2.11 | 2.68 | 5.92 | 3.80 |
| Thailand | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.07 | 0.45 |
| Tonga | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.03 | 0.02 |
| Vanuatu | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Viet Nam | 0.00 | 0.00 | 0.00 | 0.00 | 2.26 | 0.15 | 0.52 | 2.52 | -0.25 |
| Western Samoa | 0.00 | 0.00 | 0.57 | 0.88 | 0.71 | 0.39 | 0.18 | 1.43 | 1.04 |
| T O T A L | 0.00 | 0.08 | 1.47 | 5.17 | 10.54 | 25.71 | 26.29 | 74.60 | 58.12 |

^a Net transfer of resources defined as Disbursements less Repayments and Interest/Charges Received.

Note: Excludes Private Sector operations. Totals may not tally due to rounding.

| 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 2.74 | 7.91 | 6.07 | 4.14 | 0.68 | -0.69 | -0.48 | -0.48 | -0.09 | -1.12 | -1.75 |
| 10.44 | 35.73 | 40.59 | 55.19 | 42.49 | 29.20 | 45.89 | 74.57 | 139.79 | 133.53 | 164.43 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.58 | 1.48 | 3.18 |
| 8.77 | 57.25 | 19.78 | 11.35 | 20.40 | 33.15 | 15.18 | 22.94 | 30.40 | 23.80 | 31.86 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.56 | 0.26 | 0.77 | 0.09 | 0.39 | 0.17 | 0.14 |
| 10.51 | 2.79 | -0.08 | 0.81 | -0.16 | -1.32 | -2.01 | -0.99 | 2.78 | -0.60 | 26.23 |
| 0.00 | 0.51 | -0.01 | -0.01 | 0.00 | 0.01 | 0.00 | 0.00 | 0.06 | 0.10 | 0.88 |
| 0.85 | -0.33 | -0.33 | -0.32 | -0.33 | 0.31 | -0.32 | -0.31 | -0.31 | -0.33 | -0.34 |
| -0.16 | 1.96 | 1.45 | 0.21 | 1.09 | 5.04 | 3.78 | 1.48 | 3.61 | 5.014 | 2.11 |
| 0.04 | 0.08 | 0.27 | -0.26 | -0.26 | 0.25 | -0.25 | -0.25 | -0.25 | -0.27 | -0.28 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.70 | 0.02 | 0.08 | 0.48 | 1.05 |
| 4.82 | 4.92 | 6.07 | 7.82 | 13.08 | 18.42 | 21.06 | 34.27 | 39.47 | 30.62 | 23.26 |
| 21.74 | 7.95 | 13.52 | 19.13 | 16.49 | 42.31 | 61.26 | 98.88 | 94.68 | 96.59 | 138.31 |
| 3.20 | 4.24 | 1.95 | 6.91 | 15.26 | 2.98 | 7.79 | 2.34 | 2.59 | 0.29 | 4.13 |
| 1.33 | -0.39 | 0.14 | 6.18 | 1.00 | 3.37 | 5.85 | 1.38 | 1.99 | 27.67 | 32.30 |
| 0.71 | -0.10 | 0.11 | -0.11 | -0.26 | -0.26 | -0.25 | -0.25 | -0.25 | -0.28 | -0.29 |
| 0.22 | 0.46 | 1.96 | 3.44 | 3.09 | 1.74 | 1.12 | 0.86 | 1.60 | 1.64 | 2.74 |
| 8.20 | 23.18 | 8.15 | 4.15 | 8.08 | 15.71 | 27.01 | 24.12 | 26.85 | 35.47 | 42.34 |
| 0.22 | 2.97 | 2.65 | 1.17 | 0.25 | 2.98 | 7.14 | 8.61 | 8.82 | 11.17 | 7.45 |
| 0.19 | 0.77 | 1.10 | 1.28 | 0.61 | 0.11 | 0.57 | 0.97 | 0.57 | 0.46 | 0.56 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.27 | 0.34 | 0.22 | 1.02 |
| -0.18 | -0.26 | 2.12 | 6.61 | 2.70 | -0.46 | 0.19 | -0.01 | 1.47 | 0.50 | 0.06 |
| 2.46 | 4.15 | 3.37 | 3.09 | 2.94 | 1.08 | 3.15 | 2.64 | 0.52 | 0.14 | 0.93 |
| 76.08 | 153.79 | 108.11 | 130.77 | 127.70 | 153.08 | 198.15 | 271.15 | 356.69 | 366.45 | 480.31 |

FINANCIAL RESOURCES

BORROWINGS, 1987

| Country | Borrowing | Amount in Currency of Borrowing (million) | US\$ Equivalent ^a (million) |
|---------------------------------|------------------------------------|--|--|
| Germany, Federal Republic of | 6.00% 7-Year Bonds due 1994 | DM 200 | 118.2 |
| Japan | 5.30% 15-Year Bonds due 2002 | ¥30,000 | 196.7 |
| Kuwait | 7.375% 4.35-Year Bonds due 1991 | KD 11.5 | 42.4 |
| Switzerland | 4.75% 12-Year Bonds due 1999 | SwF 150 | 98.6 |
| International | 9.50% 10-Year Bonds due 1997 | £ 50 | 81.3 |
| T O T A L | | | 537.2 |

^a Based on the exchange rates effective at the date of Board approval of each borrowing.

STATUS OF ASIAN DEVELOPMENT FUND RESOURCES

| | Valued as of 31/12/86 US\$m. | Addition US\$m. | Change in 1987 | Net Change US\$m. | Valued as of 31/12/87 US\$m. | SDRm. ^b |
|---|------------------------------------|--------------------|-----------------|-------------------------|------------------------------------|--------------------|
| Contributed Resources | | | | | | |
| Australia | 243.81 | — | 21.16 | 21.16 | 264.97 | 186.77 |
| Austria | 58.87 | — | 12.88 | 12.88 | 71.75 | 50.57 |
| Belgium | 56.73 | 8.36 | 13.68 | 22.04 | 78.77 | 55.52 |
| Canada | 471.84 | 72.10 | 31.46 | 103.56 | 575.40 | 405.60 |
| Denmark | 49.02 | 9.45 | 11.06 | 20.51 | 69.53 | 49.01 |
| Finland | 36.17 | 7.98 | 8.61 | 16.59 | 52.76 | 37.19 |
| France | 225.45 | 53.88 | 45.74 | 99.62 | 325.07 | 229.14 |
| Germany, Federal Republic of | 519.42 | 63.04 | 125.98 | 189.02 | 708.44 | 499.37 |
| Hong Kong | 0.86 | 0.23 | — | 0.23 | 1.09 | 0.77 |
| Indonesia | 2.58 | 0.46 | — | 0.46 | 3.04 | 2.14 |
| Italy | 180.37 | — | 28.05 | 28.05 | 208.42 | 146.91 |
| Japan | 3,730.84 | 406.89 | 1,180.70 | 1,587.59 | 5,318.43 | 3,748.91 |
| Korea, Republic of | 3.01 | 1.15 | — | 1.15 | 4.16 | 2.93 |
| Netherlands | 163.71 | — | 38.17 | 38.17 | 201.88 | 142.30 |
| New Zealand | 10.46 | 3.74 | 3.11 | 6.85 | 17.31 | 12.20 |
| Norway | 37.91 | — | 7.10 | 7.10 | 45.01 | 31.73 |
| Spain | 28.15 | — | 6.05 | 6.05 | 34.20 | 24.10 |
| Sweden | 55.87 | 13.41 | 10.25 | 23.66 | 79.53 | 56.06 |
| Switzerland | 96.99 | 13.68 | 28.31 | 41.99 | 138.98 | 97.97 |
| Taipei, China | 1.72 | — | — | — | 1.72 | 1.21 |
| United Kingdom | 232.19 | 36.57 | 66.87 | 103.44 | 335.63 | 236.58 |
| United States | 1,222.11 | — | — | — | 1,222.11 ^c | 861.45 |
| Total Contributed Resources | 7,428.08 | 690.95 | 1,639.14 | 2,330.09 | 9,758.17^d | 6,878.44 |
| Additional Resources | | | | | | |
| Set-Aside Resources | 58.24 | — | 9.30 | 9.30 | 67.54 | 47.61 |
| Other Resources ^e | 5.08 | — | — | — | 5.08 | 3.58 |
| Accumulated Translation Adjustments | 27.24 | 57.61 | — | 57.61 | 84.85 | 59.81 |
| Accumulated Surplus | 245.87 | 39.41 | — | 39.41 | 285.28 | 201.09 |
| Total Additional Resources | 336.43 | 97.02 | 9.30 | 106.32 | 442.75 | 312.09 |
| Total Resources | 7,764.51 | 787.97 | 1,648.44 | 2,436.41 | 10,200.92 | 7,190.53 |
| Less: Amounts Disbursed and Outstanding | 2,750.73 | 513.52 | 648.26 | 1,161.78 | 3,912.51 | 2,757.89 |
| Less: Amounts Committed but Undisbursed: | | | | | | |
| Denominated in US Dollars | 1,200.94 | (297.20) | | (297.20) | 903.74 | 637.04 |
| Denominated in SDRs | 2,626.65 | 676.03 | 470.86 | 1,146.89 | 3,773.54 | 2,659.93 |
| Total Uncommitted Resources | 1,186.19 | (104.38) | 529.32 | 421.94 | 1,611.13 | 1,135.67 |
| Less: Provision for Exchange Rate Fluctuations ^f | 402.23 | 156.02 | — | 156.02 | 558.25 | 393.51 |
| Net Amount Available for Loan Commitments | 783.96 | (260.40) | 529.32 | 268.92 | 1,052.88 | 742.16 |

Note: Figures may not add due to rounding.

a Relating to balances as of 31 December 1986 and additions in 1987.

b Valued at the rate of \$1.41866 per SDR as of 31 December 1987.

c Excludes further payment of \$2R million by the United States in early 1988 towards the balance of its ADF IV fourth tranche.

d Excludes amounts totalling \$482.61 million paid under contributions to ADF IV and ADF V but not available for loan commitments as of 31 December 1987.

e Amounts initially accrued or allocated to other Special Funds.

f Equivalent to the sum of Other Resources, Accumulated Translation Adjustments, Accumulated Net Income and Accumulated Loan Principal Repayments.

TECHNICAL ASSISTANCE SPECIAL FUND
 (US Dollar Equivalent)^a

| Contributor | Total Contributions | Amount Utilized |
|--|---------------------|--------------------|
| Direct Voluntary Contributions | | |
| Australia | 2,484,371 | 2,484,371 |
| Austria | 157,918 | 106,153 |
| Bangladesh | 47,352 | 47,352 |
| Belgium | 1,420,003 | 621,255 |
| Canada | 3,345,751 | 3,345,751 |
| Denmark | 1,962,529 | 1,962,529 |
| Finland | 237,201 | 237,201 |
| France | 1,703,906 | 1,700,833 |
| Germany, Federal Republic of | 3,325,410 | 3,325,410 |
| Hong Kong | 100,000 | 100,000 |
| India | 1,835,222 | 1,770,257 |
| Indonesia | 250,000 | 250,000 |
| Italy | 774,148 | 774,148 |
| Japan | 47,777,118 | 47,229,061 |
| Korea, Republic of | 1,750,000 | 1,464,526 |
| Malaysia | 909,888 | 909,888 |
| Netherlands | 1,367,775 | 1,315,325 |
| New Zealand | 1,095,632 | 1,095,632 |
| Norway | 3,341,730 | 3,040,679 |
| Pakistan | 625,013 | 625,013 |
| Singapore | 100,000 | 99,923 |
| Spain | 199,083 | 199,083 |
| Sri Lanka | 6,309 | 6,309 |
| Sweden | 866,790 | 865,021 |
| Switzerland | 1,035,043 | 1,035,043 |
| Taipei, China | 200,000 | 200,000 |
| United Kingdom | 5,616,741 | 5,616,741 |
| United States | 1,500,000 | 1,500,000 |
| Sub-Total | 84,034,933 | 81,927,504 |
| Regularized Replenishment Contributions ^b | 67,363,194 | 8,567,016 |
| Other Resources ^c | 14,281,568 | 12,947,188 |
| T O T A L | 165,679,695 | 103,441,708 |

^a The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by the Bank on 31 December 1987.

^b "Regularized Replenishment Contributions" represents the TASF portion of Instruments of Contributions deposited to the Bank as of 31 December 1987 under Board of Governors' Resolution No. 182 (2 per cent of contributions to ADF V which had become effective as of 31 December 1987) to be used during 1987-1990 for technical assistance to poorer developing member countries of the Bank and for regional technical assistance undertaken by the Bank.

^c Represents income, repayments and reimbursements accruing to TASF since April 1980.

APPENDIXES

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SUMMARY OF BUDGET FOR 1988
Internal Administrative Expenses
(amounts in \$ thousand)

APPENDIX 1

| | 1987 | | | 1988 |
|--|------------------------------------|------------------------------------|---------------------------|---------------|
| | Original Budget¹ | After Transfers² | Actual³ | Budget |
| I. BOARD OF GOVERNORS | 315 | 315 | 281 | 165 |
| II. BOARD OF DIRECTORS | 4,786 | 4,786 | 4,357 | 4,589 |
| Salaries | 2,391 | 2,391 | 2,218 | 2,416 |
| Benefits | 1,109 | 1,109 | 942 | 1,119 |
| Relocation | 534 | 596 | 596 | 319 |
| Business Travel | 390 | 328 | 275 | 346 |
| Staff Services | 362 | 362 | 326 | 389 |
| III. STAFF | 68,725 | 68,725 | 66,948 | 72,655 |
| Salaries | 39,981 | 39,981 | 39,974 | 42,856 |
| Benefits | 22,856 | 22,856 | 21,988 | 24,093 |
| Relocation | 1,891 | 1,891 | 1,237 | 1,707 |
| Consultants | 3,997 | 3,997 | 3,749 | 3,999 |
| IV. BUSINESS TRAVEL AND REPRESENTATION | 6,334 | 6,334 | 5,680 | 6,472 |
| Business Travel | 6,225 | 6,225 | 5,581 | 6,362 |
| Representation | 109 | 109 | 99 | 110 |
| V. OTHER ADMINISTRATIVE EXPENSES | 13,149 | 13,119 | 12,281 | 13,590 |
| Communications | 1,949 | 1,949 | 1,900 | 2,018 |
| Office Occupancy | 2,966 | 2,907 | 2,504 | 3,101 |
| Library | 255 | 257 | 256 | 275 |
| Expendable Supplies | 1,186 | 1,243 | 1,242 | 1,213 |
| Office Equipment | 1,521 | 1,521 | 1,519 | 1,724 |
| Contractual Services | 2,819 | 2,819 | 2,722 | 3,172 |
| Insurance | 377 | 377 | 322 | 253 |
| Depreciation | 1,750 | 1,750 | 1,677 | 1,703 |
| Miscellaneous | 126 | 126 | 79 | 131 |
| New Field Offices | 200 ⁴ | 200 | | |
| VI. GENERAL CONTINGENCY | 933 | 933 | | 975 |
| T O T A L | 94,242 | 94,242 | 89,547 | 98,446 |

1 Due to the lower-than-assumed general salary increase for professional staff in 1986, the Budget figure for Internal Administrative Expenses stood reduced by \$805,000 to \$93,437,000.

2 Transfers were made between Budget items within each Budget Category without exceeding the amount for the Category.

3 Excludes the amount of \$1,664,000 consisting of provisions for accumulated compensated absences — \$512,000 and severance pay — \$1,143,000 to meet accounting requirements as of 31 December 1987, and \$9,000 representing bank charges pertaining directly to ADF. The total expenses of \$91,211,000 have been distributed (as shown in the financial statements) to OCR — \$45,596,000 (Ref. OCR-2), ADF — \$45,606,000 (Ref. ADF-2), and TASF — \$9,000 (Ref. TASF-2).

4 Actual expenses for New Field Offices (Indonesia Resident Office) amounting to \$90,000 are included in the respective items under OTHER ADMINISTRATIVE EXPENSES.

Services to Member Countries
(amounts in \$ thousand)

| Financed from Bank's Resources | Commitments | | | 1988 Budget |
|--------------------------------|--------------------|---------------|---------------|--------------------|
| | 1987 | Budget | Actual | |
| Project Preparatory | 9,500 | 8,233 | | 12,000 |
| Advisory and Operational | 9,000 | 11,096 | | 10,000 |
| Regional | 7,500 | 6,642 | | 8,000 |
| T O T A L | 26,000 | 25,971 | | 30,000 |

RESOLUTIONS OF BOARD OF GOVERNORS DURING 1987

| Resolution No. | Subject | Date Adopted |
|----------------|--|---------------|
| 183 | Procedures for the Election of Directors at the Twentieth Annual Meeting | 28 April 1987 |
| 184 | Financial Statements and Opinions of Independent Auditors | 29 April 1987 |
| 185 | Allocation of Net Income | 29 April 1987 |
| 186 | Place and Date of Forthcoming Annual Meetings | 29 April 1987 |
| 187 | Amendment of Section 7(B)(a) of the By-Laws | 12 June 1987 |

BOARD OF GOVERNORS
(As of 31 December 1987)

Faasootaooa S.P. Sali (Western Samoa) (Chairman)

Vicente Jayme (Philippines) (Vice-Chairman)

Bengt Saeve-Soederbergh (Sweden) (Vice-Chairman)

| COUNTRY | GOVERNOR | ALTERNATE GOVERNOR |
|--|---|--|
| Afghanistan, Democratic Republic of | Mohamed Kabir Minister of Finance | Abdul Ghafoor Joushan President Treasury Department |
| Australia | P. J. Keating Treasurer | R. B. Don Director Australian International Development Assistance Bureau |
| Austria | Ferdinand Lacina Federal Minister of Finance | Othmar Haushofer Director General Ministry of Finance |
| Bangladesh | M. Syeduzzaman Minister for Finance | M.K. Anwar Secretary External Resources Division Ministry of Planning |
| Belgium | M. Eyskens Minister of Finance | Rene Lauwerijns Director-General of Administration of the Treasury |
| Bhutan | Dawa Tsering Minister for Foreign Affairs | Yeshey Zimba Managing Director Royal Monetary Authority of Bhutan |
| Burma | U Tun Tin Deputy Prime Minister and Minister of Planning and Finance | U Kyaw Myint Deputy Minister Ministry of Planning and Finance |
| Cambodia | | |
| Canada | Joe Clark Secretary of State for External Affairs | Stanley Hartl ¹ Deputy Minister Department of Finance |

CONTINUED

| COUNTRY | GOVERNOR | ALTERNATE GOVERNOR |
|------------------------------|--|--|
| China, People's Republic of | Mme. Chen Muhua State Councillor and Governor People's Bank of China | Che Peiqin Member of the Council and Director of International Department People's Bank of China |
| Cook Islands | Terepai Maoate ² Deputy Prime Minister and Minister of Economic Development | Parei Joseph ³ Secretary of Economic Development |
| Denmark | Bjørn Olsen Ambassador, Under-Secretary of State (Development) Ministry of Foreign Affairs | Sten Lilleholt Head of Division DANIDA Ministry of Foreign Affairs |
| Fiji | J.N. Kamikamica ⁴ Minister for Finance and Economic Planning | Savenaca Siwatibau Governor Reserve Bank of Fiji |
| Finland | Kai Helenius ⁵ Under-Secretary of State Ministry for Foreign Affairs | Risto Kauppi ⁶ Deputy Director Ministry for Foreign Affairs |
| France | Edouard Balladur Minister of State In Charge of Economy, Finance and Privatization | Jean-Claude Trichet ⁷ Director of the Treasury Ministry of the Economy, Finance and Privatization |
| Germany, Federal Republic of | Hans Klein ⁸ Federal Minister for Economic Cooperation | Eckard Pieske Deputy Director General Federal Ministry of Finance |
| Hong Kong | Piers Jacobs Financial Secretary | D.A.C. Nendick Secretary for Monetary Affairs |
| India | Narayan Datt Tiwari ⁹ Minister of Finance | S. Venkitaraman Finance Secretary Ministry of Finance |
| Indonesia | Radius Prawiro Minister of Finance | Arifin M. Siregar Governor Bank Indonesia |

BOARD OF GOVERNORS

(As of 31 December 1987)

| COUNTRY | GOVERNOR | ALTERNATE GOVERNOR |
|-------------------------------------|---|---|
| Italy | Carlo Azeglio Ciampi Governor Bank of Italy | Mario Sarcinelli Director General of the Treasury Ministry of the Treasury |
| Japan | Kiichi Miyazawa Minister of Finance | Satoshi Sumita Governor Bank of Japan |
| Kiribati | Teatao Teannaki ¹⁰ Vice-President and Minister of Finance | Beniamina Tinga Secretary for Finance Ministry of Finance |
| Korea, Republic of | Il Sakong ¹¹ Minister of Finance | Sung-Sang Park Governor The Bank of Korea |
| Lao People's Democratic Republic | Sisavath Sisane ¹² First Vice-President of State Bank | Soulignong Nhouyvanisvong ¹³ Deputy of the State Budget Department Ministry of Finance |
| Malaysia | Daim Zainuddin D.H.M.S. Minister of Finance | Tan Sri Datuk Zain Azraai Secretary General Ministry of Finance |
| Maldives | Ahmed Mujuthaba Minister of Transport and Shipping | Ismail Fathy Vice Governor Maldives Monetary Authority and Director of Department of Finance |
| Nepal | Bharat Bahadur Pradhan Minister of State for Finance | Lok Bahadur Shrestha Finance Secretary Ministry of Finance |
| Netherlands | H. O. Ruding Minister of Finance | P. Bukman Minister for Development Cooperation |
| New Zealand | Roger Owen Douglas Minister of Finance | Graham Scott Secretary to the Treasury |
| Norway | Arne Arnesen ¹⁴ State Secretary Ministry of Development Cooperation | Bernt H. Lund Secretary General Ministry of Development Cooperation |

CONTINUED

| COUNTRY | GOVERNOR | ALTERNATE GOVERNOR |
|------------------|--|---|
| Pakistan | Mian Muhammad Yasin Khan Wattoo Minister for Finance and Economic Affairs | Saeed Ahmad Qureshi ¹⁵ Secretary Economic Affairs Division |
| Papua New Guinea | Galeva Kwarara Minister for Finance and Planning | J. Vulupindi Secretary for Finance and Planning |
| Philippines | Vicente Jayme ¹⁶ Secretary of Finance | Jose B. Fernandez, Jr., Governor Central Bank of the Philippines |
| Singapore | Richard Hu Tsu Tau Minister for Finance | Lee Ek Tieng Permanent Secretary Revenue Division Ministry of Finance |
| Solomon Islands | George Kejora Minister of Finance | John Rofeta Permanent Secretary Ministry of Finance |
| Spain | Carlos Solchaga Catalan Minister of Economy and Finance | Miguel Angel Fernandez Ordoñez ¹⁷ Secretary of State for Commerce Ministry of Economy and Finance |
| Sri Lanka | Ronnie de Mel Minister of Finance and Planning | Chandi Chanmugam ¹⁸ Secretary to the Treasury and Secretary, Ministry of Finance and Planning |
| Sweden | Bengt Sæve-Soederbergh Under-Secretary of State for International Development Cooperation Ministry for Foreign Affairs | Carl Johan Groth Assistant Under-Secretary for International Development Cooperation Ministry for Foreign Affairs |
| Switzerland | Silvio Arioli Ambassador, Delegate of the Federal Council for Trade Agreements | Louis Curat Head, Asia Division Swiss Development Cooperation Office |

BOARD OF GOVERNORS

(As of 31 December 1987)

| COUNTRY | GOVERNOR | ALTERNATE GOVERNOR |
|------------------------------------|---|---|
| Taipei, China | Chi-Cheng Chang Governor Central Bank of China | Pei-Ying Pai Vice-Minister of Finance |
| Thailand | Suthee Singhasaneh Minister of Finance | Panas Sirasathien Permanent Secretary for Finance |
| Tonga | J. C. Cocker Minister of Finance | Baron Vaea Minister of Labour, Commerce and Industries and Assistant Minister of Finance |
| United Kingdom | Christopher Patten, MP Minister of State for Foreign and Commonwealth Affairs and Minister for Overseas Development | J. L. F. Buist Under Secretary International Division Overseas Development Administration |
| United States | James A. Baker III Secretary of the Treasury | W. Allen Wallis Under Secretary of State for Economic Affairs |
| Vanuatu | Sela Molisa ¹⁹ Minister for Finance and Housing | John Selby Regenvanu Deputy Prime Minister and Minister of Home Affairs |
| Viet Nam, Socialist Republic of | Lu Minh Chau Minister Director General State Bank of Viet Nam | Le Hoang Vice-Minister Deputy Director General State Bank of Viet Nam |
| Western Samoa | Faasootauloa S.P. Saiti Minister of Finance | Kolone Va'ai Financial Secretary |

- 1 Succeeded Bernard Drabble in November.
 2 Succeeded Sir Thomas Robert Alexander
Harries Davis in September.
 3 Succeeded Tai Manuela in February.
 4 Succeeded Mahendra Pal Chaudry in December.
 Mahendra Pal Chaudry succeeded Moses Qiongharavi in April.
 5 Succeeded Martti Ahtisaari in January.
 6 Succeeded Kai Helenius in January.
 7 Succeeded Daniel Lebègue in August.
 8 Succeeded Jürgen Warneke in May.
 9 Succeeded Vishwanath Pratap Singh in July.
 10 Succeeded Boanuroko Boanereke in May.

- 11 Succeeded In-Yong Chung in May.
 12 Succeeded Oudone Pholsena in July.
 13 Succeeded Kitham Vongsay in July.
 14 Succeeded Hans Christian Bugge in August.
 15 Succeeded M.A.G.M. Akhtar in October.
 16 Succeeded Jitunee V. Ongpin in November.
 17 Succeeded Luis de Velasco in January.
 18 Succeeded Bakul Mahadeva in July.
 19 Succeeded Kalpokut Kalsakau in December.

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1987)

| DIRECTOR | ALTERNATE DIRECTOR | COUNTRIES REPRESENTED ¹ |
|--|---|--|
| David Craxton ² (United Kingdom) | Heinz Bühler ³ (Federal Republic of Germany) | Austria; Federal Republic of Germany; United Kingdom |
| Sofjan Djajawinata (Indonesia) | Cliff F. Sproule (New Zealand) | Cook Islands; Fiji; Indonesia; New Zealand; Tonga; Western Samoa |
| Victor H. Frank, Jr. ⁴ (United States) | William R. Thomson (United States) | United States |
| S. M. Kelkar ⁵ (India) | Quazi Azher Ali ⁶ (Bangladesh) | Bangladesh; Bhutan; India; Lao People's Democratic Republic; Socialist Republic of Viet Nam |
| Kong Fannong ⁷ (People's Republic of China) | Li Dongqun ⁸ (People's Republic of China) | People's Republic of China |
| Jean Marc Métivier (Canada) | Inga Klevby ⁹ (Sweden) | Canada; Denmark; Finland; Netherlands; Norway; Sweden |
| Shoji Mori ¹⁰ (Japan) | Satoshi Hashimoto ¹¹ (Japan) | Japan |
| Suwan Pasugswad ¹² (Thailand) | Bhubaneshwar Khatri ¹³ (Nepal) | Burma; Malaysia; Nepal; Singapore; Thailand |
| N. M. Qureshi (Pakistan) | Joker P. Arroyo (Philippines) | Maldives; Pakistan; Philippines |
| Michel Rouge ¹⁴ (France) | Paul Obrist (Switzerland) | Belgium; France; Italy; Spain; Switzerland |
| Kenneth Waller ¹⁵ (Australia) | Ralph Hillman (Australia) | Australia; Hong Kong; Kiribati; Solomon Islands |
| Sung-Yong Wei (Republic of Korea) | H. B. Disanayaka ¹⁶ (Sri Lanka) | Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Vanuatu |

¹ In alphabetical order within each group.² Succeeded Hans Martin Schmid on 1 July.³ Succeeded David Craxton on 1 July.⁴ Succeeded Joe O. Rogers on 1 July.⁵ Succeeded K. V. Ramanathan on 1 July.⁶ Succeeded K. F. Hahman on 23 January.⁷ Elected at the Twentieth Annual Meeting with effect from 1 July.⁸ Appointed with effect from 1 July.⁹ Succeeded Wim Kluft on 1 September.¹⁰ Succeeded Takatoshi Kato on 6 July.¹¹ Succeeded Yukio Saruhashi on 30 June.¹² Succeeded Tunku Abdul Malek on 1 July.¹³ Succeeded Suwan Pasugswad on 1 July.¹⁴ Succeeded Paolo Nardi on 1 August.¹⁵ Elected to succeed Keith J. Horton-Stephens who resigned with effect
from 23 December.¹⁶ Succeeded John Nalera on 1 July.

COMMITTEES OF THE BOARD OF DIRECTORS

(As of 31 December 1987)

AUDIT COMMITTEE

N. M. Qureshi (Chairman)

David Craxton

Kong Fannong

Jean-Marc Métivier

Michel Rougé

Sung-Yong Wei

BUDGET REVIEW COMMITTEE

Sofjan Djajawinata (Chairman)

Victor H. Frank, Jr.

Keith J. Horton-Stephens¹

S. M. Kelkar

Shoji Mori

Suwon Pasugswad

¹ Resigned from the Board of Directors effective 23 December

PRINCIPAL OFFICERS
(As of 31 December 1987)

CONTINUED

OFFICE OF THE PRESIDENT

| | |
|-------------------------|----------------|
| Masao Fujioka | President |
| S. Stanley Katz | Vice-President |
| Günther G. Schulz | Vice-President |
| M. Narasimham | Vice-President |

OFFICE OF THE SECRETARY

| | |
|------------------------|---------------------|
| Arun B. Adarkar | Secretary |
| William G. Brown | Assistant Secretary |

OFFICE OF THE GENERAL COUNSEL

| | |
|--------------------------|---------------------------|
| Chun Pyo Jhong | General Counsel |
| Ramdass K. Keswani | Assistant General Counsel |
| Peter H. Sullivan | Assistant General Counsel |
| D.C. Amerasinghe | Assistant General Counsel |

PROGRAMS DEPARTMENT (EAST)

| | |
|-----------------------------|---|
| David A. Artko | Director |
| Sayed A. Baha | Deputy Director |
| Eiichi Watanabe | Co-Financing Manager |
| Bhanuphol Horayangura | Acting Programs Manager (Division I — People's Rep. of China; Philippines; Taipei, China) |
| Sharda P. Srivastava | Programs Manager (Division II — Hong Kong; Indonesia; Malaysia; Singapore) |
| Osman R.I. Bako | Programs Manager (Division III — Rep. of Korea; Papua New Guinea; South Pacific DMCs) |

PROGRAMS DEPARTMENT (WEST)

| | |
|-------------------------|---|
| Ronald S. Skeates | Director |
| Noritada Morita | Deputy Director |
| Grahame G. Muller | Programs Manager (Division I — Dem. Rep. of Afghanistan; Maldives; Pakistan; Sri Lanka) |
| Dinh Xuan Vinh | Programs Manager (Division II — Bangladesh; Bhutan; India; Nepal) |
| Ricardo M. Tan | Acting Programs Manager (Division III — Burma; Cambodia; Lao People's Dem. Rep.; Thailand; Soc. Rep. of Viet Nam) |

DEVELOPMENT POLICY OFFICE

| | |
|-----------------------|---------|
| Kunio Saito | Chief |
| William T.C. Ho | Manager |

AGRICULTURE DEPARTMENT (EAST)

| | |
|---------------------------|---|
| M. Zaki Azam | Director |
| Klaus J.L. Hoffarth | Deputy Director |
| Eiji Kobayashi | Manager (Division I — Papua New Guinea; Philippines; People's Rep. of China; Taipei, China) |
| Satish C. Jha | Manager (Division II — Hong Kong; Indonesia; Singapore) |
| Akira Seki | Manager (Division III — Rep. of Korea; Malaysia; South Pacific DMCs) |

PRINCIPAL OFFICERS

(As of 31 December 1987)

AGRICULTURE DEPARTMENT (WEST)

| | |
|----------------------------------|--|
| Soeksmono B. Martokoesoemo | Director |
| E. Frank Tacke | Deputy Director |
| Basudev Dahal | Manager (Division I — Dem. Rep. of Afghanistan; Maldives; Pakistan; Sri Lanka) |
| Musunuru S. Rao | Manager (Division II — Bhutan; Burma; India; Nepal) |
| Hatsuya Azumi | Manager (Division III — Bangladesh; Cambodia; Lao People's Dem. Rep.; Thailand; Soc. Rep. of Viet Nam) |

INFRASTRUCTURE DEPARTMENT

| | |
|-------------------------------|--|
| S.V.S. Juneja | Director |
| Neil R. Collier | Deputy Director |
| Mahesan Ganesan | Manager (Airports and Highways) |
| Yuzo Akatsuka | Manager (Ports, Railways and Telecommunications) |
| Javier M. Gomez | Manager (Water Supply) |
| Mazhar Ali Khan | Manager (Social Infrastructure) |
| G.H.P.B. van der Linden | Manager (Education) |

INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT

| | |
|--------------------------|---------------------------------|
| Akira Tsusaka | Director |
| Stephen Y.C. Lau | Deputy Director |
| Vishwanath Desai | Acting Energy Adviser |
| H. Leigh Durland | Manager (Private Sector) |
| Alberto M. Balagot | Manager (Industry and Minerals) |
| V.S. Rao | Manager (Power Division East) |
| Alan D. Burrell | Manager (Power Division West) |
| Ivan L. Zimonyi | Manager (Development Finance) |

CENTRAL PROJECTS SERVICES OFFICE

| | |
|-----------------------|--|
| Lewis Hayashi | Chief |
| Urs Rolf Sieber | Manager (Consulting Services) |
| N. Viswanathan | Manager (Central Loan Administration Services) |

BANGLADESH RESIDENT OFFICE

| | |
|---------------------|-------|
| Paul Koehling | Chief |
|---------------------|-------|

INDONESIA RESIDENT OFFICE

| | |
|--------------------------|-------|
| Richard M. Bradley | Chief |
|--------------------------|-------|

SOUTH PACIFIC REGIONAL OFFICE

| | |
|--------------------------|-------|
| Joaquin J. Gochoco | Chief |
|--------------------------|-------|

BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT

| | |
|-------------------------|--|
| Motomichi Ikawa | Director |
| Dang Fook Lee | Deputy Director |
| Vernon G. Jorssen | Manager (Budget and Planning concurrently Manager, Systems and Procedures) |
| Tony Wan | Manager (Human Resources) |
| Roger E. Malchett | Manager (Compensation and Training) |

OFFICE OF ADMINISTRATIVE SERVICES

| | |
|--------------------------|----------------------------|
| Jayanta Madhab | Chief |
| Hi Young Kim | Manager (General Services) |
| Lim Say Flup | Manager (Support Services) |

SPECIAL PROJECTS OFFICE

| | |
|-----------------------------|-------|
| Pradhan J. Prasad | Chief |
|-----------------------------|-------|

CONTROLLER'S DEPARTMENT

| | |
|-----------------------------|--|
| Shamshad Ali Khan | Controller |
| Bernard Donge | Assistant Controller (Loans) |
| Francis W. Mentus | Assistant Controller (Accounting) |
| Louis Wong | Assistant Controller (Administrative Expenses) |

TREASURER'S DEPARTMENT

| | |
|-----------------------------|---|
| Alan F. Gill | Treasurer |
| Yukiji Miyazaki | Deputy Treasurer |
| Daud Ilyas | Financial Advisor |
| Rip Min | Assistant Treasurer (Funding) |
| Erkki K. Jappinen | Assistant Treasurer (Investments) |
| Chi Chuan Ilung | Assistant Treasurer (Treasury Services) |

ECONOMICS OFFICE

| | |
|-----------------------------------|---------------------------|
| Kedar N. Kohli | Chief Economist |
| John Malcolm Dowling, Jr. | Assistant Chief Economist |
| A.I. Amlul Islam | Assistant Chief Economist |

INFORMATION OFFICE

| | |
|-------------------------------|-------------------------------------|
| Reynaldo D. Pacheco | Chief Information Officer |
| George V. Liu | Assistant Chief Information Officer |

OFFICE OF COMPUTER SERVICES

| | |
|---------------------------|-----------------|
| Gene Lindsey | Chief |
| S. Kalyanaraman | Assistant Chief |

INTERNAL AUDIT OFFICE

| | |
|-------------------------------|-------|
| M.M. Soerakoesoemah | Chief |
|-------------------------------|-------|

POST-EVALUATION OFFICE

| | |
|---------------------------|-------|
| S. Mahboob Alam | Chief |
|---------------------------|-------|

ADB PRESIDENTS AND VICE-PRESIDENTS

PRESIDENTS

| | |
|----------------------|---------------------------------------|
| Mr. Takeshi Watanabe | — 24 November 1966 - 24 November 1972 |
| Mr. Shiro Inoue | — 25 November 1972 - 23 November 1976 |
| Mr. Taroichi Yoshida | — 24 November 1976 - 23 November 1981 |
| Mr. Masao Fujioka | — 24 November 1981 - Present |

VICE-PRESIDENTS

| | |
|---------------------------|------------------------------------|
| Mr. C. S. Krishna Moorthi | — 19 December 1966 - 31 March 1978 |
| Mr. A. T. Bambawale | — 1 April 1978 - 28 October 1985 |
| Mr. S. Stanley Katz | — 1 April 1978 - Present |
| Mr. Günther G. Schulz | — 1 April 1983 - Present |
| Mr. M. Narasimham | — 1 November 1985 - Present |

MAJOR ADB PUBLICATIONS

STUDIES AND REPORTS

- A Bank for Half the World. The Story of the Asian Development Bank 1966-1986
Agriculture in Asia: Its Performance and Prospects, The Role of ADB in its Development (Volume I & II)*
Asian Agricultural Survey*
Asian Development Bank Economics Office Report Series
Asian Development Bank Economic Staff Paper Series
Asian Development Bank Statistical Report Series
Asian Electric Power Utilities Data Book
Asian Energy Problems*
Capital Market Development in Selected Developing Member Countries of the ADB
Conference on Privatization Policies, Methods and Procedures
Costing and Pricing of Electricity in Developing Countries
Distance Education: Professional Staff Paper
Distance Education in Asia and the Pacific (Volume I & II)
Domestic Resource Mobilization Through Financial Development (Volume I & II)*
Energy and Structural Change in the Asia-Pacific Region
Energy Policy Experience of Asian Countries
Energy Study Series
Entrepreneurship and Self-Employment Training
Environmental Planning and Management and the Project Cycle (Environment Paper No. 1)
Handbook on the Use of Pesticides in the Asia-Pacific Region
Improving Domestic Resource Mobilization Through Financial Development (Overview and Country Reports)
Indonesia Urban Sector Profile
Indonesia Water Supply and Sanitation Sector Profile (Volume I & II)*
Irrigation Development and Management
Korea: Study of the Manufacturing Sector with Special Reference to New Technology-Based Small & Medium Industries
Korea Water Supply and Sanitation Sector Profile (Volume I & II)*
Lending for Ports and Related Sectors
Malaysia Urban Sector Profile (Volume I* & II)
Malaysia Water Supply and Sanitation Profile (Volume I & II)*
Nepal Agriculture Sector Strategy Study (Volume I & II)*
Nepal Water Supply and Sanitation Profile (Volume I & II)*
Papua New Guinea Water Supply and Sanitation Sector Profile (Volume I & II)
Philippines Water Supply and Sanitation Sector Profile (Volume I & II)
Power System Efficiency Through Loss Reduction and Load Management
Proceedings of the Asia and Pacific Conference on Accounting Education for Development
Proceedings and Papers Presented at a Symposium on Capital Market Development in the Asia-Pacific Region
Regional Conference on Sail-Motor Propulsion
Regional Seminar on Control of Water Supply Distribution Systems: A Summary Report
Regional Seminar on Irrigation Service Fees: The Proceedings
Regional Seminar on the Use of Rural Health Services
Regional Symposium on Environmental and Natural Resources Planning
Regional Workshop on Irrigation Water Management*
Regional Workshop on Livestock Production Management: The Proceedings*
Review of Bank Operations in the Irrigation Sector 1966-1985
Review of Forestry and Forest Industries in the Asia-Pacific Region
Rural Asia: Challenge and Opportunity*
Rural Development in Asia and the Pacific (Volume I & II)
Rural Employment Creation in Asia and the Pacific: Papers and Proceedings
Sector Paper on Agriculture and Rural Development
South Pacific Agriculture: Choices and Constraints*
Southeast Asia's Economy in the 1970s*
Southeast Asian Regional Transport Survey*
Study of the Coconut Industry in the ADB Region*
The Climate for Private Business — India
The Climate for Private Business — Indonesia
The Climate for Private Business — Republic of Korea
The Climate for Private Business — Malaysia
The Climate for Private Business — Pakistan
The Climate for Private Business — Philippines
The Climate for Private Business — Sri Lanka
The Climate for Private Business — Thailand
Urban Policy Issues — Proceedings of the Regional Seminar on Major National Urban Policy Issues
Western Samoa Agriculture Sector Study (Volume I & II)

INFORMATION BROCHURES AND OTHER PUBLICATIONS

- Application Guide for Assistance to the Private Sector
Asian Development Bank: Co-Financing 1987 with Commercial and Export Credit Sources
Asian Development Bank Quarterly Review (English, French, German and Japanese)
Asian Development Bank: Questions and Answers (English, French, German and Japanese)
Asian Development Bank: Technical Assistance Activities
Asian Development Bank: What It Is, What It Does, How It Works (English, French, German and Japanese)
Asian Development Review (bi annually, by subscription)
Assistance to the Private Sector
Basic Facts, DMCs of ADB
Basic Information (English, French, German and Japanese)
Business Opportunities Under Projects Financed by the Asian Development Bank
Complementary Financing Scheme of the Asian Development Bank with Model Complementary Loan Agreements and Participation Agreements
Development Finance Institutions in Asia and the Pacific: Basic Information Third Edition*
Energy Indicators of Major Developing Member Countries (annually)
Financial Profile, April 1988 (English and Japanese)
Guide to Bank Staff on the Engagement of Consultants
Guide on Prequalification of Civil Works Contractors**
Guidelines for Economic Analysis of Projects
Guidelines for Procurement Under Asian Development Bank Loans

- Guidelines on Project Benefit Monitoring and Evaluation for Agriculture, Irrigation and Rural Development Projects
Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers
Handbook on Bid Evaluation**
Handbook on Management of Project Implementation**
Handbook on Policies, Practices and Procedures Relating to Procurement Under Asian Development Bank Loans**
Handbook on Problems in Procurement for Projects Financed by the Asian Development Bank**
Handbook for Users of Consultants**
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Loan Disbursement Handbook
Loan, Technical Assistance and Private Sector Operations Approvals
Operational Information on Proposed Projects (monthly, by subscription)
Project Benefit Monitoring and Evaluation for Irrigation Projects: Technical Manual for Bank Staff, Staff of Executing Agencies, and Consultants
Project Profiles for Potential Co-Financing (quarterly)
Sample Bidding Documents — Procurement of Civil Works**
Sample Bidding Documents — Procurement of Goods**
Sample Bidding Documents for Supply, Delivery and Installation of Goods**
Staff Guidelines on Institution Development

* Publications are now out of print. Copies of the other publications, however, may be obtained from the Information Office, Asian Development Bank, P.O. Box 789, 1099 Manila, Philippines. All are free of charge, except Operational Information on Proposed Projects (\$30.00 annual subscription), Asian Development Review (\$8.00 per two issues), and A Bank for Half the World (\$25.00 and postage of \$3.50 for Asia and \$5.00 for Australia, Europe and USA).

** Publications may be obtained from the Central Projects Services Office, Asian Development Bank, P.O. Box 789, 1099 Manila, Philippines (\$5.00 each, except Handbook for Users of Consultants — \$10.00 each).



MEMBER COUNTRIES
(date of membership)

1003025453

| | | | |
|-------------------------------------|--------|----------------------------------|--------|
| Afghanistan, Democratic Republic of | (1966) | Lao People's Democratic Republic | (1966) |
| Australia | (1966) | Malaysia | (1966) |
| Austria | (1966) | Maldives | (1978) |
| Bangladesh | (1973) | Nepal | (1966) |
| Belgium | (1966) | Netherlands | (1966) |
| Bhutan | (1982) | New Zealand | (1966) |
| Burma | (1973) | Norway | (1966) |
| Cambodia | (1966) | Pakistan | (1966) |
| Canada | (1966) | Papua New Guinea | (1971) |
| China, People's Republic of | (1986) | Philippines | (1966) |
| Cook Islands | (1976) | Singapore | (1966) |
| Denmark | (1966) | Solomon Islands | (1973) |
| Fiji | (1970) | Spain | (1986) |
| Finland | (1966) | Sri Lanka | (1966) |
| France | (1970) | Sweden | (1966) |
| Germany, Federal Republic of | (1966) | Switzerland | (1967) |
| Hong Kong | (1969) | Taipei, China | (1966) |
| India | (1966) | Thailand | (1966) |
| Indonesia | (1966) | Tonga | (1972) |
| Italy | (1966) | United Kingdom | (1966) |
| Japan | (1966) | United States | (1966) |
| Kiribati | (1974) | Vanuatu | (1981) |
| Korea, Republic of | (1966) | Viet Nam, Socialist Republic of | (1966) |
| | | Western Samoa | (1966) |

Asian Development Bank

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63587 ADB PN
40571 ADB PM

Treasurer's Department

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45645 ADBTRES PM

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Telephone:

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Telex:

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(8802) 411242

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Telex:

46579 ADB TA

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P.O. Box 127, Port Vila, Vanuatu

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Telex:

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Facsimile: (via operator)

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